

# TAXATION

4 AUG 1978 - DEC. 1978



# TALKING SHOP is BACK... your favourite consumer column

IF YOU'RE THINKING OF GOING WEST...

DURING my recent visit to South West Africa I compared 63 grocery items with ours. These prices taken at OK Bazaars in Windhoek, were overall 20 percent higher than OK Bazaars, Durban.

The most startling differences were for Table Top frozen peas — 85 cents for 500 grams! All Gold Tomato Sauce — 56 cents for 375 grams; Aquadara toothpaste — 410 for 100 ml; Carlsberg beer — 47 cents per 410 ml; Purina strained foods — 29 cents each; Ship washing powder — 1.39 a kilogram; Nescafe 250 grams — R3.19. Pot of Gold oil, however, was up from 77 cents to R1.00; and the brand's marmalade, 75 cents in here, costs 90 cents in South West. Blame transport! If you wish, but why are Woolworths clothes the same price and there's a cent — here and there? South West falls under the GST umbrella. I did not notice regular price controls on, for instance, bread and milk. Brown bread was 22 cents and white anything from 34 cents up to and even over 50 cents.

One manager resignedly admitted that the local situation was monopolistic. Several sources were bracketed in higher prices in South Africa. I have no figures, but am reminded of Mark Twain's words: "It isn't what you get, it's how much you can buy with it." So if the important thing is the important thinking of moving there...

Colleen Shearer goes gunning for the new tax villain but finds that apart from the higher cost of dying most firms are bang on target with increases...



## No great GST rip-off

GST hit the South African public during Talking Shop's annual break while I spent my holidays in South West Africa. And I was surprised on my return to learn that few feathers were ruffled in the process of its introduction.

Before I left I priced a variety of goods from wreaths to revolvers — or should it be the other way round? — to check that the prices after tax were consistent.

Results were generally reassuring. A couple of items were a shade dearer even allowing for tax, but some were unexpectedly cheaper.

Exhaust quoted R38.80 for a Coltrane complete to a Citi Pick-up 1973, with a 24 months guarantee. The quotation after tax was R36 plus R144.

### Good news

Healthy Life has dropped the price of Sasko Wheat Germ from 45 cents for 500 grams to 35 cents plus 1 cent tax.

Salon Mayfair had good news, too. An ordinary shampoo and set remained the same price, but being paid by the salon, tax being quoted me. One thousand ordinary face bricks were R92.16 but with tax the price given was R95.32. On my calculations this should be R95.84, so it seems we win again.

Two firms actually dropped the basic prices of goods, offsetting the full impact of the tax.

W. S. Phillips 66 cm colour TV for R929 before tax, dropped its price to R899 plus R36 after July 2.

The second firm was Webber's where the Astra Cadex 22 revolved dropped from R227.50 to R224 plus the tax of R8.96. Items which remained unchanged but had the excise tax added were:

Disprin at People's Chemist — 96 for 99 cents plus 4 cents; Hire where a VW Beetle costs R7.00 a day plus 7 cents a kilometre, with tax being calculated on time and distance travelled. Services charge for supplying and fitting a zip to denim

jeans — R2.00 plus 8 cents; Dominics for 100-watt light bulb — 47 cents plus 2 cents; Greys fingers for a 20 kg bag of Wonderbloom — R4.55 plus 20 cents; Durban North Camera whose Fuji colour film, 35 exposure, is R3.40 plus 14 cents.

Devin's Florist who quoted from R5.00 for a specimen vase now offer this at the same price plus 20 cents.

Rise absorbed Pinecroft Kennels where it depends what breed you board. A Cairn terrier costs 95 cents a day, plus 4 cents now. Dacentre for NGK spark plugs at R4.40 for four, now exactly to tax with 12 cents added.

King's Sports for golf balls. The Pentoid 1.62 inch rose from 83 cents to 88 cents with tax, and the 1.68 inch went up from 96 cents to R1.00 — again this on the tax target, for the YV 1300 and YV 1600 at R3.245 and R3.920 respectively before July 2. Tax on these is R141.80 and R152.80, also both spot on four percent.

I asked why these two models were not cheaper as sales duty had been reduced. I was told that a price rise had been in the pipeline but this had been postponed and the price kept unchanged apart from tax.

The local content percentage in goods has an effect on the price. A car with a low local content percentage, and a high percentage of imported

content is subject to a greater reduction with sales duty on imports having been reduced. Sales duty on cars valued at less than R4 250 is 5 percent, and on those worth more than R4 250 is 10 percent.

Sales duty, ranging from 5 to 20 percent, is still payable on certain "luxury" items which include: jewellery, fur clothing, cameras, Polaroid film, cameras, mounted lenses, telescopes, microphones, radios, TV, headphones, watches, clocks, musical instruments, radios, records, guns and sunglasses.

Items fractionally up in price over and above the 4 percent tax were: The Shellguard Flea Collar at Pet's World.

Not so palatable is Durban Funeral Services' increase in the price of their cheapest artificial wreath, R2.50 to R3.30 with tax. That makes the cost of dying more inflationary than the cost of living. Altogether however, dealers have been very fair.

try Pumpkin, a second branch of the popular farmer-to-consumer stall outside Pietermaritzburg. It is The Vegetable Barn in 100 Brickhill Road and my first visit had prices "come again" appeal. Check these Grade one offerings against the popular Durban North branch of OK Bazaars. Compare prices on the table.

Produce	Vegetable Barn	OK Bazaars
Potatoes per kg:	15 cents	21 cents
Onions per kg:	30 cents	49 cents
Tomatoes per kg:	50 cents	69 cents
Cabbages each:	12 cents	15 cents
Lettuces each:	15 cents	19 cents
Cauliflowers ea:	21 cents (superb)	29 cents

## Information Desk • Information Desk • In

HOLIDAYS may come and holidays may go but the complaints keep rolling in.

First an indignant man, complaining of being charged 35 cents plus tax for a card of Chadwick's darning thread at Greenacres when the identical item was 15 cents plus tax at John Orr's.

He was perfectly correct. When I approached Greenacres the initial excuse was that John Orr's stock was from J P Coats. A double-check then — they were BOTH from Coats. Next argument came that John Orr's bags in bulk and get a special discount. Second excuse, however, was that if John Orr's bought in bulk, why did his La Lucia Mall branch not have this item in stock?

MEN and darning wool brings up a topical point. Are

WHAT'S new? Two greengrocers, one of which opened a few weeks ago in Pinetown under the name of The Cam-



# GST may bring in food subsidies

## Own Correspondent

High level Government talks on the possibility of introducing post-GST food subsidies take place in Pretoria this week.

Dr Joep de Loor, Secretary for Finance, said today officials from his department would meet counterparts in the Department of Agricultural Economics and Marketing this week.

"They will discuss how best to use the R20-million Senator Horwood set aside for special assistance in the Budget," he said.

He said they would be examining how to assist those most severely affected by the general sales tax (GST).

"I expect a decision will be announced late next week or early the following week," Dr de Loor added.

He pointed out that long-term policy was aimed at reducing subsidies to a minimum but that the current situation was regarded as a special case.

The news was welcomed today by the director of the Co-ordinating Consumer Council, Mr J Verheem.

He said the council welcomed any measure designed to bring relief from increasing prices but he did not think the Government would be able to provide relief in the form of reduced prices at this stage.

"However, if they can find a way to hold the prices of bread and milk at their present levels, it will be of great assistance and would be welcomed by my council."

Meanwhile, economists say there is little likelihood of further reductions in direct personal taxation until the next Budget is presented.

"The economy is very delicately poised at present," Mr Adam Jacobs, senior economist of the Afrikaanse Handelsinstituut, said today.

"It is unlikely the authorities will adopt anything but a wait-and-see approach until the next Budget," he said.

4. What factors prevent you from employing more Africans as technicians than you indicated in the previous question?  
Is it because of any of the following? Indicate the 3 factors which you see as being the most important.

- Fear of reactions of white employees.
- Apprenticeship Board restrictions.
- Separate offices/toilets/canteens required by law.
- Trade Union/Industrial Council restrictions.
- Red tape associated with employment of Africans.
- Assumed illegality of placing Whites under Africans.

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GST

## Vendor confusion

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4/8/78

Strange that so many people should remain ignorant of what vendor certificates mean to the general sales tax (gst). It is not a licence for the holder to buy whatever he pleases free of gst but only those goods which he requires for re-sale. Those who try abusing it are looking for trouble.

The point was forcefully brought home by Inland Revenue Secretary Mick van der Walt at a high-powered National Council of Chartered Accountants seminar in Johannesburg last week. "The certificates are the strength and the Achilles heel of gst," he told the audience. "They are the strength in that the seller does not have to identify commodities, so easing administration, and the weakness in that buyers, through ignorance, can misuse them."

A coal merchant cannot buy a fur coat free of gst on the strength of his certificate. That is an obvious abuse and can be readily picked up by the revenue authorities. The certificate has a built-in code which immediately draws attention to the purchaser's main business.

It is solely for the authorities, not sellers, to police. It is for the buyer to pay the tax and for the authorities to see that he does. Penalties for abuse are severe — tax evasion and making a false statement are normal criminal offences, on top of which the Sales Tax Act specifically provides for a R1 000 fine and two years' imprisonment.

### Some abuse

So far, the department has found little evidence of misuse. However, some information has come to light that certain sellers to the trade have not charged gst, because they don't want extra bookkeeping, despite buyers who intend being end-users asking that gst be charged. Such sellers are guilty of abuse.

Questions from the audience were submitted in writing before the seminar. Only a few were answered, for the department is giving written replies (which should be available toward the end of this month) for distribution by National Council.

Some of the questions:

- Construction activity is defined as "the construction ... on site of any building or structure or work of a permanent nature, including the installation on site of fittings ..." But are yards not merely extensions of the contract site and, if so, will the act be suitably amended?

If representations had been made timeously, Van der Walt could have considered them. There might be a case for an amendment as there is an anomaly in that, say, beams cast in a yard and brought to a site are subject to gst,

whereas those cast on-site are part of construction and free of gst. The rub, according to Van der Walt, is that the beams manufactured off-site could be manufactured by a special process more in line with manufacturing and not quite analogous to beams cast on-site. This is a matter for discussion between Bifsa and his department.

- Where there is a group of companies and one company buys for the whole group, which company pays gst as the end-user or must gst be paid more than once?

According to Prof John Morris, another member of the panel, there is no need to pay gst more than once. Simple adjustments can be effected so that the end-user pays gst to the buying company, and only one tax payment is made.



# Is he overcharging GST?

By Mignonne Crozier  
When is a shopkeeper overcharging General Sales Tax and when is he just putting up his price?

That's a difficult question to answer, as was made clear to Fair Deal this week.

Since the introduction of General Sales Tax, Fair Deal has heard hundreds of allegations of "overcharging tax."

Most consumers who complained were unsure whether the stores they were complaining about had specifically taken more than four percent of a price for GST.

What they did know definitely was that prices "jumped overnight" by far more than four percent after July 3.

"Why doesn't the Government do something..." or "Surely retailers are not allowed to put up their prices like this..." were common exclamations from the

shoppers who telephoned to complain.

Fair Deal sent on 100 complaints to the Department of Commerce to investigate. This is what happened:

From the department's reply, it was clear that only 54 of the allegations stood a chance of being proved. These included 24 complaints of overcharging for bread which the department said should be referred to the Wheat Control Board and 27 complaints that alleged specifically that retailers had charged more than four percent for GST. The Department of Commerce, itself, undertook to investigate three of the 100 complaints.

The rest, according to the department's letter of reply, concerned commodities whose prices were not fixed by law.

"I cannot do anything to curb price increases on commodities which are not controlled and in respect of which no maxi-

mum prices have been fixed," said an official.

So it was obvious from the department's reply that there is little consumers can do to prove or counter overcharging of tax where items are not price-controlled.

Where there is no control, shopkeepers can charge what they like — and who's to know whether they're actually claiming more than four percent for tax or just legitimately putting up their prices?

There are several types of price control in this country.

## CONTROL

The prices of a wide range of items from electrical appliances and building materials to yellow margarine and fertilisers are subject to control in terms of the Price Control Act of 1964.

The Price Controller may also conclude an agreement with a specific manufacturer or group of manufacturers on an industry basis in terms of which the manufacturer or industry undertakes not to increase prices without the prior approval of the Price Controller. Agreements of this nature have been made for commodities ranging from anthracite and coke to pharmaceutical products, household furniture and petrol.

The prices of certain agricultural products are controlled in terms of the Marketing Act. Prices of bread, wheat flour and meal, butter, cheese and fresh milk in certain areas are fixed at retail levels in terms of this act.

Would South African consumers like to see more price control?

Mr Mike Hawkins of the Consumer Council told Fair Deal that he got the impression that the majority of consumers who complained of GST to the Consumer Council "would love to see blanket price control."

"They believed — quite wrongly — that more price control would mean a control in price increase," he said.

## NECESSARY

The Consumer Council itself was "by no means in favour of excessive price control," he said. It was necessary that the prices of certain items such as basic foods were controlled, he said. "But the consumer gets a better deal from a competitive situation."

Mrs Joy Hurwitz, president of the Housewives' League, said the league was totally opposed to the principle of price control.

It could be argued, she said, that price control of certain products in South Africa was necessary to protect the poor. But price control in this country had done little to contain increases, she said.

## IRRELEVANT

Mr Eugene Roelofse, Ombudsman of the South African Council of Churches, queried the effectiveness of the price control departments in this country.

The fact that the Johannesburg Department of Commerce could take action on so few of the complaints referred to it by Fair Deal proved that the price control operation itself is "totally irrelevant to the realities faced by consumers," he said.

## MIRACLES OF HEALING WITH BOETIE AND CATHY SCHOEMAN

11th, 12th & 13th AUGUST AT 7.30 p.m.

AT  
RHEMA CHRISTIAN CENTRE

3rd FLOOR, CAPE YORK  
252 JEPPE STREET  
JOHANNESBURG

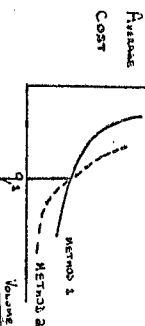
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greater volume is produced, unit costs will fall. This is due to the fact that learning occurs on the job, the cumulative volume economies, and because different planned volumes lend themselves to different techniques of production.

Chamberlin (1948) emphasises the fact that method of production must be seen in relation to volume of output. For if economies of scale are to be explained purely in terms of proportions (i.e. methods) such explanation can rest only on the "indivisibility" phenomenon. But scale effects occur even where divisibility is complete (see Chamberlin, Mcleoud, Hahn, 1949).

The relationship of method to volume is shown in diagram 4. At volume above  $q_1$  it becomes profitable to use method 2 which has a lower average cost only at large volumes.



# Dept to review GST poser

Pretoria Bureau

THE exemption of all items costing less than 13c from the General Sales Tax — including half loaves of bread — will be reviewed next week by the Department of Inland Revenue.

Representatives of cafe proprietors have complained bitterly at meetings in Pretoria this week with the Consumer Council, representatives of the Price Control Office and officials of the Department of Inland Revenue, that on items costing less than 13c they are being made to pay the tax on behalf of the consumer.

The department concedes that the cafe owner has a problem.

Customers can buy a large range of items — among them matches, sweets, rolls and buns — without paying GST.

But the cafe owner has to pay the 4% tax on his total turnover, including his cash intake from items on which the customer paid no tax.

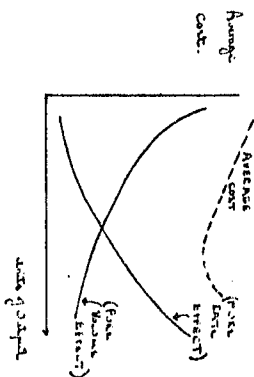
A senior Department of Revenue official, however, said in Pretoria yesterday the rounding off tables which allow the cafes to round off the price to the nearest cent, should compensate the cafe proprietor for any loss involved in selling items costing less than 13c tax free.

He said up to 25c a trader can add on another cent for GST.

under consideration. Diagram 6 shows the cost function for the long run and for the immediate future. LRAC and LRMC indicate a different cost function for each date

Size of output and thus economies of scale are the result of the conceptual distinction between volume and rate of output.

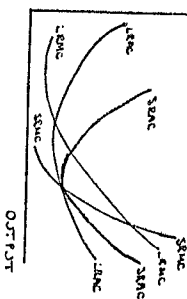
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relationship between size of output and volume of production.

ysis further, the effects of variations in production changes, can be seen. The LRAC and LRMC indicate a different cost function for each date

AVERAGE COST





# GST stays 'put' says Horwood

NM 18/8/78

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## Political Reporter

**GENERAL sales tax will be pegged at 4 percent for the foreseeable future, the Minister of Finance, Senator Owen Horwood, said at the National Party's Natal congress in Durban yesterday.**

The wider the scope of the tax, the lower the percentage, he told delegates.

But later Senator Horwood said if circumstances permitted the tax could be lowered to 3 percent.

"This cannot be contemplated now, however. I must make that point quite clear," he said.

He rejected a call for the imposition of double sales tax on luxury imported items where similar items were locally produced.

He said local manufacturers were protected by tariffs levied on imported goods.

Luxury and non-essential articles which were imported were already heavily taxed and with GST the prices of these lines were correspondingly higher than locally produced lines.

## Grant

Earlier he announced a Government grant of R7 100 000 to Natal for an immediate start to be made on the construction of a road to link East Griqualand with the rest of the Province.

The road, from Underberg to Swartberg, would probably be completed in 1982, said Senator Horwood.

At a public meeting in the Durban City Hall on Wednesday night, Senator Horwood took the deputy chairman of Anglo American, Mr. G. W. H. Rely, to task for suggesting that South African society was close to a shattering point.

## Anglo

Only a few days previously, the chairman of Anglo American had said there had been an improvement in the country's economic condition and that there could be concentration more on economic growth, said

province's beaches, Mr. Robbie Viljoen, MPC for Port Natal, said the council had the power to do so. But this was unlikely to happen while the NRP had the majority in the council, he said.

In another provincial issue, Natal's Executive Committee was called on to allow school teachers and principals to take part in municipal elections without having Exco's approval.

## Teachers

A Dundee delegate said the NRP had many candidates in the province's municipal elections, particularly in Durban and Pietermaritzburg and the party was making an attempt to rebuild itself from the bottom.

But in the country areas the Nationalists needed suitably qualified candidates and teachers should be allowed to stand for election without seeking special permission to do so, the delegate said.

In reply, the leader of the Nationalists in the Provincial Council, Mr. Thys van Lingen MPC for Newcastle, said until Exco assumed the power to grant this permission, teachers had to seek approval from the Director of Education and invariably they had been allowed to stand for election.

Ormande Pollok reports that the congress ended in controversy yesterday with a clash between the provincial leader, Senator Owen Horwood, and Dr. Wimpie de Klerk, editor of the *Transvaaler*.

## Exception

Senator Horwood, the Minister of Finance, took strong exception to a column by Dr. de Klerk in which he severely criticised the congress for abusive language during a controversial debate on opening facilities

"Why does his deputy now say that South African society is close to shattering point?"

At yesterday's closing session of the congress there was a strong call for local option on segregating Natal's beaches while on Tuesday delegates were deeply divided on opening amenities to all races.

In both instances — and particularly in yesterday's call — many delegates said the preservation of White rights was at issue and that racial discrimination was not involved.

During yesterday's session a number of provincial matters were discussed, with the most contentious resolution being one calling on the Provincial Council to zone beaches for different race groups.

As first speaker to the resolution, Mr. D. Conradie, said there was no question of mistrust between the different race groups involved.

"We just want to preserve what is ours," he said.

## Segregation

Amanzimtoti delegate Professor J. de Jager said local authorities which wanted to segregate their beaches should be entitled to do so.

While he agreed that the building of trust between race groups was important, this did not mean that Whites and Blacks had to swim together.

Strongly attacking the New Republic Party in the Natal Provincial Council for being "too scared" to implement segregation of the

During the debate delegates referred to "kafferbooties", "outas" and "meide", complained about the Whites always having to share their things, said God had created the different groups and nothing could change it, and another referred to a friend who said he would rather be in hell than in heaven with Blacks.

Dr. de Klerk said the original report had been placed prominently deliberately and he was writing about it again so that people could feel ashamed.

There was some consolation however, that it had not been a one-way debate but congress discipline would have to be stepped-up because the party could not afford another debate like it.

## Unfair

In a special statement to the congress Senator Horwood said it was an unfair attack on the congress which had nothing to be ashamed of.

Certain terms had been used which were "regrettable" but, he said the chairman, Mr. Stoffel Botha, MP for Eshowe, had elicited an assurance that they had not been meant offensively.

Senator Horwood said Dr. de Klerk should have contacted the party for an official explanation before publishing his column.

This column said also that senior members who had said that people who were undermining the party from the Left should leave should say the same thing to the Right-wing.



# GST and those 'empties'

MM 18/8/28

(320)

## Financial Editor

THE Receiver of Revenue, Durban, has given yet another ruling on general sales tax and returnable containers. This will cancel new regulations which were announced last week.

A spokesman for the Receiver's office said yesterday that he had not been put "fully in the picture yet" because he had received details of the latest change third-hand. This is about the fourth time the ruling on returnable containers has changed since the introduction of GST.

However, you can say that if a consumer takes a soft drink bottle back he will not have to pay tax on a full bottle. "This means that the consumer will only pay tax on the contents of the bottle."

The official added that a further statement would be made when details were received in writing about the latest alteration.

Referring to tax exemption certificates, the official said that his department was concerned about the misuse of these certificates.

"There have been cases of people using certificate numbers which do not belong to them to obtain goods tax free from

men

## Croatian

WINDHOEK — M.  
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of December 31.

# Receiver changes mind again



# Unions angry at July record rise in Col

By GERALD REILLY  
Pretoria Bureau

SOUTH AFRICA'S cost of living—bulldozed by the General Sales Tax—shot up by 4.2% during July.

According to the Department of Statistics the Consumer Price Index for July leapt by 3.8 points to a record high of 219.8. This means that in the 12 months to the end of July the country's inflation rate has jumped, back into double figures—to 12.5%.

The department estimates that the new sales tax accounted for 2.8% of the 4.2% increase.

The food only index showed that food prices had risen during July by 5.9% and for the 12 months to the end of July by 14%.

Last night trade union leaders and consumer organisations expressed shock, and accused the Minister of Finance of "totally underestimating" the direct effect and the side effects of the tax.

He had estimated that the index, under the influence of the 4% GST, would rise by between 1% and 2%.

The general secretary of the Trade Union Council of South Africa, Mr Ar-

thur Grobbelaar, said: "Quite obviously traders have taken advantage of the introduction of the sales tax to push up prices."

Mrs Margaret Lessing, of the SA Consumers Union, said if the Minister had been correct in his assessment of an increase it was obvious that traders had raised their prices "behind the shelter of GST".

● All sectors of the medical profession are to ask the South African Medical and Dental Council for an increase in fee structures to bring them in line with rising costs.



1918/1919  
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# COL Soars in Wake of tax

**JOHANNESBURG** — In just one month, July, the Government's General Sales Tax flung South Africa's cost of living up by a massive 4.2 per cent.

The Department of Statistics revealed yesterday the July Consumer Price Index leapt 4.2 per cent to a record 219.8 high — sending the country's inflation rate racing back into double figures, 12.5 per cent.

And last night shocked trade union leaders and consumer organisations said the Minister of Finance had totally underestimated the direct effect and the side effects of the tax.

He had estimated that the index under the influence of the one per cent GST, would rise by between 1 and 2 per cent.

The general secretary of the Trade Union Council of South Africa, Arthur Grobbelaar, said: "This is disgraceful. Quite obviously traders have taken advantage of the introduction of the sales tax to push up prices."

The Minister had indicated when the tax was first announced that if it

prices beyond the limit of the tax.

Mrs Margaret Lessing of the South African Consumers Union, said if the Minister was correct in his assessment of an increase between one and two per cent because of the tax, that it appeared obvious that it appeared the shelter of the GST, traders had raised their prices beyond the tax limit.

"The Minister should have frozen all prices at least a month after the tax was introduced," Mrs Lessing said.

But the executive director of the Association of Chambers of Commerce, Mr Raymond Parsons, said last night it was too early to draw firm conclusions from a single jump in the rate of inflation for July.

The trend would have to be seen for a few months before it could be said that the previous six months fall in the rate of inflation had been permanently reversed.

was exploited, he would take counteraction.

"Well, we now call on him to take action," Mr Grobbelaar said.

The president of the South African Congress of the Federation of Labour, Connie Attie Nieuwoudt, said: "I am shocked. We expected the tax to have a substantial impact on the level of the CPI, but 4.2 per cent is staggering."

He agreed with Mr Grobbelaar that the only reasonable explanation for the huge increase was that traders, over a wide front, had raised their

Certainly, the position should be watched, but there were "unusual circumstances" prevailing in July, he said.

Among these were the reduction and elimination of the sales duty which would not have worked through not have consumer, and indication by many firms that they had been absorbing increases for some months and would increase their prices as a whole with the advent of GST.

"Exploitation does not come into the picture," Mr Parsons said. — DDC.



The only times when I think I don't have any money and this unfortunately happens quite often.

It happened again this week when I had to get a cheque from the Receiver of Revenue for some tax rebate at this time of the year.

I don't remember getting more than R50 a time but when one is broke R50 is a lot of money and this was more the case before that dreadful term "inflation" became a household term in South Africa.

# Burden of tax on blacks

I was thinking about the days of tax rebates for blacks this week when I picked up a copy of the August issue of Race Relations News and saw some comparative figures of how blacks and whites come out after the Receiver of Revenue had his slice of their hard-earned money.

What these masters of research into injustices have done is take two families — one white one black — and compare how

they would come out in taxation at the end of February 28, 1978.

Both families depend on a husband's salary of R6 000 a year — R500 a month. The wife is full-time at home.

Each family has four children, one born during the year and three attending school. Both support an aged mother incapacitated by old age,

on whose maintenance at least R250 will have been paid by the end of the financial year.



The Leslie Xinwa column

Included are medical and fund contributions or medical expenses of R200

for the year and life cover for each man of premiums amounting to R200 for the year.

The black family lives in Crestview, Natal and the white family in Glenwood, Durban.

The last time blacks had abatements in tax was in 1969 when the Bantu Taxation Act was passed, abolishing abatements for blacks.

After all abatements and fund contributions have been worked out the black

family ends up paying R397 in income tax as against R185 for the white — less than half.

The periodical also gives three examples of families in lower income levels: for a man earning R4 300 a year with the same commitments as the black family he ends up paying R23 at the end of the year and the black a whopping R219.

At R2 500 the black ends up paying R55 a year while

the white does not have to pay anything.

It is shown that although percentage rates are higher for whites the lack of abatements can result in a heavier tax burden for blacks.

While the burden of poll tax has now been removed from blacks and with it the lessening of the tax burden even without it taxation as it stands remains discriminatory against blacks. Any change the taxation structure and streamline it for all have become a matter of priority.





# Expert wants tax adjusted for inflation

Sun. Exp. 27/8/78  
(320)

THE levels at which maximum marginal tax rates are applied should be adjusted upwards for inflation.

This would give relief to lower income earners who, because of inflated salaries, are finding themselves in higher tax brackets without any increase (or even a decrease) in the real buying power of their disposable income after tax.

This view comes from Laurie Atkinson, chief executive of Hill Samuel Taxation Services, specialists in private and corporate tax consultancy.

Without adjustment for inflation the effective point at which higher tax rates become applicable has moved steadily lower, he said. In 1976, nearly 75% of gross assessed taxes were

paid by individuals whose taxable incomes did not exceed R20 000.

Only 5.11% of taxes were contributed by income earners in the R30 000 to R40 000 pa bracket. "The main tax burden is being carried by taxpayers in the middle income brackets. Not only were these income earners then more heavily taxed in rand terms, but the buying power of their remaining rands (ie their disposable income) has been reduced by inflation.

"If you want the reason for the lack of consumer demand, this is almost certainly it," he added.

It has been calculated that 16% of all taxpayers earn between R18 000 and R30 000. "These are the people who keep our econo-

my ticking. Yet they ask themselves whether they should try to earn more only to be taxed at higher rates."

As Atkinson points out, the system affects productivity. Salesmen for instance working on a commission basis, are reluctant to increase their earnings while senior executives are reluctant to strive for promotions that will mean higher salaries.

He feels there is some argument for a flat tax rate at the point of income generation, but in the absence of this ideal he recommends an immediate upward adjustment of the cut-off point at which higher rates are applied and then an annual upward revision indexed for inflation.

(b)

(a)

FINANCE

(b)

(a)

OFFICE SYSTEMS

etc.

- (v) Office administration, including functions of secretarial, accounting, stores, despatch, departments.
- (iv) Brief details of personnel administration and control. (Note: This is handled in extended detail in T3C).
- (iii) Functions of sales, research and development departments. Use of quality control and inspection methods as aids to sales promotion and maintenance of company image.
- (ii) Individual type and extent of organisation activities governed by nature of product handled or produced. Public, private and limited liability company constitutions and obligations.
- (i) Using a typical large scale organisation as an example, explain nature of basic financial, technical and administrative framework.

STRUCTURE OF INDUSTRIAL ORGANISATION

GENERAL STUDIES T2B



# 'n inde

RAPPORT 27/8/78

## Manne kan

320  
nog

## lekker stry

Deur DAVID MEADES

**VERKOOPBELASTING** het ons huidige verbruikersprysindeks in 'n yslike turksvy verander. Dit kan oor die volgende paar weke ongetwyfeld onder ekonome en ander kenners tot groot meningsverskil lei.

Die klemverskuiwing in die staat se inkomste wat met die algemene verkoopbelasting (AVB) bereik gaan word, kan ook die hele wese van die samestelling van die huidige prysindeks raak.

Die aankondiging van deesweek deur die Departement van Statistiek dat die verbruikersprysindeks in Julie met 12,5 persent teenoor Julie verlede jaar gestyg het, het die kollig skerp laat val op die verband tussen inflasie en die indeks.

Terselfdertyd is dit ook bekend gemaak dat die uitwerking van AVB op die prysindeks sowat 2,8 persent was. En volgens die raminge van statistici en ekonome sou die prysindeks met die 2,8 persent as grondslag in Julie met sowat 9,5 persent gestyg het as verkoopbelasting nie ingestel is nie.

### Perspektief

Daar word geredeneer dat die AVB nie as inflasionistiese druk op die ekonomie bestempel kan word nie. Daarom is dit nie inflasie nie.

Met hierdie standpunt as grondslag toon die verbruikersprysindeks dan vir die eerste sewe maande vanjaar 'n gemiddelde styging van 12,5 persent teenoor die tota-

word, wat almal op 'n daling in die inflasiekoers dui.

'n Bankekonoom verskil egter skerp met hierdie siening. Hy sê dat hy die logika in die standpunt dat AVB nie inflasie is nie, kan insien, maar dat dit vir hom nie sin maak nie.

Dit gaan hier om die eenvoudige definisie van inflasie, wat volgens sy handboek 'n volgehoue styging in pryse is. In die verlede was daar die verkoopreg, wat 'n regstreekse uitwerking op pryse gehad het. Maar omdat dit geen noemenswaardige uitwerking op inflasie gehad het nie, is dit nie uitgesonder as 'n rede vir stygings in die verbruikersprysindeks nie.

Maar die nuwe AVB het op 'n baie groter skaal 'n uitwerking op pryse. Dit is so dat daar met die instelling van AVB ook in sekere mate daarvoor vergoed is met toegewings. Maar 'n baie groot deel van die bevolking word nie deur hierdie toegewings geraak nie en moet meer betaal vir verbruiksgoedere.

### Brandstof

Aan Sake-Rapport is daar ook genoem dat die staat in die verlede al dikwels sy inkomste met aksynsbelasting verhoog het. Die verhoging van die brandstofprys kan 'n goeie voorbeeld

laat styg, terwyl ons 'n inflasiekoers het, wat sonder AVB baie minder toeneem, is aan ons gesê.



• I

## BACKGROUND:

Basic Reading:

The New Testament: Its

See also

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Primitive Christianity

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kan bereik word waar AVB  
byvoorbeeld tesame met  
ander prysverhogings die  
uitgawes van 'n gesin in die  
lae inkomstegroep kwaai

Met AVB word die hele belastingbasis baie groter en sal dit veral 'n wesenlike uitwerking op die bestebare inkomste van die laer inkomstegroepe hê.

Die samestelling van die verbruikersprysindeks se hele wese kan ook voorts deur AVB geraak word. Hierdie indeks het as doelwit 'n gemiddelde vir die hele bevolking, waar die besteebare inkomste van 'n gemiddelde gesin 'n baie groot rol speel.

Fundamenteel is daar geen verschil tussen so 'n vorm van belasting en die verkoopbelasting nie.

Die soort verhogings was dikwels al skerp en is baie duidelik in die verbruikersprysindeks waargeneem. Dit is 'toe egter nie uitgesonder as 'n vorm van belasting en dus nie inflasionêr nie.

Dr. Jan Hupkes, 'n assistent-hoofbestuurder van FVB, sê dat hy die uitwerking van AVB op die prysindeks nie as inflasie kan beskou nie omdat dit nie weens inflasionistiese druk is nie. Daarom meen hy dat daar eerder na die groothandelprysindeks gekyk moet word om die regte perspektief te kry.

## Verkoopreg

ie styging van 12,5 persent in Julie egter gebruik, styg die gemiddelde styging tot 10,4 persent.

Dit is dan ook net hier waar die meningsverskil begin. As AVB ingesluit word vir die doeleindes van de inflasiekoers, is 'n koers van meer as 11 persent vanjaar ons voorland. Word AVB uitgehaal, gaan dit steeds moeilik wees om onder die 10 persent te bly, maar dit is moontlik.

Background, growth and content,  
pp17-78  
Primitive Christianity  
New Testament History, pp1-143

and social

...ation.

pp78--101, and at least

Three Gospels  
and the New Testament,

Standard Introduction

the more important

.66 C.E.  
nd grow until it was  
been approached with

1. Oral transmission took place in the life of the first

11. What was relevant to faith and life was transmitted.

...the church.

information on the above. The first written documents emerged - see Luke 1:1-4.

The synoptic problem concerns both the similarities and dissimilarities of the first three gospels. This diagram is useful as it indicates overlaps at a glance:-



BDM

# When will tax apartheid end?

28/8/78  
320

**I**NCOME TAX is an unpopular but unavoidable and necessary part of existence. In democratic societies, the imposition of tax is integrally linked with political participation, and the concept is enshrined in the dictum: no taxation without representation.

The dictum does not, of course, apply in South Africa. Blacks pay tax but are excluded from the country's Parliament. But to make matters worse, in many cases blacks also pay tax at higher levels than whites (and incidentally, also coloureds and Indians).

As described in a recent research paper prepared by the SA Institute of Race Relations, whites, coloureds and Indians are covered by the Income Tax Act of 1962 while blacks fall under the Bantu Taxation Act of 1969. Four main discrepancies are built in:

- Blacks are not eligible for abatements given to other groups in respect of children, marriage, medical aid, insurance, old age or dependants.
- Blacks are taxed on their full income above R360 a year, while the starting point for other groups varies according to eligibility for abatements.
- Spouses are assessed separately. While the separation might be envied by non-black taxpayers, up to R750 of the earnings of a white (and coloured and Indian) taxpayer's wife are still tax-free.
- Blacks pay more than one kind of tax: the income and sales taxes that are common to everyone —

and are also possibly subject to a tribal levy and a "homelands" tax, while in city areas such as Soweto they pay a monthly tax towards the cost of building schools.

When these differentials are put into practice, the effects can be startling — as the Institute shows in comparing a black and a white family, each earning R6 000 a year, with the wife at home looking after four children, an aged mother as a dependent, and medical aid and insurance payments to be made.

The black family pays R397 income tax; the white, R185.

Where income is R4 500, a black family pays R219 against the R23 of a white family.

With income down to R2 500, a white family does not pay tax at all; a black family, R55.

We have regularly drawn attention to the anomalies. Earlier this year, the Government finally began to take remedial action with the welcome step to abolishing the long-standing "poll-tax" of R2,50 a year which every black man had to pay.

The Minister of Finance, Senator Owen Horwood, also disclosed during the March Budget that the white-black tax differences were being reviewed. It is to be hoped that this will receive proper attention in the next Budget.

But, in the meantime, Senator Horwood would do race relations a power of good by declaring his firm intention to get rid of this unnecessary and unjustified discrimination.



## Effects of inflation

F.M. 8/9/78

Inflation is the taxman's best friend. Consider that the level at which the present 66% maximum income tax rate applies was set at R28 000 for married couples and R24 000 for singles nine years ago. If increases in the CPI had been taken

into account over the intervening period, these levels would by now have risen to R57 000 and R49 000 respectively. That the tax system refuses to acknowledge increases in the cost of living results in many taxpayers having to pay higher rates of tax on incomes which have not grown in real terms.

The point is forcefully brought home by Dr I H Macgregor, professor at the Wits Graduate School of Business, in the latest issue of *Businessman's Law*.

What's more, Macgregor points out, other important elements, such as tax-free income from post office investments, amounts of abatements, and permissible allowances, have not nearly kept pace with the CPI. The only attempt regularly to adjust for inflation has been in the area of pensions and retirement annuities, and even this has been inadequate. And government has a vested interest in encouraging savings for retirement, since the more that is saved the less the potential burden on the State.

Contrast this against the situation in, for example, Canada, the Netherlands, Switzerland, Israel and Australia. All have taken positive steps to ameliorate the effect of inflation on tax by automatic indexation of amounts stated in tax legislation. In SA, the authorities' attitudes is that they cannot afford to adopt such a system.

Asks Macgregor: "Since most of the present allowances in the Income Tax Act are far removed from the amounts that they ought to be if they are to remain constant in real terms, is it beyond the ingenuity of mathematicians to draw up a computer model to determine the changes that would have to be made to the structure of our taxation system to ensure that revenue is not forsaken but that all allowances are subjected to automatic indexation?"

It is a fair question.





# STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

320

## REPUBLIC OF SOUTH AFRICA GOVERNMENT GAZETTE

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Vol. 159]

PRETORIA, 8 SEPTEMBER 1978

[No. 6149

### PROKLAMASIES

van die Waarnemende Staatspresident van die Republiek van Suid-Afrika

No. R. 224, 1978

BOEDELBELASTINGWET, 1955, EN DIE  
INKOMSTEBELASTINGWET, 1962

KONVENSIË TUSSEN DIE REGERING VAN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE REGERING VAN DIE VERENIGDE KONINKRYK VAN GROOT-BRITTANJE EN NOORD-IERLAND VIR DIE VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTUIKING MET BETREKKING TOT BELASTING OP BOEDELS VAN GESTORWE PERSONE EN OP GESKENKE

Kragtens die bevoegdheide my verleen by artikel 26 (2) van die Boedelbelastingwet, 1955 (Wet 45 van 1955), en artikel 108 (2) van die Inkomstebelastingwet, 1962 (Wet 58 van 1962), verklaar ek hierby dat die Konvensie wat in die Bylae van hierdie Proklamasie vervat is, kragtens artikel 26 (1) en artikel 108 (1) van onderskeidelik genoemde Wette tussen die Regering van die Republiek van Suid-Afrika en die Regering van die Verenigde Koninkryk van Groot-Brittanje en Noord-Ierland aangegaan is ter vermyding van dubbele belasting en die voorkoming van fiskale ontduiking met betrekking tot belasting op boedels van gestorwe persone en op geskenke.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Pretoria, op hede die Een-en-twintigste dag van Augustus Fenduisend Negehonderd Agt-en-sewentig.

M. VILJOEN, Waarnemende Staatspresident.

Op las van die Waarnemende Staatspresident-in-rade:

O. P. F. HORWOOD.

### BYLAE

KONVENSIË TUSSEN DIE REGERING VAN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE REGERING VAN DIE VERENIGDE KONINKRYK VAN GROOT-BRITTANJE EN NOORD-IERLAND VIR DIE VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTUIKING MET BETREKKING TOT BELASTING OP BOEDELS VAN GESTORWE PERSONE EN OP GESKENKE

Die Regering van die Republiek van Suid-Afrika en die Regering van die Verenigde Koninkryk van Groot-Brittanje en Noord-Ierland het;

### PROCLAMATIONS

by the Acting State President of the Republic of South Africa

No. R. 224, 1978

ESTATE DUTY ACT, 1955, AND THE INCOME TAX ACT, 1962

CONVENTION BETWEEN THE GOVERNMENT OF THE 'REPUBLIC OF SOUTH AFRICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS AND ON GIFTS

Under the powers vested in me by section 26 (2) of the Estate Duty Act, 1955 (Act 45 of 1955), and section 108 (2) of the Income Tax Act, 1962 (Act 58 of 1962), I do hereby declare that the Convention set out in the Schedule to this Proclamation has, under section 26 (1) and section 108 (1) of the said Acts respectively, been entered into between the Government of the Republic of South Africa and the Government of the United Kingdom of Great Britain and Northern Ireland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates of deceased persons and on gifts.

Given under my Hand and the Seal of the Republic of South Africa at Pretoria, this Twenty-first day of August, One thousand Nine hundred and Seventy-eight.

M. VILJOEN, Acting State President.

By Order of the Acting State President-in-Council:

O. P. F. HORWOOD.

### SCHEDULE

CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS AND ON GIFTS

The Government of the Republic of South Africa and the Government of the United Kingdom of Great Britain and Northern Ireland;



September 10, 1978.

# Accounting move could cause tax shake-up

By IAN MUIL

profits by the wrong yardstick," Prof Farber says.

This would result in a reassessment of taxable income and a resultant drop in Inland Revenue's income.

This would probably be compensated for by either increasing corporate tax rates or shifting the burden to other taxable areas such as the general sales tax.

Prof Farber says a number of leading companies

the concept with this built-in flexibility for experimentation," says Prof Farber.

The accounting profession, believing that industry has been looking to it for a lead, has recommended, through the national council that all companies adopt the recommended "supplementary current cost income statement" which restates a company's financial results, taking into account the effects of infla-

will be to depreciation, cost of sales and financial gearing.

Depreciation will be based on current asset prices applied at the equivalent stage of the asset's effective life. The difference between current and historical cost depreciation will be shown in the supplementary current cost income statement.

Cost of sales will reflect the cost of replacing old stock and charging or crediting the difference between current and original cost.

Financial gearing will

Where owners' equity partially finances monetary assets, a charge is shown in the current cost income statement representing the decline in real value to the business of that part of monetary assets financed by owners' equity.

Derrick Robson, technical director of the national council says the guidelines are a refinement of the Hyde guidelines published recently by the UK Accounting Standards Committee.

"But the SA guidelines are a framework and not a







We have seen how, for a number of reasons, projects and technological improvement, etc., benefit the rich and the better off rather than the poorer. There is evidence to suggest furthermore, that in the areas where most technological improvements and aid are being given, the rich and poor grows more and more apart.

# Tax system for blacks may change next year

Brett quotes<sup>11</sup> C.B. Ld. shows that 14% of the receive 64% of the pay of more wealthy people resources to join get a few in the main cash ci "only at the expense of sections of the population

Griffin writes of India in 1971, the number of male rural labour force is, the proportion increase in Punjab, the region where technical change have been landlessness is even more proportion of labourers ; more than doubled from 9

**Florida Bureau**  
The black taxation system is expected to be amended during the next parliamentary session to eliminate at least some of the provisions which make blacks earning the same income as whites pay more than them.

interdepartmental. An committee under the chairmanship of the Prime Minister's economic adviser, Dr Simon Strind, is studying the problem.

Dr Brand said yesterday that certain recommendations had been made to the Minister of Finance, Mr. Connie Mulder, but the investigation was still in progress, sources it said.

From other sources it was learnt that the political aspects of black taxation are at the root of the problem.

The political associations

The current situation is that all tax paid by urban blacks goes into a pool. Blacks go to the Urban Re-creation and Development Corporation — in consultation with the Minister of Finance — decides how much is channelled to the various homelands.

ious, non-discriminatory. The SA Institute of Race Relations says black taxation starts at R360, year. They are not entitled to abate their life, whites, colour and Indians. The tax discrimination becomes clear when: A black family earning R6 000 a year pays R369 in tax, while a white family with the same total income pays only R185. A white family earning

R2 500 pays no tax while a black family at the same income level pays R55.

In response, the aggressive Federal Party spokesman on finance, Mr. Harry Schwarz, has described the statement as a "judicious viewpoint".

The discrimination was even more marked in this year's Budget, which provided that \$4,000 a year did not benefit from the concessions announced by the Howard.

"What matters is that at the lower income levels — where the bulk of the black wage massed — there are no deductions," he says. "There is clearly discrimination."

May in which the reserves have been added into the wider South African economy. The majority of these reserves are very poor, although there are some differences.

ty, there is an extremely limited range of goods available at the large level. Imported goods from other countries supply the shortages. These goods are well distributed and regularly replenish local production enterprises from them, and has no effect on the market itself. In which to establish itself. Channels is a crucial brake on

With some resources (for cattle) do not have enough to like a decent income. Thus, as a supplementary source of profit for the main breadwinner provide the labour necessary.

Nor is it worthwhile for the on improved techniques of have decided to produce for

The ideal behind co-operatives, such as the dairy, is firstly that they should provide collective services at a lower cost per person than would be possible individually. Secondly, by marketing



# Unions to call for end to tax on basic foods

13/4/78 K.O.M.  
320

Pretoria Bureau

A DEMAND on the Government to exempt basic foods from General Sales Tax will be made at the annual congress of the 32 000-strong South African Federation of Leather Trade Unions.

## Honorary doctors

NAIROBI. — Veterinary surgeons in Uganda would in future be entitled to use the title of doctor, Uganda Radio reported yesterday.

The radio said President Idi Amin had agreed to amend the law to make this possible. — Sapa-Reuters.

The congress will open in Port Elizabeth on Thursday. The federation is one of South Africa's largest mixed organisations and has about 6 000 black members.

It will be stressed at the congress that as the Government would get millions from GST and increased price it can well afford to free basic foods from GST.

The general secretary of the Federation, Mr Steve Scheepers, said the unions were deeply concerned at the potentially explosive socio-political effects of a continued high unemployment rate and rising basic food prices.

"Our population is growing at nearly 3% a year," he said.

"To have a commercial

and industrial structure able to absorb the more than 150 000 new workers who come on to the labour market each year we need a growth rate of at least 6%."

The most optimistic assessment of this year's growth rate was 3%, he said.

The Federation will emphasise its concern about the "dangers of the present situation."

It is also certain to plead strongly for one GST system — the add-on system.

From resolutions to be debated, many members clearly believe the tax paid on a purchase should be set out on the receipt.

This view is also held by the powerful Trade Union Council of South Africa.



## Your money

# The battle to reduce inflation

WRITING in the Stellenbosch Bureau for Economic Research's recent publication "Prospects for 1979," Professor J. L. Sadie, director of the Bureau, expresses the regret that South Africa is entering a period of economic revival with a rate of inflation as high as 10 percent.

The latest consumer price index (CPI) release by the Department of Statistics — for the month of August — gives credence to his concern.

The record high CPI increase in July was in large measure due to the influence of the new general sales tax (GST). The introduction of the new tax added at least 2.5 percent to the rate of price increase for the month of July.

It has also been charged that many shopkeepers have taken advantage of the introduction of the new tax to raise prices. Whether or not this happened, the release of the August CPI figures has been eagerly awaited to provide evidence of the strength of the underlying inflationary spiral.

In the event, the CPI rose 7.1 percent over the level ruling in July. With the exception of the month of July, with its special circumstances, this represents a higher rate of increase than in any of the previous three months.

The August figure therefore highlights once more that there has been little, if any, underlying improvement in

than the level in August, 1977. Even if an allowance is made for the effect of general sales tax on prices, inflation is still running at close on 10 percent per annum.

The implications of this reality for the economy are grim. Professor Sadie describes the situation as "lamentable, if not outrageous." His concern is understandable. Inflation is a vicious malady in an economic system. The dangers are multiple. But at the start of this particular economic upswing the danger is particularly acute.

The problem is that the growth of consumer purchasing is at present based not so much on rising incomes, but on increasing confidence. If rising prices continue to reduce real purchasing power to the extent that consumer confidence is frustrated, confidence will be dissipated and growth will be nipped in the bud.

And in the current unsettled political and economic environment confidence is fragile. If consumers lose the conviction that their real incomes are likely to continue rising, their commitment to spend will be rapidly lost.

Since it is widely accepted that the current upturn is consumption led, it is crucially important that the spending momentum be maintained.

It is true, however, that the current boost to demand does not only

foreign demand for South African production. But in this respect too, inflation spells a potential danger.

At present, the country's terms of trade are relatively favourable. The sustained depreciation of the US dollar over several months has greatly boosted the profitability of export industries, whilst the rising gold price has further assisted in improving mining margins.

However, reflection of the persistent high level of inflation is that costs continue to rise relentlessly in the mining and agricultural sectors — the mainstay of South Africa's export effort. If this state of affairs continues — in the absence of a rand devaluation, which itself has inflationary implications — cost increases of great magnitude may be required to enable competitive exports to be sold on world markets.

Considering the current weak state of the capital account of the balance of payments, any reduction in the strength of the export effort would spell disaster for South Africa's growth hopes.

Professor Sadie does well to warn against the effects of inflation. The authorities must continue to give this problem urgent attention. It is not too late to achieve a dramatic drop in the level of inflationary pressure. But the move will have to come from the authorities through increased subsidisation of administered prices and through excise duty concessions. If cost-push inflation is not rapidly





QUEUES at the till . . . how long will it last?

# Shopping spree starts up again

Sun. Tribune Bus. 24/9/75  
30  
320

By Penny Swift and Marian Shinn

SOUTH Africans are starting to spend again. During the past four years they spent their money on essentials and put the brakes on luxuries.

All sectors of the business community and economists confirmed that things were picking up and consumers were spending money again.

The liquor trade, which last year experienced a drop in all types of liquor sales reports that more is being bought this year.

Red meat sales — particularly in the higher grades, has never been so good.

But economists have warned that this upswing cannot last.

Dr Johan Cloete, chief economist at Barclays Bank said consumer spending was increasing but people did not have the money to continue spending for any length of time.

He predicted that within a year consumers would be back to the low level spending of recent years.

Before the GST consumers were building up savings but they splurged them on new furniture, appliances and other luxuries before July.

He also noted that fewer consumers were entering into mortgage agreements and the pick up in overseas travel he said was due to people having held back in previous years.

During the tight financial years of the past, it seemed people spent their money — and their savings — on maintaining their living

standards.

Red meat which many regarded as a luxury — actually picked up in sales since 1974.

Meat Board spokesman, Mr Johan Huyzer, said that so far this year, 8.5 percent more beef had been sold than last year. There had been an increase in sales of 15 percent in the higher grade meats.

In 1974 547 827 tons of red meat were sold. Last year this rose to 620 295 tons after steadily increasing through the years.

In the first six months of this year 327 890 tons have been sold.

Mr Huyzer said this was due to meat prices having been kept at relatively low levels. About 40 percent of meat is consumed by blacks he said.

President of the Federated Hotel Associations of Southern Africa, Mr Mike Pieterse, said the liquor industry in all categories took a knock last year for the first time in about 20 years.

Beer consumption dropped by five percent, and fortified wines by 10 percent.

The hotel industry has noticed a two percent increase in occupancy during the first months of the year after having been badly hit when many could not afford to stay in hotels.

The clothing industry, which was badly hit while many people made their clothes last a little longer because they could not afford to replace them, is picking up slightly.

Mr Frank Whitaker, director of the South African Clothing Federation said during the past 18 months things had been very bad in the industry, for the first time since World War 2.

During recessions it was always men's clothing that was first and hardest hit as they were not totally influenced by changing fashions to replace their suits.

The number of men's and boy's suits made dropped by 500 000 in 1977 on the previous year.

In all the number of garments made last year dropped by more than two million.

Furniture sales figures throughout the country are starting to pick up. There was a massive buying spree before GST boom, but indications are that people are now beginning to purchase new furniture other than essentials.

Mr Winston Smith, secretary of the Transvaal Furniture and Upholsterers Manufacturers' Association said people had now paid off their television sets and matching new lounge suites and were now replacing wardrobes and bedroom furniture.

The latest figures show that May furniture sales are up 1.6 percent on May last year. April was the first month this year that showed an increase on last year's sales figures and this was only 0.2 percent.

A marginal increase in the sales of domestic electrical appliances

has been noted, said chairman of the Domestic Appliances Association Mr Ted Ashdown.

He said the trade had been very slack for some time but from the beginning of the year there had been an improvement in sales.

Head of Stellenbosch University's Bureau for Economic Research Professor Jan Sadie said people had been living beyond their means to maintain living standards.

To do this they had spent their savings.

During the past three years the average income per worker had increased by 6.2 percent but broken into race groups this showed that white earnings had dropped by 4.3 percent and black income had risen by 16.9 percent.



# GST<sup>DA</sup> income down (320)

DURBAN — Estimates of South Africa's income from general sales tax vary widely and the country must not put too much hope on excessive revenue from the tax.

That warning was given to the FCI congress by the Secretary of Inland Revenue, Mr. Mickie van der Walt, who said income in July, the first month the tax was introduced, amounted to only R53 million.

On his original estimate of R650 million from GST in this financial year, income would have to run at around R85 million a month, he said.

"I hope against hope that we will make the R650 million. I have been accused of over-estimating, but on the first month's receipts it is clear we did not."

"We have got to be careful not to hang too many hats on the general sales tax peg, as we hung too many hats on the gold peg in 1969."

Reviewing incentive allowances to the manufacturing industry, Mr. Van der Walt said these now cost R1 000 million a year and the Government would have to alter its method of budgeting to make allowances or compensate for lost taxation.

In the United States, he said, it was now common practice to budget for what the government intended to spend in the financial year and also for "taxes fore-gone."

Incentive allowances were becoming "a fiscal bugbear" and Mr. Van der Walt advocated that the double method of budgeting be introduced.

— SAPA.



## DEPARTEMENT VAN BINNELANDSE INKOMSTE

No. R. 1991

29 September 1978

### VERKOOPBELASTINGWET, 1978

#### WYSIGING VAN BYLAE 5 (No. 5/1)

Kragtens artikel 49 (1) (b) van die Verkoopbelastingwet, 1978 (Wet 103 van 1978), word Bylae 5 by genoemde Wet hierby gewysig in die mate in die Bylae hiervan aangegeven.

J. C. HEUNIS, Waarnemende Minister van Finansies.

#### BYLAE

1. Deur in paragraaf 1 paragraaf (1) van item 407.02 deur die volgende te vervang:

"(1) Per persoon, die volgende:

#### Pos No.

- 22.00 (i) Wyn, hoogstens 1 liter.  
(ii) Spiritus- en ander alkoholiese drankke, 'n totale hoeveelheid van hoogstens 1 liter.  
24.02 Bewerkte tabak, hoogstens 400 sigarette en 50 sigare en 250 g sigaret- of pypstak.  
33.06 Parfumerie, hoogstens 300 ml.  
(1) Ander nuwe of gebruikte goed met 'n totale waarde van hoogstens R80."

2. Deur in paragraaf 1 item 412.10 deur die volgende te vervang:

"412.10 *Bona fide* ongevraagde geskenke van nie meer as twee pakke per persoon per kalenderjaar nie en waarvan die waarde per pakke nie R20 oorskry nie [uitgesonderd goed in passasiersbagasie ingesluit, wyn, spiritus en bewerkte tabak (met inbegrip van sigarette en sigare)] versend deur natuurlike persone in die buiteland aan natuurlike persone in die Republiek."

## DEPARTMENT OF INLAND REVENUE

No. R. 1991

29 September 1978

### SALES TAX ACT, 1978

#### AMENDMENT OF SCHEDULE 5 (No. 5/1)

Under section 49 (1) (b) of the Sales Tax Act, 1978 (Act 103 of 1978), Schedule 5 to the said Act is hereby amended to the extent set out in the Schedule hereto.

J. C. HEUNIS, Acting Minister of Finance.

#### SCHEDULE

1. By the substitution in paragraph 1 for paragraph (1) of item 407.02 of the following:

"(1) Per person, the following:

#### Heading No.

- 22.00 (i) Wine, not exceeding 1 litre.  
(ii) Spirituous and other alcoholic beverages, a total quantity not exceeding 1 litre.  
24.02 Manufactured tobacco, not exceeding 400 cigarettes and 50 cigars and 250 g of cigarette or pipe tobacco.  
33.06 Perfumery, not exceeding 300 ml.  
(1) Other new or used goods of a total value not exceeding R80."

2. By the substitution in paragraph 1 for item 412.10 of the following:

"412.10 *Bona fide* unsolicited gifts of not more than two parcels per person per calendar year and of which the value per parcel does not exceed R20 [excluding goods contained in passengers' baggage, wine, spirits and manufactured tobacco (including cigarettes and cigars)] consigned by natural persons abroad to natural persons in the Republic."

29.

sell more if "people came to ask" more often. At Umthi for example, 2 members said that it was not difficult to sell while they had vegetables rotting in their plots.

5. Some people have managed to get around marketing problems to a certain extent.

5.1 It is interesting that in Abalimi one of the people who says marketing is not a problem is Mr. S. Burgambo who sells R150-R200 worth of vegetables a year. (This is substantially more than anybody else). He puts a great deal of time and effort into marketing. Some vegetables he sells locally, some at the Idolophu market. In the tomato season he organises that he, or a relative, goes into Idolophu by bus to sell there. He has an advantage over other people in Abalimi in that he was the first person to sell vegetables which he has been doing since 1958 when a doctor started sending patients to buy vegetables from him. He has thus built up clientele. (Another thing to consider in looking at Burgambo's great success relative to people from other areas is that Abalimi is on a main through road and that it is a very big location which spreads into others as opposed to the very much more isolated Umthi, Inkomo, and Umlambo.)

- 5.2 In Ipoti as part of a fund-raising project for a clinic committee a nursing sister organised a vegetable hawking "business". She

bought sacks of potatoes and tomatoes in a nearby white town and these were divided into small quantities. A woman was employed to hawk them in the villages within walking distance and in any place where the sister went with her truck. The sister estimates that using transport to get to out of the way places and with a full-time seller, they were selling R5.00 worth of vegetables a day. (The woman's salary was R1.00 a day).

Some poor women asked the sister to buy pockets of potatoes or onions for them. From one pocket of potatoes and one of onions, a woman could make R1.50-R2.00 profit a week by selling locally.

This scheme was an important motivation in getting people to join the Ipoti garden. Whether they will be able to sell as successfully from the garden depends on whether they will undercut the prices of the imported vegetables sold in the local café and whether they glut the market.



# Growing hope of further tax cuts soon

ADM 2/10/78  
(320)

BY HOWARD  
PREECE  
Financial Editor

**HOPES** OF further tax cuts later this year or in early 1979 are growing.

The Government can easily afford them — it has no problems at all in meeting all its financing requirements for the rest of the 1978-79 year.

The prospects for tax cuts depend solely on whether the authorities decide such action is necessary in their strategy of cautiously eking out the present limited economic upturn.

There is even some embarrassment within Government as the success — even "over-kill" — of the Treasury's borrowing programme for 1978-79.

In the first five months of 1978-79 some R1 200-million of a total borrowing requirement of R1 700-million for the full year had already been raised.

Mr G T Croeser, the director of finance, internal, at the Treasury acknowledged the deflationary risks of the Government's borrowing success at the executive council meeting of the Federated Chamber of Industries in Durban last week.

He suggested that if there

was further hefty subscription of new money, over and above conversions, to the new Treasury loan issues which open today, the Treasury might largely withdraw from the capital market for the remainder of 1978-79.

This could mean that no new loans would be offered in February when more than R370-million of stock falls due for maturity.

Alternatively, the Treasury could issue loans but reserve the right to take up only a part of the subscription.

This would break from tradition but might be necessary to avoid the danger of mopping up too much liquidity in the economy.

At the FCI conference Mr Croeser, Dr A S Jacobs, general manager of the Reserve Bank, Mr Simon Brand, Economic Adviser to the Prime Minister, and other top Government policy-makers all stressed the official commitment to reducing taxation rather than increasing state spending as more stimulus for the economy is needed.

All the Government speakers cautioned against the alleged dangers of trying to rush the economy into an over-hasty

over-ambitious and unsustainable growth path.

But there is official concern that growth has to be stepped up — particularly since the rate for this year might turn out nearer 2% than the 3% originally expected.

Tax cuts are the top of the priority list to achieve this providing there is no risk of overheating the economy or fuelling inflationary pressures.

Although the financial policy-makers acknowledge the risk of deflationary over-borrowing by Government they point out that the upturn in the supply of money and near-money does not yet suggest an economy running into liquidity problems. The Reserve Bank reported on Saturday in its quarterly bulletin that the seasonally adjusted money and near-money supply rose by R406-million or at an annual rate of 18% in the second quarter of this year from R48-million or an annual 2% in the first quarter.

During July a further substantial increase of R409-million was recorded, resulting in rate of increase of 27% during the four-month period April to July 1978.



# Tax relief may be on the way

5/10/78 320

**PRETORIA** — Interim tax relief before the end of the year is a distinct possibility, according to financial sources here.

It would have the wholehearted support of organised commerce and industry. Business leaders claimed yesterday the Government is in a sound enough financial position to make adjustments in indirect tax not only possible, but "strongly desirable."

Although the Minister of Finance, Sen Horwood, is unable to alter personal and company taxation, except with the authority of Parliament, he can lower the 10 per cent savings levy or customs duties, or abolish them, at any time he finds this expedient.

Economists spoken to yesterday stressed the need to sustain and gently prod the perceptible recovery which started earlier this year.

They warned that if the current momentum was lost, slight as it was, it would be difficult to regenerate and the country could slide back into an even deeper recession.

The head of the Economic Bureau at the University of Stellenbosch, Prof J. L. Sadie,

urged the Minister to abolish sales duty. This, he said, would be an effective anti-inflationary move.

The president of the Association of Chambers of Commerce, Mr J. W. van Eeden, said the Government would be in a strong position next year to lower income and company tax rates.

The lucrative sales tax and the increased tax revenue from gold mines because of a consistently high gold price should make this probable.

However, in the interim, Mr Van Eeden said, if the current growth momentum was to be maintained the economy would have to get regular doses of controlled stimulation. This could best be done by raising consumer spending power by lowering indirect taxation.

The director of the Johannesburg Chamber of Commerce, Mr M. de Jager, said: "It's not only desirable that indirect taxation should be lowered before the end of the year, it's imperative."

The current hesitant economic recovery needed reinforcing. This could best be done by boosting consumer spending.

In addition to lowering indirect taxation the Minister could reduce the loan levy and abolish the sales duty, Mr De Jager said.

A spokesman for the Prime Minister's Economic Advisory Council said if there was to be relief during the remainder of the financial year it should be in indirect taxation.

It was the intention that the recovery should be consumer-led, and any move made to raise the level of consumer spending would sustain or slightly stimulate the hesitant signs of growth.

Meanwhile, the Minister of Economic Affairs, Mr Heunis, said yesterday the Government intended to continue with the present policy of mild stimulation of the economy.

Speaking at the National Development and Management Foundation's business outlook conference, he said the

policy would be supplemented with suitable measures if necessary.

The purpose was to gradually increase the economic growth rate to a level where a favourable balance in the current account of the balance of payments could still be maintained and which would be compatible with the condition of the capital account and the level of the country's foreign reserves.

"Along this course, the confidence in the South African economy of investors, both internal and foreign, will be strengthened in addition to the other advantages which such an increased growth rate contains in itself."

The present approach of promoting a gradual build-up in the growth rate could be expected to continue into 1979, with the emphasis on supporting the revival in private consumption which had so far played an important role during the upswing, Mr Heunis said. — DDCSAPA.

Two, included in our programme have been the history of civilisation, America and Arab Experience series.

Scheduled lunch-hour speakers for the Third Quarter include Associate Professor C.J. Greshoff who will talk on 'Paris and the Provinces': The Unification of France, and Dr. Michael Biddiss of the University of Leicester, who will talk on 'Nazis on Trial': The Nuremberg Tribunal, 1945-6. Dr. Biddiss is being brought out to South Africa by the Students' Visiting Lecturers Organisation at the recommendation of the History Department and our Society.

I am most indebted to my committee for the hard work that they have done this year. Their dedication to their task is evidenced by the smooth running of films, entertainment and the general administration of the Society. Their suggestions have been useful, their interest has been keen, and we wish those of them who are leaving the portals of this university a successful and stimulating future. We are also very sad to bid adieu to one of our most respected and well-loved members, Robin Hallett, who, as a lecturer vitally interested in the history of Africa in general and of Cape Town in particular, has stimulated out interest in the world around us immeasurably. To this founder of the African History course we are pleased to extend Honorary Membership this year. We hope that he will often return to these shores to avail himself of his privileges as a life member of our Society.

Sydney Petersen  
Chairman



# Hope for tax relief before end of year

ROM 5/10/78

320

By GERALD REILLY  
Pretoria Bureau

YOU may be paying less tax by the end of the year.

According to financial experts in Pretoria, interim tax relief before the end of the year is a distinct possibility.

Business leaders claimed yesterday the Government is in a sound enough financial position to make adjustments in indirect tax not only possible but "strongly desirable".

Although the Minister of Finance, Senator Owen Horwood, is unable to alter personal and company taxation except with the authority of Parliament, he can lower the 10% savings levy or customs duties, or abolish them, at any time he finds this expedient.

Yesterday economists stressed the need to sustain and gently prod the country's perceptible economic recovery which started earlier this year.

They warned that if the current momentum was lost it would be difficult to regenerate and the country could slide back into an even deeper recession.

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In addition to lowering indirect taxation the Minister could reduce the loan levy and abolish the sales duty. Mr De Jager said:

A spokesman for the Prime Minister's economic advisory council said if there was to be relief during the remainder of the financial year, it should be in indirect taxation.



## CAPITAL GAINS TAX

### Commerce says no

320

FM 13/10/78

In the aftermath of the Barnato case and amid other indications that the Revenue authorities are taking a tougher attitude on the taxing of capital items, a growing number of voices can be heard urging the introduction of a formal capital gains tax. But organised commerce is not.

A recent meeting of the Johannesburg Chamber of Commerce/Assocom economic affairs committee considered the desirability of introducing a specific CGT to avoid the taxation of capital gains at the high marginal tax rates (especially gains on share and property transactions) and came out in opposition to the idea.

Their reasons:

- CGT would redistribute wealth and thus militate against the capitalist system.
- Investment and capital formation would be discouraged.
- Some of the gains taxed would be illusory, being the product of inflation.
- Few taxpayers keep a record of capital losses to enable them to offset these against capital gains.

Whatever the merits of the matter may be, it is a pity that so many broken reeds have been used to argue the case.

In a country where distribution of income and wealth is as lopsided as in SA, some redistribution is generally regarded as desirable. There is no reason why a system cannot be devised that would allow for inflation. Nor is there any reason why, if taxpayers can keep a record of capital gains, they cannot do the same for losses.

While the discouragement of fixed investment is a material factor, it is strange that the committee did not refer to one of the more practical objections to a CGT: namely, that overseas experience has

shown that this is a relatively difficult tax to administer, and seldom generates as much revenue as its promoters hope.



CO-OPS FM 13/10/78

## The farmers are mad

~~It is a fact~~ (320)  
Anyone who thought that the last had been heard of the agricultural co-operatives' saga when Senator Horwood announced the new taxation arrangements in April 1977, was mistaken.

It will again be high on the agenda at the SA Agricultural Union's annual congress in Cape Town next week. Farmers are incensed that while the new tax arrangements came into force for tax years beginning on or after April 1 1977, the government has not done its share in implementing the so-called "package deal" according to which the co-ops were to get some *quid pro quo* for paying more tax.

One such area is Land Bank finance.

The agreement was that while the LB would continue to provide finance at preferential rates for co-ops' traditional activities (ie short-term finance for crop harvesting, production services, cultivation and processing of agricultural products, and for certain long-term finance for storage) LB finance would also be made available at a so-called "competitive" interest rate, ie a non-preferential rate, related to the commercial bank rate, for the primary and secondary processing of agricultural produce (other than perishable produce, which is covered above) and for co-ops' manufacturing activities. This has not been forthcoming.

And such as the promise that decentralisation aid and benefits, similar to those afforded to industry, would be made available to co-ops, subject of course, to the approval of the Decentralisation Board. This has not happened either.

The delay is partly due to the fact that the Co-operative Act will have to be amended. And this, the co-op grapevine has it, will not be done before 1980. If the Act cannot be re-written sooner some interim relief may have to be offered.



# Belasting kan daal

15/10/78

Kaptein

(320)

**DIE staatskas loop oor. Die Tesourie het nou soveel geld dat hy nie nodig het om vir die res van die fiskale jaar tot einde Februarie 1979 enige belasting van private individue te vorder nie — en die boeke sssal nog klop.**

*Maar dit beteken egter nie dat daar nou grootskaalse belastingverlagings gaan wees nie. Dit gee wel aan die Minister van Finansies, sen. Owen Horwood, al die speelruimte om tog later in die jaar 'n paar aangename aankondigings te doen of ten minste aanstaande jaar weer 'n baie gewilde begroting in te dien.*

Die staat het sy inkomste uit byna alle bronne vir die huidige boekjaar hopeloos onderskat. Maar wie kon dan nou voorsien dat die goudprys só skerp sou styg?

Terselfdertyd bly staatsbesteding laag. Dit is nie so maklik om staatsbesteding, wat nou meer as R8 000 miljoen per jaar is, weer vinnig aan die gang te kry nie.

Aan die einde van September het die staat R839 miljoen op deposito by die

Reserwebank gehad. Met die begin van die boekjaar was daar net R87 miljoen.

En net vandeeweek het die staat 'n verdere R212 miljoen aan nuwe geld getrek met sy jongste leningsuitgiftes. Daar is eers geglo dat die rentekoers van 10 persent op die lang lenings telaar was, maar die private sektor het R123 miljoen bygedra en die Staatkuld-kommissiasie R80 miljoen.

Die staat se saldo by die Reserwebank gaan aan die einde van Oktober ongeveer R1 000 miljoen wees. Volgens die begroting moes dit eintlik 'n tekort van minstens R100 miljoen gewees het — en dié bedrag sou van die Stabilisasiefonds afgekom het.

Daar is 'n hele paar redes waarom dit te goed gaan met die staat se finansies.

## Rentekoerse

• Wie het nou kon droom dat die goudprys nou al reeds op 225 dollar per ons sou staan? In albei die twee kwartale wat in die huidige fiskale jaar val, het die goudmyne reeds 'n gemiddelde goudprys van meer as 200 dollar per ons ontvang. En met 'n soort van belastingkale kan dit 'n ekstra R250 miljoen vir die staatskas beteken.

• Die staat het die rentekoers op sy lenings verlaag van 10,75 persent aan die begin van die jaar tot 10 persent nou, maar nogtans het elke staatslening 'n enorme hoeveelheid nuwe geld ingebring.

• Die Reserwebank het namens die staat nog 'n paar leningsuitgiftes gedoen. Op hierdie manier is meer as R300 miljoen vir die staatskas ingesamel en rentekoerse het nog steeds gedaal.

in elk geval in diens was, is groter as wat verwag is. Dit beteken meer aan belastinginkomste.

• Ons invoer het gestyg en daarom ook die inkomste uit die huidige invoerheffing.

• Besteding op sekere luukse-items wat nog onderhewig was aan die ou verkoopsbelasting, soos motors, het só skerp gestyg dat die inkomste uit hierdie bronne ondanks die laer belastingkoerse nie afneem het nie.

## Verdediging

Maar die belangrikste is staatsbesteding. Dit was vir die eerste vyf maande van die jaar net 6,5 persent hoër as verlede jaar, teenoor 'n begrote styging van byna 12 persent. En, dié rede? Ons bestee baie minder op verdediging nou dat ons nie meer so maklik kan invoer nie.

Die beste bewys van hoe gesond of dalk oorgesond ons staatsfinansies tans is, vind 'n mens in die inkomste- en uitgawe-staat van die Tesourie vir Augustus.

In dié maand het die staat se lopende inkomste sy uitgawes met R138 miljoen oorskry. Dit is iets waarvan 'n mens net in handboeke lees.

Dit is byvoorbeeld die Carter-administrasie se ideal dat die Amerikaanse begroting in 1980 moet klop. Dan moet inkomste, lenings uitgesonder, gelyk wees aan uitgawes. Vir 1978 het hulle begroot vir 'n tekort van 60 000 miljoen dollar.

## Verhaal



● Daar het toe nie veel gekom van die verwagte daling in maatskappywinste nie en hulle dra baie meer by as waarvoor begroot is.

● Die werkloosheidsposisie het verbeter en salaristygings by die mense wat

Ons het dit reeds in Augustus reggekry, en as 'n mens kyk na die styging in regeringsdeposities by die Reserwebank in September, het ons dit waarskynlik in dié maand herhaal.

Maar té gesonde staatsfinansies is ook nie goed nie. Die bedoeling met die laaste Begroting was dat die staat 'n tekort sou toon en daardeur die ekonomie sou stimuleer. Dit is tot nog toe nie die geval nie.

Dat die Minister van Finansies wel nou ruimte het om baie dinge te doen, is nie te betwyfel nie.

Staatsbesteding kan byvoorbeeld baie vinniger styg. Maar dit is nie die moeite werd as dit onoordeelkundig gedoen word nie.

## Pomp

Belasting kan verlaag word, maar die oormatige inkomste is dalk net tydelik en dan moet belasting oor 'n jaar weer verhoog word.

Die staat kan op 'n baie regstreekse manier geld in die ekonomie pomp. In Februarie aanstaande jaar vervel sowat R370 miljoen se staatseffekte. Pleks om weer nuwe effekte te skep kan dit net afgelos word.

Maar wat die Minister van Finansies ook al gaan doen, hang daardie swaard van 'n hoër belasting baie beperkte salarisverhogings ens. nie meer oor ons nie en die land behoort vol glimlagte te wees ná die Begroting in Maart 1979.

IN SPEECH AND DRAMA

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DEPARTMENT OF INLAND REVENUE

No. R. 2074

20 October 1978

INCOME TAX ACT, 1962

AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA AND THE GOVERNMENT OF THE REPUBLIC OF BOTSWANA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

It is hereby notified that the exchange of the instruments of ratification to render the above-mentioned agreement, published under Proclamation R. 49 in *Gazette* 5912, dated 10 March 1978, effective in the Republic of South Africa and in the Republic of Botswana took place in Pretoria on 21 September 1978.

DEPARTEMENT VAN BINNELANDSE

INKOMSTE

No. R. 2074 320

20 Oktober 1978

INKOMSTEBELASTINGWET, 1962

OOREENKOMS TUSSEN DIE REGERING VAN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE REGERING VAN DIE REPUBLIEK VAN BOTSWANA TER VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTDUIKING MET BETREKKING TOT BELASTING OP INKOMSTE

Hierby word bekendgemaak dat die uitruiling van die bekrachtigingsdokumente om bogenoemde ooreenkoms gepubliseer by Proklamasie R. 49 in *Staatskoerant* 5912 van 10 Maart 1978 in die Republiek van Suid-Afrika en in die Republiek van Botswana in werking te laat tree, op 21 September 1978 in Pretoria plaasgevind het.

It is disappointing that there is not more discussion in the Report as to the manner in which a traditional institution, namely the tribal right to graze, has responded to the newer commercial opportunities in ranching as well as to the growth of population. The increasing proportion of the population who have little or no livestock and who remain, since Botswana is primarily a livestock economy, very poor suggests that the traditional right has failed to handle the changed situation satisfactorily. A serious discussion on the institutional aspects of traditional rights may have led to a different formulation. The half of the population who today have no cattle and the great majority of the population who have less than the mean number of livestock have undergone a process akin to that of disinheritance. The exercise of traditional rights to graze originated under very different conditions from those that rule today. Presumably population was small and land abundant. Since cattle were the mainstay of the economy every family had livestock and therefore exercised their grazing rights. Extended family relationships and the "Mafisa" custom ensured that everyone had a modicum of livestock. Changed conditions today mean that only half the population effectively exercise their right to graze. The weakness under current conditions of the traditional right is that it grants only access to land. In order to exercise the traditional right a person must have cattle or smallstock. If he/she has no livestock, or indeed if he has far less than the norm for herds in his community, he has essentially foregone a basic right conferred by the community. By foregoing the right he confers upon others benefits at no cost to themselves and with no return to himself. Botswana represents a clear case of the need to evolve traditional forms to accommodate the commercial world. One of the forcing houses of the modern world is the company concept: essentially simple yet radical. A parallel development would be to upgrade the right to graze (that is,



# What to do with the windfall

State revenue from the gold price this last year could well be almost double the £2.5 billion projected for 1976-77. In the March budget, the Government has set a target of about £2.5 billion for the next quarter, which should be met by the end of 1976.

It is the most obvious benefit of the current boom of gold, which this week means new gold being set in London. The gold price has risen from £100 to £120 in the last quarter, and the gold price has risen from £100 to £120 in the last quarter, and the gold price has risen from £100 to £120 in the last quarter.

But in spite of the static funds and revenue, State revenue in line with gold prices has risen from £1.5 billion in 1975 to £2.5 billion in 1976, and the gold price has risen from £100 to £120 in the last quarter.

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January-March 1976 to £2.5 billion in April 1976.

At the time this was seen as an exceptional level. But the higher September price has now pushed it up to £2.5 billion, and the gold price has risen from £100 to £120 in the last quarter.

The rise of the price, that every £100 in gold price raises the value of the gold price by £100, and the gold price has risen from £100 to £120 in the last quarter.

But in spite of the static funds and revenue, State revenue in line with gold prices has risen from £1.5 billion in 1975 to £2.5 billion in 1976, and the gold price has risen from £100 to £120 in the last quarter.

£120m; yet the increase in the tax take is likely to be about £80m, or roughly three quarters.

These calculations cannot be treated too seriously, as they ignore things like the lowering of grade as the price rises, and the fact that sales in any given period may vary from actual output.

Gold mining costs are continuing to rise (by 15% a year, Harry Oppenheimer said in his Anglo American chairman's review recently). But the gold price remains its present strength, and there is no reason why tax and licence payments should not continue to run at least at £250m a quarter.

Moreover, thanks to the coming on stream of new mining capacity, this year we are not seeing the usual fall in output as the price rises. In May, Horwood said total output this year could be of the order of 720 t, against 710 t in 1975. Actual January-August output of 15,000 oz was still marginally ahead of the 14,000 oz of the same period last year, in spite of the higher price.

The *FBI* argued recently that further

tax concessions are urgently needed if the economic recovery is to be sustained. Blooming revenue from gold, one of the main reasons for the sharp build-up in government balances with the Reserve Bank (up from £374m at the end of December to £571m at the end of August — last August they were £484m), should ensure that substantial concessions can be made without unbalancing the budget.

The impact on government revenue is only one of the consequences of the towering gold price. At the end of last month, the gold and foreign exchange reserves broke through the £2 billion barrier, thanks almost entirely to revaluation of the gold portion.

But the consequences of the gold boom extend far beyond State revenue

and the foreign reserves. Oppenheimer has said the gold mining industry is committed to capital spending programmes of £2 billion. A higher gold price will make it far easier to finance this, and could make even more ambitious projects possible.

And somewhere at the end of the queue are shareholders and workers. Higher gold mining dividends will also generate additional spending power.

While it may seem childish to say so, it should be pointed out that the higher gold price is not an unmixed blessing. Gold's new highs reflect more than anything the weakness of the dollar. As long as the rand remains tied to the dollar, SA also finds its imports becoming dearer.

Nor is there any certainty that the present free market gold price will hold. It is

only five years since the collapse of the last gold boom left Dr Diederichs's financial strategy in tatters, and Horwood will understandably be reluctant to make a similar mistake this time round.

But it is a truism of economic history that the SA economy has developed thanks to one windfall after another. The latest gold boom is the most recent of a long line.

Without going overboard with euphoria, for heaven's sake let's make the most of it and use the proceeds productively — not in grandiose capital projects, but in down-to-earth, practical ways of boosting household spending that will ensure that our struggling economic revival does not flicker out before anybody has really started to share in its rewards.

The fieldwork was carried out over the years 1955 to 1957.

## 2. The living quarters were divided into the following types:

**Guguletu** : Residential area (permanent residents only); Barracks (BAD); Employers' Barracks; Section 3 near Klipfontein Road (residential area for migrant labourers only); KTC ("Dutch Location", squatters).

**Langa** : Residential area (permanent residents only); Old Flats; New Flats; Main Barracks; North Barracks; Zones; Special Bachelor Quarters.

## 3. Even though systematic sampling was employed this did not introduce a bias into the sampling because the population was not systematically distributed. See C.A. Moser and G. Kalton, Survey Methods in Social Investigation (Heinemann, 1971), p.83.



# Government coffers are flush Christmas tax bonus ahead?

Report by TONY HUDSON



Santa Senator?

**MOUNTING** pressure on the Government from the private sector could well mean taxpayers are going to receive a Christmas present — a cut in the tax rate.

Businessmen are saying that because the Government has more than enough cash in its coffers to meet its needs for the current financial year, attention should be given to reducing the heavy tax burden.

One of the main reasons for the treasury's flush position is the rapid upward climb in the gold price which economists estimate should bring in between R150 million and R200 million more than budgeted.

In addition, its forays into the money market for private sector cash have been so successful that market sources say it has already met its budget for the year. If the Government comes into the market again — as was planned — it will

have more than enough cash.

During August, says the Reserve Bank, the Government's deposits rose by R187 million to R574 million and in September they rose by a further R265 million to R839 million.

Again in August, Government income exceeded expenditure by R132 million, giving rise to doubts that the Government was handling its finances in the best way to meet the needs of the economy.

Taking money out of the system and placing it on deposit can only serve as a drag on growth and economists point out that the economy is losing speed and could do with a boost to help it gain momentum.

SA Brewers' Dick Goss agrees and appealed to the Government to reduce taxes at this week's Assocom conference in Pietermaritzburg.

He said the hesitant recovery being ex-

perienced was consumer lead. However, the consumer was unable to keep up his spending, and if not granted relief shortly, the recovery could peter out by July next year.

The latest Standard Bank Economic Review points out that salaries are stagnating if not decreasing and that domestic expenditure is the weakest point in the economy.

If the money boggles in Pretoria agree further stimulation is needed there are basically two options open. They can reduce taxes or increase spending or a combination of both.

However, as the effects of increased State spending takes time to percolate through to the consumer, most favour tax cuts.

While Finance Minister Senator Owen Horwood cannot reduce personal or company taxation without the authority of Parliament, he can lower or even abolish the 10 percent savings levy and various

customs duties.

The first step could be the cancellation of the loan levy, followed perhaps by an early payment on the next levy due.

Then, when the 1979 budget is presented, he could alter the tax structure to take into account the healthy state of the treasury.

Some of the other factors that have boosted cash reserves are:

- Despite denials by Secretary for Finance Dr Joep de Looij, it is believed that revenue from GST is well above budget. An Assocom investigation estimated that the final income for the year could be R200 million more than the planned R1 000-million for the year. In the current year it estimated the intake could be R50-million up on the planned R650 million.

- Exports are healthy and are still outstripping imports.

- Company results have been better than expected.

Whatever course it decides to follow, the Government must tread warily, for too-much, too-soon could set inflation rates heading skyward again.

And it must also keep a close watch on the steadily dropping short-term interest rate, for as South Africa rates weaken and overseas rates harden, the danger of a massive outflow of short-term funds as businesses switch from overseas financing becomes greater.

So far switching has been a trickle, but market sources say the gap is now too big to be ignored and several massive firms are about to change-over.

If this does happen, all the benefits of the increased gold price will vanish and the surplus in the current account could be wiped out overnight.

So the chances are that whatever stimulating moves Pretoria makes, will be made cautiously.

ies a common standard of protection can be  
This standard will be acceptable to both

le is wrong is because, like everything else  
protection is not an agreed constant standard  
of employers and workers to have good

Industrial health in the factories is a result  
ers and workers have bargained over time. As  
possible to show that high standards of industrial  
the production process has demanded this and  
ces represent a significant cost to management  
Some of the more technical engineering processes,  
workers organisations have been strong enough to  
over a period of time. Where the production  
ly dangerous and very clearly industrial

, and where workers are not strongly organised,  
safety hazards will be poor.

to leave the enforcement of industrial health  
hands of statutory bodies. It is wrong in  
most intimately concerned in the maintenance of  
be excluded from the setting and maintenance  
strong in practice because the statutory agencies  
nd undertrained.

possible to remedy the problems simply by hiring  
d training them better. It is clear that at this  
certain minimum standards to be laid down by  
here and in other countries are a result of the  
better working conditions and of the recognition  
continue to bear the heavy financial and social  
agement.

ing conditions, they must be seen as one aspect  
ing process. Clearly, wages and healthy and  
e.g. good protective clothing, safety guards on  
sive processes) are a cost to management which  
Both wages and working conditions can only  
by collective bargaining, not by reliance on the



# Tax discrimination due for the chop

By GERALD REILLY  
Pretoria Bureau

THE anomalies between black and white taxation are expected to be eliminated during the coming parliamentary session, it was learnt in Pretoria yesterday.

It is understood that an interdepartmental committee, under the chairmanship

of the Prime Minister's economic adviser Dr Simon Brand, will report to the Minister of Plural Relations, Dr Connie Mulder, before the end of the month.

Some recommendations have already been made and it is probable that a uniform tax system will be introduced next year.

The existing black taxation system is discrimina-

tory and blacks at certain income levels pay more than whites. They also become tax liable at a lower income.

At last week's conference of the Association of Chambers of Commerce a resolution was passed calling on the Government to introduce a uniform tax system and one taxing authority.

At present the Depart-

ment of Plural Relations is responsible for black tax collection.

According to the Institute of Race Relations black taxation starts at an income of R360 a year, and blacks are not entitled to abatements like whites, coloureds and Indians.

A black family earning R6 000 a year pays R396. A white family with the same income pays only R165.

Another example of the built-in discrimination is that a white family earning R2 500 pays no tax. A black family at the same income level pays R55.

The Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, MP, has described a statement by the Minister of Finance, Senator Horwood, that blacks at higher income levels were better off than whites as a "ludicrous viewpoint".

RAM 25/10/78

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Sondag 26/10/78

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# Onderwysers steun dosente oor meer geld

Van Ons Korrespondent

JOHANNESBURG

'N BEROEP op die Regering om die salarisse van dosente aan universiteite en kolleges onmiddellik te verhoog, is gister gedoen deur die Federale Raad van Onderwysersverenigings in 'n buitengewone betoon van samehorigheid met universiteitspersoneel.

Groot ontevredeheid heers onder dosente sedert dit van deesweek bekend geword het dat hulle 'n salaris-aanpassing van 4 persent gaan kry, terwyl hul salarisse eers in April aanstaande jaar verhoog sal word.

In 'n verklaring het die Federale Raad van Onderwysersverenigings gister gesê die Regering moet „in die belang van tersiêre onderwys en die eenheid van die onderwysberoep“ dit dringend oorweeg om die salarisverhoging van aanstaande jaar onmiddellik toe te pas — en wel met terugwerkende krag van 1 Januarie vanjaar.

Waar die betrokke tersiêre onderwysinrigtings slegs 'n persentasieverhoging op hul bestaande salarisskale van 1 April 1978 ontvang het, terwyl nuwe salarisstrukture vir onderwyspersoneel verbonde aan skole en onderwyserskolleges ingestel is, het die raad sy hoop daarop gevestig dat universiteite en kolleges vir gevorderde tegniese onderwys se salarisstrukture ook aangepas sou word, sê die Federale Raad van Onderwysersverenigings in 'n verklaring.

Omdat universiteite en die kolleges vir gevorderde tegniese onderwys 'n sleutelrol in die breë onderwys speel, meen die raad dat hierdie saak dringend heroorweeg moet word.

Verskeie dosente het gister op die aankondiging van 'n aanpassing gereageer. Prof. C. H. Rautenbach, oud-rector van die Universiteit van Pretoria, het sy kommer uitgespreek oor die tekort aan topmense aan universiteite weens onbevredigende salarisse.

Dit is nie salarisse wat trek nie, maar idealisme. Dit

is egter nodig dat die idealisme 'n omraming kry wat dit voordelig kan maak om idealisties te wees,” het hy gesê.

Benewens daaglikse brood vir hom en sy gesin, het 'n dosent ook noodsaaklike gereedskap in sy vak nodig wat hy net nie meet kan bekostig nie, het prof. Rautenbach gesê.

Prof. P. J. Nieuwenhuizen, hoof van die departement van ekonomie aan die Randse Afrikaanse Universiteit, het gister gesê: „Met die salarisverhoging van 4 persent kan 'n dosent nie eens 'n boek koop nie.“

## GAPING

Volgens prof. Nieuwenhuizen verdien 'n hoogleraar nou R13 800 per jaar. Ná aftrekkings vir pensioen en belasting beteken dit dat hy 'n verhoging van R23 per maand kry.

„Baie boeke kos deesdae meer as R30 en 'n dosent moet gemiddeld vyf nuwe boeke per maand raadpleeg,” het hy gesê.

Prof. Nic Swart, hoof van die adviesburo vir klein sake-ondernemings aan die Universiteit van Potchefstroom, het gister gesê dit is moeilik om 'n vergelyking tussen salarisse van universiteitspersoneel en dié in die private sektor te tref, maar daar is beslis 'n gaping.

Twee lektore in die departement van bedryfs ekonomie aan die universiteit het pas 'n aanbod van dubbel hul salaris gekry, het hy gesê.

'n Oud-student van prof. Nieuwenhuizen verdien nou op die ouderdom van 36 jaar 'n salaris van R50 000 per jaar as finansiële direkteur van 'n maatskappy.



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**Black taxes** FM 27/10/78  
An interdepartmental committee  
chaired by the PM's Economic  
Adviser, Dr Simon Brand, is studying  
the anomalies whereby at certain  
income levels blacks pay higher taxes  
than whites. A uniform tax system  
may be introduced next year.



Still nothing has been heard about recommendations for overhauling black taxation, despite last week's plea by Asso-com that all tax discrimination be removed. The report of an interdepartmental committee, chaired by the Prime Minister's economic adviser Simon Brand, is now in the hands of the Department of Plural Relations and Development.

The existing structure is riddled with anomalies. All Africans, regardless of their age or the size of their families, begin paying tax when they earn more than R360 a year. The threshold for everyone else is R700 a year (unmarried), and R1 200 a year (married). Africans get no abatements for children; but white, Indian and coloured parents can deduct R500 for each of their first two children, and R600 for each subsequent child.

So if the breadwinner of a white family of three earns R2 500 a year, he pays no income tax at all. An African in the same position pays R55.

Other victims are African widows. White widows are regarded as married for tax purposes, and their tax liabilities are reduced accordingly. But an African widow, regardless of the number of dependents she might have, is taxed as though she were single.

Earlier this year, Finance Minister Owen Horwood abolished the fixed tax of R2,50, formerly levied on all African men over the age of 16. At the same time, Horwood promised to give attention to the disparities in white and black taxes when the committee's report was received.

How far the report goes towards recommending a single tax structure for all races remains to be seen. Brand tells

the FM that in general it is preferable for people living in the same area to be subject to the same tax laws.

But, he argues, differing concepts of family life and different living standards make it difficult to apply the same criteria for rebates to all races.

One practical problem is that registration of African births has only recently been made compulsory. Another is that customary marriages do not have to be registered. How such difficulties can be overcome is dealt with in the report, says Brand.

Revenue from African taxes amounted to R66,7m in 1976-77, nearly four times the figure for 1971-72. All direct taxes are channelled to the homelands, while services for blacks in white areas are financed from the common tax pool — to which Africans now contribute substantially through gst.

A correction of the lop-sided tax structure would solve one tax anomaly. But the anomaly of taxation without representation remains.



# Economy stalls as experts clash

5/11/78 Sunday  
4/4/78  
2/15/78  
3/3/78

**THERE is a sharp conflict over economic policy in top level Government and Reserve Bank circles.**

Major disagreements have emerged that have led to a policy decision stalemate that has lasted months.

Yet, while the experts squabble over what to do next — if anything — businessmen are seriously concerned that the current business upturn is losing momentum.

Firmly ranged on the conservative side is Reserve Bank Governor, Dr Bob de Jongh. As the guardian of the country's gold and foreign exchange reserves, he is a man with an unenviable task.

He must make certain the country has sufficient cash in the kitty to meet its foreign obligations.

Until very recently this has been a formidable task. It's easier now that the current account is in substantial surplus and inflation appears to be moderating.

But, quite clearly, the Governor believes this situation to be precarious, especially in view of the massive amounts of capital still fleeing the country.

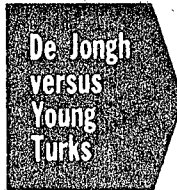
As Dr De Jongh said at the Unisa graduation ceremony on May 17, "...it is a fact that foreign financial institutions scrutinise our balance of payments situation and our inflation rate very carefully, and also our policy in this regard, before they decide to extend loans to South Africa."

An important inflationary factor is the money supply, which, the Governor told the annual meeting of the National Finance Corporation this week, had "accelerated from a slow increase in the first quarter of 1978 to a seasonally adjusted annual rate of 17 per cent in the second quarter and then accelerated further to an annual rate of 38 per cent in July and August."

Moreover, the "increase in the consumer price index, after



Bob de Jongh



Simon Brand



Gerhard de Kock



Joep de Loor

NIGEL BRUCE reports

## Governor under pressure

elimination of the influence of the GST, accelerated again in the third quarter of 1978."

Nor is Dr De Jongh prepared to attempt to encourage investment and prolong the export boom by linking the rand's external value to a more market-related formula.

He told the annual meeting of the Reserve Bank on August 22 that the current exchange rate policy had "provided a remarkable degree of stability to the external value of the rand over the past three years", whereas the "system of floating exchange rates" had created elsewhere uncertainty and "definitely contributed to the lack of investment generally."

In sharp contrast, up on the hill in the Union Buildings, the Treasury men take a profoundly different view.

To Finance Secretary Dr Joep de Loor, to special economic adviser Dr Gerhard de Kock (who is also senior deputy governor of the Reserve Bank and chairman of a commission into monetary policy) and to the new economic adviser to the Prime Minister, Dr Simon

Brand, the question of extensive black unemployment is the most urgent problem facing government.

Asked two months ago what was the country's biggest economic problem, Dr Brand replied: "Insufficient growth. The unemployment figures are uncomfortably high and the rate of job creation is insufficient to cope with the growing population."

"The downward trend in inflation will probably resume after the July hump...I don't see an immediate conflict in going for higher growth and reducing the inflation rate."

Obviously, he and his colleagues believe that inflation is being caused by rising costs rather than excess demand.

More vigorous growth — and a more flexible exchange rate policy — is also seen by the Treasury men as the most likely way of attracting investment to this country and stemming the capital haemorrhage. Business men are hardly likely to move funds out if there is a use for them here.

In October Dr De Kock told an engineering symposium that

it was essential that art and expected profits in the private sector, including any risk premium which might be necessary, should increase to a level at which they would serve as a strong inducement to both residents and non-residents to expand their investments here.

The Treasury camp has not taken fright at the massive money supply increases in the second quarter and which continued into July and August.

They point out that official money statistics are unreliable at present because of distortions from the effect of the introduction of GST and because they are based on month-end positions whereas there are huge liquidity swings in and out of the monetary banking sector, and between public and private sectors during the course of each month.

Declining business activity suggests, they say, that while money quantity statistics are showing an increase, the velocity of circulation has most certainly fallen, which under present circumstances is the more important measure.

The reserves, while still

weak, are rising after all, they point out. Nor have the budget stimulants, the manner of financing the government deficit, buoyant export earnings and rising liquidity led to the growth in domestic demand that was expected earlier.

The question remains, however, that even although Governor De Jongh refuses to reduce interest rates further — and the appropriate stimulatory effect as well as the latest oil scare and rise in US rates make this question problematic — why cannot the Treasury men administer further fiscal stimulus?

After all, Exchequer receipts are running at least up to expectations and the Treasury most likely needs to borrow no more new money until next fiscal year.

In fact, Minister Horwood might be in danger of ending the year with a surplus rather than a small deficit, which in view of our attempts to pull out of a recession would be similar indeed.

Now is obviously the time to scrap the loan levy

import surcharge and reduce substantially the amount that financial institutions have to invest in official securities.

The answer must be that Governor De Jongh's influence, which has always been covert, is sufficiently telling to have forced the present hiatus with regard to both monetary AND FISCAL policy.

Caution in these uncertain times is a laudable attribute. But indecision in the face of falling business momentum is the hallmark of disaster.

Minister Horwood must obviously do something — and do it quickly — if the revival is not to peter out. Not even Dr De Jongh, for all that he must look after our pennies, can really want that.

It is illuminating to look at a breakdown by qualification of these figures.



DUIDELIKHEID OOR SALARISSE GEVRA

# Dosente is steeds ontevrede

DIE aankondiging deur die Minister van Nasionale Opvoeding, dr. P. G. J. Koornhof, dat 'n nuwe salaris- struktuur vir dosente aan universiteite en kolleges vir gevorderde tegniese onderwys op 1 April aanstaande jaar in werking tree, het die ontevredenheid onder universiteitspersoneel nie gedemp nie.

Aan verskeie universiteite heers algemene ontevredenheid; omdat geen besonderhede van die nuwe struktuur bekend gemaak is nie.

Daar is ook nog geen aanduiding van groter universiteitsubsidies nie.

Daar word verwag dat personeelverenigings aan verskeie universiteite binnekort byeen sal kom om die saak te bespreek.

Waardering is egter uitgespreek oor die bevestiging van die status van universiteite deur die Minister.

„Ons moet daarop wys dat, wat die dosente betref, hul toekoms aan universiteite steeds op gissinge en hoop berus, aangesien geen besonderhede van die nuwe skale, tot dusver bekend gemaak is nie,” het 'n dosent aan die Universiteit van Stellenbosch gesê. „Wat die tegniese personeel betref, bly die toekoms steeds duister.”

## BREINKRAG

Die tegniese personeel van die Universiteit van Stellenbosch het gisteraand byeenkom om hul salarisposisie te bespreek.

„Selfs die feit dat onderwysberoep aanstaande jaar herstel word, is geen bevredigende oplossing vir die langtermyn-probleem nie,” het die dosent gesê.

„Vir eers ding alle universiteitspersoneel nie net met die onderwys mee nie, maar ook met die private sektor. Dit word betwyfel of universiteite in staat gestel sal word om die beste breinkrag uit hierdie sektor te lok.

Onderwysers, byvoorbeeld skoolhoofde, wat die onderwysberoep onlangs verlaat het om aan universiteite die opvoedkunde op 'n hoër vlak te dien, sit steeds met 'n baie groot finansiële agterstand, omdat die nuwe skale nie tot Januarie vanjaar terugwerkend sal wees nie.”

## TOEREIKEND

Die rektore van die Kaapse universiteite was gister versigtig met hul reaksie op die nuwe struktuur.

Sir Richard Luyt van die Universiteit van Kaapstad het die stap bestempel as „'n welkome poging om die salarisse van akademiese personeel aan universiteite in verhouding te bring met dié van onderwysers en dosente aan opleidingskolleges.” Hy het later bygevoeg dat in hierdie

stadium — voordat nader besonderhede van die nuwe skale bekend is — nie gesê kan word hoe toereikend die nuwe skale sal wees nie.

Prof. Jannie de Villiers van die Universiteit van Stellenbosch wou niks sê nie.

Prof. Richard van der Ross van die Universiteit van Wes-Kaapland is besig met 'n simposium oor onderwys-aangeleenthede en het nog nie kans gehad om die Minister se verklaring behoorlik te bestudeer nie. Hy het egter gebly by sy vorige standpunt dat die verhoging van 4 persent wat einde vandeemaand in werking gestel word, onvoldoende is.

## REKTORE

Nog 'n kwessie wat ontevredenheid in die hand werk, is dat die verhoging net geld vir doserende personeel, het hy gesê.

Die Sekretaris van Nasionale Opvoeding, dr. J. T. van Wyk, kan nie verstaan hoe daar nog onduidelikheid oor die nuwe salarisstruktuur kan wees nie. „Die dosente moet die rektore hieroor raadpleeg,” het hy gesê. „Die rektore was onlangs saam met die Minister om 'n tafel om die saak te bespreek”.

Dr. Van Wyk het egter gesê „volle besonderhede” is nog nie bekend gemaak nie, aangesien die nuwe struktuur pas beklink is.

## VERGELYKING

Hy het gewaarsku dat dit onbillik sou wees om dié huidige skale van universiteitsdosente met dié van die onderwys te vergelyk. „Die nuwe struktuur handhaaf raakvlakke met die onderwysstruktuur wat reeds op 1 Januarie in werking getree het.

„Ná 1 April aanstaande jaar sal dus 'n billike vergelyking getref kan word, nie nou al nie.”

Op 'n vraag oor hoekom 'n jaar tussen die aanpassings moet verstryk, het hy geantwoord dit is onmoontlik om 'n struktuurverandering in 'n onderwys in sy geheel op 'n vlakke af te handel. Die Departement word gedwing om die nuwe struktuur in fases toe te pas.

'S DIPLOMA IN SPEECH AND DRAMA

SEB 3 (4)



# Sales tax millions

14/11/78 350

LETTERS TO THE EDITOR

I find it strange that there has been no correspondence about the enormous amount of funds from the sales tax respondents (or others) who continually pick on me about my £76 press. A total of £76 million per month (and £50 million for the year) are mind boggling figures and no less the astronomical figure reached of £240 an ounce for gold.

In spite of the enormous amount of money pouring into the Treasury the consumer price index continues to rise and in spite of the pathetic bleatings of economists, chairman of the Housewives' League nothing ever happens to relieve the unfortunate man in the street or the old age and war veteran pensioners who are daily compelled to empty their pockets.

The obvious question is what is Mr Horwood doing with all this lovely lolly? We shall have to wait, I suppose, until next March for the answer to that one which I hope (but doubt)

will be relaxed income tax and subsidy for essential foodstuffs.

Why foodstuffs should be subsidised is a mystery to me. If I open a hardware shop I sink or swim by my own efforts so why can't a bakery act on the same principle? But I am not an economist! The consumer is sick and tired of hearing the old parrot cry of "production costs" for an increased price, which excuse I personally disbelieve. Production costs surely don't go up every month as do the price of essential foods. The outcome in March will probably be a hand-out in one direction with one hand and an increase in prices from the other, so we are back to square one! I am convinced there is a colossal racket somewhere and the con-

Such individuals should be taught that there is a more pressing need for South Africa's case to be presented in America than there is for the National Party's case to be put. All too often, Nationalists will let the more vocal anti-apartheidists in the country ignore the diversity of opinion which exists in South Africa.

When Americans begin to reveal that most admirable characteristic which is perhaps their greatest asset — a lust for adventure — and begin to look at the Nationalist politicians about existing alternatives, new choices, a fresh start, they are faced by dogged argument so pathetically bound by official party policy that intelligent discussion becomes virtually impossible. By blindly defending every aspect of the Nationalist's political practice, the good which might exist is eclipsed by the bad.

For example, the deaths in custody of prisoners held without trial are played up and exaggerated away by wild and

naive allegations that such detainees were "communists."

Nationalists do not read about the United States very widely before travelling to the country. They consequently have painful times grappling with preconceived ideas. It has, for instance, been hard for Nationalists to realise that black Africa is more important to the US economically than is South Africa. Ignorance of the fact has led to some poorly lost arguments.

W. H. Suckow  
1 Kearn Rd, EL

Writers of Letters to the Editor are reminded that contributions must not be longer than 250 words, must be written on one side of the paper, and should preferably be typed. All letters must bear the writer's full name and address — box numbers are not sufficient.

## Ill-prepared

An increasingly large number of Nationalist politicians are travelling to the United States drawn by the fascination of seeing the Carter Administration at close range.

These Nationalists, however, do a downright bad public relations job for our country. Thirty years of power have weakened them to the extent that when they confront sharp-minded opponents — namely, they are metaphorically where they stand — they are through a discussion.

G. V. Merriman  
Home Waters, Sunrise on Sea, P. O. Gombale



# Wholesale <sup>320</sup> price blow to <sup>30</sup> inflation hopes

Financial Editor

A FURTHER disappointment to the Government's anti-inflation hopes came yesterday with the announcement that wholesale prices rose by 9,8% in the 12 months to the end of September.

That is the second successive month in which wholesale price inflation has accelerated.

This reinforces the warning on Tuesday by Dr T W de Jongh, the Governor of the Reserve Bank, that inflation remains a critical problem.

Consumer prices were bound to get a hefty upward boost from the introduction of general sales tax.

In fact, the consumer price index is running at a higher rate than was generally expected even after GST.

Now comes the disturbing news that wholesale prices — which are basically affected only to a small extent by GST — are also on an upward rate of inflation after a long and steady deceleration.

The wholesale price index at the end of September was 281,1 against 258,8 in August and 237,7 in September 1977.

That is a rise of just under 1% in September after an increase of 1,8% in August.

At the end of July the rate of increase in wholesale prices for the previous 12 months was down to 8,5%.

That was the lowest annual period since early 1972.

It also compared with a rate of 9,9% for 1977 and with figures of 19,4% in 1974, 16,8% in 1975 and 14,4% in 1976.

That shows a long, hard struggle to bring the rate back down to single figures.

Now it is threatening to go back into double-digit inflation.

Consumer prices have already returned to that level with a rate of 11,7% for the 12 months to the ends of August and September.

Dr De Jongh said on Tuesday: "Regarding prices, the increase in the consumer price index, after elimination of the influence of the general sales tax, accelerated again in the third quarter of 1978."

"The problem of inflation thus remains of serious concern and indicates the desirability, for the time being at least, of continuing with the policy of not stimulating the economy too strongly."

"The substantial increase in bank credit together with the influence of the higher gold price has already contributed to a sharp rise in private sector liquidity and an increase in financial activity."

"It is, however, of the utmost importance that there should not only be increased financial activity but also an increase in real activity to counteract the problems of inflation and unemployment."

Higher import prices caused by the fall of the rand with the dollar have obviously been a factor in the upturn in wholesale prices.

This seems to strengthen the case for reducing the 12,5% import surcharge.



17/11/78

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GST

### Easing the rules

FM 17/11/78

In a useful step intended to make it easier for traders to handle the mechanics of the general sales tax, the Department of Inland Revenue (at the prodding of Asso.com) has issued a ruling on how tax-exempt sales to registered vendors are to be treated.

When goods are sold to a registered vendor, his sales tax need not be recorded

on every invoice as long as the purchaser and the goods are fully described on the invoice. Such an invoice must also be marked with an "R" which will indicate to an inspector that the goods were sold to a registered vendor.

Every supplier using this system must keep an updated register of all his customers who are registered vendors, which must be accompanied by a copy of their vendor's registration.

The Revenue Department has also cleared up a possible problem on tender documents, arising from Section 10(7) of the Act, which provides that vendors may only change from inclusive to exclusive pricing at the start of a fiscal period. The department has ruled that a tender document is not a sale.

A tenderer who has opted for inclusive (add in) pricing will thus not contravene the Act if he quotes a tender price exclusive of tax, as long as this is clearly indicated.

Considering that businesses which had opted for add in for their general activities could be vulnerable to changes in the rate of tax if they were forced to tender on this basis, it seems a sensible step. Tender documents could no doubt contain provisions allowing for changes in GST rates, but to permit add-in firms to tender on an add-on basis seems much simpler.



# Schwarz calls for tax cuts

By GERALD REILLY  
Pretoria Bureau

THE Government will be in a stronger position to grant substantial tax and other relief in next year's budget than it has been for a decade, economists and politicians are saying.

And never, they agree, has the economy so desperately needed stimulation through increased consumer spending. The fight to maintain the hesitant and limited recovery will be lost unless the public has more to spend.

This could be achieved by direct or indirect tax con-

cessions or a combination of both — and this was expected in the March budget.

The Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said the Government could afford generous concessions because:

- General sales tax would obviously bring in revenue in excess of that budgeted for.

- Tax revenue from the commercial sector, especially mining, would be substantially greater than expected.

- The Government had raised overseas loans in ex-

cess of the total budgeted for.

"It looks as though the exchequer will be awash with money by the time the budget is planned," he said.

Mr Schwarz suggested that surplus funds should be used to:

- Exempt basic foods and commodities from GST.

- Give tax concessions to the lower income groups, who were ignored in this year's budget in favour of higher income groups.

- Put black taxpayers — "now discriminated against" — on the same footing as white.

- Give concessions to businessmen to encourage job creation and so help halt the rising number of unemployed.

Mr Schwarz said other urgent issues which should be looked at included the import surcharge and the removal of pay and pension discrimination.

"Much of this will be possible," he said. "But the Government would be wise to use some of its surplus funds to improve the quality of life of our black population."

"The reason should be obvious to all concerned South Africans."



# Anil's R13-m tax bill keeps creditors out

By DEREK SMITH  
City Editor

A DISPUTED tax bill of R13-million now stands between creditors and a possible pay-out from the insolvent estate of the property giant Glen Anil.

The liquidators hope to complete the complicated task of winding up the company by the end of next year, but they say that creditors will definitely get nothing out of it if the tax has to be paid.

The massive claim from the Receiver of Revenue dates back for several years and covers thousands of sales on terms.

The original idea was to

recover the tax as the stands were paid for, but the whole scheme has been thrown into disarray by the liquidation.

Scores of buyers have merely refused to continue paying and have allowed their sales contracts to lapse — which they were entitled to do.

Subsequent liquidation sales, although fair in the prevailing conditions, have come nowhere near the original Glen Anil estimates so it is claimed the tax formula no longer holds.

Discussions are taking place to try to reach an agreement but, meantime, the task of dismantling the biggest real estate empire

South Africa has known is continuing at an increased pace.

Tomorrow and on Monday properties worth between R2-million and R3-million will be auctioned in Johannesburg.

Much of it is raw land, earmarked for future development, or semi-developed township property stretching from the Natal North Coast to the Cape and Northern Transvaal.

It is hoped buyers in several well-known townships will also be given the opportunity of taking transfer of their properties shortly, according to a spokesman for the liquidators, Mr. Clive Landsdowne.



# 'Cut taxes' call goes out to Govt

320  
11/17/78  
N.M.

Mercury Correspondent

PRETORIA — The whole of the private sector, backed by economic academics, is pressing the Government for substantial tax relief in the 1979-80 budget to stimulate the agonisingly slow recovery process.

Unless this is done they fear unemployment will rise to a critical level where socio-political pressures could cause unrest.

Yesterday the Bureau for Economic Research in its regular economic review said consumer spending was expected to increase during the last quarter of the year.

But, according to the bureau's senior economist, Mr. D. J. Stuart, further stimulation through tax relief and wage and salary increases would be needed during the first quarter of next year if the sluggish recovery process was to be quickened.

The Association of Chambers of Commerce agrees that stimulation, including tax relief, should be given the Government's most urgent attention and the Afrikaanse Handelsinstituut says a stimulatory package should include tax cuts and moderate wage and salary increases.

The president of the Trade Union Council, Mr. Ronnie Webb, said if a disastrous level of unemployment were to be avoided more jobs would have to be created next year.



# Business Mercury

## Exemption problems in GST

THE LAW should give more attention to the "non-certificate" exemptions of the general sales tax, according to Jutta's GST newsletter.

The newsletter says that this is an unsatisfactory aspect of the new tax.

Exempt purchases of certain goods or taxable services are achieved on the production of a registration certificate by the purchaser, and a seller acting in good faith who supplies without charging GST need fear no repercussions as long as he has satisfied himself that the buyer has a registration certificate and has recorded the necessary details on his invoice. But certain transactions that are exempt from GST do not require the production of the purchaser's registration certificate (the "non-certificate" exemptions), for example, the sale of goods exported and any taxable service rendered in respect of such goods.

The problem is: How does the purchaser persuade the seller that he is entitled to purchase the goods free of GST if he need not produce his registration certificate?

The Sales Tax Act provides no answer. If the purchaser is registered as a vendor in relation to some enterprise other than the export of goods, it seems that he cannot use his certificate for that enterprise to convince the seller that no GST is payable on goods purchased for export.

makes no provision for him to recover the GST or penalty from the purchaser in these circumstances.

Output grew at 37 per cent at 32,5 per cent per annum - reaching workers) which was close to the maximum 6 (viz. 23 687.)

legitimate to treat the rest of the period no very marked trend (up or down) in to be mild fluctuations in the range (except for 4 unusual scattered years), one reason for not taking the trend as moving averages of employment in the years all above 21 000, whereas subsequent similar figure - but they are climbing to

has been very considerable growth of output. At least it has increased from 18,3 thousand metric tons - a 20-fold increase - fold (and its plateau-level already). Clearly there has been a considerable activity - and almost all of it has been achieved. Roughly, output per worker has trebled

er of labour for some 7 workers in service payment was lower but in asbestos mining - or fifth - largest is fourth-largest, (platinum).

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GST

## On target

General Sales Tax earned R76,4m for the Treasury during September, R24m more than was received during August, the first effective accounting month for the new impost.

At this rate of collection gst should bring in R587m during the current fiscal year compared with Senator Horwood's estimate of R650m for the part year (July-March) and R1 000m in a full year.

But it is reasonable to assume that Pretoria's tax-collecting machinery had not reached maximum efficiency during August and September. With the taxman's net being thrown more widely and the heavy period of Christmas spending still ahead, it is probable that the minister's target will be comfortably achieved.





REPUBLIC OF SOUTH AFRICA  
**GOVERNMENT GAZETTE**

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As 'n Nuusblad by die Poskantoor Geregistreer

Vol. 162]

PRETORIA, 29 DECEMBER 1978

[No. 6259

**PROCLAMATION**

*by the State President of the Republic of South Africa*

No. R. 342, 1978

LEVYING OF SPECIAL RATE UPON MEMBERS OF THE COMMUNITY IN RESPECT OF WHICH THE PUNGUTSHA COMMUNITY AUTHORITY HAS BEEN ESTABLISHED. — DISTRICT OF MATHANJANA

Whereas the community in respect of which the Pungutsha Community Authority has been established under the provisions of section 2 (1) of the Black Authorities Act, 1951 (Act 68 of 1951), has applied for the levying of a special rate of R5 per year for five successive years in order to collect funds for the erection of an administrative tribal office and schools;

And whereas the Minister of Plural Relations and Development—

(a) has approved the purpose for which the proposed rate is to be levied; and

(b) is convinced that the majority of the adult male members of the said community desires the levying of the proposed rate;

Now, therefore, by virtue of the powers vested in me by section 40 (1) of the said Black Taxation Act, 1969, and section 25 (1) of the said Black Administration Act, 1927 (Act 38 of 1927), I—

(1) determine that, in this Proclamation, unless the context otherwise indicates, any expression to which a meaning has been assigned in the Black Taxation Act, 1969 (Act 92 of 1969), bears the meaning so assigned thereto and—

“community” means the community in respect of which the Pungutsha Community Authority has been established under the provisions of section 2 (1) of the Black Authorities Act, 1951 (Act 68 of 1951);

“ratepayer” means an adult Black male of the community who has attained the age of 18 years;

**PROKLAMASIE**

320

*van die Staatspresident van die Republiek van Suid-Afrika*

No. R. 342, 1978

HEFFING VAN SPESIALE BELASTING OP LEDE VAN DIE GEMEENSAP TEN OPSIGTE WAARVAN DIE PUNGUTSHA-GEMEENSAPOWERHEID INGESTEL IS.—DISTRIK MATHANJANA

Nademaal die gemeenskap ten opsigte waarvan die Pungutsha-gemeenskapsowerheid ingestel is kragtens die bepalings van artikel 2 (1) van die Wet op Swart Owerhede, 1951 (Wet 68 van 1951), aansoek gedoen het om die heffing van 'n spesiale belasting van R5 per jaar vir vyf agtereenvolgende jare ten einde fondse in te samel vir die oprigting van 'n administratiewe stamkantoor en skole;

En nademaal die Minister van Plurale Betrekkinge en Ontwikkeling—

(a) die doel waarvoor die voorgestelde belasting gehef staan te word, goedgekeur het; en

(b) daarvan oortuig is dat die meerderheid van die volwasse manlike lede van die vermelde gemeenskap die heffing van die voorgestelde belasting verlang;

So is dit dat ek, kragtens die bevoegdheid my verleen hy artikel 40 (1) van die vermelde Wet op Swart Belasting, 1969, en artikel 25 (1) van die Swart Administrasie Wet, 1927 (Wet 38 van 1927)—

(1) bepaal dat, in hierdie Proklamasie, tensy uit die samehang anders blyk, 'n uitdrukking waaraan 'n betekenis geheg is in die Wet op Swart Belasting, 1969 (Wet 92 van 1969), die betekenis het aldus daaraan geheg, en beteken—

“belastingjaar” of enige afleiding daarvan, 'n tydperk wat op die eerste dag van Januarie van 'n jaar begin en op die laaste dag van Desember van dieselfde jaar eindig;

“belastingpligtige” 'n manlike Swart lid van die gemeenskap wat die leeftyd van 18 jaar bereik het;



"rate year" or any derivation thereof means a period commencing on the first day of January of any year and ending on the last day of December of the same year;

(2) levy upon every ratepayer, with effect from 1 January 1979, a special rate of R5 per year for five successive rate years;

(3) determine that the special rate levied by paragraph 2 shall be paid before the first day of March of the year in respect of which it is payable.

Given under my Hand and the Seal of the Republic of South Africa at Oubos this Nineteenth day of December, One thousand Nine hundred and Seventy-eight.

B. J. VORSTER, State President.

By Order of the State President-in-Council:

P. G. J. KOORNHOF.

"gemeenskap" die gemeenskap ten opsigte waarvan die Puntgutsha-gemeenskapsowerheid ingestel is kragtens die bepalinge van artikel 2 (1) van die Wet op Swart Owerhede, 1951 (Wet 68 van 1951);

(2) 'n spesiale belasting van R5 per jaar, met ingang van 1 Januarie 1979, op elke belastingpligtige hef vir vyf agtereenvolgende belastingjare;

(3) bepaal dat die spesiale belasting gehef by paragraaf 2 voor die eerste dag van Maart van die jaar ten opsigte waarvan dit verskuldig is, betaal moet word.

Geggee onder my Hand en die Seël van die Republiek van Suid-Afrika te Oubos, op hede die Negentiende dag van Desember Eenduisend Negehonderd Agt-en-sewentig.

B. J. VORSTER, Staatspresident.

Op las van die Staatspresident-in-rade:

P. G. J. KOORNHOF.



# SA blacks will follow US trends

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29/12/78  
~~229~~  
~~128~~  
320  
• • •

By VITA PALESTRANT

SOUTH Africa's urban blacks will become increasingly price sensitive and hostile towards stores which do not treat them fairly.

They will follow a lead set by their counterparts in the United States, anticipates a study of black consumer behaviour by the Centre for Management Studies of the University of South Africa.

The study, undertaken by Mr A van der Reis, concludes that there are striking similarities between the behaviour of the South African and US black populations.

And experience in the US has shown that disgruntled black customers settle their grievances against stores by organising pickets and boycotts.

Mr Van der Reis says that there is already evidence in South Africa of hostility by blacks towards stores that discriminate against them.

And in some cases, the hostility has been translated into action: the boycotts of some bus services when fares were increased is but one example, the study claims.

Another, more recent, example cited is the picketing by black workers of a cafe that had allegedly increased its prices by more than 4% after the introduction of General Sales Tax.

From the comparison between the behaviour of South African and US blacks, the study draws some interesting conclusions vis-a-vis price and quality as seen by the black consumer.

Until now well known, expensive, branded items have been popular among South Africa's urban blacks because of their value & status symbols.

But, the black consumer will soon be less likely to associate quality with price and will instead seek good quality at reasonable prices.

He will rely on his own judgment of quality and take advantage of private brands.

Another prediction is that the urban black will soon want his own shopping centres and black women will play a greater role in spending the family wage.

One section of the study is devoted entirely to advertising. It maintains that younger, educated blacks are more favourably disposed to advertising than their older, less educated counterparts.

The less educated blacks tend to interpret advertisements literally: a model lying down is considered lazy, while a woman in a kitchen is considered a good housewife.

People standing next to cars were labelled drivers and those in leather jackets thugs.

On average only 37% of urban blacks interpreted the message of an advertisement in the way the advertiser intended it.

The study showed the South African urban black as rating education which he sees as leading to better employment, and the improvement of his home the most highly.

He has a desire to extend and alter his home, make the interior more attractive and renovate or acquire new furnishings.

Although in many respects his behaviour is becoming closer to that of the white man, there are still many differences stemming from those main issues of the day for urban blacks: education, housing and employment opportunities.

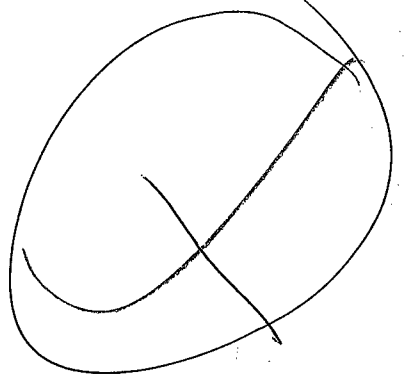


TAXATION

13 JAN 1979 —

320

31 DEC 1979  
~~27 SEPT 1979~~





# Call for '79 tax cut

13/1/79  
320

Year	Output (Metric ton)
1946	23 602
1947	23 498
1948	24 024
1949	25 497
1950	26 474
1951	26 632
1952	28 065
1953	28 459
1954	29 314
1955	32 111
1956	33 602
1957	34 769
1958	37 085
1959	36 453
1960	38 173
1961	39 565
1962	41 275
1963	42 454
1964	44 917
1965	48 460
1966	47 942
1967	49 300
1968	51 655
1969	52 752
1970	54 612
1971	58 666
1972	58 440
1973	62 352
1974	66 056
1975	69 440
1976	77 059
1977	85 411

By Colin Campbell  
Deputy Financial Editor

There is growing pressure on Senator Horwood to make income-tax cuts in the March Budget.

Organised commerce and industry together with leading business figures are likely to use whatever opportunity they have to tell the Minister of Finance that, with Government finances looking healthy and with a revival of consumer spending, the key to the further growth of the South African economy is that hardpressed taxpayers be given some early relief.

The economic evidence which is mounting shows that Government receipts from general sales tax are rolling in, that State receipts from the gold-mining companies totalled R143-million by the end of November compared with an estimate of R145-million for the entire fiscal year to March; and that income-tax receipts up to November totalled R2 534-million against an estimate of R4 205-million — with four collection months still to come.

The Treasury has announced that it would not

"roll over" a maturing Government stock issue of R376-million — an announcement which illustrates that the Government's coffers are full.

## Buying wave

The emphasis which has been behind the calls from a number of sources for the Government to trim income tax and cut the loan levy is that unless the consumer public is encouraged to go out and spend the economy will falter.

And that once this happens it will take time — and considerable measures — to get spending on the move again.

Ahead of the introduction of the general sales tax there was a wave of public buying in an attempt to beat the GST tax deadline. But since then, with the exception of fairly buoyant Christmas trading, the pace of consumer spending has been faltering.

The serious implications for the economy at large — with adverse consequences on the all-important employment question — have been explained by economists.

Though the Government

is conscious of the delicate state of the economy, it is likely to argue back that it will have to keep as much of its powder dry as possible because of the higher cost of oil which South Africa will face in 1979.

According to industry sources, there is no question about supply of oil to South Africa — but there is a headache as to the cost.

And with receipts pouring in to Government coffers, the Minister of Finance may elect to use these to "subsidise" the cost to the man in the street and to industry.

Nonetheless, with money rolling into Pretoria there will have to be convincing arguments why tax levels cannot be lowered.

70 201	75 742	721
76 307	76 307	769
75 338	75 338	776
73 438	73 438	849
73 992	73 992	893
76 897	76 897	903
83 814	83 814	919
96 919	96 919	881



# No GST for Transkei

UMTATA — Goods bought in South Africa for export to Transkei are exempt from general sales tax.

However, some Transkeian residents buying goods while holidaying in South Africa over Christmas suggest many South African shopkeepers are uncertain whether to charge the GST or not.

Although holiday-makers are correct in saying that, as the goods they are buying are for export, and therefore exempt from GST under the Sales Tax Act, they are nevertheless still obliged to pay the tax, unless the goods are "sold and consigned or sold and delivered to a purchaser at an address outside the Republic."

Therefore the goods must be consigned or delivered at an address outside the Republic.

What the Act does not specify is the manner of delivery. The purchaser might deliver the goods to himself in Transkei.

The Receiver of Revenue in East London, Mr J. D. Euvrard, yesterday confirmed that

providing goods were and consigned or sold and delivered to a purchaser at an address outside South Africa, they were exempt from sales tax.

This, however, did mean outsiders buy goods in South Africa taking them out with them were exempt from sales tax in South Africa.

It is also possible

The need to prepare contingency plans should Botswana's 35 000 old migrants be forced to stop work in South Africa is a powerful argument to start experiments to work out suitable rules. It also underlines the need to seek a formulation that provides as high an average wage as is consistent with the essential needs of the migrants. They must not be enticed away from economic activities.

**goods**

13/1/79  
320

A further

foreign exchange avoid GST if goods are bought from firms in South Africa that undertake deliveries in Transkei, or if such goods are mailed to Transkei.

on rotation Savings here are slight — R100 must be spent before R4 is saved.

contour fur According to Transkei's sales tax legislation, GST must be paid on all imports. It is now impossible and distill permanent different regions.

to avoid GST on motor car purchases from South Africa, because the revenue office in Umtata insists on a GST certificate before issuing a vehicle licence to a new car.

However, there are no customs barriers on road and rail routes into Transkei, so GST cannot be collected on goods delivered to Transkei addresses. — DDR.

was not devoted her own or

can a lot of labour be instance, has concentrated is not asked what benefit

raised in nurseries (propane), and more walls would bring to

a wide variety of soil and water lands. Other areas to explore are the creation of woodlots for fuel, building material, fodder and other materials; public brick making for sale to public bodies and private citizens; the design and construction of improved cattle pens, grain stores etc. Roads, particularly in Botswana, offer considerable scope for trial with labour intensive methods on both construction and maintenance.

In figure I a simple organisation chart is presented to illustrate how the adoption of an employment guarantee programme helps to redefine the management of rural development. Funds are devolved to local government which oversees the implementation of the guarantee on behalf of the state. The technical departments assist local government in the design and the supervision of works; thereby retaining the power of technical sanction over works and their execution. Since the funding of works under the programme is controlled by local government rather than pre-allocated within annual technical departmental budgets, the technical departments are required to discover and put forward



# Call for tax cuts in next Budget

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Without more detailed information about individual mines (there are only 4: Messina, O'kiep, Palaborwa, Prieska) it is not possible to explain the developments of the last few years. It looks as though the strong employment trend and the slight tendency for labour productivity to fall are the result of Prieska's entry; its full employment is in the region of 4 000 and presumably output per worker in underground trackless mining does not run at Palaborwa open-cast levels. The last two years may be connected with the strong expansion of the scale of Palaborwa's operations - and the possible contraction of some others because of the low copper price (e.g. O'kiep).<sup>25</sup>

## grows stronger

By Michael Chester, Financial Editor

The influential Bureau for Economic Research at Stellenbosch University today joined the growing chorus of voices trying to press the Minister of Finance to order tax cuts in the March Budget.

In a quarterly survey of the building industry, the BER stresses its grave concern over the pace of inflation and gives stern warning: "The current upswing is already in danger of sinking into the quicksand of a confidence crisis: With the level of business confidence again looking vulnerable, the researchers stress there is full reason to be apprehensive about a further round of administered price increases. They argue the dangers now exist that unless adequate stimulants are provided by the Government the economy may slip back into recession."

The key to reasonable economic growth in 1979, the BER states, rests with Senator Horwood handing out more direct tax relief. For the construction industry, the best benefits would flow from a formula making new tax concessions so structured as to encourage more labour-intensive projects and so help curb the chronic unemployment problem among unskilled workers. In industries where such emphasis was not possible, the traditional system of investment incentives should be carried on.

Stripping away the distortions of inflation and measuring in terms of constant 1970 prices, the BER sees real new investment in building activity growing no more than a feeble 1 percent in 1979 on the heels of a zero growth last year. Investment in public residential buildings should rise from 18 percent in 1978 to 29 percent this year as the Government low-cost housing programme really gets under way. However, new investment in public non-residential building would shrink from 9 percent to 6 percent. Worse, because of the proportion of work loads, private residential building investment would grow by only 2 percent.

the move accelerated to cheaper houses. Building of new blocks of flats was expected to be at a virtual standstill. Worst of all, private non-residential building investment looked set to slump as much as 19 percent. The BER finds that while the general mood among building contractors had improved since its last survey three months ago it is still a matter of less pessimism rather than more optimism.

Across the Witwatersrand only 9 percent of them reported business better than a year ago. Paradoxically and worryingly, no less than 54 percent of contractors were running into a shortage of skilled labour - meaning serious labour bottlenecks once demand gathers real momentum.

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# TAX and TAXPAYERS

*February 28 and the end of the fiscal year is almost in sight. Soon after will follow that buff form, and your annual battle with the Receiver. Have you paid too much tax; have you taken advantage of the concessions open to you; how can you make sure you pay less next year?*

*This special feature provides at least some of the answers.*

## Everybody has to pay

fm21/2/79 320

The tax year ends in a few weeks and too soon thereafter will come the flutter of buff forms which mean accounting to the Receiver of Revenue for that which is due to the fiscus.

For all taxpayers, even those who are on PAYE, this is a painful process. It means scratching through records to calculate how much interest was earned during the year from cash investments, how much was received in income from dividends, what is taxable, what is not.

And each year the taxpayer is shocked to discover how much of this extra income is whittled away by tax as marginal rates of tax are applied to that which was earned over and above normal income.

Tax-form filling time means in so many homes a financial stock-taking and a re-examination of investment policy. Should the programme for the coming year require concentrating on tax-free investments? Do they pay in terms of the rates which are offered?

Is share market investment worthwhile bearing in mind that dividends are taxable with a maximum of only one-third tax-free and taking into account that while there is the chance of capital gain, there is also the possibility of capital loss? And what if the Receiver decides to levy tax — at full marginal rate — on share market gains?

Theoretically, if a venture into the share market was motivated by the desire to make a capital gain, that profit is taxable — at the full marginal rate, the rate applicable to your top earnings.

At the end of the tax year, when you are wrestling with your buff form, it is then too late to do anything about your investment problems for the past year. The best one can do is plan for the year ahead and decide whether to switch to tax-free investments and, if so, to which.

There is only one form of saving which can redeem the position of the past and that is to look at retirement annuities before the end of February. But it is a grave mistake to consider retirement annuities just as a tax-saving gimmick. As with every other form of saving and investment, retirement annuities must be studied in perspective with all other forms of saving and investment. They must form part of a programme, a savings plan with investment objectives.

But then this is true of savings as a whole, from building society and Post Office accounts to insurance, apart from life cover. What are you trying to accomplish? What is your target objective?

With inflation chipping 10c or so out of every rand every year, more and more

people are trying to budget their day-to-day living. This is fine. This is as it should be. And it is equally important to draw up a budget plan for one's investment programme — but it is infinitely more difficult.

Over the long term, the ravages of inflation become more apparent. It eats into capital values, making a mockery of what one once thought would provide future security.

Unless one can achieve real capital gains, one can't get ahead. This is the attraction of the stock exchange. This was the attraction at one time of property investments. But with the stock exchange the essence of success is timing — when to buy, when to sell, when to hold. And the path to success in equity investment





is strewn with more lost fortunes than with success.

Property has been under a cloud in recent years, but there is still opportunity in this field for those who have the knowledge, the touch and the intuition. Probably one of the factors which militates against making an investment — for investment purposes as distinct from a home of one's own — in say a suburban house, is the obscurity of the future.

One of the tragedies of the SA scene is that more and more people are discouraged by the political complexities from looking ahead and counting 20 or 30 years into the future as they did formerly. Long-term is increasingly becoming short-term and bricks and

mortar are essentially long-term investments.

Without speculation, capital can be accumulated only by saving and by trying to make compound interest an essential part of the investment armoury. It is interest upon interest which can build capital. A 7% return, compounding, can double the original capital sum in just over 10 years — but only if that return is not being taxed. The trick is to find investments which protect the return from the taxman's claws.

This is why insurance policies have an attraction, particularly those policies which entitle the policyholder to a share of the profits. This is why the retirement annuity offers capital accumulation

opportunities. A good insurance broker, one who really knows the market and who places his clients' needs above his commission-earning motive, can be a valuable investment adviser. This is why the building society subscription share offers possibilities for those who see it as a longer-term investment than the three-year-cycle which is its basic plan.

Some of the investment and saving possibilities that are available to the small man as well as to the person with money are examined here. They won't help to minimise the headaches which this year's form filling and accounting to the Receiver might bring, but hopefully they might provide ideas which can help you in the future.

## Where to invest tax-free

When one is wrestling with the buff form, resentment against paying tax rises like gall. This is possibly more true of the person with limited resources and little business experience than it is of the executive who by training and practice is accustomed to taking hard-looking objective decisions. But even many executives become subjective about their own affairs and cloud personal decisions with an emotionalism that should not be there.

Nowhere is this more apparent than in the decision to make taxable or tax-free investments. As a general rule, tax-free investments should be considered as priorities for all people above the income brackets of R15 000 a year for married persons, or R11 000 a year single. Below these levels, people should think twice before investing their money in tax-free investment, particularly if income is of prime consideration.

The dread of paying tax, or the pain of making a payment to the Receiver of Revenue, should not be an influencing factor; it should only be taken into account after the investment as a whole has been examined, the pros and the cons, the real evaluation of what is best for me?

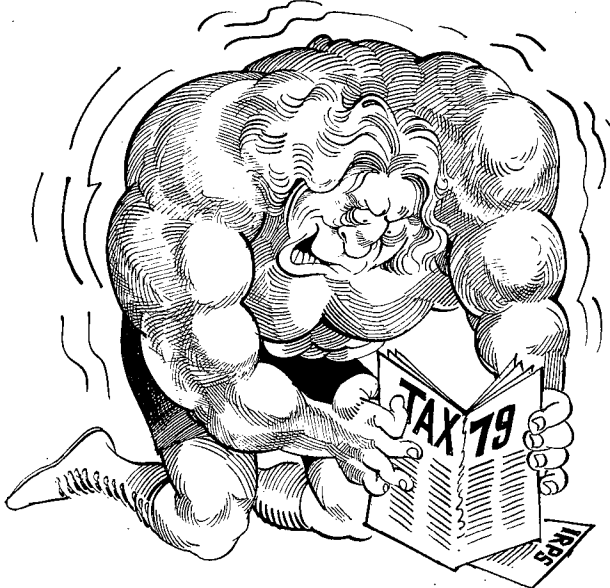
Before you decide tax-free or not tax-free, examine your overall position and measure the marginal rate of return against your marginal tax level. In some cases a 10.5% return from a 10.5% participating bond can give an edge against 7% tax-free. Don't stab at it. Get down with pencil and paper — or your pocket calculator — and work out what pays you best.

For those in the upper income brackets, the tax-free investment range offers a reasonable choice as well as providing the opportunity to make compound interest work for you. But it has limits. Tax-free investments are not an endless cornucopia from which you can live

happily ever afterwards and never pay a cent to the fiscus.

But if you manipulate your tax-frees you can get more out of them than would appear on the surface — by investing tax-free interest into other tax-free investments.

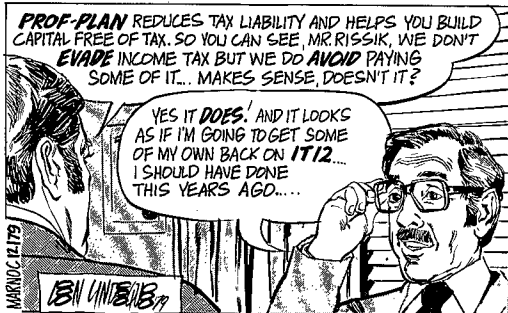
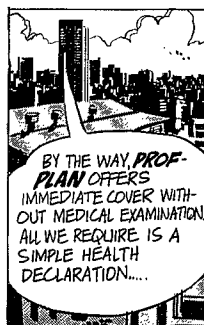
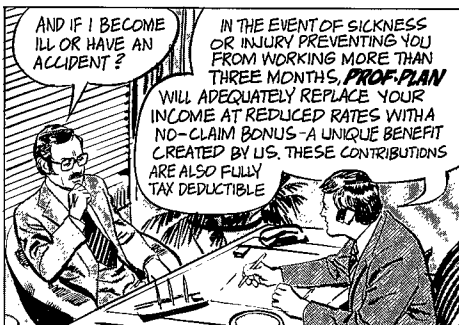
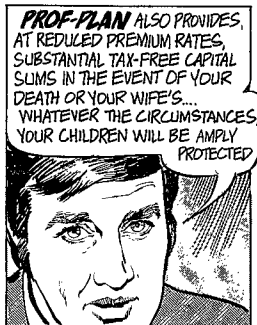
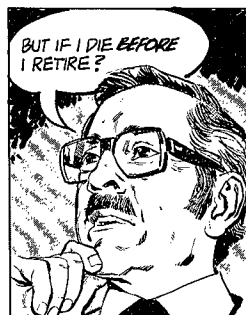
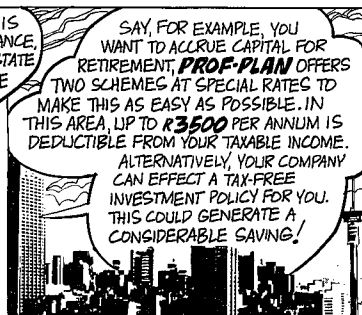
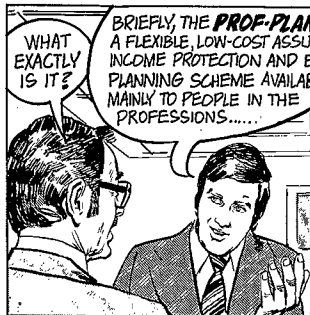
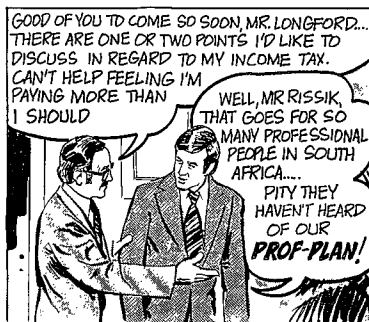
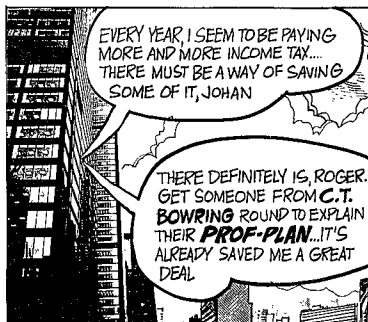
● **Post Office.** At the bottom of the list — and often ignored by so many people — are the Post Office facilities. The Post Office current account gives a 5% tax-free return, but the ceiling is low. The maximum free-of-tax income permissible is R200 a year which means a R4 000





# CTB VERSUS IT12

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I'M SURE YOU CAN SAVE ME SOME INCOME TAX, TOO. KINDLY SEND ME PARTICULARS OF YOUR **PROF-PLAN** WITHOUT OBLIGATION, OF COURSE....

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## TAX and TAXPAYERS

dropping a bit here and another bit there in various institutions. At least not in a similar scheme. Of course, you can also have savings certificates and, with a little bit of imagination, one should be

able to build up to somewhere around the R200 000 mark.

The operative word is building up and where the building societies have shown enterprise is in the schemes they have

created around the subscription share to build capital from savings and, at the same time, they have squeezed a rate a little in excess of the 7% by using a modicum of compound interest.

# Retirement annuities cut tax

**Most rewarding** tax-saving investment of all — particularly for those in the upper income echelons — is a retirement annuity. Earned income can be diminished by as much as R3 500 a year (less the amount paid to your company pension fund), which means a tax slice off the top at your marginal rate, unlike an abatement, the value of which disappears entirely the higher the income goes.

For example, an executive or professional man, aged 40, married with two children, earning a taxable income of R25 000, would save R1 900 in tax if he were to take out a retirement annuity (RA) for R3 500. This means that he

would effectively pay R1 600 to the pension plan, with the balance of his contribution coming from tax savings.

If he chose to retire at age 65, he would have made contributions totalling R87 500, more than half of which would have come from the taxman, and his pension fund should be worth R340 000. This, invested in an annuity, should provide a pension of about R4 000 a month at current rates.

At first sight a pension of this magnitude — which of course would be taxable — should spell happy retirement. But, if inflation continues on its present value-draining path, R4 000 a month, less tax,

might not be as kingly — or presidential — as it might seem.

Even at 8% annual inflation, the cost of living in the year 2000 will be three and a half times what it is today.

For this reason, retirement annuities should not be regarded as a privilege only for those in the top income brackets; they are increasingly being regarded as necessities for all salary and wage earners — if only they can manage to squeeze that extra bit of saving out of current inadequate incomes.

However good a company pension scheme might be, it will never provide retirement benefits which will enable a worker to live in reasonable comfort to the end of his days on his pension. There are two reasons for this. First, salaries rarely keep pace with inflation rates and those final three years' salaries probably won't be as adequate as they should be.

Secondly, most people are not in that

## THERE'S MORE TO RETIREMENT ANNUITIES THAN TAX RELIEF...

Any approved retirement annuity provides the same tax relief — but the eventual benefits depend on the expense charges and investment performance of the fund you choose.

The Prudential's expense charges are amongst the lowest in the industry and its investment performance is excellent as can be seen from the achieved performance of the Prubond linked retirement annuity fund since its inception in 1974.

Date of issue of contract	Equivalent level annual yield achieved to 1.1.79		
	Period (years)	Yearly Contributions	Monthly Contributions
1.1.74	5	16.85	%
1.1.75	4	19.64	18.12
1.1.76	3	21.49	20.77
1.1.77	2	25.67	24.38
1.1.78	1	27.96	29.56
			33.45

The Prudential also offers conventional with profits retirement annuities, with or without life cover and you may include disability benefits.

For more information contact your nearest Prudential office.

**Prudential**  
ASSURANCE COMPANY SA LIMITED  
We're people helping people





be hypothecated. It cannot even be lapsed. It always has a residual value which can be called upon at maturity date.

When a RA matures, the contributor has several choices. He can commute one-third in cash and use the balance to buy an annuity from which the monthly pension is paid. It can be a joint annuity with his wife. It can be a straightforward annuity. Usually the annuity is paid for a fixed period of 10 years, even in the event of death.

Some plans tie the annuity to the insurance company's fixed pattern. But today, with the increasing flexibility which is being introduced into the competitive RA market, members may shop around to select what suits them best. The monthly pension is taxable — which is only fair, as the contributions to the scheme are tax-free. In this case, tax-free is really a tax deferment and later, rather than sooner, Caesar claims that which is due Caesar.

And Caesar, in the person of the Secretary for Inland Revenue, is traditionally not over-generous. When it is said that the maximum tax-free contribution to a RA is R3 500 a year, this amount is not over and above any contribution which might be paid to a pension fund. The R3 500 is the ceiling for all pension fund contributions so, if a person is paying say R1 250 into a company pension scheme, the maximum tax-free allowance for a private RA would be R2 250.

The fiscus is just as rigid with that one-third commutation option; at retire-

ment R45 000 of the amount commuted is tax-free — but again the R45 000 is a ceiling which applies to all amounts which might be commuted from other funds, including, of course, your pension fund at work.

But there is some humanity in the law. If the amount commuted is in excess of R45 000, the balance over and above the

R45 000 is not taxed at marginal rates but at average tax rate, and this could make all the difference between a 66% tax rate and say 50% — at about R21 000 salary.

A RA's tax-free allowance of R3 500 (you can of course contribute more if you wish to, but the balance over the ceiling is not tax deductible) applies to the taxpayer, that is to the husband and wife family unit and not to the individual. This means that if a wife earns income she may contribute to a RA, but the total taxpayer's allowance is the R3 500.

If a husband is paying, say, R1 500 a year to a company pension fund and the wife is earning R1 000 a year from some sort of part-time job, she would be entitled to contribute R2 000 to a RA and the tax allowance would be given to the taxpaying unit. The operative qualification is the earning of an income. The R3 500 deduction from income applies only to earned income and not to dividends or interest.

It is not too late to get your RA deduction for the 1977-78 tax year which is now drawing to a close. The Receiver is not concerned when the payment to a RA is made, so long as it is made before February 28. You could make a lump sum payment in February and monthly payments thereafter. It's over to you. This is one of the rare opportunities you have of beating the taxman at his own game.

## DON'T SWITCH

**Beware of glib insurance salesmen who press you to swap your life assurance policies for a RA.** Agents from several companies have recently been urging this, on the grounds that the RA is a better proposition, because it is tax-deductible. The *FM* asked an actuary to analyse the specific case of Mr X, 43, married with four children, marginal tax rate 40%. He has R37 500 of life cover, costing about R24 a month, and consisting of a straight life policy for R7 500, decreasing term for R20 000, and straight term for R10 000. He was advised to *cancel the lot*, take out a new straight-term policy, and invest in a RA.

The actuary comments;

● Mr X has so far paid R1 480 in premiums, and the surrender value on his life policy is about R880, so he would lose R600. This amount is not all "loss" as he has enjoyed cover against death, which can be compared to insuring a house against fire, where one does not expect a refund of pre-

mium if there has been no fire.

● At his present tax rate, Mr X is almost certainly getting full tax relief on his premiums via abatements. By switching to a retirement annuity, he will lose his full (insurance) abatements, but gain the equivalent rebate. But there is no tax advantage in the RA at his present salary.

● His new term insurance will be more expensive. Cover of R10 000 up to age 60 at entry age 43 costs R8.22 a month — an increase of about 8% in only two years. Besides, his acceptability as a risk may have deteriorated, and he may not be able to get a new policy, or only at a very stiff premium.

So the net effect is that Mr X would lose in surrendering his life and term policies, and gain nothing.

The moral of the story is that while a RA is a very good means of saving for retirement, it should be supplementary to, not as a substitute for, life cover.



JOINT ANNOUNCEMENT

**Monkor Trust Limited**

("Montrus")

and

**Mondorp Limited**

("Mondorp")

and

**Volkstrust Limited**

("Volktrust")

(JOINTLY REFERRED TO AS "the companies")

Central Merchant Bank Limited is authorised to announce that the companies have reached agreement with their principal financiers, Santam-bank Limited ("Santam") and Mercabank Limited ("the banks"), on proposals which, if implemented, will result in the companies becoming wholly-owned jointly by the banks and the listings of the various securities issued by the companies being terminated. In terms of these proposals:

- Montrus ordinary shareholders, other than the banks, will receive R10,00 in cash for every 100 Montrus ordinary shares held by them;
- Mondorp ordinary shareholders, other than the banks, will receive R12,00 in cash for every 100 Mondorp ordinary shares held by them;
- Volktrust ordinary shareholders, other than the banks, will receive R6,00 in cash for every 100 Volktrust ordinary shares held by them;
- Mondorp preference shareholders, other than the banks, will receive R85,00 in cash for every 100 11% redeemable cumulative preference shares of R1,00 each held by them. Preference shareholders will not be entitled to any arrear cumulative dividends;
- Mondorp debenture holders will receive a 9% fixed deposit in Santam (which deposit will be repayable in three equal annual instalments commencing 30 June 1981 and have the same monetary value as the par value of the debentures) for all "A" and "B" 1980/1984 debentures of R1 each held. Interest at the rate applicable on the debentures (13,5% and 12% — 16% respectively) will be paid up to the date on which the proposals become effective, after which interest will be paid on the fixed deposit.

Documents, setting out full details of the proposals, are in the process of preparation and will be posted to the relevant parties as soon as possible. Application has been made to recommence dealings in the listed securities concerned on the Johannesburg Stock Exchange from the commencement of business on 30 January 1979.

Dealings in Volktrust shares will not be recommenced because the listing of Volktrust was terminated on 31 December 1978 as Volktrust had been listed under the secondary sector of the lists.



**SENBANK**

**Central Merchant  
Bank Limited**  
(Registered Merchant Bank)

30 January 1979



# Get all your facts straight

For most people, filling in the income tax return is an annual chore which can ruffle the peace and calm of home life. The reason for this is not that the form itself is unduly complicated, but that most people do not assemble the information, the vouchers, the doctors' bills, the IRP's and all the other documentation which must accompany the completed return.

The result is that what should be a relatively simple routine job becomes increasingly irritating and nerve wracking because the receipts you are looking for, the brokers' notes which you require, and the return from the building society have been mislaid.

Start work on your form in February. You should know which institutions are looking after your investments and your savings. You should know the extent of your insurance obligations. You should know the share brokers you have dealt with. You should know what reasonable claims you can make for car and entertainment expenses, as well as all the other claims you intend foisting on the Receiver as proof of expenses you have incurred in earning a living.

Start off by making a checklist so that you know what returns everyone should be making to you during those critical 60 days which will elapse all too quickly from the time you receive your buff form to the time it must be back in the Receiver's hands. If the voucher from the bank or building society has not reached you in reasonable time, start playing up.

Failure by someone else to supply you with figures is not an excuse the Receiver will wear for your failure to report back

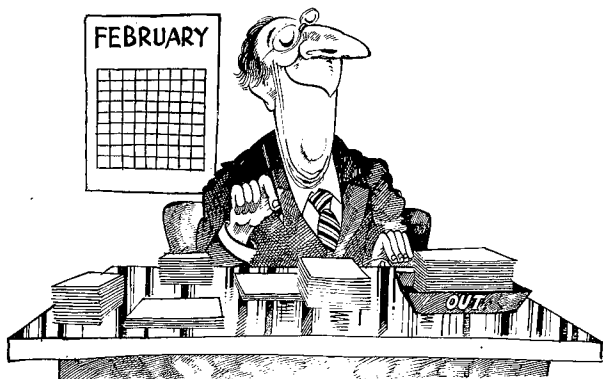
to him in time.

List your shares and check the dividend list. Have you received all your dividends? Have you copies of warrant vouchers? Have you reconciled your stock broker's accounts with your

discharged by giving the full and true facts."

So all you have to do is to state your intention behind each share market deal. If you bought and sold to make a capital profit then that profit is taxable at your top marginal rate. And if you are taxed on profits you are entitled to relief on losses. But this does not necessarily make you a professional share dealer — not if you can justify, or try to justify, each individual transaction.

As Anthony Chemaly, Johannesburg's Receiver of Revenue, confirmed in an



broker's notes? And — this is an important and, especially since a pertinent question was added to the tax form last year — have you clearly established in your mind why you bought and sold the shares you did?

When W J H van der Walt, the Secretary for Inland Revenue, addressed the FM's investment conference last year he said: "Where assets are dealt with in such a manner that it is evident that it was the intention of the taxpayer to embark on a profit-making scheme, then naturally the profit or the gain arising from such transaction must be subjected to ordinary income tax and any losses must likewise be allowed to be deducted for income tax purposes."

Van der Walt said this should not lead to disquiet or uncertainty among investors. "Surely," he maintained, "the taxpayer is in a much stronger position than the tax authorities for the reason that his transactions are peculiarly within his knowledge while the authorities have to establish them."

"Although the burden of proof as to whether a receipt or accrual is of a capital nature and therefore not taxable rests on the taxpayer, this onus can be easily

interview with the FM, the onus is on you to establish your intention.

If you are an active investor — and dis-investor — on the Johannesburg Stock Exchange, then obviously you will provide reasons for each share transaction, not the buying leg, but the selling leg. But don't forget that if you intend being sufficiently barefaced to claim share market transaction losses as a tax offset, don't be chagrined if the Receiver does not take a charitable view about some of your profits. Some taxpayers have chanced their arm and come off second-best.

The company car is another grey area which the tax officials are not prepared to signpost for the unwary. Chemaly says that determining what benefit a man using a company car is getting from the perk is not easy. The guidelines which the department uses are: where does the man live, how much is the car used for business purposes, how much for private use, what is the make and value of the car? All these factors are taken into account before a value is added to the taxable income of the user of the company car. There is no standard formula. Each case is assessed on its individual merits. But

## HELP AT HAND

To prevent errors being fed into the computer, Receivers of Revenue in all main centres operate an after-hours service during April and May to help taxpayers fill in their forms.

Receivers' staffs will work overtime between 16h30 and 19h00 each week to assist the public and to give advice on tax problems.

Anthony Chemaly, Johannesburg's Receiver of Revenue, points out that though the service is primarily for salaried people, the staff will be available to everyone.



## TAX and TAXPAYERS

the signs are that the Receiver is toughening his attitude.

The same "principle" applies to company houses and to company assisted home-ownership: what is the value of the benefit? It is easy to determine when an 11% building society rate is subsidised so that it becomes an effective 8%. But in

other cases quantifying the benefit is as arbitrary as with the use of company cars.

It seems that the correct line of action is direct negotiation, the establishment of a principle and a factor in each case. But one thing is certain, it is not an area for neglect.

# Should dividends get relief?

There is a running debate among taxmen — both at official level as well as those in the private sector — about whether unearned income, in the form of dividends from shares in companies and building societies, should be effectively taxed at a lower rate than the top marginal rate on earned income.

The top marginal rate on earned income is 66%, while dividend income enjoys a one-third tax rebate with the two-thirds taxed at the individual's marginal tax rate. Depending on the income mix and the individual's tax level, this can amount to a considerable relief.

In most overseas countries, the wage earner is given preferred treatment while the investor, the *rentier*, is penalised for his prudence — or for his good fortune in following shrewd forebears.

Those who favour abolishing the part tax-free privilege which attaches to share ownership maintain that if it were to be abolished, it would perhaps be possible to reduce the marginal tax rate from its present 66% with loan levy (60% without) to say 50%. And this, they claim, would have a salutary effect on top executive and top professional people who are discouraged by having the Minister of Finance as their senior partner.

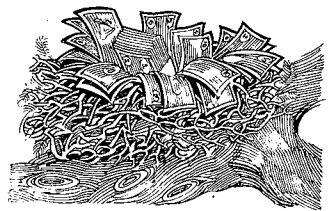
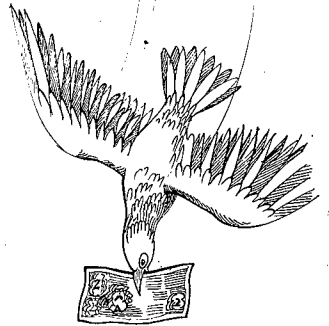
There is much to be said in favour of a 50% top level for tax which, psychologically as well as materially, would give a sharp incentive spur. Half for me and half for Horwood sounds much better than two-thirds for him and only one-third for me.

It would also cut down on many of the marginal fiddles which beset accountants and tax officials as people wheel and deal through private companies in an effort to get away from the 66% ceiling. On the other hand, it would be unwise at this stage of the country's development to discourage investment and the building up of capital. SA needs investment capital — both risk and non-risk — and the emphasis in terms of tax incentive requires the encouragement of the investor and of the

saver.

While this country might appear to be sliding into socialism in so many directions, in other directions it is one of the last bastions of capitalist philosophy — as epitomised by the tax relief on dividends and the encouragement of capital formation.

In any case, a drastic change would hit hard that large group of retired people who depend on their dividend income, whether it comes from companies or building societies. The debate is essentially between those who are working for today's rewards today and those who are concerned with creating comfort for tomorrow's leisure.



# Tough for divorced

Two glaring anomalies in SA tax structure are the imposts levied on divorced men and married women.

Any man divorced after 1962 regains, from a tax point of view, his status as a single man, irrespective of how much he has to pay in alimony and maintenance. All he will be able to salvage from his financial wreckage will be an abatement for contributing to more than half the maintenance of the children. What does this mean in actual cash terms?

A man with a taxable income of R24 000 a year parts from his wife, to whom he agrees to pay half his income as alimony and maintenance for his children. (This is not the place to discuss either his guilt or the competence of his lawyers.)

The arithmetic looks like this:

Taxable income:	R24 000
Alimony etc:	R12 000
	R12 000
Tax (single rates):	9 058
Balance	R2 942

If he were taxed at married rates, the balance of his income would have been R4 755. Not much of an income for a man in the R24 000 category, but at least he would be a little over R100 a month better off.

And the lady? She is enjoying her R1 000 a month tax-free.

Another tax anomaly which arises from divorce is that if the ex-wife is working, and out of her alimony and salary she is paying half of the maintenance of their joint children, both parties can claim the abatement.

Before the Tax Act was changed in 1962, the divorced man could deduct the order-of-court alimony from his taxable income and he was then taxed as a single man on the balance. The wife was taxed on the alimony she received, plus any other income, at single rates too.

Using ruling tax rates as an example, and disregarding the abatements which really are negligible at that income, if the old system were applied today each party would have paid only R2 104 in tax. But then the fiscus would have received



R4 208 instead of the R9 058 — and that loss of revenue could not be countenanced by a tax system which has been designed to extract maximum taxation with a cast-iron inflexibility.

People are subordinated to a system which has been created to generate income for the Treasury, and the operative phrase is that used on so many occasions by ministers of finance: loss of income to the Treasury.

It is for this reason that any relaxation in the present legislation governing the taxation of married women is unlikely to be material. The fundis in Pretoria are of the opinion that to tax high-earning husbands and wives separately would cost the fiscus R100m a year.

While this might appear to be a considerable amount of money, it is only 0,9% of the total budget and reflects that budgeting at government level is an exercise in unimaginative arithmetic instead of also being an endeavour in economic stimulus.

If the talents of all the qualified women in this country were put to productive use by applying an incentive tax system, the productive machinery of the economy would be enriched. Productivity in many

areas would be enhanced and the efforts of these women would undoubtedly be reflected in the GNP. More wealth would be generated and this in turn would enable the Treasury to collect more tax, not less.

But as these advantages cannot be quantified and fed into a computer—only the loss of revenue by the tax system can be — they are disregarded. And women who might be capable of earning R10 000, R15 000, maybe R20 000 a year are fed the bone of a R750 a year tax-free deduction while their income is

franked with a marginal rate which makes both husband and wife disenchanted and discouraged.

Just as top surgeons for example, are discouraged from working more than 40 weeks a year. At the beginning of the tax year, they enjoy most of the fees they earn from the strain of a lengthy, serious operation. But after a few months of work they receive a pittance for doing the same complicated exercise in surgery; they get only R33 for every R100 paid for their skill, for their knowledge, for the strain, and for their responsibilities.

## Brokers are there to help

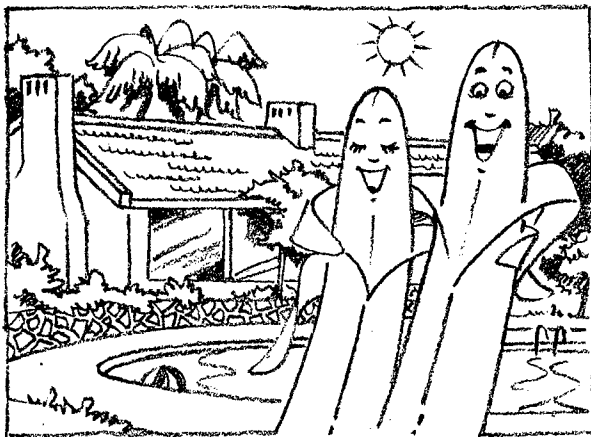
**Competition** in the insurance industry is such that no company would survive if it produced inadequate policies. This applies to life, endowment and allied policies and to retirement annuities.

This being the case, why bother to go to insurance brokers? Why not simply go

to any company and simply "buy" the policy which you think you need?

In the first place, while there are no bad policies, each company tries, within its actuarial limits and circumscribed by its investment expertise, to produce products that are in themselves variants

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And that holds good whether you're engaged, newly married or established enough to want to put your own kids on their feet.

You earn 10% tax-free interest\* on daily balance.

There's no limit to the value of the home or the amount of the bond as long as they meet building society requirements.

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And when you need that vital bond you'll get the preference you deserve.

And that's a guarantee!

See a Moneybuilding Advisor at your nearest NBS branch.



\*Provided the money is used to buy or build a home.



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## Black tax gap to go

Political Correspondent

CAPE TOWN. — The Government is preparing legislation to scrap tax discrimination between blacks and whites.

Next week a Bill will be presented to the House amending the Black Taxation Act of 1969 which is expected to delete all references to the poll tax — a tax formerly paid only by blacks — which was scrapped last year.

At present blacks have to pay taxes if they earn R360 a year or more. The Government is preparing legislation to increase the minimum taxable income to R700 — in line with the minimum taxable income paid by whites.

The legislation is expected to be introduced within the next two years.

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labour markets under

The need to prepare contingency plans for the possibility that a's 35 000 odd migrants be forced to stop work in South Africa is a powerful argument to start experiments to work out suitable rules. It also underlines the need to seek a formulation that provides as high an average wage as is consistent with the essential requirements that labour not be enticed away from economic activities.

A further reason for experiments is that Botswana has not devoted her own or foreign expertise to the question, "On what works can a lot of labour be productively employed?" Pasture management, for instance, has concentrated on rotational grazing, resting and seeding. It has not asked what benefit contour furrows, fodder and shade trees, grass seed raised in nurseries and distributed over the pastures by hand (or by aeroplane), and more permanent fencing in the form of trenches or stone walls would bring to different regions. Nor has much work been done on a wide variety of soil and water lands. Other areas to explore are the creation of woodlots for fuel, building material, fodder and other materials; public brick making for sale to public bodies and private citizens; the design and construction of improved cattle pens, grain stores etc. Roads, particularly in Botswana, offer considerable scope for trial with labour intensive methods on both construction and maintenance.

In figure I a simple organisation chart is presented to illustrate how the adoption of an employment guarantee programme helps to redefine the management of rural development. Funds are devolved to local government which oversees the implementation of the guarantee on behalf of the state. The technical departments assist local government in the design and the supervision of works; thereby retaining the power of technical sanction over works and their execution. Since the funding of works under the programme is controlled by local government rather than pre-allocated within annual technical departmental budgets, the technical departments are required to discover and put forward



# SA tax discrimination to go

CAPE TOWN — The government is planning to introduce equal taxes for all races in South Africa.

Legislation is being prepared for parity in taxes and will be introduced within two years.

In an interview yesterday, the Secretary for Finance, Dr J. de Loor, said: "The principle is accepted that we should do away with discriminatory tax as soon as possible."

Asked if the legislation would be introduced this year, he said a number of administrative problems were involved.

"There are a lot of negotiations that have to take place with the governing bodies for blacks and the Department of Plural Relations because they are the taxing authority," he said.

"But come what may, it will definitely be within the next two years."

"Obviously, the target has been set and we want to do it as soon as possible."

One of the provisions under consideration, which may come before Parliament this year, is to raise the minimum taxable income for black people from R360 a year to R700 a year.

In the House of Assembly yesterday, the Minister of Plural rela-

tions, Dr Koornhof, gave notice of a Bill to amend the Black Taxation Act of 1969.

The measure is aimed at deleting any reference in South African law to "a general tax consisting of a fixed amount."

This is a reference to the poll tax that black people had to pay until last year when it was scrapped. — PC.



# Government prepares to equalize tax system

Staff Reporter

THE GOVERNMENT is preparing legislation to scrap tax discrimination between blacks and whites.

The legislation will raise the minimum taxable income level of blacks to the same as that of whites and will be introduced within the next two years. At present blacks and whites have different fares of taxation.

There is strong speculation that the equalizing legislation could be introduced during the session of parliament which starts today.

A bill will be presented to the House this week amending the Black Taxation Act of 1969; it is expected to delete all references to the poll tax — a tax formerly paid only by blacks and scrapped last year.

In an interview the Secretary for Finance, Dr J H de Loor, said the government was committed to the principle of scrapping tax discrimination "as soon as possible".

"Come what may, this will definitely be done within the next two years," he said.

At present blacks have to pay taxes if they earn R360 a year or more. The government is preparing legislation to increase the minimum taxable income to R700 — in line with the minimum taxable income paid by whites.

A single white under the age

of 60 has to pay tax if he earns R700 a year or more. No details of the government's plan for black taxpayers are available yet.

The government announced its intention of equalizing taxes last year during the Budget speech of the Minister of Finance, Senator Owen Horwood.

Asked if the government intended introducing the equalizing legislation this year, Dr De Loor said there were a number of administrative problems involved.

"Negotiations must still take place with the governing bodies for blacks and the Department of Plural Relations which is the taxing authority," he said.

"But it will definitely be within the next two years."

Informed sources speculated on the likelihood of the legislation being introduced this year.

Mr Harry Schwarz, PFP spokesman on finance, said he was disappointed that the motion to be introduced this week would not scrap tax discrimination entirely.

"The government has been intending to move for quite some time. I will welcome it when I see the legislation."

Mrs Helen Suzman, PFP spokesman on black affairs, said she welcomed any sign of hope that the government was taking steps to scrap tax discrimination.



## LOAN LEVIES

### Just a gesture

*320*

The repayment to companies of the 1973 and 1974 loan levies will inject almost R160m into the economy over the next few weeks. But in the words of one well-known economist, it is no more than "an admirable gesture."

Businessmen also believe the payout will not have much impact on their companies' spending plans. Consumer demand is low, and excess capacity is running at 15% 20%, so replacement of capital goods or replenishment of stock seems unlikely.

Some firms will use the cash to reduce short-term borrowings — "it will probably go toward paying off some bits and pieces," says one major consumer goods manufacturer. Others see the bonus swelling cash holdings and improving liquidity.

Indeed, Finance Secretary Joep de Loor reckons this was the intention of the repayment. The inflow should reduce pressure on financial institutions, cut company finance costs, and thus contribute to profitability, he reckons. It will also cut the exchequer's debt burden slightly. He is confident that any improvement in the investment climate must contribute to a revival of fixed investment and to more vigorous growth.

Economists agree that the psychological effect will probably be as important as the cash. But the payout is significant only if it is part of an overall stimulatory package.

The economy cannot get going without a boost to consumer demand, and businessmen argue that repayment of the 1977 personal loan levy — a sum of some R134m — would have been preferable. However, Inland Revenue notes that tax assessments for 1977 have not been completed and that it is not yet possible to work out the amount of interest owing on the levy. Finance Minister Owen Horwood told Parliament this week that the balance in the loan levy account not due to be repaid in 1979 totals R945m.



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# Iniquitous taxation <sup>(320) R.D.M.</sup>

FOR A long time married couples have complained about the unfair taxation system operating against them.

Upon enquiry I have to tablished what I believe to be one of the worst forms of discrimination practised by the Department of Inland Revenue.

It has to do with abatements and the income limit of R5 000 (income in excess of which reduces the abatements by R2 in every R10).

Unbelievable as it seems, this R5 000 bar applies equally to single taxpayers as well as to married couples.

Consider the case of a single woman earning R6 000. Her abatements get reduced by one fifth, ie R200. A male earning R12 000 will have his abatements reduced by R1 400. Both will derive some benefit from their individual abatements. Let them marry, and right away the excess income becomes R13 000 and the penalty increases to R2 600 — exit abatements!

Just where the logic or justice comes into this is beyond my comprehension. That the combined income of husband and wife is subject to the same limit, as that of a single person beggars description — irrespec-

tive of the R750 allowance for working wives.

All I know is that when we, like so many other working married couples, fill in page two of the IT 12 we know that no benefit will accrue. And, equally so, we know that an additional assessment will arrive as surely as day follows night. Yet we must provide for our children, try and support aged parents, pay insurance premiums, medical aid subscriptions, and so on.

Another point — the limit for insurance etc, for single persons is R750 while for a married man with a family it is R1 000. A little out of perspective, don't you think? — C R H, Florida.



320  
Aug 13/2/79  
ion in general

THE Government collected R377.4-million in general sales tax in the first six months the tax was applied, the Minister of Finance, Senator O P F Horwood, disclosed yesterday.

In a written reply to a question in Parliament by Mr Nigel Wood (NRP, Berea), the Minister said the following amounts were collected: July 1978 — R219 586; August — R52 185 501; September — R76 405 428; October — R80 213 188; November — R83 674 488; December — R84 782 365. The amount collected in January this year is not yet known.

The Minister said that by January 23 there were 221,272 vendors registered in terms of the Sales Tax Act for sales tax collection purposes. There had been two prosecutions for failure to register in terms of the Act.

It may be too costly to give up the purity of the traditional Models for the truthfulness of the real world which serves as the Totem of the Sub-Zones.

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# Tax cuts expected in Budget

Orig 13/2/49  
320

LATEST tax returns from the Treasury have greatly strengthened the prospect that the next Budget will contain substantial tax concessions.

The Treasury statement shows that tax revenues are running well ahead of Budget, and that the Government should end the current tax year with a revenue surplus of at least R300-million.

With the Government in a 'give-away' mood owing to its desire to stimulate the economy, a substantial portion of this R300-million is expected to be returned to the taxpayer.

## A SECRET

How this will be done will remain a secret until the Minister of Finance, Senator O P F Horwood, presents his Budget on March 28. However, apart from cuts in the loan levy and income tax surcharge there are expectations that he may make also substantial changes in the abatement system.

Encouraging the Minister to move in this direction, it is thought, will be the hope that this might help to reduce the agitation by working wives to be taxed separately from their husbands — a development which the Treasury is known to oppose strongly.

## ABATEMENTS

In the abatement system tax concessions are progressively reduced as the taxpayer's income increases. A return to the rebate system which prevailed until about five or six years ago would greatly reduce the tax burden on families with children where both parents work. It would also remove the anomaly of taxpayers in the middle income category often having to pay tax at a higher rate than taxpayers in an upper-income group.



Cape Times  
14/2/79  
**Black taxes  
criticized** 320

TAX discrimination against blacks was the subject of a sharp attack on the government yesterday by Mrs Helen Suzman, PFP spokesman on black affairs.

Speaking during the second reading of the Black Taxation Amendment Bill, which scraps all references to the poll tax, Mrs Suzman criticized the government for not going further in scrapping tax discrimination against blacks, who paid higher indirect taxes than whites.

Mrs Suzman said blacks who earned more than R360 a year paid income tax, while the starting rates for whites was considerably higher. Although blacks, at the highest income levels paid less than whites, she had no doubt that blacks would willingly forfeit this benefit for parity at the lower levels.

In reply, Dr Andries Treurnicht, Deputy Minister of Plural Relations, said the government was paying attention to the matter and hinted that further steps towards tax equality could be introduced at a later stage. In an interview afterwards, Dr Treurnicht said the matter was being delayed by several problems which were being investigated.





Dr A P  
Treurnicht

# Black taxes 'considered'

320

## Parliamentary Staff

THE whole question of discrimination in the taxation of blacks was under consideration by the Government with a view to formulating legislation to rectify the matter, the Deputy Minister of Plural Relations and Development, Dr A P Treurnicht, said in the Assembly yesterday.

Dr Treurnicht was replying to the second reading debate on the Black Taxation Amendment Bill which deletes all reference to the R2,50 poll tax which was abolished when the Minister of Finance introduced the general sales tax last year.

He said it was necessary to delete all references to the poll tax in the Black Taxation Act to ensure that any remaining doubt

in the minds of blacks that the tax had been abolished was removed.

The R2,50 poll tax was formerly paid by all black males over the age of 18.

## WELCOMED

Mrs Helen Suzman (FFP) Houghton, said that while she welcomed the statutory confirmation of the abolition of the poll tax she wished that the Bill had gone further.

Blacks were still taxed separately and had to start paying income tax from an income of R360 a year. Blacks were also excluded from concessions such as rebates.

This all amounted to discrimination and there was no justification for a system where blacks were taxed separately from whites.

"This is a purifying Bill and we would have hoped that the deputy minister in his purifying process would have done away with the principle of separate taxation for blacks," she said.

The large base of black taxpayers were in the lower income groups and they had already been hard hit by the sales tax on basic foodstuffs. Discriminatory taxation which affected blacks should be removed as soon as possible, she said.

Dr G de V Morrison (NP Cradock) said the Government was aware of the discrimination in taxation which could adversely affect blacks but it was not a simple process to find a satisfactory formula to satisfy all of South Africa's peoples.



# Tougher tax penalties forecast

JOHANNESBURG — Stiffer penalties for tax defaulters are on the way says Mr. Laurie Atkinson, chief executive of Hill Samuel Taxation Services, the recently established specialist consultancy in corporate and private income tax matters.

Mr Atkinson makes his comments as the 1977/78 tax year draws to a close. He says it is apparent that the massive overhang of unpaid taxes cannot be allowed to continue.

Maximum penalties

currently payable for tax defaulters (such as omissions and late renditions of buff forms) amount to three times the tax payable.

"This penalty will now be increased by the looks of things," says Mr Atkinson.

Moreover, control on tax rendition is being tightened up, he says, notably in terms of late returns. "There will be no leniency."

Mr Atkinson believes

tax planning and advice has never been more needed.

"In 1970, a married man with three children with an income of R5 000 paid about five per cent in tax, or R250. Today, that same salary earner must bring home R11 170 to equate the R5 000 he earned in 1970. Moreover, he now pays 12 per cent of his earnings to the tax man, or R1 340.

"His average tax rate has therefore more than doubled while the

purchasing power of the rand has declined."

Higher up the tax scale the situation is worse. For example, at R76 000 a year, tax amounts to 35 per cent (R26 600).

"These shocking figures should influence every taxpayer to give considerable attention to the legal ways of offsetting tax," says Mr Atkinson. "Ask yourself if you have claimed all your allowances and deductions. The tax man won't do it for you." — DDC.

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# Sappi higher thanks to tax

By HAMISH FRASER

WITH A LOT of help from the tax man and with obvious faith in the future, Sappi has been able to lift its dividend to 22c from the 20c it has paid since 1974 — in spite of a drop in pre-tax profits of 13% in the year to December 31 1978.

Attributable profits, boosted by tax concessions on the commissioning of the Enstra plant and expansions at Tugela, edged ahead from R14 013 000 to R14 444 000.

Prospects for this year are encouraging, says the chairman, Mr Ted Pavitt.

The decline in pre-tax profits, in spite of a 4.1% rise in turnover to R205-million, was caused by difficulties in the commissioning of the expanded pulping and bleaching facilities at Sappi's fine paper Enstra Mill.

Pre-tax profits totalled R19 732 000 compared with R22 679 000 and the tax charge dropped from R7 024 000 to just more than R2-million.

Taxed profits of R16 945 000 compare with R15 655 000 in 1977 and after an increase of nearly R1-million more than last year, attributable profits rose 3.1%.

"The increased dividend is a reflection of the company's confidence of an improvement in the current year," says Mr Pavitt.

Sappi Kraft (Pty) increased its contribution to group profits, but Sappi Fine Papers (Pty) ran into serious problems.

Mr Eugene van As, Sappi's

new managing director, said in an interview last night that a change in paper converters' inventory policy in the review period had affected the fine paper division. But there had been a quick turnaround in the market which was again looking healthier — if not quite as strong as it had been in 1977.

The contributions from Sappi Forests (Pty) and from the group's interest in Carlton Paper Corporation were substantially higher in 1978 compared with 1977.

Sappi expects the Enstra Mill to be performing satisfactorily by the middle of 1979 when there will be a significant improvement in earnings.

Sappi also announced yesterday that it had decided to build a wastepaper recycling mill in the Western Cape. The mill, which will be sited at Milnerton on the site already owned by Sappi, will involve a capital investment of about R20-million and will have an annual capacity of 28 000 tons.

It represents a departure from Sappi's past philosophy as it will be integrated with a corrugating machine matched to the size of the paper machine. The mill will sell flat corrugated board made to the requirements of converters in the Western Cape.

"The decision to build this mill was taken in principle some months ago. Studies have confirmed the initial indications of profitability, and we have decided to proceed with the project immediately," Mr Pavitt says.

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EMPLOYMENT ON ALL MINES EXCLUDING POWER AND WORKS (1946-1977)



## 320

The insurance industry, itself, he says, has not requested that the allowance be geared to taxable income.

The insurance industry, itself, he says, has not requested that the allowance be geared to taxable income.

Sanlam's Jack van Wyk feels the present maximum R3 500 allowance is unfair to the higher paid, and would prefer the limit to be 15 per cent of taxable in-

The present system, he says, "discriminates against the more productive and higher paid professionals."

And with the same idea, though with a limit of 10 per cent. is Guarantee Life's Dr Shlomo Peer:

"The majority don't spend R3 500. To put the amount up would only partially solve the problem and won't help the big earners."

There would, however, be drawbacks, explains Ralph Roseman of Old Mutual.

Supervision of the allowance, if calculated as a percentage of income, would be difficult, and each company selling retirement annuities would have to offer flexible premiums for members with fluctuating incomes.

The supervision could probably only be done on the recorded taxable income.

Insurance brokers believe these increased tax benefits could lead to the retirement annuity-buying season being extended after February 28 well into the new fiscal year.

Tax experts expect that taxation legislation could soon include such changes as the taxing of fringe benefits (currently causing concern among market motor car manufacturers) and possibly even further moves towards capital gains tax.

# Retirement

**TAX** relief on retirement annuities is expected to be increased substantially — by about 20 per cent — in next month's Budget.

Top insurance men believe there is a strong possibility that the amount of retirement annuity premiums deducted annually from taxable income could be increased from R3 500 to R4 000 or more.

R4 000 or more.  
This concession could

boost the sale of retirement annuities to well above the expected R250-million this year.

Alternatively, other insurance experts believe that the tax deductible benefit could be geared to a percentage of taxable income, which was recommended to the Government some months ago by the National Council for Chartered Accountants.

In any event, insurance men believe that some fur-

ther tax relief will be given to retirement annuity members as part of the radical review of South African taxes currently underway — of which General Sales Tax was the beginning.

The allowance, intended to encourage savings towards provision for old-age, is also justified by Government on the grounds that large amounts of retirement annuity savings are invested in official securities.

23. Personal income equals disposable income plus:

- (1) Personal income taxes.
- (2) Social Security contributions.
- (3) Transfer payments.
- (4) Dividend payments.
- (5) Personal savings.

24. In classical theory, saving
- (1) Would never occur because economic activity is
  - (2) Would automatically be
  - (3) Is dependent upon the
  - (4) Is defined exactly the
  - (5) All of the above

25. If  $C = R1000$  and  $S = R150$ , Aggregate Demand will be:

- (1) R1000  
(2) R850  
(3) R1150  
(4) R150  
(5) Impossible to determine

26. If aggregate supply  $\cdot (AS) >$  aggregate demand, then businessmen will experience:

- (1) An unplanned decrease in
- (2) An unplanned increase in
- (3) A rise in their profits.
- (4) An increase in total sale;
- (5) None of the above.

27. GNP is in equilibrium:

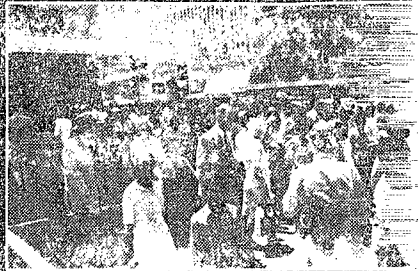
- (1) When there is full employment
- (2) Only if the marginal propensity to consume is less than one
- (3) When the marginal propensity to consume is less than one
- (4) When actual savings equal planned savings
- (5) When planned withdrawals equal planned injections

28. Keynes concluded that the interest rate:
- (1) Would always be at level of effective demand.
  - (2) Would never be at level of effective demand.
  - (3) Could never be an equilibrium interest rate.
  - (4) May or may not be at the level of effective demand.
  - (5) None of the above.

三、



# SLASH OUR TAXES NOW!



THE PEOPLE

FINANCE MINISTER Senator Owen Horwood is going to have to cut between R40 and R50 a month from personal tax if the South African economy is to be saved from the recession threatening the rest of the western world.

Thursday's shock announcement of a six cents a litre increase in the price of petrol and diesel fuel has put the cap on the hopes that the faltering recovery in the economy would be revitalised through increased consumer spending.

Before the announcement of the increase the private sector was placing considerable pressure on the Government to cut taxes as continually dropping retail sales figures showed that the man-in-the-street's pockets were stretched to the limit and there was no way he could increase his spending.

This increase in the

fuel price — and there are whispers of another five-cent hike in the near future — will put the nail in the coffin of economic recovery unless Horwood takes steps to increase private disposable income — and the only way he can do that is by cutting taxes substantially.

And the cuts must, perforce, be substantial for not only must the amount offset this and further fuel price increases but must also provide the consumer with enough extra cash to stimulate the economy meaningfully.

The average motorist's fuel bill will probably increase by about R10 a month and then by a further R8 to R10 a month with later increases — possibly even more.

In addition to this sum, a minimum of R20 a month more will be required if a consumer led recovery is to take place.

Despite soaring oil cash from a money bill<sup>1</sup> and the massive market awash with R3 276 million required funds, that it cancelled to finance the ex-ante issue planned for tensions to Sasol, there February.

Money market experts say that even if the Government did not have enough ready cash in its coffers to meet the demand at once, it would have no trouble in raising the shortfall by calling on money market sources.

What is worrying economists at present is that if Horwood speaks until the Budget speech

is no doubt the Government does have the means available to introduce substantial cuts.

In 1978 South Africa's trade surplus was just under R1 000 million compared to R 745 million in 1977. And the indications are that the magic R1 000 million mark could well be passed in 1979 if gold continues its current upward course.

Gold is perhaps one of the most vital keys to the situation, as it is here that the best hopes

## Report by TONY HUDSON, Finance Editor

for increased foreign earnings lie.

And the expectations look good for it seems as if gold is still on an upward trend after reaching a record 253 dollars an ounce last week. Some gold funds have predicted that it could well reach 300 dollars an ounce by the year end.

A leading economist has predicted gold could earn R4 900 million for South Africa this year based on an average gold price of 240 dollars for the first half of the

year and 260 dollars for the second six months.

It now appears the figure of 260 dollars is well within reach and the indications are that it could easily pass this mark as the Carter administration battles with the US energy crisis and looming recession.

This means a weaker dollar and a consequently firmer gold price.

In addition to money from exports, the Treasury has been so successful in raising

at the end of March before introducing cuts, it may be too late.

It takes several months to introduce new tax rates after an announcement of change which would mean that cuts introduced in the Budget need not come into effect until July or August — which might just be a little bit too late.

Not only are consumers waiting the decision with baited breath but so are the consumer orientated sectors on the JSE. Companies in these areas which make or sell consumer products are going to be badly hit

soon if steps are not taken by Horwood.

While no real signs of weakness were seen at the time of going to Press, brokers believe they will appear shortly.

It is basically the erosion caused by inflation — which will only increase as a result of the fuel price rises — that are behind the problem.

When Department of Statistics figures are related to a 1970 constant prices — deflation sales values by the retail trade index — one sees that a anticipate February retail sales will be the lowest since 1974.



Col 205 27/2/79 Income Tax Hansard 4  
133. Mr. N. B. WOOD asked the Minister  
of Finance:

(a) How many: (i) Whites, (ii) Coloureds and (iii) Asians were eligible for income tax in each province, and (b) what amount was collected from each group, during the latest year for which figures are available.

**The MINISTER OF FINANCE:**

The following figures relate to persons assessed for normal income tax in respect of the 1977 tax year and include loan levy. Not all assessments for that year have been issued.

	(a) Number of Taxpayers Eligible for Normal Income Tax	(b) Amount Assessed R'000
Cape Province		
(i) Whites	320 346 692	336 525
(ii) Coloureds	167 119	20 993
(iii) Asians	4 930	2 175

Natal		
(i) Whites	162 716	175 677
(ii) Coloureds	10 808	2 247
(iii) Asians	78 189	16 707
Orange Free State		
(i) Whites	71 260	80 307
(ii) Coloureds	1 522	126
(iii) Asians	3	—
Transvaal		
(i) Whites	947 176	1 054 001
(ii) Coloureds	57 823	7 894
(iii) Asians	33 859	11 755



*Hansard & (217) 27/2/79*  
Taxpayers **320**

269. Dr. F. VAN Z. SLABBERT asked the Minister of Finance:

What was the percentage of (a) White, (b) Coloured and (c) Asian individual taxpayers in each income category as at 28 February 1978.

The MINISTER OF FINANCE

The information asked for by the hon. member is unfortunately not available as at 28 February 1978. The table below shows the position as at 31 December 1978 and relates to notices of assessment issued up to that date in respect of the 1977 tax year.

Income Category R	(a) Whites Per cent	(b) Coloureds Per cent	(c) Asians Per cent
Loss .....	98,26	0,76	0,98
0—1 000 .....	68,59	22,79	8,62
1 001—2 000 .....	51,46	35,50	13,04
2 001—3 000 .....	66,48	21,25	12,71
3 001—4 000 .....	74,29	15,71	10,00
4 001—5 000 .....	80,49	11,76	7,75
5 001—6 000 .....	87,55	7,54	4,91
6 001—7 000 .....	92,47	4,67	2,86
7 001—8 000 .....	95,45	2,66	1,89
8 001—9 000 .....	97,10	1,53	1,37
9 001—10 000 .....	97,92	1,00	1,08
10 001—11 000 .....	98,31	0,71	0,98
11 001—12 000 .....	98,53	0,55	0,92
12 001—13 000 .....	98,61	0,39	1,09
13 001—14 000 .....	98,53	0,38	1,09
14 001—15 000 .....	98,71	0,23	1,06
15 001—16 000 .....	98,52	0,27	1,21
16 001—17 000 .....	98,30	0,28	1,42
17 001—18 000 .....	98,41	0,22	1,37
18 001—19 000 .....	98,33	0,21	1,46
19 001—20 000 .....	98,32	0,25	1,43
20 001—21 000 .....	98,28	0,15	1,57
21 001—22 000 .....	97,88	0,26	1,96
22 001—23 000 .....	97,81	0,22	1,97
23 001—24 000 .....	98,17	0,28	1,55
24 001—25 000 .....	97,92	0,07	2,01
25 001—26 000 .....	98,23	0,20	1,57
26 001—27 000 .....	98,21	0,00	1,79
27 001—28 000 .....	98,59	0,23	1,18
Over 28 000 .....	99,35	0,08	0,57



## <sup>320</sup> Mine taxes soar <sup>214</sup> 96 pc to R937m

### Business Reporter

The major beneficiary of the increased profitability of the gold and uranium mines last year was the South African Government, the Chamber of Mines says in its latest monthly report.

"Estimated taxation and the State's share of profits increased from R477,4m in 1977 to R937,3m last year, a rise of 96,3 percent."

The Chamber says that the main feature in 1978 was the rapid increase in working revenue which flowed

from the higher gold price.

From R2 347m in 1976 it rose to R3 674m in 1978. The average gold price received increased from 119,34 dollars per fine ounce in 1976 to 194,24 dollars last year."

Gold production has remained relatively static around 700 tons.

"The higher revenue accruing to the industry from gold sales has, therefore, stemmed from the escalating gold price rather than higher output," the Chamber says.



## TAX EVASION

# The artful dodgers

*The café owner on the corner takes your cash without ringing the till. An actor on a four-month assignment is paid R1 000 a week by a foreign company — unbeknown to the Receiver of Revenue. An Eastern Cape cattle rancher sells a bull for cash and then sorrowfully notes its death on his income tax return.*

**Dodging the taxman** is an international pastime. A recent article in *Fortune* estimated that the US "underground economy" was worth \$195 billion in 1977. In Britain, claims a *Newsweek* article, almost \$2 billion in potential taxes go uncollected each year.



Café owner . . . tax is a matter of trust

"Black money" is reportedly an essential part of German and Swedish financial dealings, and the only workers in those countries who get rich seem to be artisans selling their skills for cash.

No estimates have been made of the size of SA's underground economy. "If we knew the extent of the problem, we

would also be able to stamp it out," says Inland Revenue secretary Mickey van der Walt. But if each SA taxpayer cheats the department of only R10 a year, Inland Revenue loses R25m.

The department's investigating team recovered about R11m in tax in 1977-78. Each investigation took up to three months, so that if there were 100 investigators (Van der Walt will not confirm or deny this figure), the R11m was collected from less than 500 offenders. Van der Walt points out, however, that his men concentrate on the big swindles.

Van der Walt believes his department is getting off lightly compared to taxmen in other countries. "We are talking of a small minority of dishonest people," he insists, arguing that tax evasion is less common because of SA's relatively low taxes.

Others disagree with that "relatively low" comment. In December, Old Mutual's chairman Jan van der Horst slated SA's high marginal tax rates which, he says, make it "virtually impossible for any individual to accumulate any worthwhile amounts out of after-tax income."

While Van der Walt is reluctant to adopt a big stick policy — "tax is a matter of trust" — his department keeps a beady eye open for fiddlers. "We don't condone the smaller offences," he says. "But we don't want to use a cannon to shoot a gnat."

The art of dodging is to estimate what profit will be acceptable to the receiver, and then to trim the books accordingly. Some of the more cunning tricks cited by a former senior employee of the Department of Inland Revenue:

- A farmer, riding the crest of an abundant year, shaved his profits by incurring a "capital expenditure," such as the purchase of large amounts of wire mesh, just before February 28. In the first week of March he sold the mesh, for cash of course.

- A petrol company gave cash "prizes"

to garages who agreed to stock only its products. The company claimed for "marketing expenses," while the garages kept no records at all of what in effect were discounted prices.

- Many senior executives are given expenses-paid holidays. Their employers claim they have gone on business trips.

Those who specialise in nosing out tax loopholes must tread carefully. Warns Van der Walt: "Avoidance is often as much an evasion as ordinary till robbing. All schemes must first be checked by the Department of Inland Revenue. Only my department determines taxable income."

### Looking for tax havens

The department's biggest headache is international scheming. Many multinationals practise transfer pricing: that is, they adjust prices of goods and services sold by one part of the group to another so as to shift profits to countries with lower tax rates. This is an international problem, and the *Economist* reported as recently as November 1978 a crack-down on transfer pricing in the UK. The remedy lies partly in double taxation treaties, which provide for exchange of information about transfer pricing. But, as Van der Walt points out: "The remedy is relatively simple. It is detection that is the problem."

Tax evasion offenders face treble taxes, but the department only resorts to the courts in severe cases. "We don't want to take people out of circulation", smiles Van der Walt.

He insists that inflation and higher taxes do not swell the underground economy. But both *Fortune* and *Newsweek* emphasise the link. Says *Newsweek*: "Unless the tax rate comes down, the odds are that the number of tax fiddlers will continue to rise."

Adds a top Johannesburg tax expert: "It's a vicious circle. If people did not fiddle, income taxes need not rise so rapidly. But the more they rise, the more people fiddle."



their workers. So they organise multi-racial committees or refuse to recognise the union on the grounds that we're unracial — which we're not."

Certainly the length with which recognition disputes drag on illustrates the point. It took Smith & Nephew workers over a year to win back their recognition agreement. The Glacier dispute (FM last week) has been on the go for 14 months and two others for five and six months respectively.

The unions say that the long delays don't weaken worker resolve. But they do tax union resources to the limit. "At each plant we have to deal with each new management reaction while keeping shop-floor support solid in the face of management attempts to discredit the union," says Erwin.

This is one of the reasons why the unregistered unions have a relatively small membership. "We could enrol thousands of workers tomorrow. But we couldn't offer them anything," Erwin tells the FM.

The unions would be unhappy with any attempts (in the wake of the Wiehahn report, for example) to make recognition dependent on majority representation in a particular industry. "It's Catch-22," say the unions. "We don't have mass membership because we're unregistered. But we won't be registered unless we have mass membership."

## TOWNSHIP FINANCE White man's burden

Employers are bristling at a government move to increase their compulsory contributions to Bantu Affairs Administration Boards. Legislation currently going through Parliament abolishes the R2,50 per month ceiling on employer contributions under the Contributions in Respect of Bantu Labour Act.

The Minister of Plural Relations will now have free reign in deciding the extent to which the private sector will finance the boards. Also gone from the Act is the provision stopping him from raising the contribution (up to the R2,50 per employee per month maximum) by more than 20% at a time.

At present, the contribution for industrial workers in most parts of SA is R2,15, while in the Western Cape it is R2,50.

Willie Vosloo, Deputy Minister of Plural Relations, tells the FM that sharp increases will be avoided as far as possible. He also promises that employers will be consulted before any changes are made.

But both Assocom and the FCI have complained to government about the scrapping of the limit. Assocom intends raising the matter with Plural Relations



Parsons . . . voicing objections

and Development (Prad) Minister Piet Koornhof later this week.

"It is essential that a statutory limit be placed on possible increases," says the FCI's Hennie Reynders. Brian Matthew, of the Midland Chamber of Industries, complains that "government has a blank cheque to do as it pleases. We take the levy into account in calculating wages, but the employee takes home only some of it. If government keeps milking industry, it will force us to mechanise."

The move is clearly intended to bolster the funds of administration boards, whose only other main sources of revenue are rents on township houses and profits on liquor sales. Prad's latest report once again emphasises the boards' predicament: "Liquidity problems of the West Rand and Peninsula Administration Boards became so critical in 1977-78 that the department had to arrange two loans of R2,9m each from other more liquid boards."

The boards get no financial assistance from the State. This principle was made clear from the outset.

"Assocom has indicated to government that organised commerce is opposed to lifting the limits as it does not favour sectional tax," says executive director Raymond Parsons.

Another point of dispute centres around where the money is spent, especially since administration boards can channel their revenues to the bantustans. "We would like the money to be used in the area where it is paid," says Reynders.

Vosloo says that none of the contribution money will be spent in the bantustans. Nevertheless, according to a recent article by P J Rieker of the Western Transvaal Administration Board, as much as R4,9m was spent on housing BophuthaTswana's Mabopane township by the Central Transvaal Board; its East Rand counterpart ploughed R3,6m into Lebogwagomo in Lebowa.

Another employer gripe is higher levies in the Cape. Vosloo expects that this likely to remain the position, claiming that the "cost per capita of labour housing is higher due to the relatively small number of blacks in the area."

Others see the differential as attempt to discourage the employment of Africans in what government chooses to regard as a "coloured labour preference area" (FM July 7 1978).

Vosloo says that levies are "not necessarily" used to divert labour from one area to another. "Up to now, the levies have rather been equated to costs of administration and services than to promote the employment of coloured workers."

## TEXTILES SURVEY

The textile industry has suffered much criticism during the past 20 years. Criticism has broken out again with a revised duty protection. How valid are the attacks? How important to the economy is the industry? Is it worth protecting?

These and other questions are discussed in a report by the textile industry to put the FCI on the spot next week. Even so, the report is of little interest to textile workers as they are sure to find many of the points in the survey. So don't miss it.



CONFERENCE ON THE ECONOMICS OF HEALTH CARE IN SOUTHERN AFRICA  
EDUCATION BLOCK U.C.T. SEPTEMBER 25 to 29

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
	PLENARY SESSION (3 papers)	PLENARY SESSION (small groups report back)	PLENARY SESSION (3 papers)	PLENARY SESSION (small groups report back)
	TEA	TEA	TEA	TEA

8.30 - 10.30

10.30 - 11.00

11.00

1.00

2.00

3.30

4.00

6.30 - 8.00

8.00 - 10.00

**HOMES ON WHEELS**  
**Up from behind**

pm 2/3/77  
320

**GST spells good news** for the R25m a year caravan business where the 4% duty is peanuts compared with the previous 33% sales duty burden.

For CI South Africa, local subsidiary of UK-based Caravans International Limited, 1978 sales leaped 65% to a record R15.9m compared with 1977, and accounted for almost 50% of the group's worldwide profits.

Mike Collins, chief executive at CI Caravans (the caravan branch) estimates the present annual market to be in the region of 5 500 caravans. Apart from sales duty relief, he reckons the upturn was due to the advances CI made in lightmass manufacturing technology to follow the trend towards smaller cars.

"Caravaners are going for more space and less weight. We've reduced mass on this year's models by 15%-20%," says Collins. How will the petrol price shock affect sales? "It won't. Certainly it'll cost more to get to the campsite, but the saving on hotel bills will still be there."

**Mobile homes**

While CI won't give a breakdown on its sales figures, biggest earner in the group was probably the mobile home maker, CI Parkhomes, which, it is understood, landed some hefty contracts to supply housing at the Sasol II site. Says Parkhomes MD Martin Done: "We've supplied a lot of industrial units to mining giants and construction companies. Homesteaders only account for 5% of sales of mobile homes."

That mobile homes are booming at present is borne out by second-hand dealer Rudi Wiggett at Transvaal Caravans. "I can't get enough used homes to meet demand," he says. "One recent order of 150 for Sasol II was worth about R1.5m and there's plenty more in the offing."

Wiggett's used homes average R11 000 each including transport and siting, while CI Parkhomes, operating at full capacity of six units (floors) a day with order books filled until August, sells new units from R5 000 (four rooms, 20.5 m<sup>2</sup>) to R20 000 (three bedrooms, 100 m<sup>2</sup>).

Jurgens has noticed a slight upturn in sales. "We're doing as well as always and have been producing at full capacity for some time," says marketing manager Louis Steyn. Jurgens is putting a lot into aerodynamics research in its bid to keep pace with fuel saving needs. "We've always been light, and last year managed to reduce wind-resistance on some models by 18%." Steyn puts the value of the market for 5 000 units at about R23m. Local content at 90% by value is high.

DUSCHIGAL (RHODES FRUIT FARMS) for WINE PRESENTATION and BRAAI		List key issues
DRINKS AND BUFFET SUPPER	DRINKS AND DINNER	FREE EVENING
OPENING PLENARY SESSION INTRODUCTION AND FILM	OPEN PLENARY SESSION Beattie Theatre (outside visitors)	



Number of taxpayers/percentage of income  
tax revenue

Hansard 5(334) 8/3/79

216. Mr. H. H. SCHWARZ asked the  
Minister of Finance:

What was the (a) number of taxpayers in  
each income group and (b) percentage of  
income tax revenue derived from each  
group in the 1977 tax year.

The MINISTER OF FINANCE:

(a) and (b)

Income category	Number of individual taxpayers in income category	Tax assessed in income category as a percentage of total tax assessed
Loss	15 365	—
1— 1 000	180 917	0,76
1 001— 2 000	197 763	0,70
2 001— 3 000	227 243	1,85
3 001— 4 000	175 829	2,40
4 001— 5 000	149 018	2,85
5 001— 6 000	136 124	3,57
6 001— 7 000	127 845	4,45
7 001— 8 000	122 682	5,46
8 001— 9 000	110 769	6,21
9 001— 10 000	93 580	6,52
10 001— 12 000	133 021	12,36
12 001— 14 000	76 427	10,03
14 001— 16 000	42 190	7,46
16 001— 18 000	25 433	5,80
18 001— 20 000	17 011	4,82
20 001— 22 000	10 929	3,72
22 001— 24 000	7 380	2,96
24 001— 26 000	5 311	2,47
26 001— 28 000	3 764	2,01
28 001— 30 000	2 715	1,62
30 001— 40 000	6 245	4,83
40 001— 50 000	2 038	2,29
50 001— 80 000	1 660	2,80
80 001—100 000	255	0,67
100 001—150 000	198	0,70
150 001 and over	97	0,69
Total	1 856 444	100,00

The above information was extracted as  
at 31 December 1978.



# Standard cautious on growth push

RSM 8/3/79

30

13 Financial Reporter

**TAX CUTS, greater investment incentives and "somewhat accelerated Government spending" are expected in the Budget later this month by Standard Bank's Economic Review.**

The review says: "There is little scope, however, for a substantial push into the direction of faster growth because on the one hand the factors which determine public finances will not permit over-generous handouts and on the other hand the delicate international situation dictates caution."

Standard says that although the oil crisis has hurt South Africa's growth and inflation hopes, there is no need for "undue pessimism".

It comments: "In the short term, South Africa stands to continue benefiting from international insecurity through higher gold and hedge commodity prices."

"Only in the longer term, should a new oil crisis have a depressing effect on United States and world growth, is there a danger of the economy feeling the full weight of the crisis through falling export

earnings.

"Those who have become pessimistic about the chances of extending into 1979 the growth gains which the economy achieved last year will have been tempted in their analysis by the similarity of the present situation with that of 1973-74."

"In judging growth prospects for the economy for the year ahead the differences between the two periods are probably more important than the similarities though."

"Internationally, the symptoms of 1973 were those of an overheated world economy with all major countries expanding simultaneously, there was little control over the world's money supply and inflation and a contraction was virtually inevitable and overdue."

"When the oil crisis broke, it resulted in an oil embargo and huge increases in oil prices."

"The situation now is different. The year 1978 saw an unsynchronised world recovery with relatively sluggish growth in Europe and Japan and prospects of a slowdown in the US economy in 1979."

"Most countries are now paying close attention to the

control of their money supply and inflation."

"Also, the oil price increases announced for 1979 by Opec and those resulting from the Iranian crisis are far smaller than the huge escalation then and the oil shortage and the premium price situation could well be temporary."

Standard says: "In South Africa's case there are also significant differences."

"In 1973-74 the economy was growing rapidly, the current account of the balance of payments was moving into deficit when the oil crisis struck and both inflation and interest rates were increasing sharply."

"Most importantly, though, little control was exercised at that time over Government spending and money supply."

"In 1978 by contrast, consumer demand and industrial output were still growing only sluggishly, on the current account of the balance of payments surpluses of unprecedented magnitude were accumulated, there was downward pressure on inflation and interest rates were tumbling."

"Government finances, too, have been brought firmly under control and growth in the money supply is far removed from the 20% range ruling in 1973-74."

"The changed approach to economic and financial management will be reflected in the Budget at the end of the month."

"In the Budget a balance will have to be struck in economic policy for the year ahead which takes into account the growth needs and opportunities as well as potential pitfalls."

"This makes likely a positive but cautiously growth-orientated Budget, one which is aimed at stimulation of existing growth trends by giving tax cuts to individuals and companies, at providing greater investment in specific areas by increasing incentives and somewhat accelerated Government spending."



## DEPARTEMENT VAN VERVOER

No. 432

9 Maart 1979

### WET OP VERVOERDIENSTE VIR SWARTES, 1957 (WET 53 VAN 1957), SOOS GEWYSIG

Kragtens artikel 2 (1) van die Wet op Vervoerdienste vir Swartes, 1957 (Wet 53 van 1957), verklaar ek, Stefanus Louwrens Muller, Minister van Vervoer, na oorlegpleging met die Nasionale Vervoerkommissie, die gebied onder die regsmag van die stedelike plaaslike bestuur van Zeerust met ingang van 1 April 1979 tot 'n gebied waarin die bepalings van die Wet van toepassing is op volwasse Swartes in diens van 'n werkgewer in die verklaarde gebied, en kragtens artikel 3 van daardie Wet stel ek, na oorlegpleging met die Nasionale Vervoerkommissie, die bedrag van R1 per maand vas as die tarief wat met ingang van 1 April 1979 ten opsigte van daardie verklaarde gebied aan die betrokke Administrasieraad betaalbaar is.

S. L. MULLER, Minister van Vervoer.

7061-2

## DEPARTMENT OF TRANSPORT

No. 432

9 March 1979

### BLACK TRANSPORT SERVICES ACT, 1957 (ACT 53 OF 1957), AS AMENDED

In terms of section 2 (1) of the Black Transport Services Act, 1957 (Act 53 of 1957), I, Stefanus Louwrens Muller, Minister of Transport, after consultation with the National Transport Commission, declare the area under the jurisdiction of the urban local authority of Zeerust to be an area in which the provisions of the Act shall apply, with effect from 1 April 1979, in respect of adult Blacks in the employ of an employer in the declared area and, in terms of section 3 of that Act and after consultation with the National Transport Commission, fix the sum of R1 per month to be the rate of the contribution payable to the appropriate Administration Board in respect of the said declared area, with effect from 1 April 1979.

S. L. MULLER, Minister of Transport.

6331-2



# Receiver wants those tax forms

EAST LONDON — The Receiver of Revenue is starting to get itchy fingers for those income tax forms which all taxpayers should have received by now.

People should try to get their return forms back as soon as possible, although if there are problems, help is at hand.

The receiver of revenue's office will again have a help service at the Station Street entrance to the building, which will be

open every weekday from 4.30 to 6.30 pm.

"We will run the service from April 2 to just before the public holiday on May 24," the control administration officer, Mr E. von Hoesslen, said. "There will be people there to assist anyone who has a problem with their income tax return forms."

Mr Von Hoesslen also urged anyone who has not yet received their return forms to make inquiries at his office immediately. —DDR.

1. Electrical Engineering
2. Electrical Engi
3. Industrial In
4. Telecommunica
5. TV and Elect
6. Mechanical E
7. Automotive E
8. Production E
9. Refrigeratio
10. Civil Engineer
11. Structural I
12. Town & Regi
13. Constructio

<p>recovery nomic full eco- assuming in 1981 available</p>	<p>available i) immediately ii) available</p>	<p>a) National Diploma for Technicians or National Diploma in:</p>
--	---	--

3. How many Africans holding qualifications in the following fields fully equivalent to a) the National Diploma for Technicians or National Diploma and b) the National Certificate for Technicians or National Certificate would you employ were they i) immediately available ii) available in 1981 assuming full economic recovery?

1. Name of firm -----
- Postal address -----
- Person interviewed -----
- Job title -----
- Telephone -----
2. What is your total employment of: Whites -----  
Coloureds & Asians -----  
Africans -----

Demand for African Technicians

Southern Africa Labour and Development Research Unit - Report on the

SCHOOL OF ECONOMICS,  
Division of Research,  
Beattie Building,  
Rondebosch 7700  
Telephone 69-8531, Ext. 440.

(with which is incorporated the South African College)

UNIVERSITY OF CAPE TOWN

APPENDIX A. - Questionnaire used for Durban, Witwatersrand & Pretoria surveys



# Time to pay that sales tax

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11/3/79

A registered vendor is required to pay the tax due in respect of each tax period on or before the 20th day of the month following the end of that period. In the case of the majority of farmers the tax period coincides with the farmer's tax year under the Income Tax Act which, for many, ends on the last day of February. It follows that many farmers are now required to make their first payments of sales tax in respect of sales to end consumers and of the value of goods applied by them for their own use on or after 3 July 1978, by not later than 20 March 1979. The prescribed returns (VB.5) which must accompany each payment of tax, have been posted to these farmers and the purpose of this article is to assist them in completing these forms.

Basically the average farmer is concerned only with Items 1, 6, 7 and 11 on the reverse side of Part 1 of the VB.5. Under item 1 the total amount, including tax, of all sales of goods, e.g. of livestock and produce, concluded during the tax period, irrespective of whether or not the sale was subject to tax, must be shown. This means that not only the value of sales

to end consumers must be returned, but sales to control boards, co-operatives, auctioneers, traders and to other registered farmers, must also be included. This is most important for control purposes. The amount returned under this item is then repeated as "Total (1)".

The manner in which the form should be completed can best be demonstrated by the following example:

A farmer sells cattle to a value of R10 000 to a co-operative and sells sheep through the agency of an auctioneer for which he receives R5 000 net. He delivers maize to a value of R20 000 to the Maize Board. He receives R1 040 (including tax recovered from purchasers) from cattle sold directly to end consumers and slaughters sheep valued at R500 (at cost of production) for his own use and for rations for his employees. He also uses maize which cost him R800 to produce, as rations. During the course of the tax period diesel oil purchased tax-free for R200 is used for private purposes and to transport produce to the co-operative. His return will be compiled as follows:

Item 1 — Total gross sales  
(R10 000 + R5 000 + R20 000 + R1 040) ... R36 040  
Total (1) R36 040

Item 6 — Value of goods applied  
(R500 + R600 + R200) ... R1 300

Item 7 — Tax at 4% on amount shown in item 6 .... R52  
Total (2) R1 352

Item 11 — Gross amounts included in 1  
on which tax was not charged  
(R10 000 + R5 000 + R20 000) ... R35 000  
Total (3) R35 000

## CALCULATION OF TAXABLE VALUE

Total (1) (above) ... R36 040  
Add Total (2) (above) ... R1 352  
R37 392  
Deduct Total (3) (above) ... R35 000  
Taxable value R2 392  
Tax payable is  $\frac{4}{104} \times 2\,392 =$  R92.00

Reconciliation: Tax recovered from purchasers .... R40.00  
Tax charged on goods applied  
for own use ..... R52.00  
Total R92.00



# How we compare

How heavily taxed are (white) South Africans? It's a difficult question to answer, in any international comparison. Even just looking at tax rates begs the question that official exchange rates do not necessarily reflect comparable earnings power; a job that would merit a salary of (say) \$15 000 in the US would not necessarily here pay the direct equivalent, in SA currency, of R12 626.

Then, there are such problems as the varying amounts that may be offset against tax; differing distribution of tax revenue between direct (eg income) and indirect (eg gst) taxes; and, perhaps most impossible of all to quantify, discrepancies in the social and other services that governments provide their citizens out of tax revenues.

Still, there's no doubt that to many people the most important tax is precisely the one that comes out of their weekly or monthly pay cheque: and as the discussion in the preceding article makes clear, there is a widespread feeling (not shared by this newspaper) that the marginal rate of personal tax in SA is too high, and reached at too modest an income level.

Bearing in mind the imponderables attached to such an exercise, we have thus compared the tax positions of a "normal" (wife, two children) family in SA and the three English-speaking countries with which comparisons are most nearly valid, at income levels which correspond roughly to monthly salaries of R1 000, R1 750, and R2 500.

As the chart shows, the *marginal* tax

rate in SA is the highest at all except the lowest of the three income brackets, and even at that level it is only fractionally less than in the UK or Australia. If we look at *average* tax rates, the position is slightly different. The table gives the total tax payable at the various income brackets.

## TOTAL TAX PAYABLE

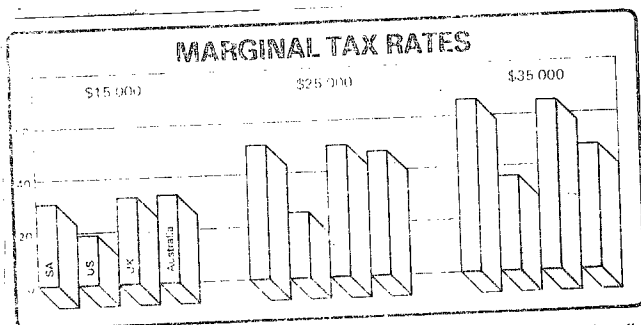
Income of.....	\$15 000	\$25 000	\$35 000
SA.....	2 492	6 769	12 646
US.....	1 385	3 871	7 242
UK.....	3 817	7 845	13 885
Australia.....	3 564	7 810	12 028

\* In addition, there are state and city income taxes.

At the lowest level, the total tax paid by the SA family is considerably less than in either Australia or the UK. As income rises this gap first narrows, and

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Financial Mail March 16 1979



then virtually disappears. This reflects the fact that at the lowest income level, SA income taxes are relatively light; but they are more punitive in that the marginal rates move up faster than in any of the other three countries.

The table is based on standard tax rates. For SA it includes loan levy and the primary abatements (but not the R1 000 abatement for medical, insurance and pension payments, which in any case would only apply at the lowest of the three income levels); for the US, the so-called "zero bracket" deductions. Additional amounts that may be offset vary widely.

In SA, apart from the medical/

insurance/pension abatement, virtually the only permissible deduction is current contributions to a retirement annuity fund, up to R3 500 a tax year (less any contribution to a pension fund). In Australia, pension and similar expenditure may be deducted from taxable income in full up to an amount of US\$1 420; thereafter, a rebate of 33.5% is allowed.

In the UK and the US the position is more complicated. In Britain, there is in effect 33% relief on all life assurance and retirement contributions, and full relief on interest on loans to purchase or improve the owner's principal private residence. There is no tax relief for medical

expenses (because of the National Health Service) nor for children — though tax-free social security benefits of \$8 a week per child will be paid to all parents from next month.

Major deductible expenses in the US are mortgage interest, real estate taxes, state and local taxes, gasoline and sales taxes, medical expenses above a certain percentage of income, charitable contributions, and union dues. If a taxpayer opts for the zero bracket (deduction of \$3 200 plus \$750 for each member of the family), he may not deduct any other expenses. If he computes these expenses as more than \$3 200, he may itemise them and get greater tax relief (he then does not claim the basic \$3 200, but is still eligible for the \$750 personal deductions).

Most states and many cities have local taxes, which vary widely but according to a 1977 survey averaged just under 20% on top of the federal income tax. Social security and property taxes are also hefty.

These additional imposts, which offset the superficially low US marginal rates, underline one of the shortcomings of this sort of exercise. But they do not affect the principle: that South Africans, especially in the middle- to upper-income brackets, are taxed relatively highly by international standards.



# Só kap belasting top-manne

**SENIOR** uitvoerende amptenare in Suid-Afrika trek noustrop nie soseer weens die huidige top-grensbelaastingkoers van 66% nie, maar omdat die koers reeds sedert Februarie 1972 op inkomstes van meer as R28 000 toegepas word sonder enige toegewings vir die inbreuk wat inflasie gemaak het.

Só sê mnr. Harold Kingsley, die konsultant op die gebied van die vergoeding van uitvoerende amptenare in die opname-afdeling van Fine Spamer Associates, opstellers van vergoedings-opnames.

„As die basiese belastingstruktuur tred gehou het met die bewegings van die verbruikersprysindeks wat sedert 1972 met ongeveer 110% gestyg het, sou die top-grenskoers eers in werking getree het as 'n uitvoerende amptenaar R58 000 verdien, en nie R28 000 soos op die oomblik

nie,” beweer hy.

Die taak om 'n billike vergoedingspeil vir top-uitvoerende amptenare vas te stel, word al hoe moeiliker weens die voortdurend hoë inflasiekoers en 'n belastingstruktuur wat deur baie mense as verouderd beskou word. Dis 'n kombinasie waar die konvensio-

mening het mnr. Kinsley die volgende tabel opgestel om die effek toe te lig as 'n man se huidige belasbare inkomste in 1972-rande omgesit en die huidige belastingkoers toegepas word. (Die kumulatiewe verbruikersprysindeks is toegepas vir die omsetting in 1979-rande):

1972-GELD		1979-GELD	
Vóór belasting	Ná belasting	Ná belasting	„Benodig” ná belasting
14 000	11 250	18 800	23 620
17 000	13 130	20 940	27 570
19 000	14 270	22 370	28 970
21 500	15 570	24 150	32 700
23 800	16 650	25 790	34 900
33 000	20 020	37 300	42 040

nele benadering tot die kontantverhoging van salarisse en bonusse slegs aanleiding gee tot maksimum-debite in 'n maatskappy se wins- en verliesrekening, 'n maksimum-belaasting-opbreng vir die Regering, en minimale arbeidsvreugde vir die uitvoerende amptenaar.

Sewe jaar het verstryk sedert Februarie 1972 toe die basiese belastingstruktuur vir individue vasgestel is en sedertdien onveranderd gebly het. Wat intussen gebeur het, was dat terwyl die gemiddelde vóórbelaastingssalarisse van uitvoerende amptenare verdubbel het, die regstreekse belasting op hierdie salarisse in reële terme viervoudig gestyg het.

Die gevolg is dat, in reële terme, die gemiddelde senior uitvoerende amptenaar vandag ten minste 10% tot 15% slegter daaraan toe is as wat hy sewe jaar gelede was.

Ter stawing van hierdie

Die „benodigde” ná-belaastingkolom vir 1979 toon die rande wat op die oomblik nodig is om die aankoop van die belaste inkomste in 1972 te ewenaar.

Mnr. Kinsley het twee grafieke opgestel. Een toon die veranderde posisie van 'n Suid-Afrikaanse uitvoerende amptenaar wat 'n bruto en ná-belaasting-verdiensle van dieselfde uitvoerende amptenaar met sy Amerikaanse teenhanger in maatskappy van 'n ooreenstemmende grootte vergelyk.

„Uit laasgenoemde blyk duidelik dat die Amerikaanse filosofie om prestasies aan die bo-punt van die leer te beloon, nog steeds in kontant uitgedruk kan word, want die oorgrootste deel van sy salaris sal deur hom ontvang word — nie deur die staat nie,” sê mnr. Kinsley.





**STEPHEN  
MULHOLLAND**

Sun. Times Business  
**Punishment**

(320)

18/3/79

**— the price  
of success**

**ELSEWHERE** in Business Times today we draw attention to the fact that the real earnings — that is, the earnings after tax and inflation — of the nation's executives and managers has declined by 10 to 15 per cent over the past seven years.

Now the average man feels little pain when he hears that men earning R30 000 or R40 000 or R50 000 and more a year are being hurt by taxation, inflation and the twin effect of these forces known as the "fiscal drag."

The fiscal drag effect describes what happens to earners when, having been rewarded for their labour and their loyalty with an annual salary increase, they find that because of the increase they are paying tax to the government at a higher rate than they previously were.

In other words, government is, after the salary increase, taking a larger proportion of their earnings than was previously the case.

Put yet another way, the progressive rate of tax (the more you earn the greater is the part government takes from you) means that earners are punished by government for having earned a reward from their employers.

It is almost as if government is saying to the achiever, the man who works hard, studies, sacrifices, takes risks and generally plays a useful role in society: "Watch it, friend, we'll deal with you if you succeed in

your effort to improve your position in life."

What is difficult for the ordinary man to grasp as he battles to make ends meet is that it is precisely because talented and energetic men are allowed to succeed, that society as a whole prospers.

Not much more than 200 years ago, the consumer society of today was unknown. To paraphrase the poet, the lives of men were short, nasty and brutish.

We may, today, in relative terms, feel aggrieved because a successful executive earns many times what we do. What seems to have been forgotten is that in the feudal society, which existed before the advent of industrial capitalism, the overwhelming majority of people in the West — the forebears of South Africa's whites — lived in squalor ruled by a tiny clique of landed aristocracy.

(That aristocracy, incidentally, by modern standards of housing, communication, medical care, transportation and hygiene, lived like paupers. Their subjects — today's middle class — lived in indescribable conditions of servitude and abuse).

The explosion in living standards of the past two centuries reflects the release of energies, abilities and ambitions which had lain dormant in the souls of millions of peasants and which was made possible by the seminal thinking of philosophers such as Adam Smith, John Locke and David Hume.

The last of the great

American presidents, John Kennedy, understood that men will respond to the opportunity to better themselves. This drive is not good nor is it bad. Like sex, it is a natural urge. The beauty of the ideas of Smith and other classical economists is that they recognised this natural drive and saw that, through the mechanism of the free market, it could be harnessed for the good of all mankind.

In 1963, Mr Kennedy laid the foundations for the economic resurgence of the sixties (destroyed by the inflationary megalomania of Lyndon Johnson and his Great Society fantasies) by cutting taxes in a conscious move to shift resources from government to the people.

All taxes do is give power to the government. Clearly, there are some activities which we must finance collectively and for which taxes must be collected.

Care of the truly poor and indigent, for example, is one of these. But government's role should not be to take from the successful merely to give to the unsuccessful, or to use our money to employ bureaucrats to run our lives for us.

We should all, particularly in a country like South Africa, be fighting to get government out of our lives. One way of ensuring this, and stimulating growth at the same time, is to cut tax rates and raise levels at which stiff marginal rates apply.



# Executives' earnings soar, but they're fighting a losing battle against tax

MARTIN CREAMER — INVESTIGATES

**TOP executives in South Africa are in real terms earning 10 to 15 per cent less than they were seven years ago, according to executive remuneration consultant Harold Kinsley.**

Mr Kinsley says executive pay is being squeezed not so much by the present top marginal tax rate of 66 per cent, but because that rate is being applied to yearly incomes of more than R20 000, without any allowance being made for the effects of inflation.

The R20 000 limit, set in February 1972, has remained unaltered. But in the meantime, average pre-tax salaries of executives have doubled and direct taxation on those salaries has, in real terms, increased fourfold.

"This means that the average senior executive is at least 10 to 15 per cent worse off than he was seven years ago," Mr Kinsley says.

If the basic tax structure had kept pace with the consumer price index — which has

risen 110 per cent since 1972 — the top marginal rate would take effect only at taxable incomes of R50 000," Mr Kinsley says.

High inflation and a tax structure regarded by many as being obsolete, he says, is making the job of determining fair levels of compensation for executives more difficult.

"The conventional approach of cash increases in salaries and bonuses raises in maximum and minimum limits, maximum and loss account, maximum revenue to the Government and minimum executive job satisfaction."

Mr Kinsley has calculated that an executive earning R18 000 in 1972 took home R2 100 more in real terms than an executive now earning R37 000.

The after-tax earnings of an executive earning R100 in 1972 was R14 380, while the after-tax earnings of a man earning R37 000 this year is R26 420. But when the after-tax amount is adjusted for cost of

living movements, this figure shrinks to R12 260. (See table) Comparing a South African executive with an American executive, both earning R50 000 a year, Mr Kinsley found that the South African would have a net after-tax income of R28 000 compared to the R37 000 of his American counterpart.

In the higher income brackets, Mr Kinsley found that South Africans were taking home up to 37 per cent less after tax than Americans executives in the same income brackets.

"It is absolutely clear that the American philosophy of rewarding performance at top executive level can still be expressed in cash since a major portion of his salary will be received by him and not by his government," Mr Kinsley says. Americans are also in the fortunate position of being able to deduct social expenses from taxable income. Among on-mortgages, petrol, sales taxes and contributions to char-



# Taxpayers can expect relief

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11/3/79

PRETORIA — South African taxpayers can expect significant relief for the first time in many years in the March 28 budget.

With bloated state coffers, Finance Minister Senator Owen Horwood is in a strong enough position to give the economy the kick forward recommended by organised commerce and industry, economists say.

And during the little budget debate in the Assembly earlier this month, the Minister reaffirmed growth as a prime target of government policy.

Economists say growth is vital to halt rising black unemployment particularly among young blacks. They emphasise growth can only be achieved by relaxing the tax screws and putting more spending money into consumers' pockets.

They say without bigger consumer spending the economy will remain on the verge of stagnation.

This is why the demand for stimulation through

tax cuts and bigger state spending is coming so strongly from the Association of Chambers of Commerce, the Afrikaanse Handelsinstituut and the Federated Chamber of Commerce.

Labour leaders also warned yesterday of the socio-political dangers unless more jobs are created.

In the Senate this week the PFP's Senator Eric Winchester estimated South Africa had to create 1 000 new jobs every day, or face a state of revolution.

That the Minister is well-placed to grant significant relief is clear because he had to trim what looked like becoming a large surplus earlier this year by repaying a loan of R375 million, and by prematurely repaying company loan levies amounting to R160 million.

The Minister has not used the stabilisation account as he intended, and it is estimated there is about R500 million avail-

able to him in the account to enable a tax relief programme.

This year general sales tax, for the eight months it will have been in operation at the close of the financial year, will net about R650 million. Next year the GST revenue is expected to exceed R1 000 million.

The last time significant relief was granted was in 1969 when, following the Franszen Commission recommendations, the "tax hump" was removed.

Last year the 10 per cent surcharge on individual tax was removed but retained for companies, and the loan levy remained 10 per cent.

It is considered likely the loan levy will be scrapped during the 1979/80 tax year as part of the stimulatory package.

But at least some of the fat is expected to go to relief for pensioners, whose spending power is being battered by an inflation rate which remains above 10 per cent. — DDC.

an to





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# STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

# GOVERNMENT GAZETTE

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Vol. 165]

KAAPSTAD, 21 MAART 1979

CAPE TOWN, 21 MARCH 1979

[No. 6362

DEPARTEMENT VAN DIE EERSTE MINISTER

DEPARTMENT OF THE PRIME MINISTER

No. 587. 21 Maart 1979.

No. 587. 21 March 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring gegee het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word. —

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 21 van 1979: Wysigingswet op Swart Belasting, 1979.

No. 21 of 1979: Black Taxation Amendment Act, 1979.



Act No. 21, 1979

BLACK TAXATION AMENDMENT ACT, 1979.

## GENERAL EXPLANATORY NOTE:

Words in bold type in square brackets indicate omissions from existing enactments.

Words underlined with solid line indicate insertions in existing enactments.

# ACT

To amend the Black Taxation Act, 1969, so as to delete any reference to general tax consisting of a fixed amount; and to provide for matters connected therewith.

(Afrikaans text signed by the State President.)  
(Assented to 13 March 1979.)

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Amendment of  
section 11 of  
Act 92 of 1969.

1. Section 11 of the Black Taxation Act, 1969 (hereinafter referred to as the principal Act), is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

“(1) Subject to the provisions of section 12, **general tax consisting of a fixed amount and** local tax payable in respect of any year shall be paid before the first day of June of that year.”;

(b) by the substitution for subsection (4) of the following subsection:

“(4) If any Black tendering in respect of any particular period any amount in payment of **any general tax consisting of a fixed amount or** any local tax payable by him under this Act or any law repealed by this Act, owes any such tax in respect of any previous period, the amount so tendered shall be applied to the discharge of any such tax which is longest in arrear.”.

Amendment of  
section 13 of  
Act 92 of 1969.

2. Section 13 of the principal Act is hereby amended by the substitution for subsection (2) of the following subsection:

“(2) Any receiver shall issue to any Black who satisfies him that he has attained the age of 65 years, a certificate exempting such Black permanently, with effect from such date as may be specified in the certificate, from payment of **general tax consisting of a fixed amount and** local tax.”.

Amendment of  
section 14 of  
Act 92 of 1969.

3. Section 14 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

“(1) Any receiver or any person authorized in writing by him, or any authorized officer, or any Black chief or headman appointed or recognized by the Government, may, at any time and at any place, other than a place in any area excluded by regulation from the operation of this section, request any Black who appears to him to be or to have been liable to **general tax consisting of a fixed amount or to** local tax payable under this Act or any law repealed by this



Act No. 21, 1979

BLACK TAXATION AMENDMENT ACT, 1979.

Act, to furnish information as to his identity or liability for tax or to produce either a receipt or a certificate of payment, exemption or extension issued under this Act or any such law in respect of any such tax, and shall after inspection return to such Black any document produced by him: Provided that no Black producing any document in respect of any tax for any year, shall be required to produce any document in respect of such tax for any preceding year."

Amendment of  
section 15 of  
Act 92 of 1969.

4. Section 15 of the principal Act is hereby amended by the substitution in subsection (1) for the words preceding paragraph (a) of the following words:

"If at any time any officer being a Commissioner, an assessing officer or receiver, is satisfied that any **general tax consisting of a fixed amount or** local tax payable by any Black under this Act or any law repealed by this Act is in arrear, such officer may, subject to the provisions of subsections (2) and (3)-"

Amendment of  
section 17 of  
Act 92 of 1969.

5. Section 17 of the principal Act is hereby amended—

(a) by the substitution for subsection (1) of the following subsection:

"(1) Any amount of tax or penalty payable in terms of this Chapter or Chapter III (including any amount of **general tax consisting of a fixed amount and** local tax payable under any law repealed by this Act) and which is in arrear, and any amount deducted or withheld in terms of section 15 shall be a debt due to the State and may be recovered in the manner set forth in subsection (2) or (3)."

(b) by the substitution for subsection (2) of the following subsection:

"(2) Any amount referred to in subsection (1), other than an amount of **general tax consisting of a fixed amount or** local tax, may be recovered by the Secretary in the manner prescribed in section 91 of the Income Tax Act for the recovery of tax and interest due or payable under that Act, and for that purpose the provisions of the said section shall *mutatis mutandis* apply."

(c) by the substitution for subsection (3) of the following subsection:

"(3) Whenever any amount of **general tax consisting of a fixed amount or** local tax payable by any Black under this Act or any law repealed by this Act is in arrear, any Commissioner may, for the purpose of recovering such amount, issue a warrant of execution against the movable property of such Black, whereupon such warrant shall be executed by a person appointed by the Commissioner as if it were issued pursuant to a judgment of a magistrate's court, except that it shall not be necessary to serve a copy of such warrant upon such Black."

Amendment of  
section 40 of  
Act 92 of 1969.

6. Section 40 of the principal Act is hereby amended by the substitution for subsection (1) of the following subsection:

"(1) On application by any Black tribe or community for the levy of a special rate for the benefit of such tribe or community, and if the Minister approves of the purpose for which the proposed rate is to be levied and is satisfied that the majority of the adult male members of such tribe or community **by whom general tax consisting of a fixed amount is payable under Chapter II** desires the levy of 60



Act No. 21, 1979

## BLACK TAXATION AMENDMENT ACT, 1979.

such rate, the State President may, by proclamation in the *Gazette*, levy upon every such member such a rate, which shall be paid at such times as may be specified in the proclamation."

Amendment of  
section 41 of  
Act 92 of 1969.

7. Section 41 of the principal Act is hereby amended by the substitution for subsection (2) of the following subsection: 5

"(2) The provisions of sections 12, 15 and 17 shall apply in respect of any rate aforesaid which is in arrear, as if it were general tax consisting of a fixed amount a tax referred to in the said sections which is in arrear." 10

Amendment of  
section 43 of  
Act 92 of 1969.

8. Section 43 of the principal Act is hereby amended by the substitution for paragraph (d) of subsection (1) of the following paragraph:

"(d) being a person by whom any general tax consisting of a fixed amount or local tax or special rate is payable under this Act or any law repealed by this Act, fails or failed to pay any such tax or rate on or before the last day permitted for payment of such tax in terms of the law under which it is payable;" 15

Short title and  
commencement.

9. This Act shall be called the Black Taxation Amendment Act, 1979, and shall come into operation on a date fixed by the State President by proclamation in the *Gazette*. 20



# Assocom congress

## Tax cuts in budget praised

EAST LONDON — Meaningful tax reductions in next week's Budget would have numerous benefits, Mr Peter Metcalf, of the Queenstown Chamber of Commerce, said yesterday.

He was speaking in support of a motion from his chamber accepted at the Assocom regional congress here yesterday.

Mr Metcalf said tax reductions would provide an incentive to greater productivity.

At present prohibitive taxes curtailed anybody earning above R28 000, of which 66 per cent was paid in tax, from increasing his earning capacity or expanding his business interests.

Secondly, tax reductions would stimulate the economy by putting more money into circulation, and thirdly, more foreign investment would be attracted to South Africa.

Seconding the motion, Mr Jock Allison, secretary of the East London Chamber of Commerce, said it was essential the Government instil confidence among consumers and the business community.

No growth was possible until confidence had been restored, particularly at a time when retrenchment was rife, no new jobs were being created, and unemployment was reaching dangerous proportions, particularly on the Border.

Mr Allison said there were four options open to Sen. Horwood when he presented his Budget next week.

1. He could reduce in-

come tax and put more money into the pockets of the consumer.

2. He could reduce company tax which would increase profits.

3. He could remove the import surcharge across the board — a surcharge which originally was only introduced as a temporary measure anyway.

And fourthly, increased Government spending would go a long way to restoring confidence that was vital to South Africa's future.

As an aside, Mr Allison also repudiated recent Press reports speculating East London and King William's Town might be incorporated into the Ciskei, saying "there is not the slightest possibility that will happen".

The executive director of Assocom, Mr Raymond Parsons, said he was optimistic next week's Budget would be a good Budget and he complimented the Government on doing its best to get the economy going by holding rail rates at present levels and postponing postal tariff increases at least until October.

In that way the rate of inflation was at least being stabilised, even if it was not coming down.

Mr Parsons described an inflationary level of 10 per cent as a "psychological barrier" as far as the public was concerned.

If the Government could get the rate of inflation below 10 per cent it would go a long way to restoring public confidence and bolstering consumer spending.

— Business Editor



# Zulu taxes

SIR, — I would like to suggest that one of your reporters might do a good service to the public by investigating the position about taxes that African servants have to pay now. It appears difficult to get the truth about this.

Here is one aspect. If one wishes to renew a contract for an employee, one has to go first to the Ordnance Road office of the commissioner to get a form filled in and stamped. Then the employee has to go to his kraal with PO for R1,00 to get the Chief's permission. This is not given unless all taxes in the past have been paid.

Now, my servant has paid to the commissioner taxes up to 1978. He is now told that another tax, perhaps that of the KwaZulu Authority, has to be paid retrospectively back to 1974.

This amounts to a considerable amount and is additional to that he was told to pay each year in the past and did so.

I feel sure that many people would be grateful if some information was given in your newspaper.

50 Blackhurst Ave.,  
Berea,  
Durban.

N. P. INGLE

FOOTNOTE: Africans are subject to the Bantu Taxation Act which operates on a sliding scale and on a p.a.y.e. system. Those earning less than R360 a year pay nothing.

Zulus have to pay R5 a year under the KwaZulu Taxation Act. This was raised from R3 this financial year.

They are also subject to a local tax, regarded as a land tax, of R1 a year from every married man.

There are also tribal levies, but these are not fixed sums and do not exist in every district. This money goes toward tribal development projects.

The R1 to which Mr. Ingle refers is a labour bureau fee, in existence for a long time now, which has to be paid by the employer and which goes toward tribal administrative costs.

The retrospective taxation to which he refers was explained by a KwaZulu official. If his servant was 18 at the time the KwaZulu Taxation Act was passed in 1974 and has not ever paid this tax, he is naturally liable to pay.

For the first few years, it was R3 a year and this year it is R5, thus the servant is liable for about R20 in back taxes.

EDITOR.



# July is date for income tax cuts

STAR  
29/3/79  
320

Staff Reporters

The cash flood which the sunshine Budget will pour into South African pockets will come only from the end of July — but the first trickle will be felt immediately in some lower food and liquor prices.

Tax cuts and rebates which will put most of the new spending money into consumers' pockets — R394-million this financial year and R516-million next — only become effective on July 1.

This means taxpayers on the PAYE system will only feel the full effect, already somewhat eroded by continuing inflation, when they get their pay packets at the end of July.

But at least one big supermarket chain is cutting the prices of imported foods and other goods immediately, and at least one of the country's big liquor importers is doing the same for imported drink.

But city businessmen believe black people will not feel the Budget benefits until late this year or early next.

It will take that long for the economic boom which Senator Owen Horwood, Finance Minister, intends to produce with his cash injections, to start providing more jobs for blacks — hardest hit by inflation and the financial curbs of recent years.

More Budget reports — Pages 5, 7, 14, 31

Gomomo, the chief of the defunct COCHOAUA, was required to provide for the return free was humiliating, in that it indicated his subordination to the company.

Another reason for Kholi's decline was the loss of their land. "The Kholi's horses which ate their land crumbled very quickly. ... The survival of a Kholi family ..."

under the power of the Company and declining. We have seen how the Reinhardt alienated themselves from other Kholi groups by their economic blockade, and thus found themselves without allies during the First War. (p. 3). The GOBINHAUA, GOBINHAUONA and GOACHOAUUA became so impoverished after the war that they had to submit to the

Also, his moves to bring tax parity between blacks and whites are staged over three years.

Mr Raymond Ackerman, chairman of the Pick 'n Pay supermarket chain, believes the cash flow into people's pockets this year will actually be much higher than the R394-million predicted, perhaps twice as much.

This, he says, is because the money will recirculate again and again.

The Budget impact will take time to come through in many commercial sectors as reductions in excise duties and other forms of relief from Senator Horwood.

The clothing industry believes it could be some months before it can pass on reductions.

One bad effect of the To Page 3, Col 1

land, members of laborers for ... and the ...

the ... of their ... to the Kholi language was ... impossible for the Dutch to acquire (and indeed, this was ... by the company), Kholi necessarily learnt Dutch. Some ... by which they had been called in traditional society ... . Miscegenation caused the race itself to disappear. ... literally acculturated themselves out of existence. (11)

Kholi groups, and eventually led to these groups being brought

The African portion occupied by Kholi in white society



to be considered in the light of the fact that the Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country.

The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country. The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country. The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country.

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Income Tax 2/13/77  
586. Dr. Z. J. DE BEER asked the Minister of Finance:

- (1) What amount of income tax was collected in the financial year 1977-78 from (a) individuals, (b) gold mining companies, (c) other mining companies and (d) other companies;
- (2) what was the total amount of (a) income tax and (b) loan levy collected during that year.

The MINISTER OF FINANCE:

(1) (a) Individuals	R1 879 192 920,65
(b) Gold Mining Companies	R347 623 616,00
(c) Other Mining Companies	R108 951 852,00
(d) Other Companies	R1 680 521 335,83
(2) (a) Total income tax	R4 016 289 724,48
Interest	R6 494 621,58
Total	R4 022 784 346,06
(b) Total loan levy	R440 513 540,00

The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country. The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country. The Government has not yet decided whether it will accept the offer of the United States to purchase the oil fields in the north of the country.

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Argus 29/3/77

# Tax <sup>(277)</sup> changes operate from <sup>(320)</sup> July 1

SOUTH Africans will not feel the full effect of yesterday's 'little man's budget' until July 1, the date the new PAYE tables incorporating the tax changes come into operation.

Officials of the Inland Revenue Department say that it would be difficult to complete new tax tables and distribute them to all firms before then.

However, for most people the new income tax rates are well worth waiting for. A married man with two children earning R10 000 a year will find an extra R30 a month in his pay packet.

## R15 000 CATEGORY

A person in the same family category earning R15 000 a year will be almost R70 a month better off.

Inland revenue officials say that the new tables will not take into account the fact that for the first three months of the current tax year PAYE deductions were being made at last year's higher rate.

Taxpayers will have to wait until next year before this money will be repaid.

Meanwhile, one aspect of the Budget that has not earned universal approval has been the increase from R750 to R900 in the permissible deduction from a married woman's salary.

This increase was described today as 'an insult to any intelligent woman' by Mrs. Margaret Cooke, the national vice-president of the Housewives' League.



# Budget: Praise — but doubt too

THE 1979-80 Budget has been widely welcomed as providing stimulus for accelerated growth generated by the private sector and consumers in particular.

The Government's move away from increased spending to achieve growth has been singled out for praise.

Economists are now expecting the growth rate to rise to about four percent this year — against about 2.5 percent last year and nil the year before.

Some doubts have been expressed, however, as to whether the Budget could be sufficient to keep down the inflation rate.

There is little excitement about the policy afforded to the poor and aged.

Concessions for working married women and divorced people supporting children have been welcomed as varying degrees.

## 'Socialism'

Mr W F Kilian, chief economist, Stellenbosch Bureau for Economic Research, said:

'This Budget has the first pronounced intention of "creeping socialism" from the Government.'

Not only has the Minister categorically stated the Government intention to decrease the share of public investment in total gross domestic fixed investment, but the Budget is a continuation of the discipline in the growth of public expenditure.'

## Tax rise will hurt farmers

Motoring Editor

Town branch of Housewives League said: 'It's a disappointment that there is no relief in the general sales tax — in that nothing was taken off basic foods.'

However, further aid to farmers may help to stabilise prices of produce and it's a relief to hear that bread will not go up this year.

'I am disappointed that as yet the Government can still not accept the idea that married couples might be assessed separately.'

Mr John Robert, managing director of Caprivi, said: 'The Government department of the City of Cape Town's tourism industry. Wage increases to civil servants and statutory bodies and tax concessions to farmers, will no doubt increase Cape Town's tourist potential.'

## Income tax cuts d

Political Staff

THE following are details of income tax concessions proposed in the House of Assembly yesterday by the Minister of Finance, Senator Owen Howwood.

• The primary abatement is increased from R1 200 for a married person to R1 500, and from R700 to R1 000 for an unmarried person.

• The additional abatement for people over 60 is increased from R700 to R1 000.

• The abatement for each of the first two children is increased where the unemployment problem is most acute.

The economic affairs committee of the Cape Chamber of Industries said that of special significance to the Western Cape was that the tax allowances for in-service training, professional fees, and other benefits were reduced to other race groups.

Mrs A Robinson, president of the Cape Town branch of the National Council of Women, said:

'At a glance I feel it has given married women more incentive to go out to work. However, we feel the concessions are not enough and we will continue pressing for married rate taxation for married women.'

We also welcome the news that divorced people will be regarded as married for tax purposes. Mrs Peggy Borchert, chairman of Cape

every R10 by which taxable income exceeds R3 000 — is halved.

## LOWER RATES

Senator Howwood said these concessions alone entailed a 'very considerable sacrifice' in tax revenue.

However, he believed he should go a step further and reduce the rates of tax as follows:

• The starting rate for married people is reduced from 9 to 7 percent, and for single taxpayers from 12 to 10 percent.

• The rate of progression is eased out and, in

## etails

the rate of single taxpayers, the acceleration in the progression on taxable amounts between R4 000 and R8 000 is reduced.

• The top marginal rate of tax is reduced from 60 to 55 percent to that portion of the taxable income in excess of R30 000 (previously R28 000) in the case of a married person and R22 000 in respect of unmarried people.

Senator Howwood said the total of these concessions would afford considerable, and just, relief to individual taxpayers.



# COMPARATIVE TABLES SHOWING WHAT YOU WILL PAY IN 1979 AND 1980 TAX YEARS

Taxable Income	Unmarried 1979		No children 1979		One child 1979		Two children 1979		Three children 1979		Four children 1979	
	R	1980	R	1979	R	1980	R	1980	R	1979	R	1980
700	—	(—)	—	(—)	—	(—)	—	(—)	—	(—)	—	(—)
800	—	(—)	12	(—)	—	(—)	—	(—)	—	(—)	—	(—)
900	—	(—)	24	(—)	—	(—)	—	(—)	—	(—)	—	(—)
1,000	—	(—)	36	(—)	—	(—)	—	(—)	—	(—)	—	(—)
1,200	20	(—)	60	(—)	—	(—)	—	(—)	—	(—)	—	(—)
1,400	40	(—)	84	(—)	—	(—)	—	(—)	—	(—)	—	(—)
1,600	60	(—)	108	(—)	—	(—)	—	(—)	—	(—)	—	(—)
1,800	80	(—)	136	(—)	—	(—)	—	(—)	—	(—)	—	(—)
2,000	100	(—)	171	(—)	—	(—)	—	(—)	—	(—)	—	(—)
2,200	128	(—)	204	(—)	—	(—)	—	(—)	—	(—)	—	(—)
2,400	156	(—)	237	(—)	—	(—)	—	(—)	—	(—)	—	(—)
2,600	184	(—)	270	(—)	—	(—)	—	(—)	—	(—)	—	(—)
2,800	212	(—)	306	(—)	—	(—)	—	(—)	—	(—)	—	(—)
3,000	240	(—)	343	(—)	—	(—)	—	(—)	—	(—)	—	(—)
3,200	268	(—)	381	(—)	—	(—)	—	(—)	—	(—)	—	(—)
3,400	296	(—)	419	(—)	—	(—)	—	(—)	—	(—)	—	(—)
3,600	324	(—)	457	(—)	—	(—)	—	(—)	—	(—)	—	(—)
3,800	352	(—)	495	(—)	—	(—)	—	(—)	—	(—)	—	(—)
4,000	380	(—)	533	(—)	—	(—)	—	(—)	—	(—)	—	(—)
4,200	408	(—)	571	(—)	—	(—)	—	(—)	—	(—)	—	(—)
4,400	436	(—)	609	(—)	—	(—)	—	(—)	—	(—)	—	(—)
4,600	464	(—)	647	(—)	—	(—)	—	(—)	—	(—)	—	(—)
4,800	492	(—)	685	(—)	—	(—)	—	(—)	—	(—)	—	(—)
5,000	520	(—)	723	(—)	—	(—)	—	(—)	—	(—)	—	(—)
5,200	548	(—)	761	(—)	—	(—)	—	(—)	—	(—)	—	(—)
5,400	576	(—)	799	(—)	—	(—)	—	(—)	—	(—)	—	(—)
5,600	604	(—)	837	(—)	—	(—)	—	(—)	—	(—)	—	(—)
5,800	632	(—)	875	(—)	—	(—)	—	(—)	—	(—)	—	(—)
6,000	660	(—)	913	(—)	—	(—)	—	(—)	—	(—)	—	(—)
6,200	688	(—)	951	(—)	—	(—)	—	(—)	—	(—)	—	(—)
6,400	716	(—)	989	(—)	—	(—)	—	(—)	—	(—)	—	(—)
6,600	744	(—)	1,027	(—)	—	(—)	—	(—)	—	(—)	—	(—)
6,800	772	(—)	1,065	(—)	—	(—)	—	(—)	—	(—)	—	(—)
7,000	800	(—)	1,103	(—)	—	(—)	—	(—)	—	(—)	—	(—)
7,200	828	(—)	1,141	(—)	—	(—)	—	(—)	—	(—)	—	(—)
7,400	856	(—)	1,179	(—)	—	(—)	—	(—)	—	(—)	—	(—)
7,600	884	(—)	1,217	(—)	—	(—)	—	(—)	—	(—)	—	(—)
7,800	912	(—)	1,255	(—)	—	(—)	—	(—)	—	(—)	—	(—)
8,000	940	(—)	1,293	(—)	—	(—)	—	(—)	—	(—)	—	(—)
8,200	968	(—)	1,331	(—)	—	(—)	—	(—)	—	(—)	—	(—)
8,400	996	(—)	1,369	(—)	—	(—)	—	(—)	—	(—)	—	(—)
8,600	1,024	(—)	1,407	(—)	—	(—)	—	(—)	—	(—)	—	(—)
8,800	1,052	(—)	1,445	(—)	—	(—)	—	(—)	—	(—)	—	(—)
9,000	1,080	(—)	1,483	(—)	—	(—)	—	(—)	—	(—)	—	(—)
9,200	1,108	(—)	1,521	(—)	—	(—)	—	(—)	—	(—)	—	(—)
9,400	1,136	(—)	1,559	(—)	—	(—)	—	(—)	—	(—)	—	(—)
9,600	1,164	(—)	1,597	(—)	—	(—)	—	(—)	—	(—)	—	(—)
9,800	1,192	(—)	1,635	(—)	—	(—)	—	(—)	—	(—)	—	(—)
10,000	1,220	(—)	1,673	(—)	—	(—)	—	(—)	—	(—)	—	(—)
10,200	1,248	(—)	1,711	(—)	—	(—)	—	(—)	—	(—)	—	(—)
10,400	1,276	(—)	1,749	(—)	—	(—)	—	(—)	—	(—)	—	(—)
10,600	1,304	(—)	1,787	(—)	—	(—)	—	(—)	—	(—)	—	(—)
10,800	1,332	(—)	1,825	(—)	—	(—)	—	(—)	—	(—)	—	(—)
11,000	1,360	(—)	1,863	(—)	—	(—)	—	(—)	—	(—)	—	(—)
11,200	1,388	(—)	1,901	(—)	—	(—)	—	(—)	—	(—)	—	(—)
11,400	1,416	(—)	1,939	(—)	—	(—)	—	(—)	—	(—)	—	(—)
11,600	1,444	(—)	1,977	(—)	—	(—)	—	(—)	—	(—)	—	(—)
11,800	1,472	(—)	2,015	(—)	—	(—)	—	(—)	—	(—)	—	(—)
12,000	1,500	(—)	2,053	(—)	—	(—)	—	(—)	—	(—)	—	(—)
12,200	1,528	(—)	2,091	(—)	—	(—)	—	(—)	—	(—)	—	(—)
12,400	1,556	(—)	2,129	(—)	—	(—)	—	(—)	—	(—)	—	(—)
12,600	1,584	(—)	2,167	(—)	—	(—)	—	(—)	—	(—)	—	(—)
12,800	1,612	(—)	2,205	(—)	—	(—)	—	(—)	—	(—)	—	(—)
13,000	1,640	(—)	2,243	(—)	—	(—)	—	(—)	—	(—)	—	(—)
13,200	1,668	(—)	2,281	(—)	—	(—)	—	(—)	—	(—)	—	(—)
13,400	1,696	(—)	2,319	(—)	—	(—)	—	(—)	—	(—)	—	(—)
13,600	1,724	(—)	2,357	(—)	—	(—)	—	(—)	—	(—)	—	(—)
13,800	1,752	(—)	2,395	(—)	—	(—)	—	(—)	—	(—)	—	(—)
14,000	1,780	(—)	2,433	(—)	—	(—)	—	(—)	—	(—)	—	(—)
14,200	1,808	(—)	2,471	(—)	—	(—)	—	(—)	—	(—)	—	(—)
14,400	1,836	(—)	2,509	(—)	—	(—)	—	(—)	—	(—)	—	(—)
14,600	1,864	(—)	2,547	(—)	—	(—)	—	(—)	—	(—)	—	(—)
14,800	1,892	(—)	2,585	(—)	—	(—)	—	(—)	—	(—)	—	(—)
15,000	1,920	(—)	2,623	(—)	—	(—)	—	(—)	—	(—)	—	(—)
15,200	1,948	(—)	2,661	(—)	—	(—)	—	(—)	—	(—)	—	(—)
15,400	1,976	(—)	2,699	(—)	—	(—)	—	(—)	—	(—)	—	(—)
15,600	2,004	(—)	2,737	(—)	—	(—)	—	(—)	—	(—)	—	(—)
15,800	2,032	(—)	2,775	(—)	—	(—)	—	(—)	—	(—)	—	(—)
16,000	2,060	(—)	2,813	(—)	—	(—)	—	(—)	—	(—)	—	(—)
16,200	2,088	(—)	2,851	(—)	—	(—)	—	(—)	—	(—)	—	(—)
16,400	2,116	(—)	2,889	(—)	—	(—)	—	(—)	—	(—)	—	(—)
16,600	2,144	(—)	2,927	(—)	—	(—)	—	(—)	—	(—)	—	(—)
16,800	2,172	(—)	2,965	(—)	—	(—)	—	(—)	—	(—)	—	(—)
17,000	2,200	(—)	3,003	(—)	—	(—)	—	(—)	—	(—)	—	(—)
17,200	2,228	(—)	3,041	(—)	—	(—)	—	(—)	—	(—)	—	(—)
17,400	2,256	(—)	3,079	(—)	—	(—)	—	(—)	—	(—)	—	(—)
17,600	2,284	(—)	3,117	(—)	—	(—)	—	(—)	—	(—)	—	(—)
17,800	2,312	(—)	3,155	(—)	—	(—)	—	(—)	—	(—)	—	(—)
18,000	2,340	(—)	3,193	(—)	—	(—)	—	(—)	—	(—)	—	(—)
18,200	2,368	(—)	3,231	(—)	—	(—)	—	(—)	—	(—)	—	(—)
18,400	2,396	(—)	3,269	(—)	—	(—)	—	(—)	—	(—)	—	(—)
18,600	2,424	(—)	3,307	(—)	—	(—)	—	(—)	—	(—)	—	(—)
18,800	2,452	(—)	3,345	(—)	—	(—)	—	(—)	—	(—)	—	(—)
19,000	2,480	(—)	3,383	(—)	—	(—)	—	(—)	—	(—)	—	(—)
19,200	2,508	(—)	3,421	(—)	—	(—)	—	(—)	—	(—)	—	(—)
19,400	2,536	(—)	3,459	(—)	—	(—)	—	(—)	—	(—)	—	(—)
19,600	2,564	(—)	3,497	(—)	—	(—)	—	(—)	—	(—)	—	(—)
19,800	2,592	(—)	3,535	(—)	—	(—)	—	(—)	—	(—)	—	(—)
20,000	2,620	(—)	3,573	(—)	—	(—)	—	(—)	—	(—)	—	(—)
20,200	2,648	(—)	3,611	(—)	—	(—)	—	(—)	—	(—)	—	(—)
20,400	2,676	(—)	3,649	(—)	—	(—)	—	(—)	—	(—)	—	(—)
20,600	2,704	(—)	3,687	(—)	—	(—)	—	(—)	—	(—)	—	(—)
20,800	2,732	(—)	3,725	(—)	—	(—)	—	(—)	—	(—)	—	(—)
21,000	2,760	(—)	3,763	(—)	—	(—)	—	(—)	—	(—)	—	(—)
21,200	2,788	(—)	3,801	(—)	—	(—)	—	(—)	—	(—)	—	(—)
21,400	2,816	(—)	3,839	(—)	—	(—)	—	(—)	—	(—)	—	(—)
21,600	2,844	(—)	3,877	(—)	—	(—)	—	(—)	—	(—)	—	(—)
21,800	2,872	(—)	3,915	(—)	—	(—)	—	(—)	—	(—)	—	(—)
22,000	2,900	(—)	3,953	(—)	—	(—)	—	(—)	—	(—)	—	(—)
22,200	2,928	(—)	3,991	(—)	—	(—)	—	(—)	—	(—)	—	(—)
22,400	2,956	(—)	4,029	(—)	—	(—)	—	(—)	—	(—)	—	(—)
22,600	2,984	(—)	4,067	(—)	—	(—)	—	(—)	—	(—)	—	(—)
22,800	3,012	(—)	4,105	(—)	—	(—)	—	(—)	—	(—)	—	(—)
23,000	3,040	(—)	4,143	(—)	—	(—)	—	(—)	—	(—)	—	(—)
23,200	3,068	(—)	4,181	(—)	—	(—)	—	(—)	—	(—)	—	(—)
23,400	3,096	(—)	4,219	(—)	—	(—)	—	(—)	—	(—)	—	(—)
23,600	3,124	(—)	4,257	(—)	—	(—)	—	(—)	—	(—)	—	(—)
23,800	3,152	(—)	4,295	(—)	—	(—)	—	(—)	—	(—)	—	(—)
24,000	3,180	(—)	4,333	(—)	—	(—)	—	(—)	—	(—)	—	(—)
24,200	3,208	(—)	4,371	(—)	—	(—)	—	(—)	—	(—)	—	(—)
24,400	3,236	(—)	4,409	(—)	—	(—)	—	(—)	—	(—)	—	(—)
24,600	3,264	(—)	4,447	(—)	—	(—)	—	(—)	—	(—)	—	(—)
24,800	3,292	(—)	4,485	(—)	—	(—)	—	(—)	—	(—)	—	(—)
25,000	3,320	(—)	4,523	(—)	—	(—)	—	(—)	—	(—)	—	(—)
25,200	3,348	(—)	4,561	(—)	—	(—)	—	(—)	—	(—)	—	(—)
25,400	3,376	(—)	4,599	(—)	—	(—)	—	(—)	—	(—)	—	(—)
25,600	3,404	(—)	4,637	(—)	—							



# CENTRE FOR AFRICAN STUDIES

Minister's call for disclosure of fringe benefits causes executive shivers

## 100 000 will be hit by executive perks probing

574R  
30/3/79

320

The disclosure by the Minister of Finance in the 1979 Budget that he expects a full dossier on fringe benefits by mid-year has sent a shiver down the spines of 100 000 executives.

That is the number of taxpayers with taxable income running at R14 000 or more a year and who start thinking that perks work out better than salary increases as they move nearer the Superlat bracket.

It is at R14 000 that the taxman scythes more than 26c from every extra R1 on income in a tax curve called the marginal rate.

When taxable income touches R24 000 a year—the executive is hit with the 50c rate, the 50c out of every additional R1. And the taxman waits to collect more than 60c from each rand over R35 000 a year.

### DISAPPEARS FAST

Senator Horwood trimmed down the steepness of the marginal tax curve in this week's Budget to leave the very top rate at 60,5 percent rather than the 66 percent which has long caused ire in the executive suite. Still, even so, executives still often prefer to cash in on perks rather than cash at

salary review time. The directors themselves do the same.

Any increase you receive over R2 000 a month is going to disappear into the Receiver of Revenue's pocket a lot faster than into your bank account.

The marginal tax rate of a salaried man pulling in R24 000 a year is 49,5 percent, which means that of every rand he receives over R2 000 a month, he will see only R28 000 a year more than half of any increase goes to the Receiver.

### COMPANY CAR

At that rate it just doesn't pay to earn more cash and the executives start looking seriously at perks and fringe benefits.

But payment in kind takes the businessman into a wide grey chasm where the line between what is taxable and what is not, the line between tax avoidance and evasion, is misty.

The most popular fringe benefits on offer are:

- A company car of your choice with all its expenses paid.
- An entertainment allowance.
- An overseas trip — often for two.
- Free holidays in the

company's seaside/mountain cottage.

● Health, insurance, retirement, pension, medical coverage to which the employee often does not have to contribute.

● Home entertainment — where the company pays the telephone bills, servants' wages, grocery bills.

● Housing facilities — either a company house or a loan to buy your own home at negligible interest rates.

How does the Receiver generally treat these benefits?

● Company car — he puts the value to the employee at a flat R840 a year and charges tax on that.

● Entertainment — the employee doesn't usually show this as a perk unless it is an allowance paid to him in cash. He claims simply that he was reimbursed for expenses incurred in the day's work.

● Housing benefits — the Receiver appears to turn a blind eye.

● Insurance benefits — the company will usually make the joining of the pension/insurance/medical aid funds a condition of employment which it renews them from the tax net.

UNMARRIED				MARRIED with 2 children			
TAXABLE INCOME	INCOME TAX PAYABLE	MARGINAL RATE	AVERAGE RATE	TAXABLE INCOME	INCOME TAX PAYABLE	MARGINAL RATE	AVERAGE RATE
R	R	%	%	R	R	%	%
5 000	370	14,3	7,4	78	8,0	8,0	1,6
6 000	529	15,4	8,8	184	9,9	5,4	3,1
7 000	704	17,6	10,1	297	11,0	3,7	4,2
8 000	905	19,8	11,3	422	12,1	5,3	5,3
9 000	1 133	22,0	12,6	561	13,2	6,2	6,2
10 000	1 387	24,2	13,9	719	15,4	7,2	7,2
11 000	1 667	26,7	15,2	904	17,6	8,2	8,2
12 000	1 982	29,7	16,5	1 115	19,8	9,3	9,3
13 000	2 337	33,0	18,0	1 353	22,0	10,4	10,4
14 000	2 731	36,3	19,5	1 617	25,4	11,6	11,6
15 000	3 166	42,9	21,1	1 909	28,6	12,7	12,7
16 000	3 644	46,2	22,8	2 228	30,8	13,9	13,9
17 000	4 160	49,5	24,5	2 574	33,0	15,1	15,1
18 000	4 704	49,5	26,1	2 950	36,3	16,4	16,4
19 000	5 265	52,8	27,7	3 364	39,6	17,7	17,7
20 000	5 845	52,8	29,2	3 801	39,6	19,0	19,0
21 000	6 445	57,2	30,8	4 272	42,9	21,5	21,5
22 000	7 064	60,5	32,2	4 782	49,5	23,9	23,9
23 000	7 702	60,5	33,7	5 322	52,8	26,3	26,3
24 000	8 367	60,5	35,1	5 892	56,1	28,6	28,6
25 000	9 057	60,5	36,8	6 492	59,4	30,9	30,9
26 000	9 772	60,5	38,2	7 122	62,5	33,2	33,2
27 000	10 512	60,5	39,8	7 782	65,5	35,5	35,5
28 000	11 277	60,5	41,3	8 472	68,5	37,8	37,8
29 000	12 067	60,5	42,9	9 192	71,5	40,1	40,1
30 000	12 882	60,5	44,4	9 942	74,5	42,4	42,4
31 000	13 722	60,5	45,9	10 722	77,5	44,7	44,7
32 000	14 587	60,5	47,4	11 532	80,5	47,1	47,1
33 000	15 477	60,5	48,9	12 372	83,5	49,4	49,4
34 000	16 392	60,5	50,4	13 242	86,5	51,7	51,7
35 000	17 332	60,5	51,9	14 142	89,5	54,0	54,0
36 000	18 297	60,5	53,4	15 072	92,5	56,3	56,3
37 000	19 287	60,5	54,9	16 032	95,5	58,6	58,6
38 000	20 302	60,5	56,4	17 022	98,5	60,9	60,9
39 000	21 342	60,5	57,9	18 042	101,5	63,2	63,2
40 000	22 407	60,5	59,4	19 092	104,5	65,5	65,5
41 000	23 497	60,5	60,9	20 172	107,5	67,8	67,8
42 000	24 612	60,5	62,4	21 282	110,5	70,1	70,1
43 000	25 752	60,5	63,9	22 422	113,5	72,4	72,4
44 000	26 917	60,5	65,4	23 592	116,5	74,7	74,7
45 000	28 107	60,5	66,9	24 792	119,5	77,0	77,0
46 000	29 322	60,5	68,4	26 022	122,5	79,3	79,3
47 000	30 562	60,5	69,9	27 282	125,5	81,6	81,6
48 000	31 827	60,5	71,4	28 572	128,5	83,9	83,9
49 000	33 117	60,5	72,9	29 892	131,5	86,2	86,2
50 000	34 432	60,5	74,4	31 242	134,5	88,5	88,5
51 000	35 772	60,5	75,9	32 622	137,5	90,8	90,8
52 000	37 137	60,5	77,4	34 032	140,5	93,1	93,1
53 000	38 527	60,5	78,9	35 472	143,5	95,4	95,4
54 000	39 942	60,5	80,4	36 942	146,5	97,7	97,7
55 000	41 382	60,5	81,9	38 442	149,5	100,0	100,0
56 000	42 847	60,5	83,4	39 972	152,5	102,3	102,3
57 000	44 337	60,5	84,9	41 532	155,5	104,6	104,6
58 000	45 852	60,5	86,4	43 122	158,5	106,9	106,9
59 000	47 392	60,5	87,9	44 742	161,5	109,2	109,2
60 000	48 957	60,5	89,4	46 392	164,5	111,5	111,5

These two tables show how the tax man takes a bigger bite from your income the higher it gets. The average rate table shows the overall percentage of total salary that goes in taxes from July 1, when the new Budget's tax changes take effect. The marginal rate, however, shows how the rate rises for extra income. Thus a man earning R5 000 a year and another earning R10 000 both pay the same marginal rate on his extra R5 000. So the State takes a bigger bite from every additional R1 000 or so. This makes it obvious why executives prefer perks to more cash at a certain level, when most of the extra cash goes to the taxman.



# Capital gains tax hard on small investor

By HOWARD PREECE  
Financial Editor

MOST portfolio investment managers and stockbrokers say the prospect of a capital gains tax is preferable to the present uncertainty surrounding share-deal profits — but small investors look like being losers.

There is concern among the business community generally that the possible taxing of fringe benefits could more than cancel out for many executives the income-tax benefits announced in the Budget.

These are the broad reactions to the Budget warning by Senator Horwood, the Minister of Finance, that the Government is considering bringing in a capital gains tax and tightening the taxing of business perks.

But there is general approval of Senator Horwood's promise that no action will be taken in either case without wide consultations first.

He disclosed in the Budget that he had asked the Secretary for Inland Revenue, Mr M van der Walt, to publish for comment a draft Bill on a capital gains tax in the second half of this year.

There are some businessmen, accountants, stockbrokers and others who are totally opposed to the idea.

They argue broadly that: Overseas experience, particularly in Britain, suggests that the tax is highly inefficient in terms of the cost of collection against the revenue it produces.

It is an unjustified interference with the proper workings of the free enterprise system.

Capital gains are often illusory, simply reflecting inflation.

Others claim that the present situation is actually far worse.

What happens is that when the Inland Revenue decides that a profit on, for example, a share deal is an intentional cap-

ital profit it taxes this gain at the full marginal rate of income tax.

In the case of private portfolios this could run to a rate of 60% and hence, say some brokers and investment experts, these portfolios have tended to be frozen for fear of the taxman.

It is also argued that the present system acts against private portfolios compared with pension funds which can deal freely without tax liability.

On this basis it is said that the introduction of a "moderate" capital gains tax, with clearly defined rules, would actually lead to greater activity on the Johannesburg Stock Exchange because wealthy portfolio holders would be much more willing than now to trade and take profits.

But the Inland Revenue has still been taking a lenient line with small investors and has rarely taxed share-dealing gains.

The introduction of a capital gains would hit these people.

What, in any case, is a "moderate" tax?

The majority view is that a tax with a maximum rate of 5% — or 30% at the outside — and which scales down to zero with no tax liability for gains realised after, say, five or seven years would be acceptable.

It is assumed that the tax would not apply to individuals selling single houses in which they live.

What is not clear is whether it is contemplated including paintings, jewellery, antiques and such.

The wider the tax is proposed the more complex will be the administration — and the more will be attempts to evade or avoid it.

It is generally assumed that the possible tougher taxing of fringe benefits will apply particularly to private use of company cars, expense accounts, especially general purpose

allowances, unattributable allowance and items, such as company-subsidised holidays.

It could mean that the use of a luxury could be regarded by the taxman as income of R2 000 and more where perhaps R7200 a year is added to taxable income today.

There is some sympathy for the view that a good theoretical case can be made for taxing what are clearly effective earnings.

It is pointed out, however, that fringe benefits have mushroomed as a consequence of the high marginal tax rates on executives.

To step in and tax these benefits heavily now would certainly more than cancel out for many people the income-tax concessions announced by Senator Horwood and defeat the object of giving greater incentives to the business pace-setters.

What is suggested in some quarters is that taxing of fringe benefits be tightened only gradually and in small progressions.

These actions could be matched by further cuts in marginal tax rates and would also give companies the chance to restructure their whole salary/benefit packages for key personnel.

RDH  
30/3/79  
320

- (21) Van der Merwe, op. cit., p. 11.
- (22) Ibid., p. 34.
- (23) Ibid., pp. 34-5.
- (24) Ibid., p. 41 ff.
- (25) OHSA, op. cit., p. 71.
- (26) Wright, J. B. Business Revenue of the Pretoria 1970-1975 (Pretoria, 1971), p. 188 ff.

16.  
NOTES

15.  
cattle they raised for barter, and sometimes to engender political advantages. Protection was necessary in San territory, the bulk of San building that some San had a stock-keepers. Their to new circumstances splits the end of the

I have argued in the responses to the advance are to be plain. The political gathering enabled the while the services extremely susceptible advance. However, I have also demonstrated that only "apparent" and not real. I have that that did resist in some measure.

Clive Kirk  
March 1979



GST <sup>RDM</sup>  
31/3/79  
expected  
to net (320)  
R1 000-m

**Pretoria Bureau**

GENERAL Sales Tax collections in the 1979/80 financial year will exceed R1 000-million, according to senior revenue officials in Pretoria.

The official estimate, they said yesterday, was R1 150-million.

Economists pointed out the total could be even higher if the tax and other concessions in the Budget gave the hoped for boost to the economy and the growth rate reached  $\frac{1}{2}$  target of 4%.

Collections for the first eight months of the tax's operation — collections only began in August last year — are on target, a Revenue official said.

The total for last year should be about R650-million.

Senior trade union officials said yesterday if the State expected so much from GST in the coming financial year, the Government could afford to give relief to the very low income group by removing the tax from basic foods and other household necessities.

"Instead we are faced with a position where the staple food of blacks — maize and milk — are almost certain to rise within the next few months unless the Government heeds the warnings of Opposition politicians and labour leaders of the dangers of aggravating the threat of unrest and agrees to bigger subsidies," one trade union official said.



ue of the major food, lit  
sult in intense intraspec  
tion, substantially reduc  
reproductive output (Br  
oculus is a midshore speci  
occurring in rock pools  
while larger individuals  
bare rocks. Food is readi  
this zone, in the form of  
sporelings and low growi  
ties of this limpet are

Persoonlike inkom  
(vdr belasting) sou teen  
heersende pryse met  
slegs ongeveer 10 per  
sent (of skaars gelyk aan  
die pryshafte) styf.  
Persoonlike en maat

Indien die Minister 'n blote neutrale begroting sou ingedien het, dit jyl sê met 'n styging van sê 11 persent in uitgaves en 'n tekort van R2 039 miljoen, sou die reële groei van die BBP in 1979 nie eens die 2,5 persent van 1978 behaal het nie.

Deur Prof. J.A. LOMBARD en J.J. STADLER

# Was dalk te mi Hoe oop was Jan Taks se hand?

skappybesparings sou so  
daal dat dit selfs moeilik  
vir die Tesourie sou  
wees om die tekort van  
R2 039 miljoen sonder  
monetêre uitbreiding te  
dek. Ons sou weer na die  
1977 reëseisie met  
kostedruk-inflasie te-  
rugestink het.

Die werklike begrotings-  
voorstelle is egter vir 'n  
styging van 11,9 persent in  
uitgaves, 'n styging van  
slegs 3,3 persent in  
ontvangstes en 'n gevoldi-  
ke tekort (voor lenings) van  
R2 807 miljoen.

As gevolg hiervan meen  
ons dat die reële groei van  
die BBP in 1979 minstens 4  
persent behoort te haal.  
Persoonlike inkomme (voor  
belasting) 12,5 persent kan  
styg, en private verbruiks-  
besteding met selfs 14 per-  
sent kan toeneem omdat  
persoonlike inkomme na be-  
lasting nou selfs 14 persent  
hoër kan wees.

1976). Thus, at opposite extremes shore level, *P. cochlear* and *P. granularis* may suffer from food shortage for different reasons.

## Insputings

Persoonlike besparing, asook maatskappybesparing, kan nou moontlik genoeg styg om die begrotingstekort op 'n nie-inflasiesniese manier (dit wil sê sonder netto Tesourieleninge by die banksektor) te finansier! Die surplus op die lopende rekening sal egter kleiner wees.

Ons kry, kortom, dié interessante toestand dat die groter begrotingstekort onder huidige ekonomiese omstandighede dalk 'n minder inflasioneêre uitwerking het as wat 'n kleiner tekort sou gehad het.

'n Ekonomiese stelsel werk met sogenaamde "outonome insputings" van buite wat in die inkomestroom deur sogenaamde "vermenigvuldigers" en "versnellers" tot heelwat meer aktiviteit omgewerk word — amper soos die beginsel van die spuitmotor van moderne vliegtuie.

Twee sulke insputings is netto verdienstes uit die buiteland en begrotingstekorte (wat vir die private sektor natuurlik netto aanvullings van inkomme beteken).

Oor die afgelope twee jaar het netto uitvoerverdienstes besonder groot inkomme-insputings aan die ekonomie toegedien, maar die vermenigvuldigereffek daarvan was baie klein. Die inkommevermenigvuldigers in die Suid-Afrikaanse ekonomie het gaan lê! Die stelsel het baie van sy inherente dinamiek verloor.

Daarom is daar tans ongelukkig groter insputings as normaalweg nodig om die inkomestroom weer op volle kapasiteit te kry.

In so 'n reëseisie-toestand (met 'n betalingsbalans-surplus) soos Suid-Afrika tans het, vind produsente voorts dat hul vaste koste per eenheid verkepe styg, en hulle probeer hierdie stygende koste op die verbruiker afwentel. 'n Terugkeer tot volle besetting behoort dus inflasie teë te werk.

Maar so 'n styl van groot insputings en swak vermenigvuldigers sal op die lang duur die dinamiek van ons stelsel heeltemal ondermyn. Daarom moet dus aandag gegee word aan hierdie aspek, soos min. Horwood ook inderdaad begin doen het met sy baie aansienlike vermindering van die persoonlike inkomstebelastingprogressie, en die oorskakeling na meer indirek-

are collected in midsummer) from Dalebrook, east of the Cape Peninsula sea temperature in the



Prof. Lombard

Daar is tans groter insputings as normaalweg nodig om die inkomestroom weer op volle kapasiteit te kry.



Prof. Stadler

depart

1/4/79



# Income tax and the professional man

320

IN THE PAST professional people were allowed to render their returns on a "cash" basis or an "accrued" basis. But the Secretary for Inland Revenue, while allowing those who rendered their returns on the past on the "cash" basis to continue to do so, has issued instructions that in future anyone who commences (or re-commences) professional practice must make his returns on an "accrued" basis.

In the case of the "cash" basis, cash actually received during the tax year from clients as fees is treated as income, irrespective of the period in which they were earned. The cash basis only applies to income arising from professional services rendered and not to income from other sources.

Where the "accrued" basis is adopted, the actual fees earned during the tax year, whether paid or still outstanding at the end of the tax year, are treated as income.

The cash basis only applies to the income arising from professional services rendered and not to the expenditure incurred. Whether a taxpayer renders his return on the cash basis or the accrued basis, the allowable expenses claimed must have been incurred during the tax year under review, irrespective of the date of payment.

Where a taxpayer renders his return on a cash basis, the date of receipt of income arising from professional services rendered is treated as the date of accrual. Where returns are rendered on the accrued basis, the date of accrual of fees is the date when an enforceable right to the fees is acquired. Thus, although certain professional work might have been done prior to the end of the tax year but not completed, such work-in-progress is not brought into account in deciding taxable income.

It is only when the work is completed that a right to claim payment from the client arises. This will then fix the date of accrual. For example, counsel may be working on a brief but if at the end of the tax year he has not submitted his opinion, no accrual of fees arises. Similarly, where an accountant is instructed to undertake a special investigation but at the end of the tax year has not completed his assignment, no income accrues for income tax purposes.

If a professional man enters

In the second article in his series on how income tax affects you, well-known Cape Town tax consultant and writer on taxation, DAVID SHRAND deals with income tax and the professional man.

ed with his profession, such as free-lance journalism, he is taxable on the income derived from that source even if it is an isolated transaction. Thus, executors' fees and fees paid to members of Government commissions, rent boards, control boards under the Marketing Act, and so forth, are taxable even if they are of a casual nature.

Where a professional person receives payment of fees in kind, the value of that payment is taxable in his hands. If a person receives shares in a company as payment for professional services rendered, he can be taxed on the market value of the shares as they stand at the date of accrual.

Where a medical practitioner holds a full-time appointment and is provided with free living quarters, the rental value of the accommodation is taxable. If a person receives any perks or benefits arising from some office he may hold, the value of those benefits forms part of his taxable income. Where a person owns a seaside cottage and rents it for part of the tax year, the rents he receives, less a proportionate part of the expenses incurred, are taxable.

If patents rights are sold out-and-out for a lump sum by a person who does not deal in patents, the proceeds constitute a capital accrual and are not taxable. If an inventor grants a licence for the use of his patent, the royalties received are taxable.

If an author receives a lump sum of royalties for the copyright of his book, such lump sum is taxable. But any amount received by or accrued to an author of a work in respect of the assignment of or grant of an interest in a copyright in such work is exempt from tax if such amount is chargeable with income tax in a country other than South Africa. This exemption will not, however, apply to a person who is not the first owner of a copyright, nor to a company.

If an asset is sold for an amount greater than the book value (ie cost less depreciation allowed)—such excess will be added back to income as recoupment of depreciation up to the ex-

tent of depreciation previously allowed. For example, if a motor car used for business purposes stands in the books of a taxpayer on the date of sale at R500 and is sold for R750, the balance of R250 would be added back to income as recoupment of wear-and-tear allowance (ie depreciation) up to the extent of wear-and-tear previously allowed, the reason for this being that an amount previously deducted from income had subsequently been recovered by the taxpayer. If the wear-and-tear allowed in previous years amounted to, say, R150, only this amount will be added back for income tax purposes.

If, on the other hand, the wear-and-tear allowance in previous years amounted to R350, the full amount of R250 previously deducted from income will be added back to the taxpayer's income.

Only income derived from a source within the Republic of South Africa or deemed to be within the Republic is taxable. In terms of the Income Tax Act, all dividends are chargeable with tax, irrespective of their source, provided the recipient is ordinarily resident in the Republic. If a person carrying on a profession in the Republic undertakes work outside the country and for this purpose leaves South Africa for a short period and returns to the Republic to complete the work, the fees earned are derived from a South African source.

In practice the following rates of depreciation (wear-and-tear allowance) are allowed:

- Office furniture and fittings — 10%;
- Textbooks of professionals eg attorney, accountant, doctor, can be written off on a straight line basis over a period of 3 years;
- Motor cars — 20%.

The following items can be claimed as a deduction in the year of expenditure: annual supplements and law reports, but not law reports purchased in sets (although depreciation of 15% is allowed), and binding of books.

● WATCH OUT FOR THE next article in this series: Income tax and how it affects companies.

indicate not so much resistance, but the decline and disintegration of hunter-gatherer society. Wright, in his study, *Bushman Raiders of the Drakensberg 1840-1870*, has shown that lack of food was not the only reason for raiding. (26) He argues that the San sometimes used the

their understandable anger by indiscriminate killing. For example, 92 San were shot dead by a commando in 1771.

(21) In fact, "Dikwels het kommandos self vliegtuie en grofde vee te buan enghad of 'n bepaalde reënvalende te gaan seef. nie, maar om die boemans 'n blyscie minder

13.

14.

One should point out that if disappointed they joined to man. (22) For example, in 1775 Arman van Jaarsveldt San groups, as both Elphick and Marks argue, San resistance commands evicted San with happy tears, and succeeded in may well have been remarkable. This



## AFRICAN TAXES <sup>multiplied by 300</sup> Slowly towards parity

With last week's Budget, government has finally committed itself to moving towards parity between white and African income tax. At a cost of R33m in revenue, the threshold at which Africans start paying tax has been raised from R361 to R1 201, while the tax burden on those above the threshold is also being lightened.

Abatements and deductions currently applicable to non-Africans still do not apply to Africans. In his speech, Horwood, however, promised to achieve parity within three years.

Why three years? Mickey van der Walt, Secretary for Inland Revenue, explains that the present tax system for Africans is a "simplified mass tax. To implement a more sophisticated tax law requires the completion of forms, the changeover to differentiated deductions by employers, the scrutiny and assessment of annual tax returns etc. The time factor is dictated by the logistics of the matter."

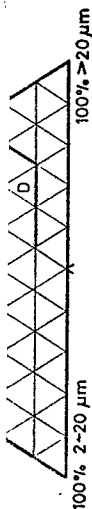
One problem, according to Simon Brand, the PM's economic adviser, is to decide which dependants in the extended family will be recognised for tax purposes. "The important thing is that a clear statement of intent has been made. Now we need time to move towards parity."

Still, in a budget where direct tax concessions which will mainly benefit whites amounted to R455m, the R33m handout to Africans does not amount to much.

Argues Van der Walt, "R33m is about one third of the expected income from African tax. That is a large proportion." Brand points out that since the budget's emphasis is on direct tax relief, it is inevitable that Africans, whose direct tax payments total less than those of non-Africans, get less relief.

"In the short term, and in view of the unemployment situation, it might help to shift some of the tax burden away from the poor. But in the long term, it would distort our movement towards a broader tax base," he argues. "We would rather give relief through subsidies." (Horwood raised the wheat subsidy by R20m to R70m.)

Temperature (°C)



A: Thin-walled hollow-ware  
B: Roofing tiles  
C: Perforated bricks  
D: Solid bricks



## FRINGE BENEFITS

### Taxing the hard core

Secretary for Inland Revenue Mickey van der Walt reckons government's plans to tighten up the taxation of fringe benefits will probably involve "changes in the valuation of fringe benefits, rather than a shift in basic attitudes or definitions."

There is a hard core of non-cash perks, such as cars, housing subsidies and holidays, for instance, which will have to be put under the microscope, he says. He allows, however, that there are certain "traditional areas" such as mine houses in out-of-the-way places which probably won't be re-examined. And, presumably, the "traditional" civil service benefits.

George Thomas, chairman of the FCI taxation committee, concedes that some form of legislation is necessary to bring more certainty to fringe benefit taxation. At present, penalties and concessions are largely a matter of negotiation between companies and tax collectors, with the result that interpretations differ from city to city and collector to collector.

Thomas insists, however, that any tax on an employee's fringe benefits must not result in a lower standard of living — other compensation must be introduced in the normal tax structure. He also points out that fringe benefits, especially cars, are now allocated to many relatively junior positions which did not enjoy them a few years ago. A revision of perks must thus take account of inflation and the sharply progressive nature of SA taxation.

#### More for middle managers

In other words, if cars, houses, and so on are to be taxed more extensively, many middle managers will have to be paid cash salaries close to those currently earned by very senior men.

Another senior financial manager points out that many perks are designed by companies to boost their own image, for instance, tennis courts and swimming pools at executives' homes to impress overseas visitors. Is it right, he asks, that these perks should be taxed?

Union Corporation director Basil Landau adds that if fringe benefits are to be more heavily taxed, "something constructive has to be done to change the take-home remuneration" of top SA businessmen. The current system of taxation is outdated, says Landau, and is a major cause of emigration and early retirement.

The problems involved in the extension of current fringe benefits taxation may not be worth the additional revenue to the Exchequer. Estimates of the increase in income that the government could expect from this source range from R20m to R30m.

In the taxation of housing subsidies, for instance, problems arise in determining the true value of the benefit to the recipient, and the interest rates to be considered. For instance, if a company grants a low-interest loan to an employee, the actual tax to be imposed will largely depend on the cost to the company — on whether it is paying the full mortgage rate or less. A spokesman for Inland Revenue admits that the law is "unsatisfactory" on this point at the moment.

Another point of conjecture is whether tax on fringe benefits should continue to be levied on the recipient, or whether the practice should be discouraged by disallowing companies' tax deductions on perks. Financial men point out that although the latter would be easier to implement, it would provoke stronger reaction on definitions of what produces income and what does not.

Even now legislation is unlikely to solve all Van der Walt's problems. As one prominent businessman comments: "Tax the existing benefits more heavily, and there'll be a whole new industry trying to find new ones."



IN AN unsung move which will bring additional inflation relief to thousands of pensioners, the tax authorities have quietly made tax deductible the lump sum contributions employers can make for the benefit of former workers now on company pensions.

The concession is pinpointed by Fiachra O'Hanrahan, managing director of African Pension Trustees — part of the new Alexander Howden group, which emerged from a combination of former Hill Samuel companies with local and overseas broking interests.

Until now, says O'Hanrahan, short of employing pensioners in sheltered posi-

tions, it has been impossible, where pensions have been bought for an employer, to grant additional benefits to company pensioners without a drain on current revenue.

As such pensions remain fixed, inflation takes its toll of their purchasing power.

In terms of the concession, lump sum contributions to purchase additional pensions for such pensioners (and in some instances instalment contributions) are allowable against corporate tax.

"This is a major concession which should go a long

way towards making the company pensioner a lot easier," says O'Hanrahan.

The concession has been made in terms of Section 11 of the Income Tax Act. The term "employees" in describing for tax allowances for the employer, has been extended to include workers who have retired and who already receive company annuities.

The only proviso is that the contribution does not exceed the amount needed to offset the effects of inflation on the purchasing power of the pension, and that the rules of the fund make provision for acceptance of the contribution.

San. Exp. 22/4/79

## Quiet tax gift for thousands of pensioners

① ~~300~~  
② ~~320~~ 320



# A breath of fresh air

THE CHANGES in the tax structure for individual taxpayers are like a breath of fresh air and are very welcome. In the past, salary and wage earners, professional men and business executives were hard hit by the high marginal rates of tax and the more or less static abatement system which had the effect of sapping incentive and productivity.

In the past mere lip service was paid to the calls for increased productivity and the promotion of economic growth. Action has now commenced, with this year's Budget, to get the income tax system out of its strait jacket.

The superficial adjustments that have been made over the past eight years have not eased the lot of individual taxpayers who are presently mulcted in tax at three or four times the tax they paid in 1972 on incomes which, due to inflation, have hardly changed in real terms.

This has resulted in their real disposable incomes after tax being substantially diminished.

The meaningful changes to personal taxation made in this year's Budget will reduce this disadvantage to some extent but this year's good start will have to be continued in subsequent years otherwise inflation will take its toll once again and the good effect of this year's concessions will disappear.

A startling feature of the personal tax reductions in the Budget is that at the lower income levels single persons receive higher reductions than married persons with children.

For example, the tax

reduction table shows that the saving on a single person with a taxable income of R10 000 is R517 as compared with a married person with four children whose saving on a similar income is only R332.

On a taxable income of R8 000 the saving to a single person is R378 and to a married person with four children R204. It is only at the higher income levels that married persons with four children receive reduction greater than those with fewer children.

It may be asked why at an income level of R4 000 a married person with four children, i.e. with six persons to maintain, receives a tax reduction of only R54 as compared with the single person, i.e. only one person to maintain, who receives R80.

It is a matter for regret that these inequalities exist as they do strengthen the view, now commonly held, that our system of taxation does little to encourage marriage and families.

One almost feels that in the compilation of the new tax rate schedule little consideration was given to the principle of equality of sacrifice as between married persons (with families) and single

persons.

The discrimination that has existed for many years in the case of widows or widowers who have always been taxed at married rates (whether or not they have children) and divorced and separated persons who were taxed at unmarried rates, has at last been removed, and the

## AUBREY SILKE

proposal that a divorced or separated person who wholly or mainly supports children of the marriage out of his or her own resources be taxed at married rates, is to be welcomed.

Married couples will be pleased with the increase in the allowance from R750 to R800 in regard to the earnings of the wife.

The allowance is, however, still hemmed in with too many restrictions. To qualify, the wife must derive income from a trade carried on by her independently of her husband's.

She may not earn the income in partnership or association with her husband or from a trade which is in any way connected with a trade carried on by her husband.

Furthermore, if her hus-

band pays her a salary or if she derives a salary from a partnership in which her husband is a member (irrespective of the extent of his share) or from a company in which her husband is a director or the sole or the main or principal shareholder, the R900 deduction will not be granted.

In other words, if a wife gives up her job to work for her husband the concession is lost.

The anomalous situation, therefore, arises that whereas wives cannot work for their husbands (they are usually their most productive employees), if they so wish, couples are able to secure the deduction by arranging with each other that the one will employ the wife of the other and vice versa — at the expense, possibly, of marital bliss.

## Fringe benefits

Top executives and other employees will no doubt be alarmed by the Minister's comments on the taxation of fringe benefits.

It can only be hoped that whatever legislation emerges from the findings and recommendations of the Standing Commission on Taxation and the Department of Inland Revenue will not be so

severe as to dissipate the tax reductions conferred by the Budget on these employees.

What is important is that there should be no discrimination as between employees in the public and private sector as is the position at present since public services enjoy an exemption from tax on a wide range of housing benefits, including cash payments or subsidies made in respect of the repayment of or the interest of any loan that has been used for the purchase of a dwelling.

Since the taxation of fringe benefits is an important matter that affects a large section of taxpayers, it is imperative that the law clearly defines the liability for tax.

The present provisions in the law are obscure in the extreme and clarification on the taxation of fringe benefits will be welcome.





DEPARTMENT OF PLURAL RELATIONS  
AND DEVELOPMENT 66-6411

320  
No. 839

27 April 1979

BLACK TAX.—DEDUCTION TABLES

Under and by virtue of the powers vested in me by sections 25 (2) and 32 (3) of the Black Taxation Act, 1969 (Act 92 of 1969), I, Rudolph Johannes Raath, Secretary for Plural Relations and Development, hereby notify that deduction tables applicable to all classes of employees and tables for determining the amount of provisional tax to be paid by provisional taxpayers generally, which I have prescribed in terms of sections 25 (1) and 32 (2), respectively, of the said Act, shall come into force on 1 May 1979, and I hereby withdraw Government Notice R. 259 of 1970.

R. J. RAATH, Secretary for Plural Relations and Development.

*Note.*—The deduction tables are obtainable on request from Receivers of Black Tax (Commissioners/Magistrates).

DEPARTEMENT VAN PLURALE BETREK-  
KINGE EN ONTWIKKELING

No. 839

27 April 1979

SWART BELASTING.—AFTREKKINGSTABELLE

Kragtens die bevoegdheid my verleen by artikels 25 (2) en 32 (3) van die Wet op Swart Belasting, 1969 (Wet 92 van 1969), kondig ek, Rudolph Johannes Raath, Sekretaris van Plurale Betrekkinge en Ontwikkeling, hierby af dat aftrekkingstabelle wat geld vir alle kategorieë van werknemers en tabelle vir die bepaling van die bedrag van voorlopige belasting wat deur voorlopige belastingpligtiges in die algemeen betaal moet word, wat ek ooreenkomstig artikels 25 (1) en 32 (2) van genoemde Wet, onderskeidelik, voorgeskryf het, op 1 Mei 1979 in werking tree en trek ek Goewermentskennisgewing R. 259 van 1970 hierby in.

R. J. RAATH, Sekretaris van Plurale Betrekkinge en Ontwikkeling.

*Opmerking.*—Die aftrekkingstabelle is op aanvraag verkrygbaar van Ontvangers van Swart Belasting (Kommisaris/Landdroste).



## Tax liability level for blacks raised to R1200

CAPE TOWN — The threshold at which blacks start paying tax has been raised from R360 to R1 200 per year in terms of a Government Gazette published yesterday.

This comes after the measure was announced in the budget speech by the Minister of Finance, Senator Owen Herwood.

The new tax tables applicable from May 1 are obtainable from local receivers of black taxes "namely commissioners or magistrates in places where there are no commissioners," according to a statement issued yesterday by the Department of Plural Relations.

Although the measure has been hailed as a major step towards scrapping tax discrimination, opposition spokesmen have pointed out that uniform tax is still a long way off — because there are two Acts with different provisions governing income tax payable by

whites and blacks.

Blacks start paying income tax if they earn R1 200 per year or more — irrespective of whether they are married or single or have families and other financial commitments.

Whites pay different tax rates if they are single or married and have the benefit of handsome rebates. This means in effect that whites only start paying tax at a much higher level than the basic threshold, which is R1 001 per year for single people and R1 200 per year for married people.

The discrepancy stems from the fact that black taxation is controlled by the Black Taxation Act, while white taxation is controlled by the Income Tax Act.

Commenting on the matter yesterday, Mrs Helen Suzman, chief opposition spokesman on Black Affairs, said while she welcomed the fact that steps to scrap tax dis-

crimination were under way, she could not understand "why there still has to be any differentiation of any kind."

"Blacks are not entitled to rebates, which is an extremely important factor. In fact, with all the rebates to which they are entitled, whites do not effectively start paying tax until they earn about R3 000 per year," Mrs Suzman said.

Mr Harry Schwarz, chief opposition spokesman on Finance, said the government was moving in the right direction, but criticised the fact that taxation was controlled by two different Acts.

Until this situation was improved by a complete revision of the Black Taxation Act, tax discrimination would remain, Mr Schwarz said. — PS.



# No tax rise: Cape cuts spending

argus 14/5/79

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Provincial Reporter

CUTTING provincial expenditure to the barest minimum on essentials only would enable him to balance the record 1979-80 Cape Provincial budget of R806 455 000 without increasing taxes, the Administrator, Dr L A P A Munnik, said today.

But, warned Dr Munnik, there was a real possibility of taxation increases next year if Treasury subsidies continued to be cut, hampering the maintenance of provincial services.

In the most austere budget he has presented to the Cape Provincial Council since he took office in 1975, the Administrator said he anticipated ending the 1979-80 financial year with a R2-million deficit.

However this would be balanced by using the R11-million surplus from 1977-78 to cover the expected deficit of almost R9-million for 1978-79 and the R2-million deficit for 1979-80.

## PETROL COSTS

Throughout his budget speech in the council today, Dr Munnik's concern was obvious at the effects on provincial expenditure of rising petrol costs and of continued cuts in State

subsidies, the major source of provincial revenue (78,9 percent this year) as compared with 77,07 percent in 1978-79).

Instead of the R640 511 000 due to the Cape from the Treasury this year, a cut of 3,85 percent would reduce the amount available to R618 691 000.

## CONCERNED

"I am becoming increasingly concerned at the effects which consistent cutbacks in our allocation bring in their train," Dr Munnik said.

"I have, when presenting my budget for the past two years, mentioned that the maintenance of our provincial services at the expected level is being hampered."

As a consequence, it was difficult to provide the necessary services with the funds available, so that spending had to be pared to bare essentials.

## NO PROMISE

"Although we have succeeded in containing our proposed expenditure for 1979-80 within the appointed limits without increasing those taxes and tariffs over which we still exercise control, I can at this stage give no firm undertaking that this position will continue to obtain."

However, painful it might be, he would have no option but to consider tax increases if this became necessary.

He added that for these reasons it was not possible for him to reduce entertainment tax as he had wished to do.



†Indicates translated version.

For written reply:

Varuzd 4. (894) 17/5/79

Act

663. Mrs. H. SUNDHART started the Minister of Internal Relations and Development:

(a) What amount in tax was collected from the Ministry of the Black Population Act in the first year 1977-78 and (b) how many black population income in that year.

THE MINISTER OF INTERNAL RELATIONS AND DEVELOPMENT:

(a) R72 635 882.

(b) 1 063 124.

The amount in (a) and (b) includes figures in respect of the Acts of the governing black system.

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## BRIEFS

### Black taxes reap in over R72m

18/5/79  
PM 220  
DURING THE 1977/78 financial year R72 600 000 in tax was collected from blacks in terms of the Black Taxation Act, the Minister of Co-operation and Development, Dr Piet Koornhof, said yesterday. Replying to a question by Mrs Helen Suzman (PFP Houghton), he said 3 063 124 blacks paid tax on income in that year. This information included figures in respect of similar laws in the self-governing black states.



CAPE TOWN'S dishonest shopkeepers had best stop evading sales tax 'as thousands are doing' or face stiff penalties that could put some out of business, Cape Town's taxman warned this week.

'We will catch everyone and people will feel very sorry when they are caught,' Mr F K Haenen, Cape Town's Receiver of Revenue, said.

Sales tax evasion, he said, had reached such proportions that thousands of people could find themselves in court. Intensive investigations are being made by inspectors in plain clothes.

'It doesn't matter how minor the evasion is, everybody who is found to be doing it will be taken to court.'

'Examples have to be set and, even if the evasions

# We're searching for sales tax dodgers, warns city's Receiver

only involves a few rands, that person will be fined or face jail,' he said.

Mr Haenen gave an example of how dishonest traders try to avoid paying their bit. Traders are issued with special documents which contain serial numbers to allow them to buy goods tax-free from wholesalers and factories.

In each serial number there is a hidden code

which tells tax inspectors what sort of goods the trader can buy tax-free.

If he buys other goods, that clearly have nothing to do with his type of business and are not for resale in his business, then he is evading tax.

Mr Haenen gave the case of a man who owned a clothes store who bought a number of fridges tax-free.

'It was pretty obvious that the man was not going to sell the fridges in his clothes store — and he was caught,' he said.

## WARNED

He said that although it was mainly the retail purchaser who was at fault in the tax evasion racket some wholesalers had also been warned by his department.

'And it must be remembered that in addition to

finances and possible jail sentences my department has the right to withdraw a sales tax exemption certificate from a retailer and this would effectively put him out of business,' he said.

The main tax evaders in Cape Town had so far been small shops, restaurants and hotels. But, said Mr Haenen, the bigger outlets were watched no less closely.

## TAXMAN LOSING IN TOWNSHIPS?

### Weekend Argus Correspondent

DURBAN. — South Africa could be losing thousands of rands a month because tax inspectors have been warned not to enter black townships to enforce revenue laws.

This is the opinion of several revenue officials, confirmed this week by Mr J A Loots, Assistant Receiver of Revenue in Johannesburg, who said that since the June 1976 riots police had warned inspectors from the Department of Inland Revenue not to enter black townships.

The police were afraid any enforcement of tax

laws could cause unrest and violence in townships and had asked the Receiver not to allow any of his men into these areas, he said.

'As a result we just don't go into the black townships anymore, so we don't know what goes on inside them. We don't have a clue about the black businesses there,' Mr Loots said.

'It has become impossible for us to enforce the tax laws there. It is possible the whole system of general sales tax has broken down.'

Colonel Piet Delpoit, Divisional CI officer for Soweto, said the warning had not come from him.

'As far as I'm concerned everything is quiet in the townships.

'As long as the tax inspectors have the proper permits they can go in and do their work. I mean, other people come and go doing their business, so there's no reason why they shouldn't,' he said.

In Durban the Receiver of Revenue, Mr Johan Swanepoel, said that while he had not had any warning from the police to keep out of the townships he did not send his men there because of the potential danger.

'There is just not enough security in these places.'

Meanwhile, a South Coast woman accused of

not paying 25c sales tax says she would rather go to prison than pay a fine if found guilty of tax evasion.

Mrs Maureen Vonder, proprietor of an Amanzimtoti fish shop, said she had received a letter from the Receiver of Revenue pointing out that she had not paid tax on batteries and a toy drum she bought from a wholesale outlet.

The letter said she had used her tax exemption number to avoid paying tax. As the goods were obviously not for resale in a fish shop the taxman said she should have paid 25c on the R6,30 transaction.

'When I telephoned them I was told the onus was on me to ensure I

paid tax on whatever I bought,' she said.

'Well, that's the first I've ever heard of that. I mean, how many people ask the check-out girl at a shop if she has included sales tax?

'I know how I run my business and I have never been asked if I've added on tax. People just assume they are being charged tax when they pay.

'I was so surprised and shocked when I got the letter. I certainly never intended doing the Government out of 25c. But if they want to get nasty I think I would rather go to prison than pay a fine. It's just as a matter of principle.'



# Tax men warned: Don't enter townships



Mrs Maureen Vonder  
... would go to jail  
rather than pay tax  
fine.

TAX inspectors have been warned not to enter black townships to enforce revenue laws.

This was confirmed this week by Mr J. A. Loots, assistant Receiver of Revenue in Johannesburg, who said since the June '76 riots police had warned inspectors from the Department of Inland Revenue not to enter black townships.

The police were afraid any enforcement of tax laws could cause unrest and violence in the

## Tribune Reporter

townships and had asked the Receiver not to allow any of his men into these areas, he said.

"We don't have a clue about the black businesses there," Mr Loots said.

"It has become impossible for us to enforce the tax laws. It is possible the whole system of general sales tax has broken down," he said.

But Colonel Piet Delpert, Divisional CI Officer for Soweto, said the warning had not come from him.

"As far as I'm concerned everything is quiet in the townships. As long as the tax inspectors have the proper permits they can go in and do their work. I mean, other people come and go doing their business, so there's no reason why they shouldn't," he said.

## Danger

In Durban the Receiver of Revenue, Mr Johan Swanepoel, said while he had not had any warning from the police to keep out of the townships he did not send any of his men there because of the potential danger.

"There is just not enough security. We've never been into the places like Kwa Mashu or Umlazi.

"The only way I'd consider sending inspectors or tax collectors to Kwa Mashu or any other township would be if we had a police escort," he said.

"Until then we just can't enforce the tax legislation among the township blacks," he said.

Meanwhile a South Coast woman accused of not paying 25 cents sales tax says she would rather go to prison than pay a fine if found guilty of tax evasion.

Last week the Sunday Tribune reported that tax

inspectors had started a blitz on businessmen who were cheating the Government out of sales tax by fraudulently using sales tax exemption certificates.

The Tribune reported that thousands of businessmen faced prosecution for tax evasion and stood to be fined R500.

This week Mrs Maureen Vonder, proprietor of an Amanzimtoti fish shop, said she had received a letter from the Receiver of Revenue pointing out that she had not paid tax on a purchase she had made from a Durban wholesale outlet.

The letter pointed out that Mrs Vonder had bought batteries and a toy drum and had used her tax exemption number to avoid paying tax. As the goods were obviously not for resale in a fish shop the taxman pointed out that she should have paid 25 cents tax on the R6.30 transaction.

Mrs Vonder said she telephoned the tax office to offer to pay the 25 cents, but was told "it's not as simple as that."

"I was told I was liable for a fine of up to R500 or even six months in jail," Mrs Vonder said.

"They said I would have to write a letter explaining why I did not pay tax and a committee would decide on whether I would be prosecuted or not."

"The first I knew about it was when I got a letter asking for details of how I had accounted for the sales tax I should have paid on those purchases," she said.

"I was so surprised and shocked when I got the letter. I certainly never intended doing the Government out of 25 cents. But if they want to get nasty I think I would rather go to prison than pay a fine... just as a matter of principle.



# Tax chaos in townships

21/5/79

JOHANNESBURG — The General Sales Tax system in Johannesburg black townships is in a state of chaos and officials can do nothing about it.

"We have very little idea of what is going on," Mr J. A. Loots, assistant Receiver of Revenue in Johannesburg, said yesterday.

He said inspections had not been made in the black areas since GST was introduced more than six months ago.

He added that businesses that did submit sales tax revenue did so of their own accord.

"We don't know if we are receiving the correct amount as we haven't inspected any books."

Among the reasons he gave for the chaos was the language barrier between his department and thousands of unregistered traders in the township.

He said they did not want to antagonise the

traders by sending in white inspectors.

"If we antagonise the people we will be in all sorts of trouble. We don't want to cause riots, we are only trying to do our job," he said.

Although it was the policy of the department to employ black inspectors they had not yet begun to train them, he said.

Mr Veli Kraai, chairman of the Soweto Traders' Association, said: "I dispute the statement that our members are not sending through their money."

Mr Kraai said the problem lay with illegal traders whom he estimated at 500 in Soweto alone.

The situation was "grossly unfair," he said. "Why should we pay tax when the illegal trader undercuts our prices and gets off scot free?" — DDC.



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# Blacks' tax cut by up to 40pc

**EAST LONDON** — Phase One of the Government's plan to wipe out tax discrimination came into effect on May 1 with tax cuts of up to 40 per cent for blacks.

Another facet of the new Black Taxation Act, which exempts employees whose black employees earn R100 a month or less from paying tax, will result in the lifting of a large administrative burden from the Department of Plural Relations and Development.

"We estimate that 40 per cent of the employers presently registered here will no longer have to register to pay tax," said

the local commissioner, Mr H. C. Scholtz.

His department has sent out circulars to all registered employers of blacks informing them of the change. In terms of the old Act employers had to pay tax for employees earning above R360 a year.

Many East Londoners have not been paying their employees' tax, and Mr Scholtz said about 400 were traced by his inspectors last year. His department tried to avoid having to prosecute offenders, but a fine of up to R400 or

a sentence of up to six months' imprisonment could be imposed on offenders.

He appealed to anyone whose black employees were earning over R1 200 a year (R100 a month) to register for tax payment as soon as possible.

The largest tax cuts in terms of the new Act go to those in the R2 000 to R7 000 a year wage group, while those earning comparatively high salaries will feel less relief.

Mr Scholtz said the tax reductions for all, which are to come into effect for whites from July, had been incorporated into the new Black Taxation Act and there would not be further reductions in two months' time.

Employers of blacks earning less than R100 a month should not confuse their exemption from paying tax with an exemption from paying a registration fee for their employees.

This fee is paid to a completely different department, the East Cape Administration Board, and stands at R1,20 a month for a domestic servant, R0,40 for a farm labourer and R2,15 (plus a R1 transport services levy) for commercially and industrially employed blacks-DDR.

## Examples of tax

A comparative table for various pay brackets is:

Annual pay	Old tax	New tax
R1 200	R13,92	R12
R2 000	R34,32	R18,80
R3 000	<del>R84,72</del>	<del>R48</del>
R4 000	R168,12	R112,50
R5 000	R270,72	R207
R7 000	R338,32	R471
R10 000	R1 107,12	R1 032,60
R15 000	R2 574,72	R2 560,20
R20 000	R4 955,52	R4 701
—DDR		

Corresponding with the threefold training, there are three progressive stages (Dharm) of elimination of the Defilements or Fetters. The stages

A number of these Fetters correspond to key elements in the Paticcasamuppada and include some of the most stubborn Hindrances. But the list also includes some important factors that have not been encountered before. These - like Pride and Dependence on Rites - are states of mind and attitudes that often develop or persist in even highly advanced meditators. Their total annihilation is essential before final liberation from becoming is possible.

- 6) Ruparaga : Craving for Existence in the world of "Pure Form".
- 7) Aruparaga : Craving for Existence in the world of "Non-Form".
- 8) Mana : Pride.
- 9) Uddhacca : Restlessness.
- 10) Avijja : Ignorance.



C.T. 22/5/79 (320)

# Add-on tax now for Checkers

THE only large supermarket chain which opted for the add-in system when sales tax was introduced last year, is to switch over to add-on sales tax from July 2.

They said, consumers were confused by their original add-in system.

When General Sales Tax was introduced last July, Checkers was the only large chain to opt for the add-system — adding the four

percent tax into the price of every item instead of adding it on to the total at the cash register.

At the time they said it would be the simplest way; with least confusion, and that consumers needed to know the full price.

A Checkers spokesman last year said the other supermarkets might gain "in the short term" by appearing to have lower prices.

But it seemed the "confused" consumers thought Checkers were charging more than their competitors, a spokesman for the company confirmed yesterday.

"In spite of evidence that the public still prefer the add-in system it has become apparent that the consumer is having difficulty in making direct price comparisons from advertisements," Checkers' marketing director, Mr Harold

Greenstein, said.

"Because of this unsatisfactory situation, to avoid further confusion and to protect Checkers' own pricing reputation, we have decided to switch to the add-on system," he said.

At the annual conference of Trade Union Council of South Africa (Tucsa) last September a decision was taken to ask the Minister of Finance to use only the add-on tax.



## Checkers changes

**Why is Checkers switching from the add-in to the add-on system of gst on July 2? Not, it is claimed, because consumers are unhappy with the inclusive method — in fact, Checkers is adamant they prefer it.**

The reason is rather, according to Harold Greenstein, Checkers' marketing director, because "the housewife and the consumer are having difficulty making direct comparisons in advertisements." Greenstein admits that Checkers has been at a disadvantage since it is the only supermarket chain using add-in. Consumers tend to ignore that the reason why its advertised prices are higher than those of other chains is because *est* is included.

Mike Hawkins, the Consumer Council's PRO, is happy with Checkers' decision. "This switch is tremendous, because all supermarkets will be using the same system, and this will eliminate confusion, particularly among the less educated," he observes.

Financial Mail May 25 1979

The council, which itself has always favoured addition, has found that consumers are not fussy about which system is used as long as all shops stick to the same method.

Mickey van der Walt, secretary for Inland Revenue, repeats that "the essential idea is to have one system." He points out, however, that exceptions may have to be made. Despite Checkers' switch, Van der Walt says it is still too early to judge which is the preferred method. "But within the next year we will probably find a polarisation to one system."

Assocom, however, is still in favour of a choice. According to executive director Raymond Parsons, "it is up to the businessmen to decide what suits his needs, and those of his customers best. Assocom is planning a survey next month to determine the amount of swatches from addition to uniform and other items."

c) Ander Iede:  
 Mr K. Bosma  
 Professor A.  
 Mr N. Danie  
 Mr Achmat D  
 Professor R.  
 Professor J.  
 Mr René de  
 Dr I.D. du P  
 Professor J.

Mr H.W. Middelman  
Eern. M.T.L. Moletsane  
Professor A.D. Muller  
Sheik A. Najjar  
Mr Victor Norton  
Professor N.J.J. Olivier  
Mr L. Phillips  
Professor H.P. Pollak  
Mrs W. J. -

verbondte aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switserland, Swede, Israel en Zambië besoek.

Landse journalist, Suid-Afrikaanse diplomaat van die Suid-Afrika-Stigting betrokke by Suid-Afrikaanse belange betrekings gewest met stigtings, tuisvergaderings. As gevolg van sy besoek by 'n toelae vir die Konstruktiewe Prodijs Algemeen Dikomaal Bureau van die ken in Holland.

smoof, ere-fellow van die konstruktiewe n aantal instansies, wat universele ivaal insluit, en met verskeie handels- rms in Natal, kontak opgebou.

rensie, Nasionale Uitvoerende Komitee-  
tering van die Suid-Afrikaanse Insti-  
tute vir Verhoudinge, Kaapstad (Januarie).

jaarlijkse Vergadering van die Religious  
nds, Stutterheim (April).

gres van Sociologie, Uppsala, Swede.  
Verhandeling voorgele in werkgroep 6 en verderders  
bygewoon van die Raad van die Internasionale Socio-  
logiese Vereniging as die amptelike afgevaardigde  
van Suid-Afrika (Augustus).

Hierdie projek is 'n paar jaar gelede aangepak. 'n Onderzoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n aantal tydelike navorsings-



their tax systems for the factories, plantations, and other large-scale enterprises. Two sources of changes in the COL include Canada, Holland, Australia, Israel, and Britain.

He warns that if action is not taken, inflation is not inflation and continues to rise, a very disturbing situation could develop.

A lower standard of living is the result of the loss of jobs on the Rand.

that, in any new system of taxing fringe benefits, civil servants would be treated in the same way as ordinary employees in the ex-

● It must be administered in such a way that taxpayers can feel confident, that everyone bears his fair share of tax burden. Certain employees should not be allowed to "get away" with tax evasion.

benefits which are nothing more than cloaked remuneration. The morale of other employees inevitably suffers and they lose confidence in the integrity of the tax system.

**Schedules. Countries who**

...the present tendency of employees being more interested in the fringe benefits offered to them than their basic salary.

Our present tax rate curve and reducing abatement system was introduced in 1972 and still continues to show no signs of abating.

...subject to changes in certain of the abatement over the years, and apart from adjustments to loan levy and surcharge rates

100 percent since 1972 and salaries had matched the CO rise, a man earning R5 000 would earn R10 000 in 1979. A though his real income of what he can buy has not risen, the tax of a married man with

And even with the latest new tax rates and abatements, steep falls in living standards, especially in the rural areas, are likely unless a new system is introduced.

...in an ideal situation, it ought to have increased by only 100 percent as other commodities have, bearing in mind that State expenditure is also subject to the vagaries of inflation. On the same basis, a man earning £10 000 in 1972 and his equivalent in real terms of £20 000 in 1979, paid £1 680 in 1972 as compared with £3 192 in 1979, also for four times as much when, typically, it ought to have been twice as much.

It is borne in mind that over the last eight years, the married man's abatement has increased by £200, from £1 000 in 1970 to £1 200 in 1979.

On the factories, plantations, mines, etc., the Rhodesian Government has been forced to force a 'solution' which was mutually advantageous to the employers. The agreements are not binding on the Rhodesian Native Labour Board, but it is expected that they will become the Rhodesian (R.N.L.S.C.) [1960] entered into a quest to divide up jobs on the Rand.

The N.L.A. accepted that in Rhodesia, Namibia or South Africa with 17.5 percent of the population living in East Africa for which it practices this Agreement Rhodesian employers. No amount in the Gwanda district by the Agreement - a fact very, then in control of the Southern Rhodesia. The were also reported to have labour unrest amongst content being the Rand/Labour Board.

Despite legislative measures, the Rhodesian Government of both local and foreign workers in 1700 Rhodesian boys' in 1910. These pressures



were not abated by the various politico-economic crises which forced down real wages in Rhodesia in the 1906-39 period: e.g. the agricultural product price slump in 1923-4 and the agrarian labour supply crisis in 1924-28, the Great Depression of 1929-33, the effect of the Maize Control Act (1931) on peasant production and a continuous process of involution in the peasant economy throughout the period. <sup>2/</sup>

By 1933 the R.N.L.B. ceased to function. The inflow of 'free flow' workers was sufficient to meet most employer demand, as in the case of pre-Depression wages. In 1934, however, establishment of a depot in Salisbury recruitment in its non-Southern Rhodes Another Agreement in 1939 gave M.N.L.A. would not attract contractees from South Manager of M.N.L.A.'s Tropical Division in 1940. Stations were set up at Mbatankie and Inyazura. The Rhodesian to transport recruits in and out of with a similar network established by Ulere (a Cewa term for 'free'), the free migrant labour transport company.

### Narrow tax base

Yet, when looking critically at the Republic's income tax system, we must not be unmindful of the one very important fact, namely, the rather narrow tax base on which it is founded due to the country's particular income distribution disparities.

The top six percent of taxpayers in the upper income groups today probably contribute some 40 percent of total tax revenue, the remaining 60 percent of tax revenue being contributed by the other 94 percent of all individual taxpayers.

We can, therefore, understand why the progression in our tax rate curve is steeper than in other more highly developed economies where individual taxpayers in the lower and middle income groups make a far larger contribution to total tax revenue than their counterparts in South Africa.

This does not mean, however, that our individual tax rate schedule should not be reviewed on a much more frequent basis than in the past, specifically with a view to adopting to inflation the basic abatements, the abatement reduction formula, and the income thresholds at which higher marginal tax rates apply. Even if indexation presents budgetary or other problems and is not acceptable, some other regular basis of revision is essential.

A continued neglect of these matters will affect the standard of living for all concerned and militate against the conditions necessary for the maintenance of a high rate of economic growth.

**Amalgamated Industrial Investment Corp Ltd:** Trading profit R12 121 (58 489 loss) in year ended February 28. Not included in the above are non-recurring losses R236 414 (90 580 profit). — Reuter.

11 Jan Geum[1]. The Growing Optima. 2, 2, June, 1952.  
Ines 1911-1968, C.U.P., Rhodesia, August 1939.

10/

Southern Rhodesia, Report of the Secretary of Native Affairs and the Chief Native Commissioner, 1940, p. 208.

But because the latter network catchment area, direct come

Despite having to acquiesce

primarily founded upon the p...  
In excluding M.N.L.A. from...  
substantially its recruitment...  
North of latitude 22°S.), from...  
black labour force) in 1936

### Indexation

My own feeling is that a system of indexation in the Republic, at least on an annual basis in relation to the primary abatement and on a periodic basis in relation to the income bands on ceilings in the tax rate schedule, and also in the abatement reduction ceiling of R5 000, will be a tremendous boost to the taxpayers' confidence in the integrity of the tax system, and, to some extent, will compensate business executives and senior staff, many of whom have been earning up to 20 percent less in real terms than they were eight years ago; and whose new take-home pay may suffer further harassment if there is to be a wide-ranging attack on fringe benefits.

### Standards of living

Even on the new tax rate schedule and system of abatements which commence with 1980 tax years, and assuming, perhaps not unrealistically, an annual inflation rate of 12½ percent, so that prices double in six years, a married taxpayer with two children earning now R5 000 per annum will pay R195 tax in 1980, and be left with R4 806 for cost of living.

In 1986, should prices have doubled due to inflation, he would need R9 612 to maintain his standard of living, and assuming that his salary had kept pace with inflation in 1986 it is R10 000, the tax he would pay in 1986 on R10 000 (based on 1980 rates) is R221 — four-and-a-half times as much as in 1980, although there has been no increase in his real income. This would result in a shortfall of R583.

If he was not so fortunate, and his salary increase over the six years was only 75 percent of the inflation rate, the shortfall would be R1 533 — i.e. nearly three times as much — and, if the salary increase over the six years was only 50 percent of the inflation rate, the resulting shortfall would be R2 613. Adjustments to life-styles would become imperative and substantially reduced standards of living could ensue.

to date.

black labour force) in 1936

At this stage (circa 1936-) M.N.L.A.'s preoccupation in the Tropics was with recruitment in Barotseland and Nyasaland, a recruitment permit having been obtained for the latter which by 1939 allowed an annual take-off of 10 000 contractees. <sup>7/</sup> In this area Southern Rhodesian and M.N.L.A. interests clashed strongly and were 'resolved' through open competition. The Southern Province of Nyasaland was a prime source of 'free flow' labour to Rhodesia. In a challenge to M.N.L.A.

/ intrusion .....

NOTES

(68)

<sup>1/</sup> For historical perspectives see G. Arrighi, 'Labour Supplies in Historical Perspective', *Journal of Development Studies* 6-3, 1970; Charles van Onselen, *Chibaro: Pluto Press*, 1966; Robert Scott, *Migrant Labour in Southern Rhodesia: geographical and economic aspects*, vol. 44, 1954; and D.G. Clarke, *Contract workers and underdevelopment in Rhodesia*, Mambo Press, Gwelo, 1974.

<sup>2/</sup> Data for the period up to 1933 are drawn from Charles van Onselen, *op. cit.*

<sup>3/</sup> On these issues see G. Arrighi, *op. cit.*; M.C. Steele, 'The African Agricultural Labour Supply Crisis 1924-1928', *Labour Research Seminar No. 6*, Department of Economics, University of Rhodesia, 1973 (mimeo); and *Workers in Rhodesia*.

<sup>4/</sup> *African Affairs*, 274, 236 (April 1975). See also the analysis by Francis Watson in *Labour in Southern Rhodesia* (forthcoming). Amongst other sources, various articles in the *Financial Mail* (1975-76) should be consulted.

<sup>5/</sup> Data in this section are drawn from Gerhard de Kock, *Goid and the South African Economy - Some Recent Developments*, *South African Journal of Economics*, 42, 3, 1974.

<sup>6/</sup> Roger Leys, *op. cit.*

<sup>7/</sup> ...

18/



Star 9/6/79

Unmarried	Married ÷ 2 children
-----------	----------------------

Taxable salary monthly)	What you will pay	Saving	What you will pay	Saving
R 500	R 56,42	R15,00	R 25,67	R11,00
R 1000	R 190,67	R48,38	R 141,58	R42,34
R 1500	R 506,92	R127,66	R 358,58	R104,09
R 2000	R 753,50	R187,75	R 515,74	R148,50
R 2500	R 1093,58	R280,67	R 743,17	R212,50

\*Calculated without taking account of medical aid or insurance deductions.

### New repayment.

Loan Balance*	New repayment	Savings
R10 000	R 84.09	R 3.67
R15 000	R128.57	R 5.58
R20 000	R175.32	R 7.43
R25 000	R231.60	R 9.93
R30 000	R283.25	R 10.78

\*The period of the bonds up to and including £20 000 is 30 years and for those above this level up to £39 000 it is 25 years.

[illegible]

The good news for South Africans, reading from price increase after price increase, is that they will soon have more money to replace the rands they are now losing.

Next month the tax concessions which the Minister of Finance, Senator Horwood, promised in the Budget come into force. The result will be more money in the average South African's pocket, bringing some relief after the stiff rises in petrol and food prices.

For instance, a man earning R1 000 a month, with a wife and two children, will take home an extra R42.34 at the end of next month. This is 4.16 percent more of his basic salary going on to his pay cheque.

The first table shows how much tax the other income groups will save.

Home owners with a mortgage bond will not pay a little less every month. People with a balance of £15,000 will save £5.55 for instance.

The second table shows the savings on balances from R10 000 to R30 000.

And The State  
resident in Ca

lidity rates on the bond. They decided to follow suit, and interest-rate structures were pushed down.

These two concessions will go some way to relieving the latest increases in the cost of living, but the consumer will still have to spend his money carefully.

A Star survey found this week that a basket of basic food now costs 6.6 percent more than only a week ago.

And the petrol-price increase of the a litre means that it will cost R3 more to fill a 60-litre tank. As most housewives use a tank a week, it means R36 a month more for petrol only.

The most recent Standard Bank survey reported that inflation had been gaining momentum recently and more was to come.

So although the average wage earner will receive an effective increase of about four percent in his taxable income, he will still have to cope with a running inflation rate of more than 11 percent.

machinists to managing directors can also brace themselves for more shocks next month, when details of the Government's plans to tax some of their fringe benefits will be published.

Their living standards will be hard hit if they have to pay income tax on such perks as free cars, housing subsidies, low-interest home mortgages, free overseas holidays and entertainment allowances.

The Secretary for Inland Revenue, Mr W J van der Walt, has said that in any new system of taxing fringe benefits public servants would be treated in the same way as employees in the private sector.

But the Government has already voted an allocation of public service housing bills. Two years ago a law was passed to confer a special exemption from tax on their house-holders — cash payments or subsidies, low rent and low rates of interest charged on housing loans.

This exemption applies to more than public servants. Others who covered are MPs, rail and post office workers, employees of the CIA, the new Irish GDP, and state lecturers.

The Commission saw three possibilities:



11/06/1979



# Soweto traders abuse sales tax

By Sally de Vasconcellos

Some Soweto traders are still abusing the General Sales Tax.

Last week a Star Fair Deal investigator visited 10 stores in Soweto. Of the 10, seven charged GST on purchases costing less than 13c. This is illegal.

Later the same stores were visited and it was found that only two of the seven had changed to the correct method.

In each case half a loaf of brown bread and a box of matches were bought.

The controlled price of half a loaf of brown bread is 8c. Although matches are not price-controlled, a selling price of 2c is recommended.



## ON OR IN

In stores using the "add-on" (exclusive) method of GST, tax may be charged only on items under 13c if they are bought together with other items totalling more than 13c.

In a store using the "add-in" (inclusive) method of GST, tax cannot be charged.

The stores that charged 1c GST on our purchases last week, were Serulle Enterprises, Diepkloof; Star Fish and Chips, Zone 6; Diepkloof; Lizzie's Fish and Chips, Zone 3; Klipspruit; Rosboom Fish and Chips, White City; Modiane Fish and Chips; Central Western Jabavu; and Njoko Restaurant, Jabulani.

Only two stores, Star Fish and Chips and Lizzie's Fish and Chips charged the correct amount yesterday. One store, Rosboom Fish and Chips, refused to continue selling half loaves. The remaining three stores, Rainbow Cash Store, Zola Phaphamani, and Gumbi Gate, Jabulani, charged the correct amount on both occasions.

"I have only 14 inspectors and each area has to take its turn," Mr A Chema, the Johannesburg Receiver of Revenue, told The Star.

He said it was a slow process. "If I had inspectors for each vendor, it would be easy."

of the Soweto Traders Association was more concerned about the hundreds of illegal traders in Soweto who were not paying any tax.

Mr Kraai felt the main reason for the GST confusion was ignorance. "We continue to send complaints to the Receiver, but nothing is done," he said.



# They can't eat cake <sup>Star</sup> 22/6/79

IN South Africa we should not underestimate the dangers inherent in the pressure of sales tax and rising prices on the pockets of the poor. Mr Harry Schwarz's urgent call to remove sales taxes from basic foodstuffs therefore deserves serious thought. His appeal is even more compelling in view of the inevitable increases to come once the petrol price begins to bite.

Doubtless, retailers (especially those who go for the "add-on" system at till) will balk at the administrative difficulties of extricating bread, milk, meat, vegetables and so on from other, tax-

able, items. But their difficulties are not greater than their customers'. Big retailers' could convince us of their public-spirit- edness if they backed the idea.

The high price of basic food could become magnified out of all proportion in the minds of the poor — and we have a great many poor — thus negating any goodwill the Government may have earned lately with its wage improvement policy. Classically, high-priced basic foodstuffs have contained the seeds of bitter strife. With the debate on the sales Tax Amendment Bill there is no better time to adjust.

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Rate variances 500 (U)  
Efficiency variances 600 (U)  
Mix variances 3 200 (U)  
21 700 - 17 400 R4 300 (U)

Mix variance: Work undertaken by skilled workers 1 600 hours Differential pay rate (R3 - R1) 2 3 200 (U)

Efficiency variance: Time that should be taken for unskilled work 7 000 hours Time taken by unskilled 6 000 Time taken by skilled (2 800 - 1 200) 1 600 7 600 hours R 600 (U) 600 R 600 (U)

Rate variances: Skilled 2 800 (3 - 2 800) = 9 000 Semiskilled 3 400 (2 - 3 400) = 7 000 Unskilled 6 000 (1 - 5 700) = 300 (F) 500 (U)

SUGGESTED SOLUTION

QUESTION 4

Marks



# ter gets GST blues



Administering the collection of GST in Johannesburg is a patient computer. But its patience wears a little thin when it is fed paperwork which has been wrongly filled in by some of the city's 29 000 retailers.

General Sales Tax no doubt elicits many grumbles from the thousands of Johannesburg retailers who have to fill in their returns every month.

When these long suffering businessmen are presented with final demands for amounts they have already paid, the grumbles turn to bull-like roars. But the tax men point out that many of the GST headaches are of the retailers' own making.

Administering the General Sales Tax giant is a complex business at best. But it is further complicated by retailers' paperwork mistakes which set the Department of Revenue computer chinking — and spewing out final demands.

Mr Anthony Chemaly, Johannesburg's harassed Receiver of Revenue, admits that his department must appear to be a bunch of nit-pickers. "But it really is necessary. They might think their sloppy methods of filling in the forms are all right. But it upsets our computer."

And the computer is responsible for the final demands for GST payments.

The overall procedure seems simple enough. A retailer registers with the department through a VBI form. The computer then sends out a yellow VBS return form each month part of which deals with the vendors' liabilities to the Receiver and part with his payment and receipt.

But retailers too often send in the liability side of the form without the receipt, or fill in their turnovers down to the last cent instead of in rands only which gives the computer a turnover figure 100 times larger than it should be. Or they send in cheques unattached to the identifying forms.

## PROBLEM

The computer picks up the liabilities fast enough, but can then find no corresponding credit. At the same time as it alerts the Receiver, it prints the

myriad other fiscal measures, problems are inevitable.

The new tax was introduced faster than the department could cope with it, which makes the problems more than understandable. Secretary for Inland Revenue Mr Micky van der Walt admits that his understaffed department was not able to feed retailers with information as fast as he would have liked. Which is why inspectors are currently doing educational audits rather than punitive ones.

"I like to call them my silent force," says Mr van der Walt, in answer to inquiries about a shortage of inspectors. "Training takes time so you can't expect a full force straight away. But if I tell you there are plenty of inspectors, people think I am wasting money. If I say there is a shortage, they think they can get away with fiddles."

But "fiddling the tax" has not proved a major problem yet, although the Revenue Department is tending to give people the benefit of the doubt.

## FIDDLE

Mr Chemaly reports that his 14 inspectors last week visited 1213 businesses and found 966 "quite in order." Of the offending balance, the majority were guilty of such minor offences as forgetting to display add-on/add-in notices or hanging the reversible notices on a glass door.

If the taxman smells a fiddle, the inspectors will go out. And a retailer caught red handed will have to pay a penalty of 10 percent of the amount outstanding as well as meet the department's tax demands.

The main problem area appears to be the retailers' exemption certificates. These certificates are issued to all the middlemen in the selling chain who are not themselves the end users of the goods they buy and therefore not liable for GST. But abuse of the certificates seems to be the most common fiddle.

PS. 9

## SOLUTION

final demand. And before the tax man can have the mistake corrected or put a form to a wandering cheque, the irate retailer is knocking on his door.

With Johannesburg's Revenue Department dealing with the GST problems of some 29 000 vendors and at the same time processing income tax, provisional tax, stamp duties, estate duties and the

tarted and finished = 32

with vendors buying goods on their certificates for their own use. Even this abuse, however, is limited, according to Mr Van der Walt.

"The whole programme is running as well as can be expected and we have had as much co-operation as we could reasonably expect in any fiscal measure," he said. "Time will smooth out the problems."

MATERIAL  
A B

3,000 3,000  
37,500 32,000  
40,500 5,500

Equivalent units  
37,500 35,000

(37,5000 - 39,000) kgs. x R10 R15,000 (u)



# DEPARTMENT OF INLAND REVENUE

No. 1315

22 June 1979

## GOVERNMENT NOTICE OF DATE OF COMING INTO FORCE

CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS AND ON GIFTS

It is hereby notified for general information that the last of the formalities required to give the Convention referred to in Proclamation R. 224, 1978, as published in *Government Gazette* 6149 of 8 September 1978, the force of law in the Republic of South Africa and the United Kingdom, respectively, was completed on 5 April 1979 and that the Convention consequently came into force on 6 May 1979 in terms of Article 18 (2) thereof, which further provides that the Convention shall have effect in South Africa in respect of donations taking effect on or after 1 January 1978 and the estates of persons dying on or after that date and in the United Kingdom in respect of property by reference to which there is a charge to tax which arises on or after 1 January 1978.

(25/6/1/231)

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# DEPARTEMENT VAN BINNELANDSE INKOMSTE

No. 1315

22 Junie 1979

## GOEWERMENTSKENNISGEWING VAN INWERKINGTREDING

KONVENSIË TUSSEN DIE REGERING VAN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE REGERING VAN DIE VERENIGDE KONINKRYK VAN GROOT-BRITTANJE EN NOORD-IERLAND VIR DIE VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTDUIKING MET BETREKKING TOT BELASTING OP BOEDELS VAN GESTORWE PERSONE EN OP GESKENKE

Hierby word vir algemene inligting bekendgemaak dat die laaste van al die formaliteite wat nodig was om die Konvensie genoem in Proklamasie R. 224, 1978, soos gepubliseer in *Staatskoerant* 6149 van 8 September 1978, in onderseidelik die Republiek van Suid-Afrika en die Verenigde Koninkryk die krag van Wet te gee, op 5 April 1979 voltol is, en dat die Konvensie derhalwe op 6 Mei 1979 in werking getree het kragtens die bepalings van Artikel 18 (2) daarvan, wat verder bepaal dat die Konvensie van toepassing is in Suid-Afrika met betrekking tot skenkings wat op of na 1 Januarie 1978 van krag word en die boedels van persone wat op of na daardie datum sterf en in die Verenigde Koninkryk met betrekking tot eiendom ten opsigte waarvan aanspreeklikheid vir belasting op of na 1 Januarie 1978 ontstaan.

(25/6/1/231)

frequency of inter-settlement contact would have increased and with it the probability of friction would have grown. The level of stress would have increased until fission occurred when groups would have moved away, settled and formed the nuclei of new cultures. Each of these nuclei could have acted in turn as a centre for fission and further expansion.

In this model, as was the case for the continuous spread model, carrying capacity has been defined as psychological tolerance and the problem of limiting resources remains.

A flow diagram and computer simulation of the discontinuous spread model were prepared (Fig.3; Appendix 1).

### DATA

Quantitative data - The rates of population growth used in the simulations were two, three and a half, and four per cent per annum. The values were similar to those quoted by Biddell (1957) for human groups colonising uninhabited areas. Four values for carrying capacity were used: one, five, ten and fifteen people per square kilometer. A value of five people per square kilometer has been used as the carrying capacity for simulations on subsistence agriculturalists (Ammerman and Cavalli-Sforza, 1973). The values coincide with low population known from African ethnography (Tew, 1950), but the possibility remains that the ethnographic values are too high since they may have increased as a result of European medical attention.

Both models were simulated with three different, arbitrarily chosen, input populations: 100, 500, and 1000 people. In the simulations space was conceptualised as a series of concentric circles. The perimeter of each circle was set at 10 km away from the previous circle.

Cultural data. The bevelled/fluted complex corresponds, at least in broad outline, to the eastern stream (Phillipson, 1977). However, there are a number of problems associated with the eastern stream. Kope has been included in the eastern stream and has been used as a link between Early Iron Age cultures in eastern and southern Africa. Huffman (1978) has shown that some of the cultures included in the eastern stream, notably the Transvaal group, do not have a high relationship to either the Kope-Gokomere axis or to Silver Leaves material and should be excluded from the eastern stream. Similarly,



B. J. ANDREW  
and  
STEPHEN ORPEN

**FURTHER** tax relief is being secretly planned by Government. Sources close to the Cabinet and the Department of Inland Revenue told Business Times this week that the new concessions were being prepared both as an additional stimulus to economic recovery and to balance a simultaneous attack on fringe benefits.

They confirmed that Minister Horwood's standing Committee on Taxation would recommend in its report next month that sweeping action be taken to close opportunities for "tax avoidance through so-called fringe benefits."

But this punishment — foreshadowed in Business Times on April 29 — would be offset by moves to flatten the current steep progression in the tax rate.

Secretary for Inland Revenue Mickey van der Walt confirms that a prime objective of his department's thinking is to realise extra revenue from fringe benefits.

But an equally important aim, he adds, is to further trim the income tax rate.

This is seen as inevitable in view of the dangers of harassing executives — one of the country's most valuable resources — with further fiscal measures at a time when they have already suffered a setback in their earnings of some 20% in real terms in eight years as a result of inflation.

## Reduced rates

The Taxation Committee's proposals are due to be published next month for public comment.

In Johannesburg, Jon Cole, head of the remuneration and salary survey section of the country's largest firm of management consultants, the P-E Group, says he will remain sceptical about Government's intentions until it demonstrates that it is prepared to give back more through reduced rates of tax progression than it takes away in attacking fringe benefits.

"We are awaiting a scientific view of industry's feelings

# Govt plans more tax concessions

Sun. Times Bus.

24/6/79

320

gression of taxation is to broaden the tax base.

"The vicious circle of South Africa's highly progressive tax system, leading to ever more fringe benefits, must be broken.

"Fringe benefits are really just another name for tax avoidance. They contract the tax base, forcing Government to raise the tax rate."

Visiting Israeli tax academic Arye Lapidot warns that procrastination in dealing with fringe benefits in his country led to an abuse of the whole tax system.

Presently attached to the University of Cape Town, the professor of taxation in commercial law at Bar Ilan University notes: "We reached the stage in Israel where the bulk of salaries paid took the form of fringe benefits."

But the high rate cannot be blamed on these benefits alone. A fundamental problem is the handful of wealthy workers paying the bulk of income tax — because of wide pay distribution disparities.

Leading tax authority Aubrey Silke estimates that the top 6% of taxpayers contribute 40% to total tax revenue. This built-in bottle-neck in the tax base makes the steep progression in the tax rate curve understandable, he says.

fuelled again by the startling 40% petrol price hike.

UCT Graduate Business School senior lecturer Alex Frew warns that the incidence of tax on executives has reached "the level of disincentive", where the will to earn more weakens.

Where the will remains firm, a portion of the talented seek more encouraging tax climates and higher living standards overseas.

Emigration statistics proved this during the recent recession. And the widening gulf between pay for South African executives and their overseas counterparts shows no signs of narrowing.

Professor Lombard says South Africa has a serious problem in the very low supply of executives relative to the total workforce. Recent projections show this would be compounded into a critical shortage within five years should the economic revival continue.

For a healthy growth rate to be sustained, more management skills are imperative.

Professor Lombard explains: "The aim is to improve the supply of executives and, from an incentive viewpoint, the way to do this is not to increase fringe benefits but rather to broaden the tax-base and so bring down the tax rate progression."



Mickey van der Walt... aiming for equity

for taxing fringe benefits will apply equally to all.

This is going to be extremely difficult. One illustration of the potential difficulties is police remuneration. Low police pay was recently defended on the grounds that members of the force received such attractive fringe benefits. It was pointed out, for instance, that they can rent flats worth R200 a month for R8.

Sources close to the standing committee on tax reveal that their fringe benefits report will include different views on various forms of benefits.

## Form of prestige

To achieve equity and satisfy all is a formidable task.

For starters, UCT Economics School director Ben Gurzynski points out: "Because fringe benefits are often more than just income, a difficulty in defining income and setting tax rates on fringe benefits arises."

He explains: "A free house and car could be a form of prestige giving visible status. They may be used as such by companies to motivate their people in ways which cash alone cannot."

It would not be correct, he says, to place a money value on these benefits. While the



in October 1978, Tim Maggs and Revill Mason have described early Iron age settlements dating from around 300 AD. These findings push my date of 600 AD back another 300 years. Nevertheless, we must still concede an earlier settlement by a horticultural Bantu-speaking people such as the Ngona, Kwisi and others.

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we already have strong indications that companies are continuing and very worried.

Because they are baffled on a special attack on company cars - spurred by the new fuel crisis - businesses are already evolving entirely new schemes for their employees in this area. But they simply don't know where to begin in tackling the reform of other benefits. Tax lawyers, however, are already beginning to move to cut the amount of tax progression but doubt that it will be enough. And they remain firmly opposed to the move against benefits.

Two of the leading attorneys agreed that the top priority remains to move fast towards the US system, where the top marginal rate of tax is 50%, without falling with fringe benefits. Debate, therefore, is still going on at the University of Cape Town's economics department chief Professor Jan Lombard says the way back to a lower pay

of burden

Mr Van der Walt says the growth of fringe benefits has undermined the integrity of the tax system. Those who receive untaxed fringe benefits over an untaxed salary over and over again who earn the same in cash and fringe benefits. He is backed by Dr Silke, who says taxpayers must feel everyone is bearing a fair share of the burden.

Certain employees should not be allowed to avoid tax on fringe benefits which are nothing more than cloaked remuneration.

This, however, is only one side of the coin. The other concerns the motivation of South Africa's executive officers. Executive security is their best protection.

Dr Silke says many business executives and senior staff have been earning up to 25% less in real terms than they were 10 years ago. This is largely a result of inflation.

Mr Van der Walt promises the proposed new measures

Mr Frew sees an attack on fringe benefits at this stage being almost as bad as an attack on salaries. He says executives are pulling up rates already pushed as high as 10%.

With the steep progression in the rate, this extra pay may have to be very substantial - perhaps more than companies competing in the international executive labour market can reasonably afford.

If executives must suffer, at least they should feel they are not being singled out. Dr Silke says no distinction must be drawn between private and public sector employees as at present. Civil servants are currently exempt from tax on a wide range of benefits, especially in housing, finance, not granted in the private sector.

Also fringe benefits depend almost entirely on individual values. A luxury car could be worth a lot more to one executive than to another. It is placed little value on its status. And what money can be expended for almost anything.

The problem of pinning benefits to individuals is further confused by questions like: How should the executive who eats free in a company restaurant be assessed compared with the executive who receives R10 from his company to eat out?

Professor Gutwinski says the non-pecuniary value of fringe benefits is very important. Unfortunately, JPS has been no comparative study to discover whether trying to recapture revenue from fringe benefits damages business management.

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# THE BIG INCOME TAX LET-DOWN

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## Financial Staff

THOUSANDS of workers expecting a big cut in income tax are going to be disappointed when they see their pay packets at the end of next week.

Tax changes announced in the March Budget showed cuts of as much as 91 and 52 percent for lower-paid workers — impressive statistics based on total annual income.

But the new PAYE tables issued to employers, where figures are translated into cash, show savings are tiny — a few rands and cents a week and less than the price of a cinema ticket.

### Factory man

A skilled factory worker married with two children and earning R150 a week — the current average for a factory worker in Cape Town — will be R398 better off. His tax comes down to R10.41 from R14.39 a week.

Check: \_\_\_\_\_  
Material costs \_\_\_\_\_  
Less: 100 kg Alpha in \_\_\_\_\_

QUESTION 1 - SUGGEST

## Tax let-down

(Continued from Page 1)

children will also receive R6.29 more and pay only R9 tax on his R250 a month. Among the lower paid at R120, a single man gains R3.69 a month and the married man gains R1.61 and escapes tax altogether.

At R500 a month, a married man with three children gains R5.28 with his tax down to R25.02. A single man at that level is R16.86 better off and now pays R54.04 a month.

### Petrol bill

Of many workers on the R800-a-month mark, only single men may find their tax benefits come to more than their higher petrol bills: they save R41.73 and their PAYE tax is cut to R125.31.

A married man with three children and earning R800 saves only R26.21 and pays R60.39 in tax.

People topping R1000 a month — a wage frequently paid these days to white and coloured factory workers in Cape Town — begin to see more hard cash. A single man will be R48.58 better off while a married man with one child saves R42.01.

In the Cape clothing industry R60 a week is good pay among the 44 000 women workers. A married woman earning that — possibly a supervisor — will be R1.24 better off.

Lower down the scale, an unmarried worker earning R30 a week will be 89c better off as his tax goes down to R1.03 from R1.92.

### Not so good

A tax consultant said: 'In percentage terms, the R30-a-week man is getting a tax cut of 46 percent — an enormous reduction.'

'But, in terms of rands and cents' it does not look so good to him, especially after so much talk of hundreds of millions of rands going back into taxpayers' pockets to stimulate the economy and everyone expecting a large slice.'

Many monthly paid workers are also in for a shock — especially if they earn less than R500, are married, have children to feed and already receive tax rebates for dependants.

A single man earning R250 should find an extra R6.29 in his pay cheque, with his tax cut to R18.94. A married man with no

(Continued on Page 3, col 5)

Tax table — Page 25.



# YOUR TAX

FOLLOWING are examples of savings from next month's new PAYE taxes compared with the present tax deductions. Pension and medical aid contributions are not taken into account.

## WEEKLY PAID

(Rands)

	Pay	New tax	Old tax	Saving
Single	30	1.03	1.92	0.89
	60	4.68	6.16	1.48
	100	10.28	12.60	2.32
	150	20.10	26.93	6.83
Married	30	0.50	0.58	0.53
	60	2.26	3.78	1.52
	100	6.52	8.48	1.96
	150	13.68	17.83	4.15
Married + 1	30	—	—	—
	60	1.34	2.49	1.15
	100	5.25	7.31	2.06
	150	11.93	16.09	4.16
Married + 2	30	—	—	—
	60	0.53	1.55	1.02
	100	4.10	6.15	2.05
	150	10.41	14.39	3.98
Married + 3	30	—	—	—
	60	—	0.51	0.51
	100	2.56	4.88	2.32
	150	8.70	12.56	3.86
Married women	30	0.61	0.85	0.24
	60	3.32	5.06	1.74
	100	12.17	14.02	1.85

## MONTHLY PAID

(Rands)

	Pay	New tax	Old tax	Saving
Single	120	3.46	7.15	3.69
	250	18.94	25.23	6.29
	500	54.04	70.90	16.86
	800	125.31	167.04	41.73
Married	120	—	1.61	1.61
	250	9.00	15.29	6.29
	500	36.91	47.27	10.36
	800	88.48	115.80	27.32
Married + 1	120	—	—	—
	250	5.10	9.79	4.69
	500	34.46	41.77	11.92
	800	78.68	106.07	27.39
Married + 2	120	—	—	—
	250	1.60	5.81	4.21
	500	25.35	36.03	10.95
	800	69.93	96.90	26.97
Married + 3	120	—	—	—
	250	—	1.31	1.31
	500	19.29	30.30	11.01
	800	60.29	86.50	26.21
Married women	120	2.15	3.01	0.86
	250	15.35	20.32	4.97
	500	72.64	86.22	13.58

## OVER 60: WEEKLY PAID

	Pay	New tax	Old tax	Saving
Single	30	—	0.31	0.31
	60	2.12	3.91	1.79
	100	7.50	10.21	2.71
	150	16.25	23.12	6.87
Married	30	—	—	—
	60	0.80	2.10	0.30
	100	4.48	6.84	2.36
	150	10.91	15.39	4.48
Married + 1	30	—	—	—
	60	—	1.20	1.20
	100	3.33	5.73	2.40
	150	9.40	13.73	4.33
Married + 2	30	—	—	—
	60	—	0.34	0.34
	100	2.10	4.67	2.57
	150	7.99	12.25	4.26
Married women	60	—	—	—
	100	7.06	3.40	2.34
	150	6.44	10.55	4.11

## OVER 60: MONTHLY PAID

	Pay	New tax	Old tax	Saving
Single	120	0.15	0.15	—
	250	8.13	15.75	7.62
	500	43.09	58.73	15.64
	800	105.09	153.64	48.55
	1200	277.18	396.61	119.43
Married	120	—	—	—
	250	2.77	8.13	5.36
	500	27.64	39.61	12.43
	800	72.64	102.40	29.56
Married + 1	120	—	—	—
	250	—	—	—
	500	—	—	—
	800	—	—	—



# How much you'll save on tax <sup>310</sup>

Taxable income R	unmarried		No children		One child		Two children		Four children	
	1980 R	1979 R	1980 R	1979 R	1980 R	1979 R	1980 R	1979 R	1980 R	1979 R
700	-	-	-	-	-	-	-	-	-	-
800	-	-	-	-	-	-	-	-	-	-
900	-	-	-	-	-	-	-	-	-	-
1 000	-	-	-	-	-	-	-	-	-	-
1 200	20	60	-	-	-	-	-	-	-	-
1 400	40	94	-	-	-	-	-	-	-	-
1 500	50	96	-	-	-	-	-	-	-	-
1 600	60	108	-	-	-	-	-	-	-	-
1 750	75	126	-	-	-	-	-	-	-	-
2 000	100	171	-	-	-	-	-	-	-	-
2 250	123	211	18	63	11	49	4	4	-	-
2 500	170	237	70	120	28	72	27	27	-	-
2 750	201	270	90	145	46	85	4	49	-	-
3 000	231	306	110	167	63	120	21	72	-	-
3 250	263	353	131	191	82	142	94	187	17	54
3 500	306	401	157	219	104	164	114	207	27	63
4 000	383	483	204	297	135	215	144	288	40	165
4 500	467	578	246	372	164	264	174	340	40	297
5 000	553	665	291	448	194	314	204	400	40	338
5 500	642	755	339	523	224	364	234	460	72	402
6 000	733	846	389	600	254	414	264	520	72	454
6 500	826	940	440	679	284	464	294	580	72	507
7 000	921	1 037	492	760	314	514	324	640	72	560
7 500	1 018	1 145	545	843	344	564	354	700	72	613
8 000	1 117	1 255	599	928	374	614	384	760	72	666
8 500	1 217	1 366	654	1 015	404	664	414	820	72	719
9 000	1 318	1 478	709	1 103	434	714	444	880	72	772
9 500	1 420	1 591	765	1 192	464	764	474	940	72	825
10 000	1 523	1 705	821	1 282	494	814	504	1 000	72	878
10 500	1 628	1 820	878	1 373	524	864	534	1 060	72	931
11 000	1 733	1 936	935	1 465	554	914	564	1 120	72	984
11 500	1 839	2 053	992	1 558	584	964	594	1 180	72	1 037
12 000	1 946	2 171	1 049	1 652	614	1 014	624	1 240	72	1 090
12 500	2 053	2 290	1 106	1 747	644	1 064	654	1 300	72	1 143
13 000	2 161	2 410	1 163	1 842	674	1 114	684	1 360	72	1 196
13 500	2 270	2 531	1 220	1 938	704	1 164	714	1 420	72	1 249
14 000	2 380	2 653	1 277	2 035	734	1 214	744	1 480	72	1 302
14 500	2 491	2 776	1 334	2 132	764	1 264	774	1 540	72	1 355
15 000	2 602	2 900	1 391	2 230	794	1 314	804	1 600	72	1 408
15 500	2 714	3 025	1 448	2 328	824	1 364	834	1 660	72	1 461
16 000	2 826	3 151	1 505	2 426	854	1 414	864	1 720	72	1 514
16 500	2 939	3 278	1 562	2 525	884	1 464	894	1 780	72	1 567
17 000	3 053	3 406	1 619	2 623	914	1 514	924	1 840	72	1 620
17 500	3 167	3 535	1 676	2 722	944	1 564	954	1 900	72	1 673
18 000	3 282	3 665	1 733	2 821	974	1 614	984	1 960	72	1 726
18 500	3 397	3 795	1 790	2 920	1 004	1 664	1 014	2 020	72	1 779
19 000	3 512	3 926	1 847	3 019	1 034	1 714	1 044	2 080	72	1 832
19 500	3 628	4 057	1 904	3 118	1 064	1 764	1 074	2 140	72	1 885
20 000	3 743	4 188	1 961	3 217	1 094	1 814	1 104	2 200	72	1 938
20 500	3 859	4 320	2 018	3 316	1 124	1 864	1 134	2 260	72	1 991
21 000	3 975	4 452	2 075	3 415	1 154	1 914	1 164	2 320	72	2 044
21 500	4 091	4 584	2 132	3 514	1 184	1 964	1 194	2 380	72	2 097
22 000	4 207	4 716	2 189	3 613	1 214	2 014	1 224	2 440	72	2 150
22 500	4 323	4 848	2 246	3 712	1 244	2 064	1 254	2 500	72	2 203
23 000	4 439	4 980	2 303	3 811	1 274	2 114	1 284	2 560	72	2 256
23 500	4 555	5 112	2 360	3 910	1 304	2 164	1 314	2 620	72	2 309
24 000	4 671	5 244	2 417	4 009	1 334	2 214	1 344	2 680	72	2 362
24 500	4 787	5 376	2 474	4 108	1 364	2 264	1 374	2 740	72	2 415
25 000	4 903	5 508	2 531	4 207	1 394	2 314	1 404	2 800	72	2 468
25 500	5 019	5 640	2 588	4 306	1 424	2 364	1 434	2 860	72	2 521
26 000	5 135	5 772	2 645	4 405	1 454	2 414	1 464	2 920	72	2 574
26 500	5 251	5 904	2 702	4 504	1 484	2 464	1 494	2 980	72	2 627
27 000	5 367	6 036	2 759	4 603	1 514	2 514	1 524	3 040	72	2 680
27 500	5 483	6 168	2 816	4 702	1 544	2 564	1 554	3 100	72	2 733
28 000	5 599	6 300	2 873	4 801	1 574	2 614	1 584	3 160	72	2 786
28 500	5 715	6 432	2 930	4 900	1 604	2 664	1 614	3 220	72	2 839
29 000	5 831	6 564	2 987	5 000	1 634	2 714	1 644	3 280	72	2 892
29 500	5 947	6 696	3 044	5 099	1 664	2 764	1 674	3 340	72	2 945
30 000	6 063	6 828	3 101	5 198	1 694	2 814	1 704	3 400	72	2 998
30 500	6 179	6 960	3 158	5 297	1 724	2 864	1 734	3 460	72	3 051
31 000	6 295	7 092	3 215	5 396	1 754	2 914	1 764	3 520	72	3 104
31 500	6 411	7 224	3 272	5 495	1 784	2 964	1 794	3 580	72	3 157
32 000	6 527	7 356	3 329	5 594	1 814	3 014	1 824	3 640	72	3 210
32 500	6 643	7 488	3 386	5 693	1 844	3 064	1 854	3 700	72	3 263
33 000	6 759	7 620	3 443	5 792	1 874	3 114	1 884	3 760	72	3 316
33 500	6 875	7 752	3 500	5 891	1 904	3 164	1 914	3 820	72	3 369
34 000	6 991	7 884	3 557	5 990	1 934	3 214	1 944	3 880	72	3 422
34 500	7 107	8 016	3 614	6 089	1 964	3 264	1 974	3 940	72	3 475
35 000	7 223	8 148	3 671	6 188	1 994	3 314	1 984	4 000	72	3 528
35 500	7 339	8 280	3 728	6 287	2 024	3 364	2 014	4 060	72	3 581
36 000	7 455	8 412	3 785	6 386	2 054	3 414	2 044	4 120	72	3 634
36 500	7 571	8 544	3 842	6 485	2 084	3 464	2 074	4 180	72	3 687
37 000	7 687	8 676	3 899	6 584	2 114	3 514	2 104	4 240	72	3 740
37 500	7 803	8 808	3 956	6 683	2 144	3 564	2 134	4 300	72	3 793
38 000	7 919	8 940	4 013	6 782	2 174	3 614	2 164	4 360	72	3 846
38 500	8 035	9 072	4 070	6 881	2 204	3 664	2 194	4 420	72	3 899
39 000	8 151	9 204	4 127	6 980	2 234	3 714	2 224	4 480	72	3 952
39 500	8 267	9 336	4 184	7 079	2 264	3 764	2 254	4 540	72	4 005
40 000	8 383	9 468	4 241	7 178	2 294	3 814	2 284	4 600	72	4 058
40 500	8 499	9 600	4 298	7 277	2 324	3 864	2 314	4 660	72	4 111
41 000	8 615	9 732	4 355	7 376	2 354	3 914	2 344	4 720	72	4 164
41 500	8 731	9 864	4 412	7 475	2 384	3 964	2 374	4 780	72	4 217
42 000	8 847	10 000	4 469	7 574	2 414	4 014	2 404	4 840	72	4 270
42 500	8 963	10 132	4 526	7 673	2 444	4 064	2 434	4 900	72	4 323
43 000	9 079	10 264	4 583	7 772	2 474	4 114	2 464	4 960	72	4 376
43 500	9 195	10 396	4 640	7 871	2 504	4 164	2 494	5 020	72	4 429
44 000	9 311	10 528	4 697	7 970	2 534	4 214	2 524	5 080	72	4 482
44 500	9 427	10 660	4 754	8 069	2 564	4 264	2 554	5 140	72	4 535
45 000	9 543	10 792	4 811	8 168	2 594	4 314	2 584	5 200	72	4 588
45 500	9 659	10 924	4 868	8 267	2 624	4 364	2 614	5 260	72	4 641
46 000	9 775	11 056	4 925	8 366	2 654	4 414	2 644	5 320	72	4 694
46 500	9 891	11 188	4 982	8 465	2 684	4 464	2 674	5 380	72	4 747
47 000	10 007	11 320	5 039	8 564	2 714	4 514	2 704	5 440	72	4 800
47 500	10 123	11 452	5 096	8 663	2 744	4 564	2 734	5 500	72	4 853
48 000	10 239	11 584	5 153	8 762	2 774	4 614	2 764	5 560	72	4 906
48 500	10 355	11 716	5 210	8 861	2 804	4 664	2 794	5 620	72	4 959
49 000	10 471	11 848	5 267	8 960	2 834	4 714	2 824	5 680	72	5 012
49 500	10 587	11 980	5 324	9 059	2 864	4 764	2 854	5 740	72	5 065
50 000	10 703	12 112	5 381	9 158	2 894	4 814	2 884	5 800	72	5 118

As against a possible		Whites		Coloureds		Asians		Africans	
Medical Aid	146	41	7	1					
Medical Benefit	11	76	31	40					
Sick Pay	140	115	40	53					
Provident/Pensions	188	152	51	391					

FRINGE BENEFITS ADMINISTERED BY INDUSTRIAL COUNCILS (1971)

are extended to them.

the decision-making process of industrial councils very few benefits

skills and qualifications. Because African workers are excluded from

wards providing opportunities for African workers to improve their

paid a living wage and management must be







# SA scores on tax — UK

## on benefits

South Africans have been looking enviously northwards since Mrs Margaret Thatcher's government cut income tax to mark the new rule.

But generous though these cuts are, the average South African still pays less tax than his British counterpart.

The table shows just how much less South Africans will be paying under the new rates which came into effect yesterday.

A local married man with a taxable income of R9 000 a year will pay some R475 less than a Briton on the same salary scale.

But a bald comparison between the taxes of the two countries does not give a complete picture.

The Briton can call on more varied and more substantial abatements and deductions than the South African.

● He can deduct from his income the interest he pays on mortgage bonds. This can reduce taxable income by over R2 000 with a bond of R17 700.

Tax consultants and the building societies have long been angling for a similar allowance in South Africa.

● A married Briton's income is taxable only above R3 223 a year. But a South African starts paying tax above R1 500. An unmarried South African's R1 000 abatement

### HOW THE TAX RATES COMPARE

TAXABLE INCOME					
	British tax		SA tax		
		%		%	
<b>Single person</b>					
R 7 000	R1 443	20,0	R1 034	15,0	
R 8 000	R1 710	21,0	R1 254	16,0	
R 9 000	R1 976	22,0	R1 496	17,0	
R16 000	R4 108	25,7	R4 037	25,0	
R18 000	R4 641	26,0	R5 027	28,0	
<b>Married person</b>					
R 7 000	R1 098	16,0	R 781	10,0	
R 8 000	R1 364	17,0	R 957	11,0	
R 9 000	R1 630	18,0	R1 157	12,0	
R16 000	R3 762	23,5	R3 168	18,0	
R18 000	R4 294	24,0	R3 960	20,0	

hardly compares with the Briton's R2 069.

● For Briton's over 65, the abatement stretches from R2 735 for the single person to R4 360 for the married couple. The abatement in South Africa for people over 60 is a flat R1 000.

● The British taxpayer can claim R1 154 in "additional personal allowance" if his wife is inca-

pacitated and a R178 "housekeeper allowance."

● Instead of the child abatements of R600 for each of the first two children and R700 for each other child that a South African can claim, the British parent is entitled to a weekly cash hand-out of R7 a child.

● Insurance policies, retirement annuities and pension fund contributions are treated in much

the same manner in both countries.

A South African can deduct his medical aid contributions and expenses; the British simply do not have these expenses if they use the huge National Health facilities.

● British state pensions are paid from National Insurance to which each taxpayer makes a small contribution (which is also tax deductible).

After all these deductions and abatements, how do the tax rates compare?

### CLOSING GAP

As the table shows, the SA tax rates are generally four to six percent lower than the British equivalent — except at the upper end. The gap is largest at the bottom end of the salary scale, narrowing towards the top until the South African overtakes the Briton when he hits the big-time earnings bracket.

A single South African earning R18 000 a year pays more than his British fellow and by R30 000 a year, the married South African is contributing more than the married Briton.

Before the latest tax cuts in Britain, this was not so. In virtually all categories, the local man was a lower taxpayer.

The British concessions have been criticised for being more generous to the rich.

Professor E.V. Avelson  
Professor J.F. Beekman  
Professor J.F. Brock  
Mr C.S. Corder  
Professor W.H.B. Dean  
Dr J.P. Duintj  
Professor G.F.R. Ellis  
Biskop A.W. Habets  
Mr E.V.E. Hoegs  
Professor M.F. Kaplan  
Ds. W.A. Landman  
Mr G.K. Lindsay  
Sir Richard Layt  
Professor S.J. Saunders  
Professor H.W. van der Merwe  
Mede-professor D.J. Welsh  
Professor Monica Wilson

b) Sewentien persone wat gedurende die afgelope 10 jaar lede van die Beheerraad was (\* dui stigterslede aan):

Mr J.G. Bonfield  
Mr H.L. Kennedy  
Mr P.C.T. Watson

a) Drie stigterslede:  
Mr J.G. Bonfield  
Mr H.L. Kennedy  
Mr P.C.T. Watson

Soos voorheen gemeld, is die Sentrum vir Interproposities gereregistreer as 'n maatskappij. In die Memorandum en Statute van Vennootskap word voorsiening gemaak vir die benoeming van eenhonderd lede. Tans is daar 57 lede en hulle sluit die volgende in:

### LIDMAATSAP

navorsings-fellows het aansienlik tot die Sentrum se program bygedra: dr Sheila F. van der Horst, afgestudeerde mede-professor van Ekonomie, U.K., en professor J.L. Boshoff, Gewese Rektor van die Universiteit van die Noorde.



# Govt aims to cash in on job perks

By GERALD REILLY  
Pretoria Bureau

THE GOVERNMENT aims to get its fair share of the tens of millions of rands a year paid directly or indirectly in tax evading fringe benefits.

A report of the Standing Commission on the taxing of fringe benefits is now with the Government Printer and should be gazetted before the end of the year.

Commerce and Industry have been asked to comment on the recommendations which could strip many top executive jobs of much of their attraction.

The Government, a senior revenue official said yesterday, had not committed itself to the fringe benefit taxing proposals.

The views of Assocom, the Federated Chamber of Industries, the Handelsinstituut and others, would be looked at closely before final decisions were taken.

He said the fringe benefits enjoyed by the public sector workers may also become taxable.

And this includes politicians,

and even Cabinet Ministers who enjoy probably more lavish benefits than any top executive in the private sector.

They have two large houses at nominal rentals, maintenance, including gardening by the Public Works Department, free limousines with drivers and big entertainment allowances.

Revenue officials have stressed it is not a question of whether fringe benefits are taxable — because, they say, they clearly are — but of evaluating them for tax purposes.

The fringe benefits which have come under the spotlight are company cars, lavish tax-free expense accounts, subsidised house loans and other loans at give-away rates of interest.

In an interview this week in Cape Town, the Secretary for Inland Revenue, Mr Mickey van der Walt, said action on job perks was essential to the integrity of the tax system.

Mr Van der Walt said that the initial aim of the department was to gauge public response to the proposals.

Although the capital gains tax would be published as draft legislation, this was simply to permit an appraisal of how it would shape up in law.

Fringe benefits, on the other hand, have been technically taxable in the Republic since 1971, but their quantification has posed a headache for Inland Revenue ever since.

Mr Van der Walt said home mortgages, company cars, and entertainment allowances were the major areas of tax avoidance.

"We've been working on this for ten years, and it's horrific. There are now all types of fringe benefits from paid holidays to free schooling, and it isn't confined to just the top echelons.

"The employer is being blackmailed. It isn't a question of 'what is my pay', but 'what are my perks', and this leaves a feeling that the tax system required as wide a base as possible and this could only be achieved by spreading the burden as evenly as possible," he said.

Group could have hived off, and, each group had the potential to act as a nucleus for further expansion, the present model can account for divergent lines of evolution within a tradition.

In the description of the two models used in the present study, it was

the results cannot be used as an absolute confirmation of the validity of the discontinuous spread model.

The major problem with the radiocarbon chronology is the small sample size.

Only four Silver Leaves sites have been dated and one of these Island is a

specialised activity area (Pearce, 1973). Keale and Urewe have more dated sites

but again samples are very small. In the discontinuous spread model it was

suggested that the overall rate of spread would have been faster than the

expansion of an individual culture. Therefore, the regression for the

overall rate of spread was calculated from the earliest known dates for each

culture and this reduced the sample size. It is possible that the sample

sizes are so small that they do not reflect the real population of dates. Because

of the sample size problem an independent evaluation of the two mechanisms of

dispersal is necessary.

The data used in the present study were derived from only one tradition,

the fluted and bevelled complex, and therefore the analysis would seem to be

tied to the validity of a particular culture-historical reconstruction.

While this is true, the rapidity of spread associated with the simulation of the

discontinuous spread model would seem to indicate that this is the most

likely mechanism of dispersal.

## ACKNOWLEDGEMENTS

I would like to thank Professor T.N. Huffman for reading and commenting on the numerous drafts of the paper. Miss C.S. Hancock helped edit the manuscript and Mrs J. Howard-Tripp typed the final draft.

I would like to express my special thanks to Dr D.S. Wilson who introduced me to evolutionary ecology and helped to debug the programmes.





**STAATSKOERANT**  
**VAN DIE REPUBLIEK VAN SUID-AFRIKA**

**REPUBLIC OF SOUTH AFRICA**  
**GOVERNMENT GAZETTE**

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PRETORIA, 13 JULIE  
JULY 1979

[No. 6577]

**PROKLAMASIES**

*van die Staatspresident van die Republiek van Suid-Afrika*

No. R. 139, 1979

**INKOMSTERELASTINGWET, 1962**

KONVENSIE TUSSEN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE STAAT VAN ISRAEL VIR DIE VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTDUIKING MET BETREKKING TOT BELASTINGS OP INKOMSTE EN KAPITAALWINSTE

Kragtens die bevoegdhede my verleen by artikel 108 (2) van die Inkomstebelastingwet, 1962 (Wet 58 van 1962), verklaar ek hierby dat die Konvensie wat in die Bylae van hierdie Proklamasie vervat is, kragtens artikel 108 (1) van genoemde Wet tussen die Regering van die Republiek van Suid-Afrika en die Regering van Israel aangegaan is ter vermyding van dubbele belasting en die voorkoming van fiskale ontduiking met betrekking tot belastinge op inkomste en kapitaalwinste.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Kaapstad, op hede die Vyf-en-twintigste dag van Mei Eenduisend Neghonderd Nege-en-sewentig.

B. J. VORSTER, Staatspresident.

Op las van die Staatspresident-in-rade:

O. P. F. HORWOOD.

**BYLAE**

KONVENSIE TUSSEN DIE REPUBLIEK VAN SUID-AFRIKA EN DIE STAAT ISRAEL TER VERMYDING VAN DUBBELE BELASTING EN DIE VOORKOMING VAN FISKALE ONTDUIKING MET BETREKKING TOT BELASTING OP INKOMSTE EN KAPITAALWINSTE

Die Regering van die Republiek van Suid-Afrika en die Regering van Israel het:

Uit 'n begeerte om 'n Konvensie aan te gaan ter vermyding van dubbele belasting en die voorkoming van fiskale ontduiking met betrekking tot belasting op inkomste en kapitaalwinste;

11751—A

**PROCLAMATIONS**

*by the State President of the Republic of South Africa*

No. R. 139, 1979

**INCOME TAX ACT, 1962**

CONVENTION BETWEEN THE REPUBLIC OF SOUTH AFRICA AND THE STATE OF ISRAEL FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL GAINS

Under the powers vested in me by section 108 (2) of the Income Tax Act, 1962 (Act 58 of 1962), I do hereby declare that the Convention set out in the Schedule to this Proclamation has, under section 108 (1) of the said Act, been entered into between the Government of the Republic of South Africa and the Government of Israel for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Twenty-fifth day of May, One Thousand Nine Hundred and Seventy-nine.

B. J. VORSTER, State President.

By Order of the State President-in-Council:

O. P. F. HORWOOD.

**SCHEDULE**

CONVENTION BETWEEN THE REPUBLIC OF SOUTH AFRICA AND THE STATE OF ISRAEL FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL GAINS

The Government of the Republic of South Africa and the Government of Israel:

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains;

6577—1



As volg ooreengekom:

## I. OMVANG VAN DIE KONVENSIE

### ARTIKEL 1

#### *Persoonlike omvang*

Hierdie Konvensie is van toepassing op persone wat inwoners van een of albei die Kontrakterende State is.

### ARTIKEL 2

#### *Belastings gedek*

1. Hierdie Konvensie is van toepassing op belastings op inkomste en op kapitaalwinste, opgelê ten behoeve van elke Kontrakterende Staat, ongeag die wyse waarop dit gehef word.

2. As belastings op inkomste en op kapitaalwinste word geag alle belastings gehef op totale inkomste, of op bestanddele van inkomste, met inbegrip van belastings op winste verkry uit die vervreemding van roerende of onroerende eiendom asook belastings op die totale bedrae van lone en salarisse deur ondernemings betaal.

3. Die bestaande belastings waarop die Konvensie van toepassing is, is in die besonder—

(a) in Israel:

(i) Die inkomstebelasting (maatskappybelasting en belasting op kapitaalwinste ingesluit);

(ii) die waardevermeerderingsbelasting op grond (Land Appreciation Tax);

(iii) die belasting op winste gehef op bankinstellings en versekeringsmaatskappye ooreenkomstig die wet op die belasting op toegevoegde waarde (Value Added Tax Law);

hieronder "Israeliese belasting" genoem;

(b) in die geval van Suid-Afrika:

(i) Die normale belasting;

(ii) die belasting op buitelandse aandeelhouders;

(iii) die rentebelasting op buitelanders;

(iv) die belasting op onuitgekeerde winste;

hieronder "Suid-Afrikaanse belasting" genoem.

4. Hierdie Konvensie is ook van toepassing op enige identiese of wesenlik soortgelyke belastings wat hierna bykomend by, of in plaas van, die bestaande belastings opgelê word. Die bevoegde owerhede van die Kontrakterende State moet mekaar gereeld van enige belangrike veranderings wat in hul onderskeie belastingwette aangebring is, in kennis stel.

## II. WOORDOMSKRYWING

### ARTIKEL 3

#### *Algemene woordoms krywing*

1. In hierdie Konvensie, tensy die sinsverband anders aandui, beteken—

(a) die uitdrukking "Israel" die Staat Israel, en wanneer in 'n geografiese sin gebruik, ook die territoriale waters daarvan en daardie deel van die oop see waarop Israel ooreenkomstig die volkereg geregtig is om soewereine regte oor die seebodem en ondergrond en hul natuurlike hulpbronne uit te oefen;

(b) die uitdrukking "Suid-Afrika" die Republiek van Suid-Afrika, en wanneer in 'n geografiese sin gebruik, ook die territoriale waters daarvan en daardie deel van die oop see waarop Suid-Afrika ooreenkomstig die volkereg geregtig is om soewereine regte oor die seebodem en ondergrond en hul natuurlike hulpbronne uit te oefen;

Have agreed as follows:

## I. SCOPE OF THE CONVENTION

### ARTICLE 1

#### *Personal scope*

This Convention shall apply to persons who are residents of one or both of the Contracting States.

### ARTICLE 2

#### *Taxes covered*

1. This Convention shall apply to taxes on income and on capital gains imposed on behalf of each Contracting State, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital gains, all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts of wages or salaries paid by enterprises.

3. The existing taxes to which the Convention shall apply are, in particular—

(a) in Israel—

(i) the income tax (including company tax and tax on capital gains);

(ii) the Land Appreciation Tax;

(iii) the tax on profits levied on banking institutions and insurance companies under the Value Added Tax Law;

hereinafter referred to as "Israeli tax";

(b) in the case of South Africa—

(i) the normal tax;

(ii) the non-resident shareholders tax;

(iii) the non-residents tax on interest;

(iv) the undistributed profits tax;

hereinafter referred to as "South African tax".

4. The Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify regularly to each other any major changes which have been made in their respective taxation laws.

## II. DEFINITIONS

### ARTICLE 3

#### *General definitions*

1. In this Convention, unless the context otherwise requires—

(a) the term "Israel" means the State of Israel and, when used in a geographical sense, includes the territorial sea thereof as well as that area of the high seas in respect of which Israel is entitled, in accordance with international law, to exercise sovereign rights over the seabed and sub-soil and their natural resources;

(b) the term "South Africa" means the Republic of South Africa and, when used in geographical sense, includes the territorial sea thereof as well as that area of the high seas in respect of which South Africa is entitled, in accordance with international law, to exercise sovereign rights over the seabed and sub-soil and their natural resources;



(c) die uitdrukkings "n Kontrakterende Staat" en "die ander Kontrakterende Staat" Israel of Suid-Afrika, na gelang die saamhang vereis;

(d) die uitdrukking "Persoon" ook 'n individu, 'n maatskappy en enige ander liggaam van persone;

(e) die uitdrukking "maatskappy" enige liggaam met regspersoonlikheid of enige entiteit wat vir belastingdoelindes as 'n liggaam met regspersoonlikheid behandel word;

(f) die uitdrukking "belasting" die belasting gehef deur Israel of Suid-Afrika, wat ook al van toepassing is, waarop hierdie Konvensie van toepassing is ooreenkomstig Artikel 2 (Belastings gedek);

(g) die uitdrukkings "onderneming van 'n Kontrakterende Staat" en "onderneming van die ander Kontrakterende Staat" onderskeidelik 'n onderneming bedryf deur 'n inwoner van 'n Kontrakterende Staat en 'n onderneming bedryf deur 'n inwoner van die ander Kontrakterende Staat;

(h) die uitdrukking "bevoegde owerheid"—

(i) in die geval van Israel, die Minister van Finansies of sy gemagtigde verteenwoordiger; en

(ii) in die geval van Suid-Afrika, die Sekretaris van Binnelandse Inkomste of sy gemagtigde verteenwoordiger;

(j) die uitdrukking "internasionale verkeer" ook verkeer tussen plekke in een Kontrakterende Staat in die loop van 'n reis wat oor meer as een land strek.

2. Enige ander uitdrukking wat in hierdie Konvensie gebruik word en nie hierin omskryf is nie, het, tensy die saamhang anders vereis, die betekenis wat daaraan geheg word ooreenkomstig die wette van die Kontrakterende Staat wies se belasting bepaal word.

#### ARTIKEL 4

##### *Fiskale domisillie*

1. Vir die toepassing van hierdie Konvensie beteken die uitdrukking "inwoner van 'n Kontrakterende Staat" enige persoon wat, kragtens die wette van daardie Staat, daarin vir belasting aanspreeklik is uit hoofde van sy domisillie, verblyf, plek van bestuur of enige ander maatstaf van soortgelyke aard.

2. Waar, uit hoofde van die bepalinge van paragraaf 1, 'n individu 'n inwoner van beide Kontrakterende State is, word die saak ooreenkomstig die volgende reëls beslis:

(a) Hy word geag 'n inwoner te wees van die Kontrakterende Staat waarin hy 'n permanente tuiste tot sy beskikking het. Indien hy in beide Kontrakterende State 'n permanente tuiste tot sy beskikking het, word hy geag 'n inwoner te wees van die Kontrakterende Staat waarmee sy persoonlike en ekonomiese betrekkinge die nouste is (middelpunt van lewensbelange). In die geval van 'n persoon wat 'n "Oleh" is (soos omskryf in artikel 35 van die Israeliese Inkomstebelastingordonnansie) word die middelpunt van sy lewensbelange geag in Israel te wees.

(b) Indien die Kontrakterende Staat waarin hy die middelpunt van sy lewensbelange het, nie bepaal kan word nie, of indien hy nie 'n permanente tuiste in enigiens van die Kontrakterende State tot sy beskikking het nie, word hy geag 'n inwoner te wees van die Kontrakterende Staat waarin hy 'n gewoontelike verblyfplek het.

(c) Indien hy 'n gewoontelike verblyfplek in beide Kontrakterende State het of in geen van hulle nie, word hy geag 'n inwoner te wees van die Kontrakterende Staat waarvan hy 'n burger is.

(c) the terms "a Contracting State" and "the other Contracting State" mean Israel or South Africa, as the context requires;

(d) the term "person" includes an individual, a company and any other body of persons;

(e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;

(f) the term "tax" means tax imposed by Israel or South Africa, whichever is applicable, to which this Convention applies by virtue of Article 2 (Taxes covered);

(g) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

(h) the term "competent authority" means—

(i) in the case of Israel, the Minister of Finance or his authorised representative; and

(ii) in the case of South Africa, the Secretary for Inland Revenue or his authorised representative;

(j) the term "international traffic" includes traffic between places in one Contracting State in the course of a voyage which extends over more than one country.

2. Any other term used in this Convention and not defined in this Convention shall, unless the context otherwise requires, have the meaning which it has under the laws of the Contracting State whose tax is being determined.

#### ARTICLE 4

##### *Fiscal domicile*

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then this case shall be determined in accordance with the following rules:

(a) He shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest (centre of vital interests). In the case of a person who is an "Oleh" (as defined in section 35 of the Israeli Income Tax Ordinance), his centre of vital interests shall be deemed to be in Israel;

(b) if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;

(c) if he has an habitual abode in both Contracting States, or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;



(d) Indien hy 'n burger van beide Kontrakterende State is of van geen van hulle nie, moet die bevoegde owerhede van die Kontrakterende State die saak deur middel van onderlinge ooreenkoms besleg.

3. Waar, uit hoofde van die bepalings van paragraaf 1 'n ander persoon as 'n individu 'n inwoner van beide Kontrakterende State is, word hy geag 'n inwoner te wees van die Kontrakterende Staat waarin sy plek van effektiewe bestuur geleë is.

## ARTIKEL 5

### *Permanente saak*

1. Vir die toepassing van hierdie Konvensie beteken die uitdrukking "permanente saak" 'n vaste besigheidsplek waarin die besigheid van die onderneming uitsluitlik of gedeeltelik gedryf word.

2. Die uitdrukking "permanente saak" sluit veral in—

- (a) 'n plek van bestuur;
- (b) 'n tak;
- (c) 'n kantoor;
- (d) 'n fabriek;
- (e) 'n werkwinkel;
- (f) 'n myn, steengroef of ander plek van ontginning van natuurlike hulpbronne;
- (g) 'n plaas of 'n plantasie;
- (h) 'n bousterrein of konstruksie- of monterprojek, of toeghoudingsaktiwiteite daaraan verbonde en uitgeoefen in die Staat waar sodanige terrein of projek geleë is, waar sodanige terrein, projek of aktiwiteit vir 'n tydperk langer as ses maande duur; en

(i) die onderhoud van wesenlike toerusting of masjinerie in 'n Staat vir 'n tydperk van langer as ses maande duur.

3. Die uitdrukking "permanente saak" word geag nie die volgende in te sluit nie:

(a) Die aanwending van fasiliteite alleenlik met die doel om goedere of handelsware wat aan die onderneming behoort, op te berg, te vertoon of af te lewer;

(b) die instandhouding van 'n voorraad goedere of handelsware wat aan die onderneming behoort, alleenlik met die doel om dit op te berg, te vertoon of af te lewer;

(c) die instandhouding van 'n voorraad goedere of handelsware wat aan die onderneming behoort, alleenlik vir die doel van verwerking deur 'n ander onderneming;

(d) die instandhouding van 'n vaste besigheidsplek alleenlik met die doel om vir die onderneming goedere of handelsware aan te koop, of inligting in te win;

(e) die instandhouding van 'n vaste besigheidsplek alleenlik met die doel om vir die onderneming te adverteer, inligting te verskaf, wetenskaplike navorsing te doen of vir dergelike bedrywighede wat van 'n voorlopige of bykomstige aard is.

4. Selfs indien 'n onderneming van een van die Kontrakterende State nie 'n permanente saak, ingevolge paragrafe 1, 2 en 3, in die ander Kontrakterende Staat het nie, word sodanige onderneming nogtans geag 'n permanente saak in die ander Kontrakterende Staat te hê indien sodanige onderneming goedere of handelsware in daardie Kontrakterende Staat verkoop, wat of—

(a) onderwerp is aan aansienlike verwerking in daardie Kontrakterende Staat (ongegag of dit in daardie Kontrakterende Staat aangekoop is of nie); of

(b) in daardie Kontrakterende Staat aangekoop is en nie aan aansienlike verwerking buite daardie Kontrakterende Staat onderwerp is nie.

(d) if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

## ARTICLE 5

### *Permanent establishment*

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

2. The term "permanent establishment" shall include especially—

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a mine, quarry or other place of extraction of natural resources;
- (g) a farm or a plantation;
- (h) a building site or construction or assembly project, or supervision activity connected therewith and conducted within the State where such site or project is located, where such site, project or activity continues for a period of more than six months; and
- (i) the maintenance of substantial equipment or machinery within a State for a period of more than six months.

3. The term "permanent establishment" shall not be deemed to include—

(a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

4. Even if an enterprise of one of the Contracting States does not have a permanent establishment in the other Contracting State under paragraphs 1, 2 and 3, such an enterprise shall nevertheless be deemed to have a permanent establishment in the other Contracting State if such an enterprise sells in that Contracting State goods or merchandise which either—

(a) were subjected to substantial processing in that Contracting State (whether or not purchased in that Contracting State); or

(b) were purchased in that Contracting State and not subjected to substantial processing outside that Contracting State.



5. 'n Persoon wat in 'n Kontrakterende Staat namens 'n onderneming van die ander Kontrakterende Staat optree—uitgesonderd 'n agent met onafhanklike status op wie paragraaf 6 van toepassing is—word geag 'n permanente saak in eersgenoemde Kontrakterende Staat te wees indien hy magtiging besit en dit gewoonlik in daardie eersgenoemde Kontrakterende Staat uitoefen, om kontrakte in die naam van die onderneming te sluit, tensy sy bedrywighede tot die aankoop van goedere of handelsware vir die onderneming beperk is.

6. 'n Onderneming van 'n Kontrakterende Staat word nie geag 'n permanente saak in die ander Kontrakterende Staat te hê nie enkel omdat hy besigheid dryf in daardie ander Kontrakterende Staat deur bemiddeling van 'n makelaar, algemene kommissie-agent of enige ander agent met onafhanklike status, waar sodanige persone in die gewone loop van hul besigheid optree.

7. Die feit dat 'n maatskappy wat 'n inwoner van 'n Kontrakterende Staat is, beheer het oor of beheer word deur 'n maatskappy wat 'n inwoner van die ander Kontrakterende Staat is of wat in daardie ander Kontrakterende Staat besigheid dryf (hetsy deur bemiddeling van 'n permanente saak of andersins) beteken nie op sigself dat enigiens van die maatskappye 'n permanente saak van die ander is nie.

### III. BELASTING VAN INKOMSTE

#### ARTIKEL 6

##### *Inkomste uit onroerende eiendom*

1. Inkomste uit onroerende eiendom kan belas word in die Kontrakterende Staat waarin sodanige eiendom geleë is.

2. Die uitdrukking "onroerende eiendom" word omskryf ooreenkomstig die wette van die Kontrakterende Staat waarin die betrokke eiendom geleë is. Die uitdrukking omvat in elk geval eiendom wat bykomend by onroerende eiendom is, lewende hawe en toerusting van landbou- en bosbouondernemings, regte waarop die bepalings van die algemene reg betreffende vaste eiendom van toepassing is, vruggebruik van onroerende eiendom en regte op wisselende of vaste betalings as vergoeding vir die ontginning, of die reg, op ontginning van minerale afsettings, bronne en ander natuurlike hulpbronne. Skepe,bote en vliegtuie word nie geag onroerende eiendom te wees nie.

3. Die bepalings van paragraaf 1 is van toepassing op inkomste verkry uit die regstreekse gebruik, die verhuur of gebruik in enige ander vorm, van onroerende eiendom.

4. Die bepalings van paragrafe 1 en 3 is ook van toepassing op die inkomste uit onroerende eiendom van 'n onderneming en op inkomste uit onroerende eiendom wat by die verrigting van professionele dienste gebruik word.

#### ARTIKEL 7

##### *Bedryfswinske*

1. Die winste van 'n onderneming van 'n Kontrakterende Staat is alleenlik in daardie Staat belasbaar tensy die onderneming besigheid dryf in die ander Kontrakterende Staat deur bemiddeling van 'n permanente saak wat daarin geleë is. Indien die onderneming besigheid dryf soos voormeld, kan belasting in die ander Kontrakterende Staat op die winste van die onderneming gehef word, maar slegs op soveel daarvan as wat aan daardie permanente saak toegeskryf kan word.

2. Wanneer 'n onderneming van 'n Kontrakterende Staat in die ander Kontrakterende Staat besigheid dryf deur bemiddeling van 'n permanente saak wat daarin geleë is, word daar, sonder om afbreuk te doen aan die

5. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State—other than an agent of an independent status to whom paragraph 6 applies—shall be deemed to be a permanent establishment in the first-mentioned Contracting State if he has, and habitually exercises in that first-mentioned Contracting State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

6. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other Contracting State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

### III. TAXATION OF INCOME

#### ARTICLE 6

##### *Income from immovable property*

1. Income from immovable property may be taxed in the Contracting State in which such property is situated.

2. The term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment of agricultural and forestry enterprises, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources. Ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

#### ARTICLE 7

##### *Business profits*

1. The profits of an enterprise of a Contracting State shall be taxable only in that Contracting State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other Contracting State but only so much of them as is attributable to that permanent establishment.

2. Without prejudice to the application of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a



toepassing van paragraaf 3, in elke Kontrakterende Staat aan daardie permanente saak die winste toeskryf wat hy na verwagting kan behaal as hy 'n afsonderlike en aparte onderneming sou wees wat hom met dieselfde of soortgelyke bedrywighede onder dieselfde of soortgelyke omstandighede besig hou en heeltemal onafhanklik met die onderneming waarvan hy 'n permanente saak is, sake doen. Indien enige probleem egter ontstaan by die vasstelling van die winste toeskryfbaar aan die permanente saak, kan die bevoegde owerheid van die een Kontrakterende Staat met die bevoegde owerheid van die ander Kontrakterende Staat onderhandel vir bystand met die vasstelling van sodanige winste, ter vermyding van dubbele belasting.

3. By die vasstelling van die winste van 'n permanente saak, word as aftrekkings toegelaat uitgawes van die onderneming (met uitsondering van uitgawes wat nie aftrekbare sou gewees het indien die permanente saak 'n onafhanklike onderneming was nie) wat vir die doeleindes van die permanente saak aangegaan is, met inbegrip van bestuurs- en algemene administrasiekoste aldus aangegaan, hetsy in die Kontrakterende Staat waarin die permanente saak geleë is, of elders.

4. Geen winste word aan 'n permanente saak toeskryf uit hoofde van bloot die aankoop deur daardie permanente saak van goedere of handelsware vir die onderneming nie.

5. Vir die toepassing van die voorgaande paragraawe, tensy daar goeie en afdoende rede van die teendeel is, word die winste wat aan 'n permanente saak toeskryf moet word, jaar na jaar volgens dieselfde metode vasgestel.

6. Wanneer winste items van inkomste insluit wat afsonderlik in ander Artikels van hierdie Konvensie behandeld word, word die bepalinge van daardie Artikels nie deur die bepalinge van hierdie Artikel geraak nie.

## ARTIKEL 8

### *Skeepvaart en lugvervoer*

1. Nieteenstaande die bepalinge van Artikel 7, paragrafe 1 tot 5, is winste uit die eksploitasie van skepe of lugvaartuie in internasionale verkeer belasbaar slegs in die Kontrakterende Staat waarin die plek van effektiewe bestuur van die onderneming geleë is.

2. Indien die plek van effektiewe bestuur van 'n skeepsonderneming aan boord van 'n skip is, dan word die onderneming geag geleë te wees in die Kontrakterende Staat waarin die tuishawe van die skip geleë is: of, indien daar geen sodanige tuishawe is nie, in die Kontrakterende Staat waarvan die ekspluitant van die skip 'n inwoner is.

## ARTIKEL 9

### *Verwante ondernemings*

#### 1. Wanneer—

(a) 'n onderneming van 'n Kontrakterende Staat regstreks of onregstreks in die bestuur van, beheer oor of kapitaal van 'n onderneming van die ander Kontrakterende Staat deel het; of

(b) dieselfde persone regstreks of onregstreks in die bestuur van, beheer oor of kapitaal van 'n onderneming van 'n Kontrakterende Staat en 'n onderneming van die ander Kontrakterende Staat deel het;

en in enigeen van die gevalle voorwaardes tussen die twee ondernemings met betrekking tot hul handels- of finansiële betrekkinge gestel of opgelê word wat verskil van dié wat tussen onafhanklike ondernemings gestel

permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment. However, if any problem arises in determining the profits attributable to the permanent establishment, the competent authority of one Contracting State may consult with the competent authority of the other Contracting State for assistance in determining such profits with a view to avoiding double taxation,

3. In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses of the enterprise (other than expenses which would not be deductible if the permanent establishment were a separate enterprise) which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

6. Where profits include items of income which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

## ARTICLE 8

### *Shipping and air transport*

1. Notwithstanding the provisions of Article 7, paragraphs 1 to 5, profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship is a resident.

## ARTICLE 9

### *Associated enterprises*

#### 1. Where—

(a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital or an enterprise of the other Contracting State; or

(b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State;

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then



sou word, kan winste wat by ontstentenis van daardie voorwaardes aan een van die ondernemings sou toegeval het, maar as gevolg van daardie voorwaardes nie aldus toegeval het nie, by die winste van daardie onderneming ingesluit en dienoreenkostig belas word.

## ARTIKEL 10

### *Dividende*

1. Dividende wat deur 'n maatskappy wat 'n inwoner van 'n Kontrakterende Staat is aan 'n inwoner van die ander Kontrakterende Staat betaal word, kan in daardie ander Kontrakterende Staat belas word.

2. Die Kontrakterende Staat waarvan die maatskappy wat die dividende betaal 'n inwoner is, het egter die reg om sodanige dividende ooreenkostig sy eie wette te belas, maar die belasting wat aldus opgelê word, mag nie 25 persent van die bruto bedrag van die dividende te bowe gaan nie.

Hierdie paragraaf raak nie die belasting van die maatskappy ten opsigte van die winste waaruit die dividende betaal word nie.

3. Die uitdrukking "dividende" soos in hierdie artikel gebesig, beteken inkomste uit aandele, "jouissance"-aandele of "jouissance"-regte, stigtersaandele of ander winsdelende regte, wat nie skuldre is nie, deelname in winste, asook inkomste uit ander regspeersone regte wat met inkomste uit aandele gelykgestel word deur die belastingwetgewing van die Kontrakterende Staat waarvan die maatskappy wat die uitkering doen, 'n inwoner is.

4. Die bepalinge van paragrawe 1 en 2 is nie van toepassing nie indien die ontvanger van die dividende 'n inwoner van 'n Kontrakterende Staat is, en in die ander Kontrakterende Staat, waarvan die maatskappy wat die dividende betaal 'n inwoner is, 'n permanente saak het waarmee die aandeelbesit uit hoofde waarvan die dividende betaal word, effektief verbonde is. In so 'n geval is die bepalinge van Artikel 7 van toepassing; die heffing van 'n belasting betaalbaar by die bron op sodanige dividende ooreenkostig die belastingwette van die ander Kontrakterende Staat word nie daardeur verhoed nie.

5. Wanneer 'n maatskappy wat 'n inwoner van 'n Kontrakterende Staat is winste of inkomste uit die ander Kontrakterende Staat verkry, mag daardie ander Kontrakterende Staat geen belasting hef op die dividende wat deur die maatskappy betaal word aan persone wat nie inwoners van daardie ander Kontrakterende Staat is nie, of die maatskappy se onuitgekeerde winste aan 'n belasting op onuitgekeerde winste onderwerp nie, selfs al bestaan die betaalde dividende of onuitgekeerde winste uitsluitlik of gedeeltelik uit winste of inkomste wat in daardie ander Kontrakterende Staat ontstaan.

## ARTIKEL 11

### *Rente*

1. Rente wat in 'n Kontrakterende Staat ontstaan en wat aan 'n inwoner van die ander Kontrakterende Staat betaal word, kan in daardie ander Kontrakterende Staat belas word.

2. Sodanige rente kan egter in die Kontrakterende Staat waarin dit ontstaan en ooreenkostig die wette van daardie Kontrakterende Staat belas word, maar die belasting aldus gehef, mag nie 25 persent van die bruto bedrag van die rente oorskry nie.

3. Die uitdrukking "rente", soos in hierdie Artikel gebesig, beteken inkomste uit staatsseffekte, obligasies of skuldbriewe, hetsy gekurere deur verband al dan nie en hetsy dit 'n reg inhou om in winste te deel al dan nie, en, behoudens die volgende paragraaf, alle

any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

## ARTICLE 10

### *Dividends*

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other Contracting State.

2. However, such dividends may be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the laws of that Contracting State, but the tax so charged shall not exceed 25 per cent of the gross amount of the dividends.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights treated in the same way as income from shares by the taxation laws of the Contracting State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of Article 7 shall apply; they shall not prevent the imposition of tax which is due at source on such dividends according to the laws of that other Contracting State.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting State may not impose any tax on the dividends paid by the company to persons who are not residents of that other Contracting State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other Contracting State.

## ARTICLE 11

### *Interest*

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State.

2. However, such interest may be taxed in the Contracting State in which it arises, and according to the laws of that Contracting State, but the tax so charged shall not exceed 25 per cent of the gross amount of the interest.

3. The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and subject to the following paragraph, debt-claims and



soorte skuldeise en deposito's, asook alle ander inkomste wat deur die belastingwette van die Kontrakterende Staat waarin die inkomste ontstaan, gelykgestel word met inkomste uit geld geleen of gedeponeer.

4. Die bepalings van paragrawe 1 en 2 is nie van toepassing nie indien die ontvanger van die rente 'n inwoner van 'n Kontrakterende Staat is en in die ander Kontrakterende Staat waarin die rente ontstaan 'n permanente saak het waarmee die skuldeise of deposito waaruit die rente ontstaan effektief verbonde is. In so 'n geval is die bepalings van Artikel 7 van toepassing; die heffing van belasting wat betaalbaar is by die bron op sodanige rente ooreenkomstig die belastingwette van daardie ander Kontrakterende Staat word nie daardeur verhinder nie.

5. Rente word geag in 'n Kontrakterende Staat te ontstaan wanneer die betaler daardie Kontrakterende Staat self, 'n staatkundige ondervelding, 'n plaaslike owerheid of 'n inwoner van daardie Kontrakterende Staat is. Wanneer die persoon wat die rente betaal, hetsy hy 'n inwoner van 'n Kontrakterende Staat is al dan nie, egter in 'n Kontrakterende Staat 'n permanente saak het in verband waarmee die skuld waarop die rente betaal word, aangegaan is, en sodanige rente direk deur daardie permanente saak gedra word, dan word sodanige rente geag te ontstaan in die Kontrakterende Staat waarin die permanente saak geleë is.

6. Waar as gevolg van 'n besondere verband tussen die betaler en die ontvanger of deponeerder of tussen albei van hulle en 'n ander persoon, die bedrag van die rente wat betaal word, met inagneming van die skuldeise of deposito ten opsigte waarvan dit betaal word, die bedrag te bowe gaan waarvoor die betaler en die ontvanger of deponeerder by ontstentenis van sodanige verband sou ooreengekom het is die bepalings van hierdie Artikel slegs op laasgenoemde bedrag van toepassing. In dié geval, bly die deel van die betalings wat die bedrag te bowe gaan, ooreenkomstig die wet van elkeen van die Kontrakterende State belasbaar, maar met behoorlike inagneming van die ander bepalings van hierdie Konvensie.

## ARTIKEL 12

### Tantièmes

1. Enige tantième wat uit bronne binne een van die Kontrakterende State verkry word deur 'n inwoner van die ander Kontrakterende Staat ten opsigte waarvan hy in daardie ander Kontrakterende Staat belasbaar is, word in daardie eersgenoemde Staat van belasting vrygestel: Met dien verstande dat waar enige sodanige tantième ten opsigte van kinematograaf- of televisiefilms is, belasting daarop gehef kan word in die Staat waaruit die tantième verkry word, maar die belasting aldus gehef mag nie belasting teen die koers van toepassing op maatskappye op 15 persent van die bruto bedrag van die tantième te bowe gaan nie.

2. Die uitdrukking "tantièmes", soos in hierdie Artikel gebruik, beteken betalings van enige aard ontvangs as vergoeding vir die gebruik van, of die reg op die gebruik van enige kopiereg van 'n letterkundige, kuns- of wetenskaplike werk, met inbegrip van kinematograaffilms en films of bande vir radio of televisie-uitsending, enige patent, handelsmerk, ontwerp of model, plan, geheime formule of proses of vir die gebruik van, of die reg op die gebruik van industriele, handels- of wetenskaplike uitrusting of vir inligting aangaande industriele, handels- of wetenskaplike ondervinding, maar enige bedrag betaalbaar ten opsigte

deposits of every kind as well as all other income assimilated to income from money lent or deposited by the taxation laws of the Contracting State in which the income arises.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises a permanent establishment with which the debt-claim or deposit from which the interest arises is effectively connected. In such a case, the provisions of Article 7 shall apply; they shall not prevent the imposition of tax which is due at source on such interest according to the laws of that other Contracting State.

5. Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision, a local authority or a resident of that Contracting State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is directly borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

6. Where, owing to a special relationship between the payer and the recipient or depositor or between both of them and some other person, the amount of the interest paid, having regard to the debt-claim or deposit for which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient or depositor in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

## ARTICLE 12

### Royalties

1. Any royalty derived from sources within one of the Contracting States by a resident of the other Contracting State who is subject to tax in that other State in respect thereof shall be exempt from tax in that first-mentioned State: Provided that where any such royalty is in respect of cinematograph or television films, tax may be imposed thereon in the State from which the royalty is derived, but the tax so imposed shall not exceed tax at the rate applicable to companies on 15 per cent of the gross amount of the royalty.

2. The term "royalties" as used in this Article means payment of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, (including cinematograph films and films or tapes for radio or television broadcasting), any patent, trade-mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or



van die eksploitasie van 'n myn, oliebron of steengroef of enige ander ontginning van natuurlike hulpbronne is nie hierby ingesluit nie.

3. Die bepalings van paragraaf 1 is nie van toepassing nie indien die ontvanger van die tantièmes 'n inwoner van 'n Kontrakterende Staat is en in die ander Kontrakterende Staat waarin die tantième ontstaan, 'n permanente saak het waarmee die reg of eiendom wat aanleiding gee tot die tantièmes effektief verbonde is. In so 'n geval is die bepalings van Artikel 7 van toepassing.

4. Tantièmes word geag in 'n Kontrakterende Staat te ontstaan wanneer die betaler daardie Kontrakterende Staat self, 'n staatkundige ondervinding, 'n plaaslike owerheid of 'n inwoner van daardie Kontrakterende Staat is. Wanneer die persoon wat die tantièmes betaal, hetsy hy 'n inwoner van 'n Kontrakterende Staat is of nie, eger in 'n Kontrakterende Staat 'n permanente saak het in verband waarmee die verpligting om die tantièmes te betaal aangegaan is, en sodanige tantièmes direk deur daardie permanente saak gedra word, dan word die tantièmes geag te ontstaan in die Kontrakterende Staat waarin die permanente saak geleë is.

5. Waar, as gevolg van 'n besondere verband tussen die betaler en die ontvanger of tussen albei van hulle en 'n ander persoon, die bedrag van die tantièmes betaal, met inagneming van die gebruik, reg of inligting waarvoor dit betaal word, die bedrag te bowe gaan waaroor die betaler en die ontvanger sou ooreengekom het by ontstentenis van sodanige verband, is die bepalings van hierdie Artikel slegs op laasgenoemde bedrag van toepassing. In daardie geval bly die deel van die betalings wat die bedrag te bowe gaan ooreenkomstig die wet van elkeen van die Kontrakterende State belastbaar, maar met behoorlike inagneming van die ander bepalings van hierdie Konvensie.

### ARTIKEL 13

#### *Kapitaalwinst*

1. Winst uit die vervoemding van onroerende eiendom, soos in paragraaf 2 van Artikel 6 omskryf, kan belas word in die Kontrakterende Staat waarin sodanige eiendom geleë is.

In hierdie paragraaf sluit die uitdrukking "onroerende eiendom" regte—uitgesonderd aandele waarmee handel gedryf word op 'n aandelemerk—in 'n vaste-eiendomsonderneming (synde 'n onderneming wie se bates hoofsaaklik uit onroerende eiendom of regte in onroerende eiendom bestaan). Genoemde regte word geag geleë te wees in die Staat waarin die onroerende eiendom wat aanleiding tot sodanige kapitaalwinst gee, geleë is.

2. Winst uit die vervoemding van roerende eiendom wat deel uitmaak van die besigheidseiendom van 'n permanente saak wat 'n onderneming van 'n Kontrakterende Staat in die ander Kontrakterende Staat het, of van roerende eiendom wat betrekking het op 'n vaste basis wat vir 'n inwoner van 'n Kontrakterende Staat in die ander Kontrakterende Staat beskikbaar is met die doel om professionele dienste te lewer met inbegrip van sodanige winste uit die vervoemding van sodanige permanente saak (alleen of tesame met die onderneming in sy geheel), of van sodanige vaste basis, kan in die ander Kontrakterende Staat belas word. Winst uit die vervoemding van skeep en lugvaartuig wat in internasionale verkeer in bedryf gehou word, en van roerende eiendom wat betrekking het op die in bedryf hou van sodanige skeep en lugvaartuig is

scientific experience, but does not include any amount paid in respect of the operation of a mine, oil well or quarry or of any other extraction of natural resources.

3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment with which the right or property giving rise to the royalties is effectively connected. In such a case, the provisions of Article 7 shall apply.

4. Royalties shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision, a local authority or a resident of that Contracting State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are directly borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

5. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

### ARTICLE 13

#### *Capital gains*

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the State in which such property is situated.

In this paragraph "immovable property" shall include rights—other than shares dealt in on a stock exchange—in a real estate association (being an association the greater part of whose assets are immovable property or rights in immovable property). The said rights shall be deemed to be situated in the State in which the immovable property giving rise to such capital gain is situated.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in that other Contracting State. However, gains from the alienation of ships and aircraft operated in international traffic and of movable property pertaining to



egter slegs in die Kontrakterende Staat waarin die plek van effektiewe bestuur van die onderneming geleë is, belasbaar.

3. Winste uit die vervreemding van enige ander eiendom is slegs in die Kontrakterende Staat waarvan die vervreemder 'n inwoner is, belasbaar.

#### ARTIKEL 14

##### *Toekenning*

'n Toekenning gedoen deur een van die Kontrakterende Staat, 'n staatkundige onderverdeling of enige agentskap daarvan aan 'n inwoner van die ander Kontrakterende Staat, ingevolge die wette van en met die doel om investering in die eersgenoemde Kontrakterende Staat aan te moedig, is slegs in daardie eersgenoemde Kontrakterende Staat belasbaar.

#### ARTIKEL 15

##### *Onafhanklike persoonlike dienste*

1. Inkomste wat deur 'n inwoner van 'n Kontrakterende Staat ten opsigte van professionele dienste of ander onafhanklike werksaamhede van 'n soortgelyke aard verkry word, is slegs in daardie Staat belasbaar, tensy sodanige inkomste nie in daardie Staat belasbaar is nie of indien sodanige inwoner 'n vaste basis in die ander Kontrakterende Staat gereeld tot sy beskikking het vir doeleindes van die verrigting van sy werksaamhede. Indien hy so 'n vaste basis het, kan sodanige gedeelte van daardie inkomste as wat aan daardie basis toegeskryf kan word in daardie ander Staat belas word. Indien hy geen sodanige vaste basis het en die inkomste nie in die Kontrakterende Staat waarvan hy 'n inwoner is belasbaar is nie, kan hy in die ander Kontrakterende Staat belas word op die inkomste verkry uit sy werksaamhede daarin verrig.

2. Die uitdrukking "professionele dienste" omvat veral onafhanklike wetenskaplike, letterkundige, kuns, opvoedkundige of onderwysaktiwiteite sowel as die onafhanklike aktiwiteite van geneeskundiges, prokureurs, ingenieurs, argitekte, tandartse en rekenmeesters.

#### ARTIKEL 16

##### *Afhanklike persoonlike dienste*

1. Behoudens die bepalings van Artikels 17, 19 en 20 is salarisse, lone en ander soortgelyke besoldiging wat deur 'n inwoner van 'n Kontrakterende Staat ten opsigte van 'n diensbetrekking verkry word, slegs in daardie Kontrakterende Staat belasbaar, tensy die diensbetrekking in die ander Kontrakterende Staat beklee word. Indien die diensbetrekking aldus beklee word, kan dié besoldiging wat daaruit verkry word in daardie ander Kontrakterende Staat belas word.

2. Ondanks die bepalings van paragraaf 1, is besoldiging wat deur 'n inwoner van 'n Kontrakterende Staat verkry word ten opsigte van 'n diensbetrekking wat in die ander Kontrakterende Staat beklee word, slegs in die eersgenoemde Kontrakterende Staat belasbaar as—

(a) dit verband hou met 'n aktiwiteit uitgeoefen in daardie ander Kontrakterende Staat gedurende 'n tydperk of tydperke—insluitend die tydskuur van normale werksonderbrekings—wat nie altesaam 183 dae gedurende die betrokke kalenderjaar te bowe gaan nie, en

(b) die besoldiging betaal word deur of namens 'n werkgever wat nie 'n inwoner van daardie ander Kontrakterende Staat is nie, en

the operation of such ships and aircraft shall be taxable only in the contracting State in which the place of effective management of the enterprise is situated.

3. Gains from the alienation of any other property shall be taxable only in the Contracting State of which the alienator is a resident.

#### ARTICLE 14

##### *Grants*

A grant given by one of the Contracting States, a political subdivision, or any agency thereof to a resident of the other Contracting State under the laws of and for the purpose of encouraging investment in the first-mentioned Contracting State, shall be taxable only in that first-mentioned Contracting State.

#### ARTICLE 15

##### *Independent personal services*

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless such income is not subject to tax in that State or such resident has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, such part of that income as is attributable to that base may be taxed in that other State. If he has no such fixed base and the income is not subject to tax in the Contracting State of which he is a resident he may be taxed in the other Contracting State on the income derived from his activities performed therein.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

#### ARTICLE 16

##### *Dependent personal services*

1. Subject to the provisions of Articles 17, 19 and 20, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that Contracting State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Contracting State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned Contracting State, if—

(a) it relates to an activity exercised in that other Contracting State during a period or periods—including the duration of normal work interruptions—not exceeding in the aggregate 183 days in the calendar year concerned; and

(b) the remuneration is paid by, or on behalf of, an employer who is not a resident of that other Contracting State; and



(c) die besoldiging nie as sodanig gedra word deur 'n permanente saak of vaste basis wat die werkgever in die ander Kontrakterende Staat het nie.

3. Ondanks die bepalings van paragrawe 1 en 2, kan besoldiging ten opsigte van 'n diensbetrokking wat aan boord van 'n skip of lugvaartuig in internasionale verkeer beklee word, in die Kontrakterende Staat belas word waarin die plek van effektiewe bestuur van die onderneming geleë is.

#### ARTIKEL 17

##### *Direkteursgelde*

1. Gelde en ander vergoeding wat verkry word deur 'n inwoner van 'n Kontrakterende Staat in sy hoedanigheid van lid van die direkteur van 'n maatskappy wat 'n inwoner van die ander Kontrakterende Staat is, kan in daardie ander Kontrakterende Staat belas word.

2. Die vergoeding wat 'n persoon op wie paragraaf 1 van toepassing is, verkry van die maatskappy ten opsigte van die uitoefening van daaglikse funksies van 'n bestuurs- of tegniese aard, kan belas word ooreenkomstig die bepalings van Artikel 16 asof die vergoeding vergoeding is van 'n werknemer ten opsigte van 'n werk en asof verwyssings na die werkgever verwyssings na die maatskappy is.

#### ARTIKEL 18

##### *Artieste en atlete*

Ondanks die bepalings van Artikels 15 en 16, kan inkomste wat verkry word deur openbare verhoogkunsenaars, soos teater-, bioskoop-, radio- of televisie-artieste en musikante, en deur atlete, uit hul afbanklike of onafhanklike persoonlike bedrywighede as sodanig (insluitende sodanige inkomste verkry deur regspersone deur hulle beheer of verkry deur enige ander persoon) belas word in die Kontrakterende Staat waarin hierdie bedrywighede uitgeoefen word. Die feit dat die regspersoon of ander persoon geen permanente saak het in die Kontrakterende Staat waarin hierdie bedrywighede uitgeoefen word nie, verhoed nie dat daardie Staat die inkomste aldus verkry, kan belas nie.

#### ARTIKEL 19

##### *Pensioene*

Behoudens die bepalings van paragraaf 2 van Artikel 20, is soveel van enige pensioen of ander soortgelyke vergoeding as wat aan 'n inwoner van 'n Kontrakterende Staat betaal word en deur hom ontvang word in daardie Staat as teenprestasie vir eertydse dienste in die ander Kontrakterende Staat verrig, slegs in die eersgenoemde Staat belasbaar.

#### ARTIKEL 20

##### *Regeringsfunksies*

1. Vergoeding (pensioene uitgesonderd) betaal deur, of uit fondse geskep deur, een van die Kontrakterende State of 'n staatkundige onderverdeling of plaaslike owerheid daarvan aan enige individu vir dienste gelewer aan daardie Staat of 'n staatkundige onderverdeling of plaaslike owerheid daarvan in die uitoefening van funksies van regeringsaard, is in die ander Kontrakterende Staat van belasting vrygestel indien die individu nie gewoonlik in daardie ander Staat woonagtig is nie, of gewoonlik in daardie ander Staat woonagtig is slegs met die doel om daardie dienste te lewer.

2. Enige pensioene betaal deur, of uit fondse geskep deur, een van die Kontrakterende State of 'n staatkundige onderverdeling of plaaslike owerheid daarvan

(c) the remuneration is not borne as such by a permanent establishment or a fixed base which the employer has in that other Contracting State.

3. Notwithstanding the provisions of paragraphs 1 and 2, remuneration in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

#### ARTICLE 17

##### *Directors' fees*

1. Fees and other remuneration derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other Contracting State.

2. The remuneration which a person to whom paragraph 1 applies derives from the company in respect of the discharge of day-to-day functions of a managerial or technical nature may be taxed in accordance with the provisions of Article 16 as if the remuneration were remuneration of an employee in respect of an employment and as if references to the employer were references to the company.

#### ARTICLE 18

##### *Artistes and athletes*

Notwithstanding the provisions of Articles 15 and 16, income derived by public entertainers, such as theatre, motion picture, radio or television artistes and musicians, and by athletes, from their dependant or independent personal activities as such (including such income derived by corporate bodies controlled by them, or derived by any other person) may be taxed in the Contracting State in which these activities are exercised. The fact that the corporate body or other person has no permanent establishment in the Contracting State in which these activities are exercised shall not preclude that State from taxing the income so derived.

#### ARTICLE 19

##### *Pensions*

Subject to the provisions of paragraph 2 of Article 20, so much of any pension or other similar remuneration paid to a resident of a Contracting State and received by him in that State in consideration of past employment in the other Contracting State shall be taxable only in the first-mentioned State.

#### ARTICLE 20

##### *Governmental functions*

1. Remuneration (other than pensions) paid by, or out of funds created by, one of the Contracting States or a political subdivision or local authority thereof to any individual for services rendered to that State or a political subdivision or local authority thereof in the discharge of functions of a governmental nature shall be exempt from tax in the other Contracting State if the individual is not ordinarily resident in that other State or is ordinarily resident in that other State solely for the purpose of rendering those services.

2. Any pension paid by, or out of funds created by, one of the Contracting States or a political subdivision or local authority thereof to any individual for



aan enige individu vir dienste gelewer aan daardie Staat of 'n staatkundige onderverdeling of plaaslike owerheid daarvan in die uitoefening van funksies van regeringsaard, is in die ander Kontrakterende Staat van belasting vrygestel vir sover die vergoeding vir daardie dienste in die ander Staat van belasting vrygestel was ingevolge paragraaf 1 van hierdie Artikel of aldus vrygestel sou gewees het indien hierdie Konvensie van krag was ten tyde van die betaling van die vergoeding.

3. Die bepalings van hierdie Artikel is nie van toepassing nie op betalings ten opsigte van dienste gelewer in verband met enige handel of besigheid gedryf deur enigen van die Kontrakterende State of 'n staatkundige onderverdeling of plaaslike owerheid daarvan met die doel om wins te maak.

#### ARTIKEL 21

##### *Onderwysers en studente*

1. Ondanks die bepalings van Artikel 16, is 'n professor of onderwyser wat 'n tydelike besoek aan een van die Kontrakterende State bring vir 'n tydperk van hoogstens twee jaar met die doel om onderrig aan 'n universiteit, kollege, skool, of ander opvoedkundige inrigting in daardie Kontrakterende Staat te gee en wat 'n inwoner is, of onmiddellik voor sodanige besoek 'n inwoner was, van die ander Kontrakterende Staat, ten opsigte van besoldiging vir sodanige onderrig vrygestel van belasting in die eersgenoemde Staat indien hy in die ander Kontrakterende Staat op sodanige besoldiging belasbaar is.

2. 'n Student of besigheidsvakleerling wat uitsluitlik vir die doel van sy opvoeding of opleiding in 'n Kontrakterende Staat is en wat onmiddellik voordat hy daarheen gegaan het 'n inwoner van die ander Kontrakterende Staat was of nog 'n inwoner daarvan is, is in die eersgenoemde Kontrakterende Staat vrygestel van belasting op betalings ontvang van buite daardie eersgenoemde Kontrakterende Staat vir die doel van sy onderhoud, opvoeding of opleiding.

#### ARTIKEL 22

##### *Inkomste nie uitdruklik genoem nie*

Enige inkomste wat nie in die voorafgaande bepalings van hierdie Konvensie behandel is nie en wat deur 'n inwoner van 'n Kontrakterende Staat verkry word en waarop hy daar belasbaar is, is slegs in daardie Staat belasbaar.

#### IV. BEPALINGS TER VERMYDING VAN DUBBELE BELASTING

##### ARTIKEL 23

1. (a) Wanneer Israeliese belasting betaalbaar is ingevolge die wette van Israel, en ooreenkomstig hierdie Konvensie, hetsy direk of deur aftrekking, op inkomste verkry uit bronne binne Israel deur 'n inwoner van Suid-Afrika, het Suid-Afrika of geen belasting op daardie inkomste nie, of laat hy, behoudens sodanige bepalings (wat nie die algemene beginsel hiervan mag raak nie) as wat in Suid-Afrika uitgevaardig kan word, as 'n krediet teen enige Suid-Afrikaanse belasting wat ten opsigte van dié inkomste betaalbaar is, soveel van die Israeliese belasting toe as wat nie die Suid-Afrikaanse belasting te bowe gaan nie.

(b) Indien Israeliese belasting op dividende of rente ten volle of gedeeltelik vir 'n sekere tydperk verlig word ingevolge die bepalings van die belastingwette van Israel wat deur die bevoegde owerheid van Israel gesertifiseer word 'n aanmoediging vir die ekonomiese

services rendered to that State or a political subdivision or local authority thereof in the discharge of functions of a governmental nature shall be exempt from tax in the other Contracting State in so far as the remuneration for those services was exempt from tax in that other State under paragraph 1 of this Article or would have been so exempt if this Convention had been in force when the remuneration was paid.

3. The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting States or a political subdivision or local authority thereof for purposes of profit.

#### ARTICLE 21

##### *Teachers and students*

1. Notwithstanding the provisions of Article 16, a professor or teacher who makes a temporary visit to one of the Contracting States for a period not exceeding two years for the purpose of teaching at a university, college, school or other educational institution in that Contracting State and who is, or immediately before such visit was, a resident of the other Contracting State shall, in respect of remuneration for such teaching be exempt from tax in the first-mentioned State if he is subject to tax in the other Contracting State in respect of such remuneration.

2. A student or business apprentice who is present in a Contracting State solely for the purpose of his education or training and who is, or immediately before being so present was, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State on payments received from outside that first-mentioned Contracting State for the purposes of his maintenance, education or training.

#### ARTICLE 22

##### *Income not expressly mentioned*

Any income not dealt with in the foregoing provisions of this Convention derived by a resident of a Contracting State who is subject to tax there in respect thereof shall be subjected to tax only in that State.

#### IV. PROVISIONS FOR ELIMINATION OF DOUBLE TAXATION

##### ARTICLE 23

1. (a) Where Israeli tax is payable under the law of Israel and in accordance with this Convention, whether directly or by deduction, on income derived from sources within Israel by a resident of South Africa, South Africa shall either impose no tax on that income or shall, subject to such provisions (which shall not affect the general principle hereof) as may be enacted in South Africa, allow as a credit against any South African tax payable in respect of that income so much of the Israeli tax as does not exceed the South African tax.

(b) If Israeli tax on dividends or interest has been wholly or partly relieved for a period of time under provisions of Israeli tax law which are certified by the competent authority of Israel to be for the encouragement of the Israeli economy, the amount to be allowed



van Israel te wees, is die bedrag wat as 'n krediet teen die Suid-Afrikaanse belasting op daardie inkomste toegelaat moet word, 'n bedrag belasting wat deur Israel gehef sou word indien geen sodanige verligting of vermindering toegestaan was nie, en waar die belastingbetaler 'n maatskappy is, word genoemde bedrag vir die doeleindes van die belasting op onuitgekeerde winste deur Suid-Afrika gehef, geag 'n belasting op inkomste te wees betaalbaar deur die maatskappy.

2. (a) Wanneer 'n inwoner van Israel winste, inkomste of kapitaalwinste verkry wat, ooreenkomstig die bepalings van hierdie Konvensie, in Suid-Afrika belas kan word, dan laat Israel, behoudens die bepalings van die wette van Israel, 'n bedrag gelykstaande met die belasting in Suid-Afrika betaal, toe as 'n krediet teen die Israeliese belasting van daardie persoon. Die krediet mag egter nie daardie gedeelte van die belasting, soos bereken voordat die krediet toegestaan is, wat betrekking het op die winste, inkomste of kapitaalwinste wat in Suid-Afrika belas kan word, te bowe gaan nie.

(b) Wanneer 'n onderneming van Israel besigheid in Suid-Afrika bedryf deur middel van 'n permanente saak wat in 'n ekonomiese ontwikkelingsgebied geleë is, en Suid-Afrikaanse belasting op die winste toe te skryf aan daardie permanente saak geheel of gedeeltelik verlig is ingevolge bepalings van die Suid-Afrikaanse belastingwette met betrekking tot ondernemings in sodanige gebiede, is die bedrag toegelaat as 'n krediet teen die Israeliese belasting op sodanige winste 'n bedrag belasting wat deur Suid-Afrika gehef sou word indien sodanige verligting nie toegestaan was nie. Vir die toepassing van hierdie subparagraaf beteken "ekonomiese ontwikkelingsgebied" 'n gebied soos beoog in artikel 11ter (1) van die Inkomstebelastingwet, No. 58 van 1962, van Suid-Afrika.

3. Paragrafe 1 en 2 van hierdie Artikel is nie van toepassing op enige belasting wat terugbetaalbaar is nie.

## V. SPESIALE BEPALINGS

### ARTIKEL 24

#### Nie-diskriminasie

1. Die burgers van 'n Kontrakterende Staat mag nie in die ander Kontrakterende Staat onderwerp word aan enige belasting of enige vereiste in verband daarmee wat anders is of swaarder druk as die belasting en die daaraan verbonde vereistes waaraan die burgers van daardie ander Kontrakterende Staat onder dieselfde omstandighede onderworpe is of onderwerp kan word nie.

2. Die uitdrukking "burgers" beteken—

(a) alle individue wat die burgerskap van 'n Kontrakterende Staat besit;

(b) alle regspersone, vennootskappe en verenigings wat hul status as sodanig ontleen aan die wette wat in 'n Kontrakterende Staat van krag is.

3. Die belasting op 'n permanente saak wat 'n onderneming van 'n Kontrakterende Staat in die ander Kontrakterende Staat het, mag nie in daardie ander Kontrakterende Staat op 'n minder gunstige wyse gehef word nie as die belasting wat gehef word op ondernemings van daardie ander Kontrakterende Staat, wat dieselfde bedrywighede uitoefen.

Hierdie bepaling word nie uitgelê nie—

(a) as sou dit 'n Kontrakterende Staat belet om belasting te hef op die totale bedrag van die winste toe te skryf aan 'n permanente saak beskikbaar in daardie Kontrakterende Staat aan 'n maatskappy

as a credit against the South African tax on such income shall be an amount of tax which would have been imposed by Israel if no such relief or reduction had been granted, and, where the taxpayer is a company, the said amount shall, for the purposes of the undistributed profits tax levied by South Africa, be deemed to be a tax on income payable by the company.

2. (a) Where a resident of Israel derives profits, income or capital gains which, in accordance with the provisions of this Convention, may be taxed in South Africa, Israel shall, subject to the provisions of the law of Israel, allow as a credit against the Israeli tax of that person, an amount equal to the tax paid in South Africa. The credit shall not, however, exceed that part of the tax as computed before the credit is given, which is appropriate to the profits, income or capital gains which may be taxed in South Africa.

(b) Where an enterprise of Israel carries on business in South Africa through a permanent establishment situated in an economic development area and South African tax on the profits attributable to such permanent establishment has been wholly or partly relieved under provisions of South African tax law relating to enterprises in such areas, the amount to be allowed as a credit against the Israeli tax on such profits shall be an amount of tax which would have been imposed by South Africa if no such relief had been granted. For the purposes of this subparagraph "economic development area" means an area contemplated in section 11ter (1) of the Income Tax Act, No. 58 of 1962, of South Africa.

3. Paragraphs 1 and 2 of this Article shall have no application in relation to any tax which is repayable.

## V. SPECIAL PROVISIONS

### ARTICLE 24

#### Non-discrimination

1. The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other Contracting State in the same circumstances are or may be subjected.

2. The term "nationals" means—

(a) all individuals possessing the nationality of a Contracting State;

(b) all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.

3. Taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other Contracting State than the taxation levied on enterprises of that other Contracting State carrying on the same activities.

This provision shall not be construed—

(a) As preventing a Contracting State from taxing the total amount of the profits attributable to a permanent establishment available in that Contracting State to a company which is a resident of the



wat 'n inwoner van die ander Kontrakterende Staat is, of ten opsigte van 'n vereniging wat sy plek van bestuur in die ander Kontrakterende Staat het, teen die koers vasgestel deur sy landswette, op voorwaarde dat sodanige koers in beginsel nie meer is nie as die hoogste koers wat van toepassing is op die totale winste of 'n gedeelte van die winste van maatskappye wat inwoners van die eersgenoemde Kontrakterende Staat is;

(b) as sou dit 'n Kontrakterende Staat verplig om aan inwoners van die ander Kontrakterende Staat enige persoonlike toelatings, verligtings en verminderings vir belastingdoeleindes toe te staan uit hoofde van burgerlike status of gesinsverantwoordelikhede wat hy aan sy eie inwoners toestaan.

4. Ondernemings van 'n Kontrakterende Staat, waarvan die kapitaal uitsluitlik of gedeeltelik, regstreeks of onregstreeks, die eiendom is van of beheer word deur een of meer inwoners van die ander Kontrakterende Staat mag nie in die eersgenoemde Kontrakterende Staat onderwerp word aan enige belasting of enige vereiste in verband daarmee wat anders is of swaarder druk as die belasting en die daaraan verbonde vereistes waaraan ander soortgelyke ondernemings van daardie eersgenoemde Kontrakterende Staat onderworpe is of onderwerp kan word nie.

5. In hierdie Artikel beteken die uitdrukking "belasting" die belasting wat die onderwerp van hierdie Konvensie is.

#### ARTIKEL 25

##### *Procedure vir onderlinge ooreenkoms*

1. Wanneer 'n inwoner van 'n Kontrakterende Staat van mening is dat die optrede van een van of albei die Kontrakterende State tot gevolg het of sal hê dat hy nie ooreenkomstig hierdie Konvensie belas word nie, kan hy, sonder om afbreuk te doen aan die regsmiddels waarvoor die landswette van hierdie State voorsiening maak, 'n skriftelike aansoek waarin redes vir 'n hersiening van daardie belasting aangevoer word, rig aan die bevoegde owerheid van die Kontrakterende Staat waarvan hy 'n inwoner is.

2. Die bevoegde owerheid in paragraaf 1 bedoel, moet, indien die beswaar vir hom geregtigdig voorkom en indien hy self nie 'n geskikte oplossing kan vind nie, probeer om die saak deur onderlinge ooreenkoms met die bevoegde owerheid van die ander Kontrakterende Staat uit te maak ten einde belasting wat nie in ooreenstemming met die Konvensie is nie, te vermy.

3. Die bevoegde owerhede van die Kontrakterende State moet probeer om enige moelikhede of twyfel wat in verband met die toepassing van hierdie Konvensie ontstaan, deur onderlinge ooreenkoms uit die weg te ruim. Hulle kan mekaar ook raadpleeg met die doel om dubbele belasting in gevalle waarvoor daar nie in die Konvensie voorsiening gemaak is nie, uit te skakel.

4. Die bevoegde owerhede van die Kontrakterende State kan met mekaar ooreenkom oor die nodige administratiewe maatreëls om die bepaling van hierdie Konvensie uit te voer, veral ten opsigte van die bewyse wat verstrek moet word deur die inwoners van eenige van die Kontrakterende State met die doel om in die ander Kontrakterende Staat voordeel te trek uit die vrystellings van of verminderings in belasting soos by hierdie Konvensie bepaal.

other Contracting State, or to an association having its place of management in that other Contracting State, at the rate fixed by its national law, provided such rate does not exceed in principle the highest rate applicable to the total or a fraction of the profits of companies which are residents of the first-mentioned Contracting State;

(b) as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned Contracting State are or may be subjected.

5. In this Article the term "taxation" means the taxes which are the subject of this Convention.

#### ARTICLE 25

##### *Mutual agreement procedure*

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, without prejudice to the remedies provided by the national laws of these States, address to the competent authority of the Contracting State of which he is a resident an application in writing stating the grounds for claiming a revision of that taxation.

2. The competent authority referred to in paragraph 1 shall endeavour, if the objection appears to it to be justified and if it is not able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation not in accordance with this Convention.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the application of this Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

4. The competent authorities of the Contracting States may agree on the subject of the necessary administrative measures to carry out the provisions of this Convention and particularly in the matter of the proofs to be furnished by the residents of either Contracting State in order to benefit in the other Contracting State from the exemptions from or reductions in tax provided in this Convention.



## ARTIKEL 26

*Uitruil van inligting*

1. Die bevoegde owerhede van die Kontrakterende State ruil sodanige inligting uit (dit wil sê inligting wat sodanige owerhede regmatig tot hulle beskikking het) as wat nodig is vir die uitvoering van hierdie Konvensie, veral ten opsigte van die voorkoming van bedrog en vir die toepassing van die wetsbepalings teen wetlike vermyding van die belastinge waaroor hierdie Konvensie handel. Aldus uitgeruilde inligting moet as geheim behandel word en mag nie openbaar gemaak word nie aan enige ander persone of ander owerhede as diegene betrokke by die aanslaan of invordering van die belastinge waaroor hierdie Konvensie handel.

2. In geen geval word die bepalinge van paragraaf 1 uitgelê as sou dit 'n Kontrakterende Staat die verpligting opleë om—

(a) administratiewe maatreëls uit te voer wat strydig is met die wette of administrasie van daardie of van die ander Kontrakterende Staat nie;

(b) besonderhede te verstrek wat nie kragtens die wette of in die normale loop van die administrasie van daardie of die ander Kontrakterende Staat verkrygbaar is nie;

(c) inligting te verstrek wat enige handels-, besigheids-, nywerheids-, kommersiële of professionele geheim aan die lig sou bring, of inligting waarvan die openbaarmaking strydig met openbare beleid sou wees nie.

## ARTIKEL 27

*Diverse*

1. Sonder om die toepassing van Artikel 23 te benadeel, beperk die bepalinge van hierdie Konvensie nie die regte en voordele wat die wette van 'n Kontrakterende Staat verleen ten opsigte van die belastinge wat die onderwerp van Artikel 2 is nie.

2. Geen bepalinge van hierdie Konvensie raak die fiskale voorregte van lede van 'n diplomatieke en konsulêre sending ingevolge die algemene reëls van die volkerereg of ingevolge die bepalinge van spesiale ooreenkomste nie.

3. Vir die toepassing van hierdie Konvensie word persone wat lede is van 'n diplomatieke of konsulêre sending van 'n Kontrakterende Staat in die ander Kontrakterende Staat of in 'n derde Staat, en wat burgers is van die Staat wat deur hulle verteenwoordig word, geag inwoners van laasgenoemde Staat te wees indien hulle daarin aan dieselfde verpligtinge ten opsigte van belastinge op inkomste en kapitaalwinste as inwoners van daardie Staat onderwerp word.

4. Hierdie Konvensie is nie van toepassing nie op internasionale organisasies, op liggame of beamptes daarvan en op persone wat lede is van 'n diplomatieke of konsulêre sending van 'n derde Staat wat in 'n Kontrakterende Staat is en nie in enige van die Kontrakterende State ten opsigte van belastinge op inkomste of kapitaalwinste as inwoners behandel word nie.

5. Die bevoegde owerhede van die Kontrakterende State kan regstreeks met mekaar in verbinding tree met die doel om uitvoering te gee aan die bepalinge van hierdie Konvensie en ook vir die oplossing van enige moeilikheid of twyfel met betrekking tot die toepassing of interpretasie van hierdie Konvensie.

## ARTICLE 26

*Exchange of information*

1. The competent authorities of the Contracting States shall exchange such information (being information which such authorities have in proper order at their disposal) as is necessary for the carrying out of this Convention, in particular for the prevention of fraud, and for the administration of the statutory provisions against legal avoidance concerning taxes covered by this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those concerned with the assessment or collection of the taxes which are the subject of this Convention.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation—

(a) to carry out administrative measures at variance with the laws or the administration of that or of the other Contracting State;

(b) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

(c) to supply information which would disclose any trade, business, industrial, commercial or professional secret, or information, the disclosure of which would be contrary to public policy.

## ARTICLE 27

*Miscellaneous*

1. Without prejudice to the application of Article 23, the provisions of this Convention shall not limit the rights and benefits which the laws of a Contracting State grant in respect of the taxes which are the subject of Article 2.

2. Nothing in this Convention shall affect the fiscal privileges of members of a diplomatic or consular mission under the general rules of international law or under the provisions of special agreements.

3. For the purposes of this Convention, persons who are members of a diplomatic or consular mission of a Contracting State in the other Contracting State or in a third State and who are nationals of the sending State, shall be deemed to be residents of the sending State if they are submitted therein to the same obligations in respect of taxes on income and capital gains as are residents of that State.

4. This Convention shall not apply to international organisations, to organs or officials thereof and to persons who are members of a diplomatic or consular mission of a third State, being present in a Contracting State and not treated in either Contracting State as residents in respect of taxes on income or capital gains.

5. The competent authorities of the Contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention and for resolving any difficulty or doubt as to the application or interpretation of this Convention.



## ARTIKEL 28

*Opheffing van die Skeep- en Lugvaartoorreënkomis van 1952*

Die Ooreënkomis tussen die Unie van Suid-Afrika en die Regering van Israel daargestel deur notawisseling, gedateer 24 Desember 1952, ter vermyding van dubbele belasting op inkomste en winste uit see- en lugvervoer, is nie van krag vir enige jaar of tydperk waarvoor hierdie Konvensie van krag is nie.

## ARTIKEL 29

*Inwerkingtreding*

1. Hierdie Konvensie moet bekragtig word en die bekragtigingsoorkondes so spoedig moontlik te Jerusalem uitgeruil word.

2. Hierdie Konvensie tree by die uitruiling van bekragtigingsoorkondes in werking en die bepalings daarvan is van krag—

(a) in Israel, met betrekking tot belasting wat gehef word vir belastingjare wat 'n aanvang neem op of na 1 April 1978;

(b) in Suid-Afrika, met betrekking tot belasting wat gehef word vir jare van aanslag wat 'n aanvang neem op of na 1 Maart 1978;

(c) in beide Kontrakterende State, met betrekking tot belasting teruggehou by die bron, op dividende, rente en tantiemes betaal of opgeloo, dertig (30) dae na die datum waarop hierdie Konvensie van krag word.

## ARTIKEL 30

*Opsegging*

Hierdie Konvensie bly vir 'n onbepaalde tyd van krag, maar enigeen van die Kontrakterende State kan die Konvensie langs die diplomatieke kanaal opse deur aan die ander Kontrakterende Staat skriftelike kennis van beëindiging te gee nie later nie as 30 Junie van enige kalenderjaar vanaf die vyfde jaar nadat die bekragtigingsoorkondes uitgeruil is. In daardie geval is die Konvensie vir die laaste keer van krag—

(a) in Israel, met betrekking tot belasting wat gehef word vir belastingjare wat begin op of na 1 April van die kalenderjaar wat onmiddellik volg op die jaar waarin die kennis gegee is;

(b) in Suid-Afrika, met betrekking tot belasting wat gehef word vir enige jare van aanslag wat begin op of na 1 Maart van die kalenderjaar wat onmiddellik volg op die jaar waarin die kennis gegee is;

(c) in beide Kontrakterende State, met betrekking tot belasting teruggehou by die bron, op dividende, rente en tantiemes betaal of opgeloo ná die einde van die kalenderjaar waarin sodanige kennis gegee is.

Ten bewyse waarvan die ondergetekendes, behoorlik daartoe gemagtig, hierdie Konvensie onderteken het.

Gedoen, in duplo, te Kaapstad, op hede die 10de dag van Februarie 1978 in die Engelse, Afrikaanse en Hebreeuse taal, waarvan al drie tekste ewe oontek is, behalwe dat in die geval van twyfel die Engelse teks geld.

NAMENS DIE REGERING VAN SUID-AFRIKA:  
O. P. F. HORWOOD.

NAMENS DIE REGERING VAN ISRAEL:  
S. EHRLICH.

## ARTICLE 28

*Suspension of Shipping and Aircraft Agreements of 1952*

The agreement between the Union of South Africa and the Government of Israel constituted by the exchange of notes, dated 24 December 1952, for the avoidance of double taxation on income and profits from sea and air transport shall not have effect for any year or period for which this Convention has effect.

## ARTICLE 29

*Entry into force*

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at Jerusalem as soon as possible.

2. This Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect—

(a) in Israel, as respects taxes which are levied for tax years commencing on or after 1 April 1978;

(b) in South Africa, as respects taxes which are levied for years of assessment commencing on or after 1 March 1978;

(c) in both Contracting States, as respects taxes withheld at source on dividends, interest and royalties paid or accrued, thirty (30) days after the date on which this Convention enters into force.

## ARTICLE 30

*Termination*

This Convention shall remain in force indefinitely but either of the Contracting States may terminate the Convention, through the diplomatic channel, by giving to the other Contracting State written notice of termination not later than 30 June of any calendar year from the fifth year following that in which the instruments of ratification were exchanged. In such event the Convention shall have effect for the last time—

(a) in Israel, as respects taxes which are levied for tax years commencing on or after 1 April in the calendar year next following that in which the notice is given;

(b) in South Africa, as respects taxes which are levied for any years of assessment commencing on or after 1 March in the calendar year next following that in which the notice is given;

(c) in both Contracting States, as respects taxes withheld at source, on dividends, interest and royalties paid or accrued after the end of the calendar year in which such notice is given.

In witness whereof the undersigned, being duly authorised thereto, have signed this Convention.

Done in duplicate at Cape Town this 10th day of February 1978, in the English, Afrikaans and Hebrew languages, all three texts being equally authentic except that in the case of doubt the English text shall prevail.

FOR THE GOVERNMENT OF SOUTH AFRICA:

O. P. F. HORWOOD.

FOR THE GOVERNMENT OF ISRAEL:

S. EHRLICH.



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## TAX CUTS

## Save or spend?

What will taxpayers do with the extra cash in their pay packets this month? The budget's tax cuts come into effect in July, and the answer to this question could be crucial to the economy's performance this year. In his budget speech, Finance Minister Owen Horwood estimated that the exchequer will be R394m worse off this year (R516m for a full year), as a result of the tax concessions.

The FM this week polled a cross-

section of South Africans on their intentions. A Johannesburg stockbroker says tartly that: "I won't notice it, because I spend a heck of a lot more than I bring in. It's a marginal accounting change."

Most people reckon that inflation has dashed any chance of saving the extra cash. A mechanic at Dan Perkins feels that it "will only affect those with higher salaries." Despite earning relatively low wages, however, he plans to "try and save the extra."

Women office workers are almost unanimous that the tax relief money will have to be spent, just to maintain present living standards.

A Johannesburg municipal engineer, who has just received a 10% pay increase, says his tax relief money will be spent on keeping pace with inflation. And a civil servant in the Department of Social Welfare observes the extra cash will be "so small that one cannot earmark it for anything specific."

A top SA Breweries executive echoing many other businessmen, feels the bonus will hardly be noticed by his colleagues. Many businessmen have already dipped into capital or used dividend payouts to maintain their standard of living. He says that "whatever comes through will be eaten up by the rising cost of living." At least that means the money will be spent, thereby contributing to the much hoped-for recovery in consumer outlays.

### Investment hedge

The MD of a leading motor manufacturer has a regular investment plan which he ups regularly as a hedge against inflation. "Undoubtedly" he says, "some of the tax relief will be channelled into this." If he were to receive it as a lump sum at the end of the tax year, he would "probably buy a work of art."

Interestingly, several businessmen plan to instruct their paymasters to maintain present levels of PAYE deductions. This, they reason, will lessen the likelihood of facing a stiff tax assessment bill later in the year. In this way they will be putting money into Pretoria's coffers (and taking it out of their own pockets) sooner than would otherwise be the case.

Police adopt their usually cautious attitude. A Randburg detective does not know what he will do and will "have to see it first." A senior Pretoria policeman adds that he will try to save the extra handout.

Not surprisingly, many breadwinners point out that the increased petrol price will off-set larger pay packets.

A senior bank economist feels that current interest rates make saving unattractive. He has told his wife "she can buy a few extra things." He thinks most people will feel the same way. With growth prospects faltering, Horwood must be crossing fingers that they do. But the impact could be only slight.

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*Silence in Jail.*

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Signature .....

C S M T L T O B H L P S A E T T T T T T T T T T T T

Th. ... Law Amendment Act

A morning day and a sun day

School poem 1

School poem 2

Portrait of a middle-aged poet

conceivable

South African Banalities

Prayer to the Great Baas



## FAIRER, BUT STILL FOUL

F.M. 13/7/79

(320)

Tax discrimination is still a fact of life for African taxpayers despite the new Scales published recently. Although government is committed to phasing out tax discrimination, the first step in this direction — spelt out in the newly-enacted Laws on Plural Relations and Development Second Amendment Bill — is remarkably small.

According to the new rates, applicable from March this year, Africans will start paying income tax at an income of R1 200 a year instead of R360. Rates for all income groups have been cut — some by as much as 45% — in order to bring the tax burden borne by Africans closer into line with the lighter burden borne by other races. Thus a man earning R2 100 a year will now pay R21 in income tax, rather than R39,12. A man on R3 120 will pay R51,60 instead of R94,32.

But the gap between blacks and whites has not been closed, only narrowed marginally. Nor do the deductions and abatements applicable to non-Africans extend to their African counterparts.

Thus a white, coloured or Indian taxpayer who is single and has maximum medical and insurance abatements, only starts paying tax when he earns R1 950. But his African counterpart is already paying R19,50. A married non-African with two children and maximum medical and insurance abatements is not taxed until he earns R3 900 a year. An African in the same position forks out R106,20. At R5 000 a year, the married white pays R86 and the married African R209.





3120  
For full text  
see Act 1779

# STAATSKOERANT

## VAN DIE REPUBLIEK VAN SUID-AFRIKA

### REPUBLIC OF SOUTH AFRICA

# GOVERNMENT GAZETTE

*As 'n Nuusblad by die Poskantoor Geregistreer*

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Vol. 169]

KAAPSTAD, 13 JULIE 1979

[No. 6569

CAPE TOWN, 13 JULY 1979

#### DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1532.

13 Julie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring gegee het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 104 van 1979: Inkomstebelastingwet, 1979.

#### DEPARTMENT OF THE PRIME MINISTER

No. 1532.

13 July 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 104 of 1979: Income Tax Act, 1979.



Act No. 104, 1979

INCOME TAX ACT, 1979.

**GENERAL EXPLANATORY NOTE:**

[ ]

Words in bold type in square brackets indicate omissions from existing enactments.

\_\_\_\_\_

Words underlined with solid line indicate insertions in existing enactments.

**ACT**

To fix the rates of normal tax payable by persons other than companies in respect of taxable incomes for the years of assessment ending on 29 February 1980 and 30 June 1980, and by companies in respect of taxable incomes for years of assessment ending during the period of twelve months ending on 31 March 1980; to provide for the repayment to taxpayers concerned of a certain portion of normal tax paid; to amend the Income Tax Act, 1962; and to provide for incidental matters.

(English text signed by the State President.)  
(Assented to 2 July 1979.)

**BE IT ENACTED** by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Rates of normal tax.

1. The rates of normal tax to be levied in terms of section 5 (2) of the Income Tax Act, 1962 (Act No. 58 of 1962), hereinafter referred to as the principal Act, in respect of—
  - (a) the taxable income of any person other than a company for the year of assessment ending 29 February 1980 or 30 June 1980; and
  - (b) the taxable income of any company determined under the principal Act to have been derived elsewhere than in the territory of South West Africa for any year of assessment ending during the period of twelve months ending on 31 March 1980,
 shall be as set forth in the Schedule to this Act.

Certain portion of normal tax repayable to taxpayers.

2. The portion of the normal tax determined in accordance with the provisions of paragraph 1 (h) or (i) of the Schedule to this Act shall be a loan portion of that tax.

Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of

3. (1) Section 1 of the principal Act is hereby amended—
  - (a) by the substitution in the definition of "dependant" for 20 the expression "one hundred rand", wherever it occurs, of the expression "R200";
  - (b) by the addition at the end of paragraph (b) of the definition of "married person" of the word "or" and by the addition to the said definition of the following 25 paragraph:
 

"(c) any person who is in respect of such period entitled to any abatement under section 5A (3) (a) in respect of a child who is proved to the satisfaction of the Secretary to have been maintained by him during such period wholly or mainly from his own resources derived otherwise than by way of any

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220 18/7/79 Nim

# New PAYE covers fuel

Deputy Financial Editor

REDUCTIONS in PAYE deductions which came into effect from July 1— they will be felt in this month's pay packets — are probably just enough to meet June's surge in the price of petrol.

They will be combined with reductions in the bond rate for home loans from building societies. But most people are maintaining their mortgage payments on the presumption that the current decline is temporary.

The table below reflects taxable income which is the net amount after taking into account standard deductions allowed by the Receiver of Revenue. These deductions decrease in value as income rises.

For a married man with two children tax starts at a higher income. There is a saving of R7.75 at a salary of R400; of R29.58 at a salary of about R900; and R166.83 at the heady heights of a taxable income of R4 166.

The cuts in the bond rate mean a saving of about R5 to R10. This will not be automatic. The cut of 0.5 percent in the bond rate came into effect from July.

## New look pay packets

MONTHLY TAXABLE INCOME	SINGLE NEW PAYE		MARRIED: TWO CHILDREN NEW PAYE	
		SAVING		SAVING
100	R1.66	R3.33	—	—
210	R14.16	R5.58	—	R2.25
333	R30.25	R7.50	R7.83	R7.75
416	R42.16	R9.25	R18.16	R8.58
500	R56.42	R15.08	R25.66	R11.00
666	R91.66	R31.50	R47.83	R18.50
833	R135.66	R43.08	R76.75	R29.58
1 000	R190.66	R48.58	R114.58	R42.33
1 666	R506.91	R47.66	R358.58	R74.08
2 083	R753.50	R57.75	R574.16	R85.63
4 166	R2 013.91	R172.33	R1 849.83	R166.83





(320)  
To. full list see  
Act 1979

# STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

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Vol. 169]

KAAPSTAD, 18 JULIE 1979

[No. 6590

CAPE TOWN, 18 JULY 1979

## DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1583.

18 Julie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring gegee het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 111 van 1979: Wysigingswet op Verkoopbelasting, 1979.

## DEPARTMENT OF THE PRIME MINISTER

No. 1583.

18 July 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 111 of 1979: Sales Tax Amendment Act, 1979.



Act No. 111, 1979

SALES TAX AMENDMENT ACT, 1979.

## GENERAL EXPLANATORY NOTE:

**[ ]** Words in bold type in square brackets indicate omissions from existing enactments.

       Words underlined with solid line indicate insertions in existing enactments.

## ACT

To amend the Sales Tax Act, 1978, so as to define or further define certain expressions; to further regulate the exercise of powers conferred by the said Act; to extend the liability for sales tax in relation to the certain application of certain goods, property or assets; to make new provision for exemption from sales tax, for the determination of gross value and taxable value for the purposes of the said Act and for the recovery of sales tax from purchasers by auctioneers and vendors; to authorize the disclosure of certain information regarding vendors whose registration certificates have been cancelled; to provide for the extension of the period within which sales tax has to be paid, for the irrecoverableness of sales tax, interest and penalties in certain circumstances in respect of past transactions or events, for further restrictions regarding refunds of sales tax, penalties or interest paid, for the recovery by certain contractors of sales tax borne by them in respect of certain taxable services and for tax relief to certain diplomatic or consular missions; to further regulate the registration of certain goods required under certain laws; to extend the provisions regarding offences; and to amend Schedules 1 to 5 to the said Act; and to provide for matters connected therewith.

*(Afrikaans text signed by the State President.)  
(Assented to 2 July 1979.)*

**BE IT ENACTED** by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Amendment of  
section 1 of  
Act 103 of 1978.

1. (1) Section 1 of the Sales Tax Act, 1978 (hereinafter referred to as the principal Act), is hereby amended—
  - (a) by the substitution for subparagraph (i) of paragraph (b) of the definition of "connected person" of the following subparagraph:
    - (i) any person in relation to whom the specified company is under the provisions of paragraph (a)
    - (ii) a connected person and any company which is under the said provisions a connected person in relation to the said person; or;
  - (b) by the substitution for paragraph (a) of the definition of "enterprise" of the following paragraph:
    - "(a) sales of goods are concluded, lease considerations are derived under financial leases, rental considerations are derived under rental agreements, taxable services (other than any taxable service the taxable

5

10

15



"Poems sincere to the point of pain" *Natalie Wintress*

"Peter Horn is as vigorous and versatile a poet as any in South Africa ... he not infrequently achieves poems of memorable force or beauty". *LIONEL ABRAMS, Rand Daily Mail*

"Peter Horn's poetry is prickly and sharp, bristling with reminders of the abyss ever likely to open at our feet ..."

## TAX *maelstrom* (3-2) Divorcees happier

One amendment in the Income Tax Act (gazetted last Friday) that will be welcomed by a large section of the community is the new treatment of divorced parents.

For income tax purposes widowed persons have always been treated as married, being taxed at married rates and being entitled to married abatements. From 1 March, 1979, any person entitled to an abatement for a child solely or mainly dependent upon him is granted the same concession. The child abatement is granted only for an unmarried child under 18, or a mentally or physically handicapped child of any age who is not liable for income tax.

Prior to March 1979, a divorced person was regarded as unmarried (except in the year of divorce) and the only concession he (or she) enjoyed was an additional abatement of R500 where the taxpayer qualified for the child abatement. This additional abatement together with the primary abatement for a single person was equivalent to the married person's primary abatement.

As from March 1979, the additional R500 is withdrawn, since the divorcee who previously qualified for it automatically picks up the higher primary abatement as a married person. In addition, tax is now paid at the married instead of the unmarried rates.

For example, a divorcee with a taxable income of R30 000, who pays R1 200 per year in insurance premiums and is the sole supporter of two children ranking for the child abatement, will pay tax and loan levy of R9 286 for the 1979/80 tax year (see table). On the old basis (but using new rates) he would have paid R11 270.50. The value of the concession is thus R1 984.50 or 18.5%.

But there is a sting in the tail: when the children no longer rank for the abatement, the divorcee reverts to being taxed at single rates, and loses the benefit of the child abatement's and the advantage of the married rate. His tax and loan levy will now be R12 657, an increase of R3 371 over the amount he paid at married rates while supporting the two children. But had he continued to pay tax at the married rate the loss of the abatement for children would have increased his tax and loan levy by only R712, from R11 270.50 to R11 982.50.

Another income tax liability suffered by divorcees is that maintenance payments are not deducted from income. The recent amendment to the Income Tax Act has left this position unchanged. Nonetheless, with around 20 000 divorces each year, a sizeable number of people are going to have more money in their pockets this year.

Seems ... divorcees its subject in a satisfyingly thorough way". **ROBERT GREIG, To the Point**

"It is a beautiful and moving work which seems to have jumped Aragon's 'cage of words' and found the door of this 'world of black and white'" **MARGUERITE EDMONDS, New Nation**

*Silence*



*Peter Horn*  
*Poems*



about his

# INCOME TAX

## Help for retirement

The Income Tax Act, gazetted last Friday, has clarified confusion arising from the Budget over the treatment of retirement annuities (RA). Assurance companies are currently briefing staff on the amendments.

Basically, the amended regulations enable people who are not members of a pension or provident fund to deduct up to 15% of their taxable income, or R3 500, whichever is the greater, for RA contributions. For RA purposes, taxable income includes deductible expenses but not abatements.

Other changes, designed to give maximum tax advantage on RA contributions, are:

- o a pension fund member may deduct the greater of R3 500, less deductible pension fund contributions, or R1 750. In other words, irrespective of a taxpayer's pension contributions, he will be entitled to deduct at least R1 750 in RA contributions;

tributions;

- o a person who receives income partly from "retirement-funding employment" and partly from "trade" may deduct the greater of 15% from the latter source, or R3 500 less pension fund contributions, or R1 750;

- o the difficulty of estimating a self-employed person's earnings will be overcome by allowing excess contributions to be carried forward, with final adjustment being made on retirement;

- o and married taxpayers, providing one of them derives income from trade, may split the total maximum contribution to RA between them as they wish, without affecting the deductibility of contributions.

These tax concessions have already led to an increase in RA business. A Prudential spokesman reports that "business started to increase after the budget speech, though rather cautiously." Now that areas of confusion have been clarified, he expects a consolidation of this increase. New business should be forthcoming, say insurance men, from those professional and self-employed people who were contributing at the pre-Act maximum.

It is difficult to quantify any increase at this stage: Prudential feels there is a "big market" but that potential RA contributors have first to be convinced of the tax benefits accruing to them. The Life Office Association reports RA premiums of R231m last year, up 24% on 1977.

I would like to subscribe to ..... volume(s) of Peter Horn,

*Silence in Jail.*

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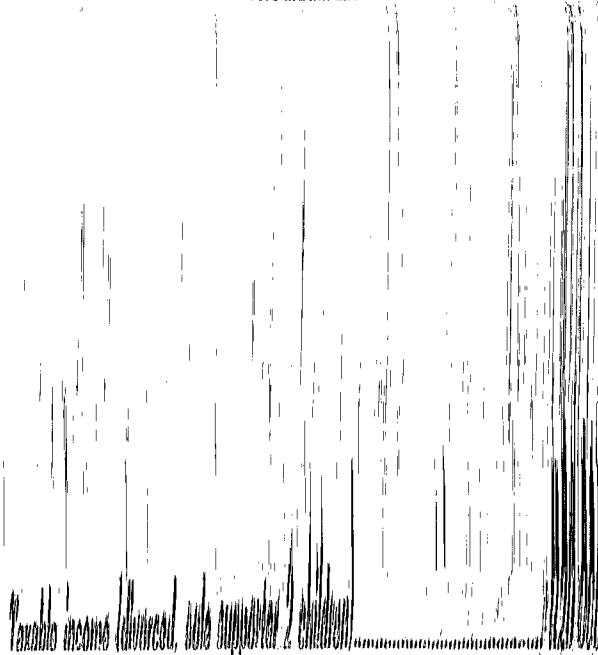
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## UNMARRIED PARENTS' TAX GUIDE

### TWO EXAMPLES



Insurance .....	R1 200	Assessed on new basis as a married person:	
If assessed on old basis as single person.			
Additional abatement R500; insurance abatement maximum R950.			
Taxable income .....	20 000	Taxable income .....	20 000
Abatements		Abatements	
Primary .....	1 000	Primary .....	1 500
Children .....	1 200	Children .....	1 200
Additional .....	900	Additional .....	-
Insurance (man) .....	950	Insurance (man) .....	1 200
Total .....	3 650	Total .....	3 900
Less R1 for every		Less R1 for every	
R10 excess .....	1 500	R10 excess .....	1 500
Taxable amount .....	2 150	Taxable amount .....	2 400
Tax & loan levy .....	17 850	Tax & loan levy .....	17 600
	4 982,50		3 901
Value of concession R4 952,50-R3 801=R1 151,50			
Taxable income (divorced, sole supporter 2 children) .....	R30 000	Assessed on new basis as a married person:	
If assessed on old basis as single person.			
Additional abatement R500; insurance abatement maximum R950.			
Taxable income .....	30 000	Taxable income .....	30 000
Abatements		Abatements	
Primary .....	1 000	Primary .....	1 500
Children .....	1 200	Children .....	1 200
Additional .....	800	Additional .....	-
Insurance (man) .....	950	Insurance (man) .....	1 200
Total .....	3 950	Total .....	3 900
Less R1 for every		Less R1 for every	
R10 excess .....	2 500	R10 excess .....	2 500
Taxable amount .....	1 450	Taxable amount .....	1 400
Tax & loan levy .....	28 950	Tax & loan levy .....	28 000
	11 370,50		9 268
Value of concession R11 370,50-R9 268=R2 104,50			

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# Taxman's free loan

320 22/7/78 Sunday Times



SEN OWEN HORWOOD  
Reduced taxes

THE Government has raised a forced interest-free loan of millions of rands from South African taxpayers — and many people don't even know the money has been taken from them.

Tax authorities are already in possession of the money, obtained through compulsory overpayment of PAYE tax by individuals, and intend to hold onto it until the next tax assessments are issued.

According to a spokesman for the Secretary of Inland Revenue the Govern-

BY KEVIN  
STOCKS

ment does not even know how much it has taken. "To work it out would be a futile exercise," he said.

The overpayments came about because the Minister of Finance, Senator Owen Horwood, reduced personal taxes in his budget.

However, the old tables indicating the amount of tax to be deducted from salaries and wages continued in use until this month when new tables, reflecting the reduced taxes, were issued. Company secretaries and accountants working out deductions for payroll purposes were startled to find no allowance had been made for the fact that earners had been overpaying tax for months.

"In the past new tax tables made allowance for such overpayments," a company secretary told the Sunday Times. "This time: Zlich.

## No allowances

"When I checked with the Johannesburg Receiver of Revenue's office officials first told me the allowance had been made.

Govt  
owes  
YOU  
money

fore, owes him about R10.

A spokesman for the Secretary of Inland Revenue agreed that this time no allowance for "unloading factor" had been included in the tax tables but he denied it had "invariably" been included in the past.

The reason for leaving out the unloading factor was that if it were included, new tax tables, excluding the unloading factor, would have had to be issued next March when all the overpayments had been refunded, he said. This would have been a waste.

Businessmen, however, pointed out that the Department of Inland Revenue could not know what the position would be next year. "If in his budget, the Minister of Finance either

can

"Primarily I found someone senior enough to know what was going on and he agreed there was no allowance."

"This means people will continue paying more tax than they should — because they are already in credit with the Receiver of Revenue."

He added that the overpayments could be substantial.

For instance, a married man with two children earning R1 000 a month has been overpaying about R41 a month. The Receiver, there-

raises or lowers income tax new tables will have to be issued anyway," an accountant said.

All I know is that the Government is hanging onto a great deal of money it is not entitled to."

He told that the tax authorities were being accused of taking an unauthorised interest-free loan from taxpayers, the spokesman for the Secretary of Inland Revenue replied. "What can one say to that? I suppose it is all a matter of viewpoint."



# Housing and car tax perks set to go

Political Staff

Drastic proposals for taxing fringe benefits such as housing loans, free cars, entertainment and other allowances were gazetted today.

The proposals by the Standing Commission on Taxation Policy were published in the Government Gazette today for general information and comment.

The commission has proposed that:

- Tax free exemptions on housing loans to public servants be phased out over five years.

- Interest free or cheap housing loans to employees become taxable.

- Tax exemptions for benefits derived from low rental housing be withdrawn.

- Free cars to be taxed.

- All entertainment allowances, whether in cash or kind, be taxed.

- Genuine entertainment expenses continue to be allowed as a deduction.

The commission has proposed that tax-free exemption on housing loans to public servants be phased out over five years.

## Loans

It also proposes that all interest-free or cheap housing loans to workers should become taxable. The system would be phased out over five years, with non-taxable deductions decreasing by R200 a year from R1 000.

Tax benefits from low rental housing in both the public service and the private sector should also be phased out over five years.

But people earning less than R12 000 a year should be exempted from taxation on low rental housing from their bosses unless the employer is a private company and the worker is a director or a shareholder of the company.

The commission says that "the provision of motor vehicles for the private use of workers is probably the most widespread of the fringe benefits."

It recommends that the private use of these cars be taxed and says it would be fair to assume workers' private motoring would be 10 000 km a year. The cash value of this would be set by the Minister of Finance.

The commission estimates that the benefit of a company-provided car costing about R10 000 is R1 350 a year.

In a table the commission lists the value of a

To Page 3, Col 7

Fringe <sup>star</sup> benefits <sup>27/7/79</sup> (320)

From page 1

luxury car costing more than R12 500 at R1 750. For those costing less than R7 000, the value of a large car is reckoned at R1 050, a medium car R900 and a small car R700.

The commission is concerned at a growing tendency for employers "to go far beyond meeting the cost of the traditional business lunch and, instead, to foot the bill for various types of expenditure."

A few examples of this are a roof-wetting party for an important customer's house stocking a director's wine cellar and bar, luxury dining rooms on business premises, banquets at the opening of new projects, taking clients to holiday resorts "purportedly to discuss business deals," and film shows at directors' homes.

But genuine entertainment expenses of employers should continue to be tax-deductible. This applies to both costs directly born by employers and to allowances in cash or in kind to workers and directors.

Bursaries come in for close attention and some forthright criticism.

The commission notes that certain bursary schemes are, in reality, a means of paying additional remuneration to workers.





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JULY 1979

[No. 6603

**ALGEMENE KENNISGEWING**

**DEPARTEMENT VAN BINNELANDSE  
INKOMSTE**

KENNISGEWING 570 VAN 1979

**BELASTING VAN BYVOORDELE VERBONDE  
AAN DIENS**

Die volgende verslag deur die Staande Kommissie van Onderzoek insake die Belastingbeleid van die Republiek aan die Minister van Finansies in verband met bovermelde onderwerp word hierby ter algemene inligting en vir kommentaar gepubliseer.

Enige kommentaar moet skriftelik wees en moet voor 7 September 1979 aan die Sekretaris van Binnelandse Inkomste, Posbus 402, Pretoria, 0001 gestuur word.

**BYVOORDELE VERBONDE AAN DIENS**

**1. INLEIDING**

1.1 Die Kommissie van Onderzoek na die Fiskale en Monetêre Beleid in Suid-Afrika (die Franzsen-Kommissie) het in sy tweede verslag (November 1970) aanbeveel dat die betrokke bepalinge van die Inkomste-belastingwet, 1962, uitgebou en versterk word sodat byvoordele verbonde aan diens doeltreffend belas kan word. Die Departement van Binnelandse Inkomste het kort daarna 'n ondersoek uitgevoer waartydens daar gepoog is om vas te stel in watter mate werkgewers byvoordele verskaf as deel van besoldiging en watter vorm hierdie voordele aanneem. Sedertdien het die Kommissie, bygestaan deur die Departement, 'n intensiewe studie van die aangeleentheid gemaak.

1.2 Daar bestaan geen twyfel nie dat die gebruik om werknemers gedeeltelik te vergoed by wyse van nie-kontantvoordele, wat oor die algemeen nie belas word nie, aansienlik toegeneem het, veral wat die hoër besoldigde personeel betref. Daar is nie akkurate statistieke beskikbaar nie, maar sommige ondersoeke wat in die privaatsektor uitgevoer is, toon dat nie-kontantverdiensies in die hoër inkomstegroepe soveel as 25 persent, of selfs meer, van die totale besoldiging bedra.

**GENERAL NOTICE**

**DEPARTMENT OF INLAND REVENUE**

NOTICE 570 OF 1979

**TAXATION OF FRINGE BENEFITS ATTACHING  
TO EMPLOYMENT**

The following report by the Standing Commission of Inquiry with regard to the Taxation Policy of the Republic to the Minister of Finance on the above subject is hereby published for general information and comment.

Any comment should be in writing and be sent to the Secretary for Inland Revenue, P.O. Box 402, Pretoria, 0001 before 7 September 1979.

**FRINGE BENEFITS ATTACHING TO  
EMPLOYMENT**

**1. INTRODUCTION**

1.1 The Commission of Enquiry into Fiscal and Monetary Policy in South Africa (the Franzsen Commission) recommended in its second report (November 1970) that the appropriate provisions in the Income Tax Act, 1962, should be clarified and tightened up so that fringe benefits derived from employment could be taxed effectively. Shortly thereafter the Department of Inland Revenue carried out a survey in an attempt to assess the extent to which employers were providing fringe benefits as part of remuneration and to ascertain the form which these benefits were taking. Since then this Commission, assisted by the Department, has made an intensive study of the matter.

1.2 There can be no question but that the practice of remunerating employees partly by way of non-cash benefits which generally speaking are not taxed, has become widespread especially in so far as higher paid staff is concerned. There are no accurate statistics available but some surveys made in the private sector put non-cash earnings in the higher income brackets as high as 25 per cent, or even more, of the total remuneration.



op hierdie basis te waardeer. Verder is die reël logies omdat koste wat vir die werkgever aftrekbaar is vir belastingdoeleindes, nou belasbare inkomste in die werknemer se hande sal wees.<sup>(1)</sup> Waar spesiale bepalinge op spesifieke soorte voordele toegepas gaan word, moet die belasbare waarde so ver moontlik verteenwoordigend wees van die werkgever se koste om die voordeel te verskaf.

2.3 Die belasbare voordeel verkry deur 'n skenking of die verkoop van 'n bate teen minder as die werklike waarde daarvan deur die werkgever aan 'n werknemer moet geraam word—

(i) in die geval van vaste eiendom of roerende bates wat nie deur die werkgever gebruik is nie, op die koste daarvan vir die werkgever; of

(ii) in die geval van roerende bates wat deur die werkgever gebruik is, op die koste daarvan vir hom minus 15 persent vir elke jaar of gedeelte van 'n jaar waartydens hy dit gebruik het;

minus

(iii) enige vergoeding wat deur die werknemer vir die bate betaal is.

Daar sal 'n uitsondering moet wees in gevalle waar die bate bestaan uit 'n uitreiking van aandele in die werkgever of verskaffer, synde 'n maatskappy, teen geen direkte koste vir een van die twee partye nie. In sodanige gevalle moet die voordeel se waarde vasgestel word op die markwaarde van die aandele. Die markwaarde van nie-genoteerde aandele sou wees soos geraam deur die ouditeure van die betrokke maatskappy—onderworpe aan die Departement se goedkeuring. In die geval van genoteerde aandele sou dit die heersende prys wees ten tyde van die beskikking.

2.4 Waar die voordeel bestaan uit die gebruiksreg van 'n bate, uitgesonderd 'n motor of 'n woning, en eienaarskap nog by die werkgever berus, moet die jaarlikse belasbare waarde van die voordeel geraam word—

(i) op die huur wat die werkgever betaal indien die bate deur hom gehuur word; of

(ii) of waar die bate deur die werkgever besit word, 15 persent van die koste daarvan;

tesame met

(iii) enige uitgawes (nie kapitaal nie) deur die werkgever gedurende die jaar aangegaan in verband met die bate,

minus

(iv) enige huurgeld gedurende die jaar deur die werknemer betaal vir die gebruik van die bate en enige uitgawes (nie kapitaal nie) gedurende die jaar deur hom gedra in verband daarmee.

2.5 Die bepalinge vir belastingheffing moet 'n wye veld dek. Die toets vir belasbaarheid moet wees of die voordeel verkry is as gevolg van die ontvanger se diens of nie. Enige voordeel wat deur 'n persoon se werkgever (insluitend 'n voornemende werkgever) verskaf word, hetsy vrywillig of onder kontraktuele verpligting, aan daardie persoon of aan 'n familielid van hom (omskryf in artikel 1 van die Inkomstebelastingwet) moet outomaties geag word verkry te wees as gevolg van die diens. 'n Voordeel verskaf deur 'n persoon of 'n maatskappy wat die werkgever beheer (synde 'n maatskappy) of deur 'n maatskappy beheer deur of

On this basis it will be easy for the employer to value the benefits he provides. Furthermore the rule is logical in that the costs that are tax deductible to the employer will be taxable income in the hands of the employee.<sup>(1)</sup> Where special rules are to apply to specific types of benefits the taxable value must as far as possible, reflect the cost to the employer of providing the benefit.

2.3 The taxable benefit, derived from a donation or the sale of an asset at undervalue by an employer to an employee should be assessed at—

(i) in the case of immovable property or movable assets that have not been used by the employer, the cost to the employer; or

(ii) in the case of movable assets that have been used by the employer, the cost to him less 15 per cent for each year or part of a year during which they were used by him;

less

(iii) any consideration paid by the employee for the asset.

There would have to be an exception in cases where the asset consists of an issue of shares in the employer or provider, being a company, at no direct cost to either party. In such cases the value of the benefit should be determined at the market value of the shares. The market value of unquoted shares would be as assessed by the auditors of the company concerned subject to approval by the Department. In the case of quoted shares the value would be the ruling price at the time of the disposal.

2.4 Where the benefit consists of the right of use of an asset, excluding a motorcar or dwelling, ownership remaining with the employer, the annual taxable value of the benefit should be assessed at—

(i) the rental paid by the employer if the asset is leased by him; or

(ii) if the asset is owned by the employer, 15 per cent of the cost to him;

together with

(iii) any expenditure (not capital) incurred by the employer during the year in connection with the asset;

less

(iv) any rental paid by the employee for the use of the asset and any expenditure (not capital) incurred by him during the year in connection with it.

2.5 The charging provisions must be widely cast. The test of taxability should be whether or not the benefit was obtained by reason of the recipient's employment. Any benefit provided by a person's employer (including a prospective employer), whether voluntarily or under a contractual obligation, either to that person or to a relative of his (defined in section 1 of the Income Tax Act), should be automatically deemed to have been obtained by reason of the employment. A benefit provided by a person or a company controlling the employer (being a company) or by a company controlled by or under the same control as

<sup>(1)</sup> 'n Handige gids met betrekking tot die betekenis van "koste" word verskaf deur die woordomskriving in artikel 7 (5) van die Verkoopbelastingwet, 1978.

<sup>(1)</sup> A useful guide on the meaning of "cost" is provided by the definition in section 7 (5) of the Sales Tax Act, 1978.



(vi) die uitdrukking "lening" ruim omskryf word om enige vorm van krediet en 'n lening wat 'n ander vervang, te kan insluit, asook enige reëling waarvolgens 'n werkgewer 'n lening waarborg wat aan 'n werknemer toegestaan word deur 'n derde party of wat die toestaan van sodanige lening vergemaklik;

(vii) ter wille van administratiewe gerief, geen belasting gehef word waar die totale bedrag van enige toevallige korttermynlenings op enige tydstop gedurende die tydperk waarin die kontantekwivalent van die voordeel bepaal moet word, nie R1 000 oorskry nie; en

(viii) aangesien 'n studiebeurs wat deur 'n werkgewer aan 'n werknemer toegestaan word, vrygestel is van belasting [artikel 10 (1) (qA) van die Wet], belasting ook nie gehef moet word nie ten opsigte van enige voordeel wat ontstaan wanneer 'n lening vir studietoelae aan 'n werknemer toegestaan word.

3.5 Daar moet voorsiening wees vir die belasting van die voordeel wat toeval weens die afskrywing of kwyt-skelding van 'n lening of 'n gedeelte daarvan, hetsy dit 'n voorkeurrentekeers is al dan nie, wat deur 'n persoon (of sy familielid) verkry is as gevolg van sy diens. Dit moet toegepas word selfs al het daardie persoon die betrokke diens verlaat ten tyde van afskrywing of kwyt-skelding en selfs wanneer kwyt-skelding by daardie persoon se dood plaasvind.

#### 4. BEHUISINGSVOORDELE: GRATIS OF LAE-RENTEKEERSVERBANDE EN SUBSIDIES OP VERBANDRENTE

4.1 Huiseienaarskapskemas vir werknemers deur middel van subsidies op verbandafbetalings of deur rentevrye of goedkoop lenings is baie algemeen. Dit sal redelik wees om te sê dat dit oor die algemeen beskou kan word as opregte pogings deur werkgewers om huiseienaarskap by hulle werknemers te bevorder eerder as 'n manier om hulle van belastingvrye vergoeding te voorsien. Die Kommissie is egter nogtans van mening dat die voordele wat werknemers aldus geniet, met reg beskou kan word as inkomste wat belas moet word. As daar anders gehandel word, sal dit onregverdigediskriminasie beteken teenoor die werknemer wat geen bystand van sy werkgewer ontvang nie en geen belastingtoegewings geniet ten opsigte van sy huisverbandverpligtinge nie. Verder is die Kommissie verontrus omdat daar geen eenvormigheid in die belastingbehandeling bestaan nie, selfs van daardie werknemers wat wel bystand ontvang. Staatsamptenare en die werknemers van verskeie rade en ander liggame word spesifiek vrygestel van belasting op die voordele ingevolge artikel 61 van die Konsolidasiewet op Finansie- en Finansiële Reëlingswette, 1977. Om die redes reeds genoem, word werknemers wat bystand ontvang in die vorm van voordelige lenings, vrygestel, maar diegene wat subsidies ontvang op verbandafbetalings, word belas. Die Kommissie vind dit onhoudbaar dat sommige voordele belasting vrysprong en ander nie, waar beide wesenlik dieselfde is. Indien alle behuisingsvoordele ten volle of gedeeltelik van belasting vrygestel moet word ten einde 'n mate van regverdigheid mee te bring, moet sekere belastingtoegewings billikheidshalwe gemaak word aan daardie belastingbetalers wat geen bystand ten opsigte van hulle huisverbandverpligtinge ontvang nie. Die Kommissie kan dit nie as 'n oplossing aanbeveel nie vanweë die erosie van die belastingbasis en die skepping van 'n gevaarlike president wat die aftrek van huishoudelike uitgawes toelaat—dit is heeltemal apart van die koste, wat aansienlik kan wees. Die

(vi) the term "loan" be widely defined to include any form of credit and a loan that replaces another, as well as any arrangement in terms of which an employer guarantees a loan made to an employee by a third party or facilitates the making of such a loan;

(vii) for the sake of administrative convenience no tax be charged where the total amount of any casual short-term loan does not exceed R1 000 at any one time during the period in relation to which the cash equivalent of the benefit has to be determined; and

(viii) because a study bursary granted by an employer to an employee is exempt from tax [section 10 (1) (qA) of the Act], tax also not be charged in respect of any benefit arising from a loan made to an employee for study purposes.

3.5 There should be provision to tax the benefit that accrues from the writing off or release of a loan or portion of loan, whether it is at a beneficial rate of interest or not, that was obtained by a person (or a relative of his) by reason of his employment. This should apply even though that person may have left the particular employment at the time of the writing off or release and even if the release takes place on the death of that person.

#### 4. HOUSING BENEFITS: FREE OR LOW INTEREST BONDS AND SUBSIDIES ON BOND INTEREST

4.1 Home ownership schemes for employees by way of either of subsidies on bond payments or of interest-free or cheap loans are fairly widespread. It would be fair to say that generally speaking these can be seen as genuine attempts by employers to encourage home ownership by their employees rather than as a means of providing them with tax-free remuneration. The Commission considers nonetheless that the benefits enjoyed by the employees can fairly be considered income that should be taxed. To do otherwise would amount to unfair discrimination against the employee who receives no assistance from his employer and enjoys no tax concessions in respect of his home bond commitments. Furthermore, the Commission is disturbed that there is no uniformity in the treatment from the point of view of tax of even those employees who do receive assistance. Public servants and the employees of several boards and other bodies are specifically exempted from tax on the benefits by section 61 of the Finance and Financial Adjustments Acts Consolidation Act, 1977, and for the reasons already stated, employees who receive assistance in the form of beneficial loans are not taxed while those who are paid subsidies on their bond payments are. The Commission finds it quite untenable that some benefits should be exempt from tax and others not, while being essentially the same. If, in order to bring about a measure of equity, all housing benefits were to be exempted from tax, either in full or partially, some tax concessions would in all fairness have to be made to those taxpayers who receive no assistance in respect of their home bond obligations. The Commission cannot recommend this as a solution because of the erosion of the tax base it would entail and because it would create a dangerous precedent, permitting the deduction of domestic expenditure—quite apart from the cost which



5.2 Daar is 'n belangrike verskil tussen 'n diensvoordeel by wyse van 'n subsidie op huisverbandrente of 'n laerenteverband en 'n voordeel wat die vorm aanneem van gratis of lae huurwoning van 'n woonhuis. Daar bestaan geen twyfel nie dat eersgenoemde alleenlik tot die werknemer se voordeel strek. Dit is nie altyd so in laasgenoemde geval nie. Dit is dikwels die geval dat 'n werknemer verplig word om 'n spesifieke woning te bewoon ten einde te doen wat volgens sy diens van hom vereis word. Soos die Engelse howe dit gestel het: "... dit is vir hom nodig om die perseel te bewoon as 'n inherente deel van die uitvoering van sy pligte ... hy bewoon dit nie as deel van sy beloning vir sy dienste nie, maar vir die doel van die uitvoering daarvan". In die Verenigde Koninkryk en die Verenigde State word behuisingvoordele wat aan hierdie vereiste voldoen, nie belas nie.

5.3 Die Kommissie steun die beginsel dat die gratis of goedkoop bewoning van 'n woonhuis nie belas moet word nie tensy daardie bewoning as bykomende besoldiging deur die werkgever verskaf is. Terselfdertyd word besef dat dit heeltemal onprakties sal wees om elk geval te beoordeel op die basis van of die eiendom bewoon is met die doel om dienste te lewer of as deel van vergoeding vir dienste gelewer. Uit die aard van die saak sal dit nie moontlik wees om 'n definitiewe skeidslyn te trek nie en die Kommissie is van mening dat die oplossing 'n eenvoudige hoewel arbitrêre reël sal moet wees.

5.4 Die ondersoek wat deur die Departement uitgevoer is, het nie aan die lig gebring dat die verskaffing van behuisingvoordele grootliks misbruik word nie. Dit is waar dat die verskaffing van prestiege-huise aan hooggeplaasde amptenare nie ongewoon is nie, maar wat die laer besoldigde werknemers betref, sal dit billik wees om te sê dat behuising oor die algemeen verskaf word waar dit funksioneel verkieslik of nodig is of waar die plek van diens streeksgebonde is. Die meerderheid van hierdie gevalle sal heel waarskynlik die toets of die huise bewoon word as 'n inherente deel van die werknemers in die uitvoering van hul pligte, deurstaan. 'n Inkomsteperk van R12 000 per jaar sal hierdie groep werknemers dek (dit dek ongeveer 80 persent van alle getroude belastingbetalers) en die Kommissie is van mening dat die beste uitweg sou wees om 'n spesifieke vrystelling te verleen ten opsigte van behuisingshuurvoordele waar die werknemer se besoldiging (wat die belasbare waarde van ander voordele ontvang ten opsigte van diens insluit) van sy werkgever wat die gratis of lae huurwoning verskaf, nie R12 000 per jaar oorskry nie. Die vrystelling moet nie van toepassing wees waar die werkgever 'n privaatsmaatskappy is en die werknemer 'n direkteur of aandeelhouer of 'n familielid van 'n direkteur of aandeelhouer van daardie maatskappy is nie. Daar sal ongetwyfel diene wees wat belas behoort te word maar wat belasting ingevolge die algemene vrystelling sal vryspring, maar volgens die Kommissie se siening sal die bedrag belasting daarby betrokke nie ingewikkelde wetlike reëls, wat onvermydelik tot administratiewe probleme sal lei, regverdig nie.

5.5 Die Kommissie is van mening dat daar ook 'n prestiese reël moet wees waarvolgens die belasbare waarde van 'n behuisingvoordeel aangeslaan moet word in daardie gevalle wat nie binne die voorgestelde vrystelling val nie. In verskeie ander lande, soos die Verenigde Koninkryk, Australië, Nieu-Seeland

5.2 There is an important difference between an employment benefit in the form of a subsidy on home bond interest or a low interest bond and one in the form of the free or low rental occupation of a dwelling. There can be no question but that the former is for the benefit of the employee and the employee only. This is not always so in the case of the latter. It is often the case that the employee is obliged to occupy a particular dwelling in order to do what is required of him in terms of his employment. As the English courts have put it, "... it is necessary for him to occupy the premises as an inherent part of the performance of his duties ... he occupies them not as part of his reward for his services but for the purpose of performing them". In the United Kingdom and the United States housing benefits which meet this test are not taxed.

5.3 The Commission supports the principle that the free or cheap occupation of a dwelling should not be taxed unless that occupation was provided by the employer as an additional emolument. At the same time it appreciates that it would be quite impracticable for every case to be judged on the basis of whether the occupation of the property was for the purpose of performing services or as part of the reward for services. By the nature of things it would not be possible to draw a precise dividing line and in the Commission's opinion the solution will have to be a simple, if arbitrary, rule.

5.4 The survey carried out by the Department did not reveal that the provision of housing benefits was being abused to any great extent. True, the provision of prestige houses for top employees is not uncommon, but so far as concerns the lower paid employees it would be fair to say that generally speaking housing is provided where it is functionally desirable or necessary or where the place of employment is locality bound. The bulk of these cases would probably meet the test of whether or not the houses are occupied as an inherent part of the employees' performance of their duties. An income limit of R12 000 per annum would cover this group of employees (it covers about 80 per cent of all married taxpayers) and the Commission is of the opinion that the position would best be met by a specific exemption in respect of housing rental benefits where the employee's remuneration (including the taxable value of other benefits received in respect of employment) from the employer who provides the free or low rental housing does not exceed R12 000 per annum. The exemption should not apply where the employer is a private company and the employee is a director or shareholder or a relative of a director or shareholder of that company. No doubt there will be some who should be taxed who will escape under the blanket exemption but it is the Commission's view that the amount of tax involved would not justify complicated legal rules that would inevitably lead to administrative difficulties.

5.5 The Commission considers that there should also be a precise rule for assessing the taxable value of a housing benefit in those cases that do not fall within the proposed exemption. In several other countries such as the United Kingdom, Australia, New Zealand and Canada the value is determined at the probable rental



6.2 Dit was nog altyd die Departement se gebruik om werknemers nie te belas op die voordeel van gratis of goedkoop maaltye in personeelversingslokale nie. Die Kommissie voel dat dit toegelaat moet word om voort te gaan en voorsiening moet daarvoor gemaak word deur 'n spesifieke vrystelling.

6.3 Onlangs is skemas te berde gebring waarvolgens werknemers van kleiner ondernemings wat nie eie versingslokale kan verskaf nie, voorsien sou word van maaltydkoepons. Die waarde van hierdie koepons sal natuurlik belasbare inkomste uitmaak in die hande van die ontvangers daarvan, maar die Kommissie voel dat dit onregverdig sou wees indien die voordeel van gratis maaltye by personeelversingslokale nie belas word nie. *Gevolglik word aanbeveel dat 'n vrystelling om die maaltydkoeponvoordele te dek, ingevoer word.* Die veresies vir die vrystelling moet wees dat die koepons—

- (a) nie oordraagbaar is nie;
- (b) alleenlik vir maaltye gebruik kan word;
- (c) beskikbaar is vir *alle* personeellede; en
- (d) wat aan werknemers uitgereik word, nie meer as R2 vir elke werksdag werd mag wees nie.

## 7. VERKRYGING VAN AANDELE DEUR DIREKTEURE EN WERKNEMERS

7.1 Die Inkomstebelastingwet omskrywe "bruto inkomste" as die totale bedrag, hetsy in kontant of andersins, ontvang deur of toegeval aan 'n belastingpligtige. Dus sal 'n werknemer wat sy besoldiging in die vorm van aandele in plaas van kontant ontvang, belas word op die waarde van die aandele. Net so sal 'n werknemer wat weens sy diens in staat is om aandele teen 'n laer waarde as die werklike waarde daarvan te verkry, belas word op die oorskot van hulle waarde bo die bedrag wat hy daarvoor betaal het. (Sien ook paragraaf 2.3.)

7.2 Gedurende die sestigerjare het aandeelopsieskemas vir die voordeel van werknemers en direkteure gewild geword. Ingevolge hierdie skemas is 'n opsie aan die werknemer of direkteur gegee om aandele iewers in die toekoms te verkry teen die prys wat geheers het toe die opsie toegestaan is, met die gevolg dat die werknemer in staat was om aandele teen 'n laer waarde te bekom. Daar is egter aangevoer dat die voordeel wat die werknemer verkry uit hoofde van sy diens die reg was (wat hy ten tyde van die toestaan van die opsie verkry het) teenoor sy werkgever wat laasgenoemde verbind het om aandele teen 'n sekere prys aan hom te verkoop, en dat dit die waarde van hierdie reg was wat belas kan word en nie die wins wat hy met die uitoefening van sy opsie gemaak het nie. Die Appelfdeling het hierdie betoeg verwerp [Mooi v. S.I.R. (1972(1) SA 674) 34 S.A.T.C. 1]. Artikel 8A is ook in die Inkomstebelastingwet opgeneem om die saak bo alle twyfel te stel. Hierdie artikel bepaal dat enige wins deur 'n direkteur of 'n werknemer gemaak uit hoofde van die uitoefening van 'n opsie om aandele te verkry, by sy bruto inkomste ingesluit moet word indien die reg deur die belastingpligtige as 'n direkteur of ten opsigte van dienste gelewer as 'n werknemer verkry is. Die wins wat by die bruto inkomste ingesluit moet word, is die verskil tussen die waarde van die aandele op die datum waarop die opsie uitgeoefen is en die werklike prys wat die direkteur of werknemer vir hulle betaal het.

6.2 It has always been the Department's practice not to tax employees on the benefit of free or cheap meals in staff canteens. This, the Commission feels, should be allowed to continue and should be provided for by a specific exemption.

6.3 Recently schemes have been mooted under which meal vouchers would be supplied to employees of smaller concerns that could not provide canteen facilities of their own. The value of these vouchers would of course constitute taxable income in the hands of the recipients but this, the Commission feels, would be unfair if the benefit of free meals at staff canteens were not taxed. *Accordingly, it recommends that an exemption be introduced to cover the meal voucher benefits.* The requirements for the exemption should be that the vouchers—

- (a) are non-transferable;
- (b) can be used for meals only;
- (c) are available to *all* members of the staff; and that
- (d) the value of vouchers issued to employees does not exceed R2 for each working day.

## 7. SHARE ACQUISITIONS BY DIRECTORS AND EMPLOYEES

7.1 The Income Tax Act defines "gross income" as the total amount, whether in cash or otherwise, received by or accrued to the taxpayer. Thus an employee who receives his remuneration in the form of shares instead of cash would be taxed on the value of the shares. Likewise, if by reason of his employment, an employee is able to acquire shares at under value he would be taxed on the excess of their value over the price paid. (See also paragraph 2.3.)

7.2 In the 1960s share option schemes for the benefit of employees and directors became popular. Under these schemes the employee or director was given an option to acquire shares at some time in the future at the price ruling at the time of the granting of the option, the effect being that the employee was able to acquire shares at under value. It was contended, however, that the benefit the employee derived by virtue of his employment was the right, acquired at the time of the granting of the option, against his employer, binding the latter to sell him shares at a certain price and that it was the value of this right that could be taxed and not the gain which he made on the exercise of the option. The Appellate Division rejected this contention [Mooi vs. S.I.R. (1972(1) SA 674) 34 S.A.T.C. 1]. Section 8A was also introduced into the Income Tax Act, putting the matter beyond doubt. This section provides that any gain made by a director or an employee by virtue of the exercise of an option to acquire shares is to be included in gross income if the right was acquired by the taxpayer as a director or in respect of services rendered as an employee. The gain to be included in gross income is the difference between the value of the shares at the date on which the option was exercised and the price actually paid for them by the director or employee.



7.5 Klaarblyklik is die nuwe aandeel-aansporingskema ontwerp om artikel 8A te omseil en omdat dit blyk dat die doel van hierdie skemas en die ou aandeel-opsieskemas dieselfde is, naamlik om werknemers te besoldig, en omdat hulle dieselfde eindresultaat bereik, kan met billikheid gesê word dat die belastinggevolge ook dieselfde moet wees. Dit is die siening van die meerderheid van die lede dat die deelnemer aan 'n aandeel-aansporingskema gedurende die jaar waarin hy die onbelemmerde reg verkry om sy aandele van die hand te sit, naamlik wanneer hy vir hulle betaal het, belas moet word op die verskil tussen hulle waarde op daardie datum en die prys waarteen hy hulle gekoop het.

7.6 Die Departement, gesteun deur 'n minderheid van die Kommissielede, deel nie hierdie siening nie. Die Departement is van mening dat dit nie nodig is om verder as die werklike bepaling van die skema te gaan nie. Die voordele van deelneming in aandeel-aansporingskemas is eerstens dat die deelnemer voorsien word van gratis of goedkoop krediet om die aankoop van sy aandele te finansier, en tweedens dat hy beskerm word teen enige verlies weens die daling van sy aandele se markwaarde vanaf die tyd van aankope tot die tyd waarop sy aandeelskuld vereffen moet word. Dit is die Departement se siening dat dit hierdie voordele is, gemeet teen die bedrag van die uitgawes of verliese aangegaan of gely deur 'n buite-aandeelhouer wat dieselfde aandele op dieselfde tyd koop en verkoop en die vereiste finansies daarvoor verkry onder beding van uiterste voorwaardes, wat belas moet word. Op hierdie grondslag is die Departement van mening dat wat belas moet word, die volgende is:

(i) Die voordeel, gemeet aan die algemene reël vir voordelige lenings (paragraaf 3.4), van enige rentevrye of goedkoop krediet wat deur die deelnemer in die besondere jaar geniet word; en

(ii) enige uitstaande bedrag ten opsigte van die koopprys van die aandele wat afgeskryf word ingevolge enige stopverliesbepaling; of

(iii) daardie oorskot wat ontstaan as aandele wat aan die skema onderworpe is, ingevolge 'n stopverliesbepaling deur die trustees teruggekoop word teen 'n vergoeding wat meer as hul markwaarde is.

## 8. GRATIS GEBRUIK VAN MOTORVOERTUIG

8.1 Motorvoertuie vir die privategebruik van werknemers is waarskynlik die mees algemene byvoordeel wat deur werkgewers verskaf word. Die feite wissel natuurlik van geval tot geval. In sommige gevalle is die gebruik van die voertuig vir besigheidsdoeleindes onbelangrik en die voorreg is niks anders as 'n bykomstige vergoeding nie. In ander gevalle word die voertuig hoofsaaklik verskaf vir die gerief van die werkgewer, byvoorbeeld waar dit in sy belang is dat die werknemer te alle tye betroubare vervoer tot sy beskikking het. Maar dit kan nie weerspreek word nie dat die gratis privategebruik van 'n motor wat die werknemer geniet, 'n voordeel is wat verkry word ten opsigte van sy diens en wat billikheidshalwe belas behoort te word.

8.2 In ooreenstemming met die algemene reëls deur die Kommissie aanbeveel, is die ideale bedrag wat belas moet word, die bedrag wat die privategebruik van die voertuig deur die werknemer vir die werkgewer kos. Om 'n raming van sodanige koste moontlik te maak, sal egter vereis dat rekord gehou moet word van die onderhoudskoste en privaatkilometerafstand vir elk van die betrokke voertuie. Die Kommissie is van mening dat die enorme hoeveelheid onproduktiewe werk wat

7.5 Manifestly, the new share incentive schemes have been designed to circumvent section 8A and it would seem that, since the purpose of these schemes and the old share option schemes is the same, namely to remunerate employees, and since they achieve the same end result, it would be fair to say that the tax consequences should also be the same. It is the view of the majority of the members that in the year in which a participant in a share incentive scheme acquires the unfettered right to dispose of his shares, namely when he has paid for them, he should be taxed on the difference between their value at that date and the price at which he bought them.

7.6 The Department, supported by a minority of the Commissioners, does not share this view. It considers that it would not be right to go beyond the actual terms of the scheme. The advantages of participation in share incentive schemes are, firstly, that the participant is provided with free or cheap credit to finance the purchase of his shares and, secondly, that he is protected against any loss due to a drop in the market value of his shares between the time of purchase and the time when settlement of the share debt becomes due. It is the Department's view that it is these benefits, measured against the amount of the expenditure or losses that would have been incurred or suffered by an outside shareholder buying and selling the same shares at the same times and acquiring the finance required on arm's length terms, that should be taxed. On this basis the Department considers that what should be taxed is—

(i) the benefit, measured by the general rule for beneficial loans (paragraph 3.4) of any interest free or cheap credit enjoyed by the participant in a particular year; and

(ii) any amount outstanding in respect of the purchase price of the shares that is written off in terms of any "stop loss" provision; or

(iii) if, in terms of a "stop loss" provision, shares that are subject to the scheme are repurchased by the trustees for a consideration in excess of their market value, that excess.

## 8. FREE USE OF MOTOR VEHICLES

8.1 The provision of motor vehicles for the private use of employees is probably the most widespread of the fringe benefits being provided by employers. The facts of course vary from case to case. In some the business use of the vehicle is insubstantial and the privilege is nothing less than an additional emolument. In others the vehicle is provided chiefly for the convenience of the employer, for instance where it is in his interests that the employee has reliable transport available at all times. But it cannot be gainsaid that the free private motoring that the employee enjoys is a benefit derived in respect of his employment and that by rights should be taxed.

8.2 Ideally what should be taxed is, in accordance with the general rules recommended by the Commission, the cost to the employer of the use of the vehicle by the employee to the extent that such use relates to private motoring. However, to make it possible for an assessment of this cost to be made would require records to be kept of the running costs and the private mileage of each of the vehicles concerned. The Com-



van die voertuig na ses jaar, in berekening gebring. Verlies aan rente op die kapitaalbesteding teen 8 persent per jaar vir ses jaar word ook ingesluit by die jaarlikse onkoste, bykomend by die gewone uitgawes vir petrol, olie, bande, herstelwerk, lisensie en versekering.

Die Kommissie kan geen fout vind met die Automobil-Assosiasie se benadering nie, maar het besluit dat aangesien hoofsaaklik besigheidsvoertuie wat ook vir privaatdoeleindes gebruik word, by hierdie berekening betrokke is, dit meer gepas sal wees as die toelating vir slytasie, op die 100 000-kilometergrondslag wat deur die Automobil-Assosiasie gebruik word, bereken word vir 'n tydperk van slegs drie jaar teen 20 persent per jaar op die afnemende saldobasis. Die verlies aan rente word ook vir 'n tydperk van net drie jaar bereken. Hierdie twee aanpassings bring mee dat die geskatte bedryfskoste van 'n voertuig oor 'n afstand van 100 000 kilometer wesentlik verminder word.

Die resultate van die Kommissie se berekening word in die volgende tabel getoon:

of the vehicle after six years is taken into account. Loss of interest on the capital outlay at 8 per cent per annum for six years is also included in the annual costs in addition to the usual charges for petrol, oil, tyres, repairs, licence and insurance.

The Commission can find no fault with the approach of the Automobile Association, but has decided that since it is business vehicles also used for private purposes that are largely involved in this exercise, it would be more appropriate if the wear and tear allowance for the 100 000 kilometre basis used by the Automobile Association were calculated over a period of three years only at 20 per cent per annum on the diminishing balance basis. The loss of interest has also been calculated for a three year period only. These two modifications have the effect of materially reducing the estimated cost of operating a vehicle over a distance of 100 000 kilometres.

The results of the Commission's exercise are shown in the table that follows:

#### BEPALING VAN MOTORKOSTE

(Die syfers wat gebruik word, is slegs vir doeleindes van illustrasie en sal hersien word in die lig van heersende koste).

	Koste van voertuig				
	Bo R7 000		Onder R7 000		
	Bo R12 500	Onder R12 500	Groot motors (bo 2 500 cm <sup>3</sup> )	Middelslag motors (bo 1 300 cm <sup>3</sup> )	Klein motors (onder 1 300 cm <sup>3</sup> )
AA se raming van koste vir 100 000 km gereis.....	R 21 324	R 21 324	R 14 912	R 12 640	R 10 299
Kommissie se aangepaste raming vir 100 000 km gereis.....	17 680	13 735	10 538	8 977	7 238
Kommissie se verminderde raming van jaarlikse voordeel uit privaatgebruik van voertuig.....	1 750	1 350	1 050	900	700
Benaderde reiskoste per kilometer.....	17,6c	13,7c	10,5c	8,9c	7,2c

#### DETERMINATION OF MOTORING COSTS

(The figures used are for illustrative purposes only and will be revised in the light of current costs).

	Cost of vehicle				
	Over R7 000		Under R7 000		
	Over R12 500	Under R12 500	Large cars (over 2 500 cm <sup>3</sup> )	Medium cars (over 1 300 cm <sup>3</sup> )	Small cars (under 1 300 cm <sup>3</sup> )
AA's assessment of costs for 100 000 km travelled.....	R 21 324	R 21 324	R 14 912	R 12 640	R 10 299
Commission's adjusted assessment for 100 000 km travelled....	17 680	13 735	10 538	8 977	7 238
Commission's assessment of annual benefit from private use of vehicle.....	1 750	1 350	1 050	900	700
Estimated cost of travelling per kilometre.....	17,6c	13,7c	10,5c	8,9c	7,2c

Uit bostaande tabel kan geredelik gesien word dat 'n werknemer wat die gebruik het van 'n voertuig wat aan die werkgewer behoort en wat R10 000 kos, op 'n bedrag van R1 350 belas sal word. Indien die voertuig egter R6 000 kos en die enjin se kapasiteit twee liter is, sal die belasbare waarde van die voordeel slegs R900 wees.

It will readily be seen from the table above that an employee who has the use of an employer-owned vehicle costing R10 000 will be taxed on an amount of R1 350. If however, the vehicle cost R6 000 and has an engine capacity of two litres, the taxable value of the benefit will be only R900.



die werkgever se besigheid te betaal. Wat in sodanige gevalle belas moet word, is die oorskot van die toelae ontvang bo die uitgawe aangegaan op besighedsreise. Die Kommissie meen egter dat dit onprakties sal wees om van werknemers te verwag om rekord van hulle besighedsreiskoste te hou en beveel aan dat die aftrek-bare uitgawes toegelaat word teen die afstand op meter volgens die skaal van onkoste vir die afstand op besigheid afgelê, uitsluitend reise tussen die woon- en die werkplek. Dit beteken natuurlik dat hierdie soort werknemer rekords sal moet hou van afstande gereis vir privaat en vir besigheid onderskeidelik.

8.6 Die Departement stem nie heeltemal saam met die Kommissie se aanbeveling nie. Die Departement sal geen beswaar teen die voorgestelde reël hê nie as dit toegepas word in daardie gevalle waar die toelae bereken word met betrekking tot die afstand vir besighedsdoeleindes gereis, maar dit het voorbehoude wat betref die gevalle waar 'n vaste rondesomtoelae betaal word sonder dat die werknemer op enige wyse aan die werkgever verslag moet doen. Baie werknemers hou nie behoorlik boek van hulle privaat- en besighedsreise nie, behalwe as hulle deur hulle werkgevers daartoe verplig word, en in die omstandighede sou dit vir die Departement heeltemal onmoontlik wees om te probeer om enige arbitrêre toedielings deur hulle gemaak, te kontroleer. Die kontantekwivalent van die voordeel van die gebruik van 'n voertuig wat aan die werkgever behoort, moet, soos die Kommissie aanbeveel het, geraam word teen die koste van 10 000 kilometer veronderstelde privaatse, en die Departement se voorstel is dat 'n soortgelyke voorstel gemaak moet word in die gevalle waar 'n rondesom-reistoelae betaal word. Met ander woorde, 10 000 kilometer van die totale afstand afgelê, moet as privaat beskou word en die toelaatbare uitgawes moet bereken word op die balans van die koste per kilometer ooreenkomstig die tabel in paragraaf 8.3. Op hierdie basis sal diegene wat 'n reistoelae ontvang en diegene wat gratis privaat- vervoer geniet, presies dieselfde behandeling word en voorts sal dit in ooreenstemming wees met die Kommissie se benadering teen opsigte van kontantonthaal-toelae—sien paragraaf 9.3.

8.7 Verdere voordele by wyse van bystand met die verkryging van eienskapskap van die voertuig word somtyds deur werkgevers verskaf. Hierdie bystand neem gewoonlik die vorm aan van 'n goedkoop of gratis krediet vir die aankoop van die voertuig of 'n ooreenkomstige waarvolgens die werknemer in staat is om na 'n relatief kort tydperk (24 tot 30 maande), die voertuig teen 'n laer waarde as die werklike waarde daarvan te koop. Hierdie bykomstige voordele ontstaan baie duidelik as gevolg van diens en moet dus belas word, en die Kommissie beveel aan dat hulle binne die bestek van die voorgestelde reëls vir die belasbaarheid van die voordele verkry uit voordelige lenings (paragraaf 3.4) of verkope van bates teen 'n laer waarde as die werklike waarde daarvan (paragraaf 2.3) gebring word.

## 9. ONTHAALKOSTE EN TOELAE

9.1 Onthaalkoste, wat kontantonthaal betaal aan direkteure of werknemers insluit, lewer 'n moeilike probleem op. Die afgelope aantal jare is daar 'n toenemende neiging onder werkgevers om ver meer as die koste van die tradisionele besigheidsete te betaal en in plaas daarvan vir verskillende uitgawes op te

What should be taxed in such cases is the excess of the allowance received over the expense incurred on business travelling. The Commission, however, considers that it would be impracticable to require employees to keep records of their business travelling expenses and it recommends that the deductible expenditure be admitted at the cost per kilometre according to the scale of charges for the distance travelled on business excluding travelling between home and place of employment. This of course means that this class of employee will have to keep records of distances travelled privately and on business respectively.

8.6 The Department is not entirely in agreement with the Commission's recommendation. It would have no objection to the proposed rule being applied in those cases where the allowance paid is calculated in relation to the distance travelled on business, but it has reservations in regard to the cases where a fixed round sum allowance is paid without the employee having to account in any way to the employer. Many employees do not keep proper records of private and business travelling unless they are obliged to do so by their employers and in the circumstances it would be quite impossible for the Department to attempt to monitor any arbitrary apportionments made by them. The cash equivalent of the benefit of the use of an employer-owned vehicle is, so the Commission has recommended, to be assessed at the cost of 10 000 kilometres assumed private travelling and the Department's suggestion is that a like assumption be made in the cases where a round sum travelling allowance is paid. In other words 10 000 kilometres of the total distance travelled should be deemed to be private and the admissible expenditure should be calculated on the balance at the cost per kilometre according to the table in paragraph 8.3. On this basis those who receive travelling allowances and those who enjoy free private motoring will be treated precisely the same and, moreover, the approach would be consistent with that taken by the Commission in regard to cash entertainment allowances—see paragraph 9.3.

8.7 Further benefits in the form of assistance in acquiring ownership of the vehicle are sometimes provided by employers. This assistance usually takes the form of either cheap or free credit for the purchase of the vehicle or an arrangement under which the employee is able after a relatively short time, 24 to 30 months, to purchase the vehicle at undervalue. These additional benefits clearly arise from employment and as such should be taxed and the Commission recommends that they be brought within the scope of the rules proposed for taxing the benefits derived from beneficial loans (paragraph 3.4) or sales of assets at undervalue (paragraph 2.3).

## 9. ENTERTAINMENT EXPENSES AND ALLOWANCES

9.1 Entertainment expenses, including cash allowances paid to directors or employees, present a difficult problem. In recent years there has been a growing tendency for employers to go far beyond meeting the cost of the traditional business lunch and instead to foot the



is dat besigheidsonthale se doel is om inkomste te verdien, kan daar net so min regverdiging vir die nie-toelating van die koste wees as wat daar kan wees vir die nie-toelating van salarisse, hurgelde of enigiets anders wat veronderstel is om winste voort te bring. Dit is waar dat daar soms onnodig kwinstig onthaal word en dat dit soms sonder twyfel geen inkomste voortbring nie. Maar geld word ook verkwis, byvoorbeeld op onnodige weelderige kantore of onbevoegde personeel, en tog word daar nie gedink aan die nie-toelating van hierdie uitgawes nie. Dit moet aan die besture van besighede oorgelaat word om verkwinste te bekamp. Per slot van rekening erodeer verkwinste uitgawes winste, selfs al is hulle aftrekbaar vir belasting.

9.3 Die Kommissie is egter verontrus deur die groeiende praktyk om kwinstige onthaaltoelaes aan werknemers en direkteure te betaal wat in waarskynlik die meerderheid van gevalle, niks anders is nie as 'n metode om onbelaste besoldiging in die sakke van werknemers te plaas. Daar word selde van werknemers vereis om verslag te doen oor hulle toelaes en hulle hou ook nie boek van hoe die geld bestee is nie. Die Departement het ongelukkig onvoldoende hulpbronne om in lang uitgerekte korrespondensie en argumente, en moontlik regsgedinge, betrokke te raak oor hierdie toelaes. Dit volg dan dat uitgawes wat glad nie gestaaf is nie, geëis en dikwels toegelaat word. Die Kommissie voel dat hierdie misbruik nie toegelaat moet word om voort te duur nie.

9.4 Met die oog daarop om hierdie meer blatante tipe misbruik te beveg, terwyl daar ook besef word dat 'n groot deel van die onthaalkoste werklik vir besigheidsdoeleindes aangegaan word, beveel die Kommissie soos volg aan:

(i) Alle onthaaltoelaes, hetsy in kontant of in natura (byvoorbeeld kroegvoorrade), wat deur werknemers of direkteure van maatskappye ontvang word, moet in die hande van die ontvangers daarvan belas word, sonder aftrekking van enige onkoste wat daardie persone aangegaan het. Daar moet geen uitsonderings op hierdie reël wees nie.

(ii) Werklike onthaalkoste deur werkgewers aangegaan, hetsy in die vorm van koste direk deur hulle gedra of in die vorm van toelaes in kontant of in natura aan werknemers of direkteure betaal, moet steeds toegelaat word as 'n aftrekking ingevolge artikel 11 (a) van die Wet.

9.5 Daar kan miskien geargumenteer word dat die oplossing deur die Kommissie aanbeveel, uitermate streng is op die werknemer wie se taak dit is om te onthaal ten einde sy werkgewer se besigheid te behou en uit te brei en aan wie daar tog dusver 'n kontant toelae vir daardie doel betaal is. Die algemene antwoord op hierdie argument is dat die oplossing by die werkgewer lê wat vry is om sy werknemer te vergoed vir uitgawes aangegaan met die onthaal van kliente of voornemende kliente as bewyse daarvoor voorgeleë word. Daar word egter besef dat dit nie altyd vir die werknemer moontlik is om boek te hou van, of bewysstukke te verkry vir, elke bedrag wat vir die onthaal van sy werkgewer se kliente bestee is nie. Verder het die Kommissie nie die feit oor die hoof gesien nie dat die wetgewer ingevolge artikel 11 (u) van die Inkomstebelastingwet 'n toeweging gemaak het aan 'n sekere groep belastingbetalers wie se onthaalkoste nie by die voortbrenging van inkomste aangegaan is nie en daarom nie as 'n aftrekking volgens die algemene oommerk van die Wet toelaatbaar is nie.

that the purpose of business entertaining is to earn income there can be as little justification for disallowing the expense as there can be for disallowing salaries, rents or anything else supposed to generate profits. True, some entertaining may be needlessly lavish and much of it no doubt produces no income. But money is also wasted on, for instance, needlessly lavish offices or incompetent staff, yet there is no thought of disallowing this expenditure. It must be left to the managements of businesses to control waste. After all, wasted expenditure, even though tax deductible, erodes profits.

9.3 The Commission is disturbed, however, at the growing practice of paying generous entertainment allowances to employees and directors, which it fears is, in probably the majority of cases, nothing more than a means of putting untaxed remuneration in employees' pockets. Rarely are the employees required to account for their allowances, nor do they keep any record of how the money has been spent. The Department, unfortunately, has insufficient resources to enter into protracted correspondence and arguments, and possibly litigation, over these allowances. The result is that expenditure that is quite unvouched for is being claimed and, frequently, allowed. This abuse, the Commission considers, must not be allowed to continue.

9.4 With a view then to combating this more blatant type of abuse while at the same time recognising that a great deal of entertaining expenditure is genuinely incurred for business purposes, the Commission recommends that—

(i) all entertaining allowances, whether in cash or in kind (e.g. bar stocks) received by employees or by directors of companies be taxed in the hands of the recipients without the deduction of any expenses that may have been incurred by those persons. There must be no exception to this rule;

(ii) genuine entertaining expenses incurred by employers, whether in the form of costs directly borne by them or in the form of allowances in cash or in kind paid to employees or directors, continue to be allowed as a deduction within the terms of section 11 (a) of the Act.

9.5 It can perhaps be argued that the solution recommended by the Commission is unduly hard on the employee whose job it is to entertain in order to retain and expand the business of his employer and who has hitherto been paid a cash allowance for that purpose. The general answer to that argument is that the remedy lies with the employer who is free to reimburse his employee on the production of evidence of expenditure incurred in entertaining clients or prospective clients. It is realised, however, that it is not always possible for an employee to keep a record of, or to obtain a voucher for, every amount spent on entertaining his employer's customers. Moreover the Commission has not overlooked the fact that the legislature has, in terms of section 11 (u) of the Income Tax Act, granted a concession to a certain class of taxpayers whose entertaining expenses are not incurred in the production of income and are therefore not admissible as a deduction under the general scheme of the Act.



Ander werkgevers doen nie moeite om 'n formele skema daar te stel nie, maar betaal bloot die koste van die universitêre of ander opleiding van die kinders van sekere werknemers. In miskien die mees blante geval wat teengekom is, het die werkgever aansienlike "beurse" betaal aan jong kinders wat 'n Staatslaerskool bygewoon het.

10.3 In sommige gevalle word geredeneer dat die belastingbetaler nie sonder die ruim hulp van sy werkgever sy kind na 'n duur privaatskool sou gestuur het nie, maar na die Staatskool net om die hoek. Sy besparing is dus nul en gevolglik is daar geen voordeel om te belas nie. In ander gevalle is beweer dat dit die werkgever se begeerte was om die beurshouer te help en dat dit bloot toevallig was dat die beurshouer 'n kind van 'n werknemer was.

Die Kommissie het hierdie en ander argumente oorweeg en tot die slotsom gekom dat alhoewel hulle in sommige gevalle geldig is, hulle in baie gevalle nie geldig nie. Gevolglik word as 'n algemene reël aanbeveel dat die voorstelle in paragraaf 2.5 vervat, saamgelees met paragraaf 2.6, toegepas word op beurse, hetsy in kontant betaal of in die vorm van betalings aan opvoedkundige inrigtings.

10.4 Met inagneming van die feit dat, soos in paragraaf 10.1 genoem, sekere skemas sonder twyfel ontwerp is om verdienstelike studente te help, selfs wanneer dit mag gebeur dat hulle afhanklikes is van die werknemers van die skenker, is die Kommissie egter van mening dat dit billik sal wees om 'n uitsondering te maak in gevalle waar die skema voldoen aan sekere voorwaardes wat in die Inkomstebelastingwet gestel moet word, en beveel gevolglik so aan.

Die voorwaardes wat die Kommissie in gedagte het, is kortliks soos volg:

(a) Die skema moet beheer word deur behoorlik gedefinieerde reëls wat nie onderworpe is aan verandering weens 'n gier van die skenker nie.

(b) Die voorgenome toekenning van beurse moet in die openbaar geadverteer word.

(c) Die beurse moet oop wees vir mededinging deur die algemene publiek en nie beperk word tot die afhanklikes van werknemers van die skenker nie.

(d) Die aansoeke om beurse moet deur 'n onafhanklike, onpartydige liggaam oorweeg word.

10.5 Die Kommissie het ook ernstige oorweging geskenk aan 'n versoek dat 'n spesiale vrystelling ingevoer moet word om die tipe geval te dek wat in die derde subparagraaf van paragraaf 10.1 bedoel word, dit is, waar die werkgever wie se besigheid in 'n afgeleë gebied geleë is, vir die sekondêre onderrig van kinders betaal wat ver verwyderde skole moet bywoon.

Dit is onmoontlik om nie 'n mate van simpatie te hê nie met die spesifieke ouers wat weens 'n gebrek aan fasiliteite in die gebied waar hulle werksaam is, verplig word om hulle kinders na ander plekke te stuur vir hulle onderrig. Daar moet egter onthou word dat dieselfde probleem duisende ander ouers dwarsoor die land wat te ver van skole woon om hulle kinders elke dag heen en weer te vervoer, in die gesig staar. Die enigste beskikbare oplossing vir hierdie ouers is om hulle kinders in skoolkoshuise te plaas en die koste daaraan verbonde word betaal uit inkomste wat reeds belas is. Dit volg dus dat indien 'n goedgehartige werkgever werknemers betaal vir die skoolopleiding van hul kinders wat in ander sentra op skool is en die waarde van daardie voordeel wat hulle geniet, nie belas

Other employers do not bother to set up any formal scheme but merely meet the cost of the university or other education of the children of certain employees. In perhaps the most blatant case that has been observed, the employer paid substantial "bursaries" to young children who were being educated at a State primary school.

10.3 In some cases it has been argued that without the generous aid of his employer the taxpayer would not have sent his child to an expensive private school but would instead have sent him to the State school around the corner. His saving is therefore nil and, that being the case, there is no benefit to tax. In other cases it has been suggested that it was the employer's desire to assist the bursary holder and that it was purely coincidental that the bursary holder was the child of an employee.

The Commission has considered these and other arguments and has come to the conclusion that, while they may well be valid in some cases, in many cases they are not. *It recommends therefore that, as a general rule, the proposals embodied in paragraph 2.5, as read with paragraph 2.6, should apply to bursaries, whether paid in cash or in the form of payments to educational institutions.*

10.4 Having regard, however, to the fact that, as stated in paragraph 10.1, certain schemes are without doubt genuinely designed to assist deserving students even when they may happen to be dependants of employees of the grantor, the Commission considers that it would be equitable to make an exception in cases where the scheme complies with certain conditions which would have to be laid down in the Income Tax Act, and it recommends that this be done.

The conditions the Commission has in mind are broadly as follows:

(a) The scheme must be governed by properly defined rules that will not be subject to change at the whim of the grantor.

(b) The intended award of bursaries must be publicly advertised.

(c) The bursaries must be open for competition by the general public and not be restricted to the dependants of employees of the grantor.

(d) The applications for bursaries must be considered by an independent, impartial body.

10.5 The Commission has also given serious consideration to a plea that a special exemption should be introduced to cover the type of case referred to in the third subparagraph of paragraph 10.1, that is where an employer whose business is situated in a remote area pays for the secondary education of children who have to attend schools in distant centres.

It is impossible not to have a measure of sympathy for these particular parents who, because of a lack of facilities in the area where they are employed, are obliged to send their children to other places in order to have them educated. It must be remembered however that the same problem faces thousands of other parents throughout the land who live far enough away from schools to make it impossible for them to transport their children to and fro every day. The only solution available to these parents is to place their children in school hostels, the cost of keeping the children there being met out of income which has already borne tax. It follows that if those employees whose children's schooling at another centre is paid for by a generous employer are not to be taxed on the



gaan word nie, sal al daardie ouers wat geen ander keuse het as om hulle kinders op eie koste in kosskole te plaas, 'n onbetwisbare saak vir belastingverligting hê.

Omdat opleidingskoste van 'n kind ongetwyfeld 'n uitgawe van private aard is, kan die Kommissie nie aanbeveel dat enige verligting aan 'n belastingbetaler in laasgenoemde geval verleen word nie. Om dieselfde rede kan daar nie aanbeveel word dat, waar die kind se skoolopleidingskoste deur die werkgewer gedra word, die gevolglike voordeel van belasting vrygestel moet word nie.

#### 11. SLOTSOM

Dit is duidelik dat daar nie 'n enkele, ideale oplossing kan wees nie vir so 'n ingewikkelde probleem soos hierdie, nl. om te poog om vir inkomstebelastingdoeleindes 'n waarde te heg aan byvoordele. Miskien is die beste waarop gehoop kan word, om ten minste 'n redelike deel van daardie bedrae wat tans belasting vryspring, binne die belastingnetwerk te bring.

Daar is op die aanbevelings in die voorgaande paragrafe besluit eers nadat die beskikbare alternatiewe oplossings ten volle oorweeg is, en die Kommissie is van mening dat dié aanbevelings 'n oplossing bied wat so regverdig en prakties is as waarvoor gehoop kan word. Hy is nogtans die mening toegedaan dat hierdie voorstelle moontlik verder verfyn kan word as die sienswyses van ander belanghebbende partye verkry kan word, en vir daardie doel word aanbeveel dat hierdie dokument vir algemene inligting gepubliseer word.

(Dr.) J. H. DE LOOR, Voorsitter.

value of the benefit they enjoy, all those parents who have no option but to keep their children at boarding school at their own expense will have an unassailable case for tax relief.

Since the cost of educating one's children is without doubt an expense of a private nature the Commission cannot recommend that any relief be granted to this latter class of taxpayer. By the same token it cannot recommend that where the cost of the child's schooling is met by the employer the resultant benefit should be exempted from tax.

#### 11. CONCLUSION

It is manifest that there can be no single, ideal solution to a problem as complex as that of attempting to place a value on fringe benefits for income tax purposes. Perhaps the best that can be hoped for is to bring at least a reasonable portion of those amounts that are at present escaping tax within the tax net.

The recommendations made in the foregoing paragraphs were decided upon only after a full consideration of the alternative solutions available and the Commission is of the opinion that they represent as fair and practical a solution as can be hoped for. It is nevertheless considered that the proposals could perhaps be refined if the views of other interested parties were obtained and for that purpose it is recommended that this document be published for general information.

(Dr.) J. H. DE LOOR, Chairman.

## INHOUD

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In die omstandighede is die Kommissie van mening dat 'n mate van verligting toegestaan moet word aan daardie werknemers aan wie 'n onthaaltoelae betaal word en wie se pligte noodsaaklikewys onthaal meebring, en bevel aan dat artikel 11 (u) van die Wet, indien nodig, so gewysig word om dit moontlik te maak.

9.6 Met die oorweging van die kwessie van onthaalkoste het die Kommissie opgemerk dat die aftrekking toelaatbaar ingevolge artikel 11 (u) van die Inkomstebelastingwet onveranderd op R300 (£150) gebly het sedert dit in 1954 ingestel is.

Die Kommissie bevel aan dat dié aftrekking vermeerder word tot R600.

9.7 Die Kommissie besef dat indien die toegewing in paragraaf 9.5 hierbo aanbeveel, aanvaar en toegepas word, dit die onderwerp kan word van ernstige misbruik, want werkgewers kan in die versoeking wees om tot R600 van 'n werknemer se besoldiging as onthaaltoelae te klassifiseer in die hoop dat dit belasting sal vryspring ingevolge artikel 11 (u) van die Inkomstebelastingwet.

Dit is duidelik dat die posisie deur die Departement dopgehou sal moet word en indien die Sekretaris van Binnelandse Inkomste vind dat misbruik inderdaad plaasvind, sal die Kommissie nie huier om aan te bevel dat die toegewing herroep word nie.

## 10. BEURSE

10.1 Sekere belastingbetalers bedryf al baie jare lank beurskemas wat sonder twyfel beplan is om verdienstelike studente te help wat andersins nie in staat sou wees om met hulle studies voort te gaan nie. Die beurse word alleenlik volgens meriete toegeken en die houer staan onder geen verpligting teenoor die gever nie. Wat die belastingbetaler betref, is die betaling in die vorm van 'n skenking en is dit nie aftrekbaar by die vasstelling van die belasbare inkomste nie. Die beurshouer is vrygestel van belasting op die beurs ingevolge artikel 10 (1) (qA) van die Inkomstebelastingwet.

Andere belastingbetalers bedryf skemas waarvolgens die beurshouer verplig is om 'n studierigting te volg wat by die werksaamhede van hul besigheid inskakel. Terselfdertyd verbind die beurshouer hom om vir 'n minimum aantal jare na die voltooiing van sy studies vir die betrokke belastingbetaler te werk. Tensy die beurs uitermate royaal is, word die belastingbetaler toegelaat om dit af te trek by die vasstelling van sy belasbare inkomste, en die beurshouer is vrygestel van belasting daarop ingevolge artikel 10 (1) (qA).

In nog ander gevalle is die besigheid van die belastingbetaler geleë in 'n afgesonderde gebied en werknemers moet hulle kinders na ver verwyderde stede stuur ten einde hoërskole by te woon. Sommige van hierdie werkgewers betaal al baie jare lank die koste van die sekondêre opvoeding.

10.2 Die afgelope aantal jare het sommige werkgewers gepoog om skemas in te stel wat, hoewel dit die voorkoms van egte beurskemas het, in werklikheid 'n wyse is om bykomstige vergoeding aan die werknemer te betaal. Ingevolge sommige van hierdie skemas, wat alleenlik tot die beskikking is van afhanklikes van permanente werknemers, afgetrede personeel of personelede wat in diens gesterf het, word 'n sekere mate van keuring van beursshouers toegepas, maar die voorwaardes van sodanige keuring is so wyd dat dit in die praktyk moontlik is om aan byna enige afhanklike 'n beurs toe te ken.

In the circumstances the Commission is of the opinion that a measure of relief should be granted to those employees who are paid an entertainment allowance and whose duties necessarily involve entertaining and it recommends that if necessary section 11 (u) of the Act should be amended in such a way as to make this possible.

9.6 In considering the matter of entertaining expenses the Commission has noted that the deduction allowable in terms of section 11 (u) of the Income Tax Act has remained unaltered at R300 (£150) since it was introduced in 1954.

The Commission recommends that this deduction be increased to R600.

9.7 The Commission realises that if the concession recommended in paragraph 9.5 above is accepted and implemented it would become the subject of severe abuse for employers may be tempted to classify up to R600 of an employee's remuneration as an entertainment allowance in the hope that it will escape tax in terms of section 11 (u) of the Income Tax Act.

Clearly the position will have to be watched by the Department, and if the Secretary for Inland Revenue finds that abuse is in fact taking place the Commission will not hesitate to recommend the withdrawal of the concession.

## 10. BURSARIES

10.1 Certain taxpayers have for many years operated bursary schemes that without doubt are designed solely to help deserving students who would otherwise not have been able to continue with their studies. The bursaries are awarded solely on merit and the holder is not placed under any obligation to the grantor. As far as the taxpayer is concerned the payment is in the nature of a donation and it is not deductible in the determination of taxable income. The bursary holder is exempt from tax on the bursary in terms of section 10 (1) (qA) of the Income Tax Act.

Other taxpayers operate schemes under which the bursary holder is obliged to pursue a field of study which fits in with their business operations. At the same time the bursary holder binds himself to work for the taxpayer concerned for a minimum number of years after completing his studies. Unless the bursary is unduly generous, the taxpayer is allowed to deduct it in determining his taxable income and the bursary holder is exempt from tax thereon in terms of section 10 (1) (qA).

In yet other cases the business of the taxpayer is situated in a remote area and employees have to send their children to distant cities in order to attend high schools. Some of these employers have for many years met the cost of this secondary education.

10.2 In recent years some employers have endeavoured to introduce schemes which, while having the appearance of genuine bursary schemes, are in reality a means of paying additional remuneration to the employee. In terms of some such schemes, which are open only to dependants of permanent employees, retired staff or staff members who have died in service, some measure of selection of bursary holders is applied, but the terms of such selection are so wide that in practice it is possible to award a bursary to almost any dependant.



dok, waarvan die volgende maar 'n paar voorbeelde is:

- (i) "Daknatmaak"-partytjie vir 'n belangrike klient se huis.
- (ii) Bevoorradings van 'n direkteur se wynkelder of kroeg om hom in staat te stel om kliente te onthaal.
- (iii) Weelderige eetkamers op sakepersele waar kliente onthaal word.
- (iv) Onthale by geleentheid van die opening van nuwe projekte.
- (v) Die neem van kliënte na vakansie-oorde, oënskynlik met die doel om besigheidstransaksies te beklink.
- (vi) Rolprentvertonings by direkteure se huise.

Volgens 'n streng vertolking van die Wet is dit waarskynlik dat uitgawes van hierdie aard nie toegelaat moet word nie, omdat dit geensins seker is dat dit in werklikheid aangegaan is by die voortbrenging van inkomste nie [wat 'n vereiste van artikel 11 (a) is] of dat dit geheel en al of uitsluitlik vir bedryfsdoel-eindes bestee is nie [wat 'n vereiste van artikel 23 (g) is]. In werklikheid het beide die Departement en die houe natuurlik 'n meer liberale houding ingeneem en is hulle bereid om te aanvaar dat baie van die meer algemene tipes onthaal 'n toelaatbare uitgawe vir inkomstebelastingdoel-eindes is. In watter mate die toenemende vrygewigheid met betrekking tot die kontant-toelaes wat betaal word, of die groter omvang van die uitgawes waarvoor werkgewers bereid is om op te dok, deur hierdie houding aangemoedig is, is 'n betwisbare punt.

In Brittanje is die veelbesproke vraagstuk van onthaaluitgawes opgelos deur 'n eenvoudige, hoewel miskien drastiese uitweg, naamlik om alle sodanige uitgawes deur 'n werkgewer aangegaan, nie toe te laat nie, hetsy dit direk deur hom gedra word of die vorm aanneem van kontanttoelaes aan sy werknemers. Die kontanttoelaes verteenwoordig bruto inkomste in die hande van die werknemer waarteen hy geregtig is om uitgawes te eis wat hy kan bewys dat dit "heeltemal of uitsluitlik en noodsaaklikerwys aangegaan is in die uitvoering van sy pligte". Daar is slegs een uitsondering op hierdie algemene reël van ontoelaatbaarheid van onthaalkoste, en dit is waar sodanige koste deur 'n Britse handelaar aangegaan is om Britse uitvoere te bevorder. Die Kommissie het met belangstelling kennis geneem dat alhoewel hierdie reëls so lank gelede as 1965 ingestel is, die Britse owerhede nog nie verplig was om hulle enigins te wysig nie.

Voorstelle dat belastingaftrekkings ten opsigte van besigheidsonthale aansienlik verminder moet word, is onlangs deur die Kongres van die Verenigde State oorweg, maar in direkte teenstelling met wat in Brittanje plaasgevind het, is hierdie voorstelle uiteindelik in 'n baie afgewaterde vorm aanvaar. Al wat in die praktyk nie toegelaat gaan word nie, is uitgawes aan fasiliteite wat vir besigheidsonthaal onderhou word, soos seiljagte, jagtershutte en visvangkampe, en vir klubledgelede.

9.2 Alhoewel daar vanuit die administratiewe oogpunt veel gesê kan word oor die nie-toelating van alle onthaalkoste, twyfel die Kommissie of sulke drastiese optrede werklik geregtigdig kan word. Die sleutelvraag is of besigheidsonthale bydra tot die voortbrenging van winste. 'n Mens kan nie by die feit verbykom nie dat onthaal, hetsy dit nodig is of nie, deel geword het van die manier waarop sake gedoen word—daar word gesê "Onthaal is vir die besigheid wat kunsmis vir boerdery is". Wanneer daar eers aanvaar

bill for various types of expenditure, of which the following are but a few examples:

- (i) "Roof wetting" party for an important customer's house.
- (ii) Stocking a director's wine cellar and bar to enable him to entertain customers.
- (iii) Luxury dining rooms on business premises where customers are entertained.
- (iv) Banquets on the occasion of the opening of new projects.
- (v) Taking clients to holiday resorts, purportedly to discuss business deals.
- (vi) Film shows at directors' homes.

On a strict interpretation of the Act it is probable that expenditure of this nature should not be admitted for it is by no means certain that it really is incurred in the production of income [which is a requirement of section 11 (a)] or that it is wholly or exclusively laid out for the purposes of trade [which is a requirement of section 23 (g)]. In point of fact, of course, both the Department and the courts have adopted a more liberal approach and are prepared to accept that much of the more normal type of entertaining that is done is an admissible expense for income tax purposes. To what extent this attitude has encouraged the increasing liberality of the cash allowances being paid, or the widening scope of the expenditure for which employers are prepared to foot the bill, is a debatable point.

In Britain, the vexed question of entertaining expenses has been resolved by the simple, if drastic, expedient of disallowing all such expenses incurred by an employer, whether they are borne by him directly or take the form of cash allowances to his employees. In the hands of the employee, the cash allowance constitutes gross income against which he is entitled to claim expenses which he is able to show were "wholly or exclusively and necessarily incurred in the performance of his duties". There is only one exception to this general rule of the inadmissibility of entertaining expenses and that is where such expenses are incurred by a British trader in promoting British exports. The Commission has noted with interest that although these rules were introduced as long ago as 1965 the British authorities have not been obliged to modify them in any way.

Proposals that tax deductions in respect of business entertaining be substantially reduced have recently been considered by the United States Congress but, in direct contrast with what took place in Britain, these proposals were eventually passed in a much attenuated form. All that is in practice to be disallowed is expenditure on facilities maintained for business entertaining such as yachts, hunting lodges and fishing camps and club subscriptions.

9.2 Although there may be much to be said from the administrative point of view for disallowing all entertainment expenditure the Commission doubts whether such drastic action can really be justified. The key question is whether or not business entertaining helps to produce profits. One cannot get away from the fact that whether it is necessary or not, entertaining has become part of the way of doing business—it has been said that "entertaining is to the selling business what fertilizer is to the farming business". Once it is accepted



Die Kommissie het kennis geneem dat die werkgever in sommige gevalle die werknemer belas vir die private gebruik van die voertuig. Hierdie las kan die vorm aanneem van 'n vaste som (sê R30 per maand) of 'n bedrag van sê 5c per kilometer. Wat ook al die basis van die las is, aanvaar die Kommissie dat die belasbare bedrag vir die gratis gebruik van die voertuig, soos vasgestel in ooreenstemming met die tabel, verminder moet word met die bedrag wat die werknemer aan sy werkgever betaal het.

8.4 Die Kommissie is daarvan oortuig dat hierdie betreklik eenvoudige reëls 'n billike resultaat in die meerderheid van gevalle sal verskaf. Daar word egter erken dat daar uitsonderlike gevalle is, in die besonder waar die werknemer se gebruiksreg op sy werkgever se voertuig so beperk is dat dit onregverdig sal wees om 'n waarde daarop te plaas vir inkomstebelastingdoeleindes. Gevolglik beveel die Kommissie verder aan dat vrystelling verleen word waar die volgende omstandighede teenwoordig is:

- (i) Die voertuig is beskikbaar vir, en word in werklikheid gebruik deur, meer as een werknemer.
- (ii) Die private gebruik van die voertuig is bloot bykomstig by die besigheidsgebruik daarvan.
- (iii) Die voertuig word normaalweg nie by of naby enige van die werknemers se wonings gehou nie.

8.5 Wat in die voorgaande paragrawe behandel is, is die waarde wat geplaas moet word op of die gratis gebruik of die gebruik teen 'n nominale heffing deur werknemers van motorvoertuie wat aan die werkgevers behoort. Daar is egter ander bykomstige sake wat die Kommissie in die loop van hierdie berekening oorweeg het en dit word hieronder behandel:

8.5.1 By sommige ondernemings is die aantal reise wat 'n werknemer verplig is om te onderneem ten einde sy pligte uit te voer, onvoldoende om die verskaffing van 'n voertuig aan hom te regverdig. In ander gevalle mag die werkgever dit om die een of ander rede nie wenslik ag, of nie in staat wees, om 'n voertuig aan 'n werknemer te verskaf nie selfs al sou 'n sekere vorm van vervoer deur die werknemer benodig word vir die uitvoering van sy pligte. Wat ook al die omstandighede, die werknemer word sonder uitsondering vergoed op een van die volgende wyses:

- (i) Die werkgever betaal hom 'n bedrag per kilometer vir reise wat ter wille van hom onderneem word; of
- (ii) die werknemer word 'n kontanttoelae betaal, gewoonlik op 'n maandelikse basis.

8.5.2 Oor die algemeen het die Kommissie min probleme in verband met vergoeding op die eerste van hierdie twee basisse, mits daar aangetoon kan word dat die reise in werklikheid onderneem is en dat hulle onderneem is vir besigheidsdoeleindes, maar is van mening dat die tabel in paragraaf 8.3 geraadpleeg moet word om te kan vasstel of die werknemer 'n belasbare voordeel geniet het al dan nie. Waar 'n werknemer byvoorbeeld 'n 1 600 cc-motorvoertuig gebruik wat minder as R7 000 kos, en betaal word teen 'n koers van 12c per kilometer vir 'n afstand van 400 kilometer wat hy vir sy werkgever se besigheid afgeleë het, sal hy 'n belasbare voordeel van 3,1c per kilometer geniet (12c minus 8,9c soos in die tabel). dit wil sê R12,40.

8.5.3 Moeiliker gevalle is dié waar die werknemer, in plaas daarvan dat die gebruik van 'n voertuig verskaf word, gewoonlik 'n ruim kontanttoelae betaal word en daar dan van hom verwag word om sy eie voertuig te gebruik en sy eie onkoste in verband met

The Commission has noted that in some cases the employer raises a charge on the employee for the private use of the vehicle. This charge may take the form of a fixed sum (say R30 per month) or an amount of so much (say 5c) per kilometre. Whatever the basis of the charge the Commission accepts that the taxable value of the free use of the vehicle, as determined in accordance with the table, should be reduced by the amount paid by the employee to his employer.

8.4 The Commission is satisfied that these relatively simple rules will provide an equitable result in the majority of cases. It recognises however that there are exceptional cases, particularly where the employee's right of use of his employer's vehicle is so restricted that it would be unfair to place a value on it for income tax purposes. It recommends further, therefore, that an exemption be provided where the following circumstances are present:

- (i) The vehicle is available to, and is in fact used by, more than one employee;
- (ii) the private use of the vehicle is merely incidental to its business use; and
- (iii) the vehicle is not normally garaged at or near the residence of any of the employees.

8.5 In the foregoing paragraphs what has been dealt with is the value to be placed on the use by employees of employer-owned motor vehicles either free of charge or at a nominal charge. There are, however, other incidental matters which the Commission has considered in the course of this exercise, and these are dealt with below:

8.5.1 In some undertakings the amount of travelling an employee is obliged to do in carrying out his duties is insufficient to justify providing him with a vehicle. In other cases the employer may for some reason or another not wish, or not be able, to provide an employee with a vehicle even though some form of transport is needed by the employee in order to carry out his duties. Whatever the circumstances, the employee is invariably reimbursed in one or other of the following ways:

- (i) The employer pays him an amount per kilometre for journeys undertaken on his behalf; or
- (ii) the employee is paid a cash allowance, usually on a monthly basis.

8.5.2 In general, the Commission has little difficulty in regard to reimbursements made on the first of these two bases provided it can be shown that the journeys were in fact made and that they were undertaken for business purposes, but considers that in determining whether or not the employee has enjoyed a taxable benefit reference must be made to the table given in paragraph 8.3. For example where an employee who operates a 1600cc motor vehicle which cost less than R7 000 is paid for 400 kilometres covered on his employer's business at the rate of 12c per kilometre he will be enjoying a taxable benefit of 3,1c per kilometre (12c minus 8,9c as shown in the table), i.e. R12,40.

8.5.3 More difficult are the cases where the employee, instead of being provided with the use of a vehicle, is paid a cash allowance, usually generous, and is then required to use his own vehicle, and pay his own expenses, in connection with the employer's business.



dit sal meebbring, nie geregverdig kan word nie en dit sal in elk geval vir die Departement heeltemal onmoontlik wees om die syfers te kontroleer. Volgens sy siening is die enigste praktiese oplossing om die voordeel wat verkry word deur die gratis gebruik van 'n motorvoertuig, op die basis van 'n billike skatting van die jaarlikse motorkoste van die gemiddelde privaatmotoris te waardeer en te belas.

Dit was vir hierdie doel nodig om sekere veronderstellinge te maak, maar hoewel daar besef word dat hulle nie in elke geval waar sal wees nie, veral sover dit die omvang van privaat- en besigheidsreise onderskeidelik aangaan, is die Kommissie oortuig dat, in die oorgrote meerderheid van gevalle, 'n resultaat wat billik teenoor die belastingbetaler en die fiskus is, verkry sal word.

Miskien was die moeilikste punt waarom 'n besluit geneem moes word, die afstand wat die gemiddelde motoris jaarliks aflê vir privaatdoeleindes. Klaarblyklik moet dit 'n arbitrêre syfer wees, maar gelukkig is daar 'n paar aanduidings oor wat daardie afstand kan wees. Die eerste en belangrikste is die Automobile-Assosiasie se skatting van passasiersvoertuie se onderhoudskoste—sien paragraaf 8.3. Daardie skattings is gebaseer op 'n jaarlikse afstand van 16 000 kilometer afgelê en daar word aangeneem dat die voertuie 'n gebruiksdur van ses jaar het. Die Kommissie se eie waarnemings bevestig dat baie persone ten minste 16 000 kilometer per jaar aflê vir privaatdoeleindes en party selfs baie meer. Daar is egter min twyfel dat die afstand afgelê vir privaatdoeleindes van ander motoriste minder as 16 000 kilometer per jaar is, wat beteken dat die aanname van daardie syfer as maatstaf kan veroorsaak dat sommige belastingbetalers onregverdig behandel word, wat geregverdigde rede tot klage sal gee. Met inagneming van al die omstandighede is die Kommissie van mening dat die billikste optrede in die tussentyd sal wees om aan te neem dat 'n jaarlikse afstand van 10 000 kilometer afgelê word, welke syfer mettertyd hersien kan word, indien nodig, in die lig van omstandighede wat dan bestaan.

*Die Kommissie beveel gevolglik aan dat die kontant-ekwivalent van die privaatgebruik van 'n voertuig deur 'n werkgewer verskaf aan 'n werknemer of sy familielid sonder oordrag van eienskapskap, deur die Minister van Finansies voorgeskryf word by wyse van 'n kennisgewing in die Staatskoerant. Hierdie kontantekwivalent kan van tyd tot tyd verander word na gelang van omstandighede, maar om nie LBS-aftrekkings te kompliseer nie, moet enige vasstelling vir ten minste 'n hele belastingjaar onveranderd bly en enige verandering moet bekendgemaak word nie later nie as die Desembermaand wat die belastingjaar ten opsigte waarvan die verandering 'n aanvang sal neem, voorafgaan.*

### 8.3 Vasstelling van motorkoste

Wat betref die basis waarop hierdie skatting van die gratis gebruik van 'n motorvoertuig gemaak moet word, het die Kommissie vasgestel dat die Automobile-Assosiasie periodieke ramings maak van die onderhoudskoste vir verskillende kategorieë voertuie van gewilde fabrikate. Met die maak van hierdie ramings neem die Assosiasie aan dat die voertuig privaat besit en alleenlik vir privaatdoeleindes gebruik sal word en dat 'n afstand van 100 000 kilometer afgelê sal word in 'n tydperk van ses jaar. Met die vasstelling van die jaarlikse toelating vir waardevermindering word die waarskynlike herverkoopwaarde

mission considers that the enormous amount of unproductive work that this would entail could not be justified and in any event it would be quite impossible for the Department to monitor the figures. In its view the only practical solution is for the benefit derived from the free use of a motor vehicle to be assessed and taxed on the basis of a fair estimate of the yearly motoring expenses of the average private motorist.

For this purpose, certain assumptions have, of necessity, had to be made but, while it is realised that they will not be true in every case, especially so far as concerns the amount of private as against business travelling, the Commission is convinced that in the vast majority of cases a result that is fair to both the taxpayer and the fiscus will be obtained.

Perhaps the most difficult point on which a decision has had to be taken is the distance the average motorist covers annually for private purposes. Manifestly this must be an arbitrary figure, but fortunately there are some pointers to what that distance may be. First and foremost are the Automobile Association's estimates of the operating costs of passenger vehicles—see paragraph 8.3. Those estimates are based on an annual distance travelled of 16 000 kilometres, the vehicles having an assumed useful life of six years. The Commission's own observations tended to confirm that many persons cover at least 16 000 kilometres per annum for private purposes, and some very much more. There is little doubt, however, that some other motorists travel less than 16 000 kilometres per annum for private purposes, which means that the adoption of that figure as a yardstick could result in some taxpayers being unfairly treated and given legitimate cause for complaint. Taking all the circumstances into account the Commission feels that for the time being the fairest course would be to assume an annual private distance travelled of 10 000 kilometres, which figure can, if necessary, be reviewed in due course in the light of circumstances then prevailing.

*The Commission accordingly recommends that the cash equivalent of the private use by an employee or a relative of his of a vehicle provided by the employer without transfer of ownership to him be prescribed by the Minister of Finance by way of a notice in the Government Gazette. These cash equivalents may be altered from time to time as circumstances warrant but, in order not to complicate PAYE deductions, any determination must stand at least for the whole of one tax year and any alteration must be notified not later than during the month of December preceding the tax year in respect of which the change is to take effect.*

### 8.3 Determination of motoring costs.

Turning now to the basis on which this estimate of the free use of a motor vehicle is to be made, the Commission has ascertained that the Automobile Association makes periodic assessments of the costs of operating various categories of the popular makes of vehicles. In making these assessments the Association assumes that the vehicle will be privately owned, that it will be used for private purposes only and that during a period of six years a distance of 100 000 kilometres will be covered. In determining the annual allowance for depreciation the probable re-sale value



7.3 Die toepassing van artikel 8A het die opskemas feitlik laat verdwyn en sedertdien het 'n nuwe soort aandeel-aanspingskema vir werknemers van maatskappy ontwikkel. Hierdie skemas bereik presies die selfde doel as die ou aandeel-opskemas—die werknemer is in staat om sonder enige risiko hoënaamd daarvan te verkry, maar die skemas word so ontwerp dat hulle buite die bestek van artikel 8A val. Hulle neem 'n verskeidenheid van vorms aan, maar die wesenlike bestanddele is soos volg:

- (i) 'n Trust word gevorm.
- (ii) Dit koop of skryf in op aandele in die maatskappy of ander maatskappye in die groep.
- (iii) Die fondse vir die verkryging van die aandele word verkry deur lenings deur die maatskappy of groep.
- (iv) Die trust bied die aandele aan uitgesoekte werknemers in die maatskappy of groep aan—gewoonlik teen die gemiddelde markprys op die Johannesburgse effektebeurs op die verkoopdag.
- (v) 'n Kontantbetaling van 'n nominale bedrag op die koopprys word vereis, die balans bly op die leningsrekening en is betaalbaar hetsy by beëindiging van diens, of by aftrede, of by vroeër afsterwe of teen die einde van 'n vooraf bepaalde tydperk.
- (vi) Die leningsrekening is somtyds rentevry en somtyds word rente gehef, maar selde teen 'n handelskoers, en daar word altyd voorsorg getref dat die rente wat vir 'n jaar gehef word, beperk word tot die dividende vir die jaar ontvang.
- (vii) Die aandele word dadelik die eiendom van die werknemer en word aan hom oorgedra maar word aan die trustees verpand as sekuriteit vir die leningskuld.
- (viii) Die aandele word *pari passu* gestel met die ander aandele in die maatskappy se kapitaal, maar die dividende (na belasting) word gewoonlik toegewys aan die betaling van die rente en teen die leningskuld.
- (ix) Daar is stopverliesbepalings wat die werknemer beskerm teen enige verlies wat veroorsaak word deur 'n daling in die waarde van die aandele op die tydstip wanneer die leningskuld vereffen moet word. Die aandele word deur die trustees teruggekoop teen die prys waarteen hulle verkry is, of as alternatief word betaling teen die aandele se heersende waarde as voldoende beskou vir die uitstaande balans van die koopsom.

7.4 Daar word aangevoer dat die waardeermerdering van die aandele verkry, die voordeel vir die werknemer is en dat dit van kapitaal aard is. Dit mag so wees, maar die feit bly staan dat hy nie die voordeel verkry het as gevolg van 'n behoorlike belegging van geld nie, maar uit hoofde van sy diens. Inderdaad werk nie sy posisie geensins van dié van daardie werknemer wat besoldig word by wyse van 'n regstreekse toekenning van aandele nie. Wat hierdie saak betref, is dit van belang wat die Hoofregter in die Mooi-saak te sê gehad het:

"In my opinion the right acquired by the appellant lacked any inherent attribute of income and, but for the provisions of paragraph (c) of the definition of 'gross income' would appropriately be regarded as a right of a capital nature. The object of paragraph (c) of the definition is of course to bring into the category of 'gross income' all 'amounts', whether of a capital nature or not, accrued in respect of services. . . . Bearing this in mind, it appears to me that what paragraph (c) of the definition of 'gross income' envisages as required to be incorporated into the taxpayer's gross income is the real or true benefit accruing to him in respect of services."

7.3 The introduction of section 8A virtually killed the option schemes and since then a new type of share incentive scheme for employees of companies has developed. These schemes achieve precisely the same end as did the old share option schemes—the employee is able, without any risk whatsoever, to acquire shares at undervalue. But the schemes are so framed that they fall outside the scope of section 8A. They take a variety of forms but the essential ingredients are:

- (i) A trust is formed.
- (ii) It buys or subscribes for shares in the company or other companies in the group.
- (iii) The acquisition of the shares is funded by loans by the company or group.
- (iv) The trust offers the shares to selected employees in the company or group, usually at the middle market price on the JSE on the day of sale.
- (v) A down payment of some nominal amount is required against of the purchase price and the balance remains on loan account, payable either on termination of employment or on retirement or earlier death, or at the end of some predetermined period.
- (vi) The loan account is sometimes interest-free and sometimes interest is charged but rarely at a commercial rate and there is always a safeguard limiting the interest charge for a year to the amount of the dividends received for the year.
- (vii) The shares become the property of the employee immediately and are transferred to him but are pledged to the trustees as security for the loan debt.
- (viii) The shares rank *pari passu* with the other shares in the company's capital but the dividends are usually appropriated (after tax) towards the payment of the interest and against the loan debt.
- (ix) There are "stop loss" provisions which protect the employee against any loss caused by a fall in the value of the shares at the time when settlement of the loan debt becomes due. Either the trustees buy back the shares at the price at which they were acquired or alternatively payment at the current value of the shares is accepted as satisfying the outstanding balance of purchase money.

7.4 It has been argued that the benefit to the employee is the appreciation in the value of the shares acquired which is in the nature of capital. This may well be so but the fact remains that he acquired the benefit not in consequence of a proper investment of money but by virtue of his employment. His position is in truth no different from that of the employee who is remunerated by way of an outright allotment of shares. On this matter what the Chief Justice had to say in the Mooi case is of interest:

"In my opinion the right acquired by the appellant lacked any inherent attribute of income and, but for the provisions of paragraph (c) of the definition of 'gross income' would appropriately be regarded as a right of a capital nature. The object of paragraph (c) of the definition is of course to bring into the category of 'gross income' all 'amounts', whether of a capital nature or not, accrued in respect of services. . . . Bearing this in mind, it appears to me that what paragraph (c) of the definition of 'gross income' envisages as required to be incorporated into the taxpayer's gross income is the real or true benefit accruing to him in respect of services."



en Kanada, word die waarde vasgestel teen die waarskynlike huur wat gehel sal word volgens 'n huurooreenkomst onder beding van uiterste voorwaardes en regstellings word gemaak deur faktore soos afgesonderdheid, onaangename omgewing, die mate van verpligting op die werknemer om die huis te bewoon en die mate waarin dit vir die besigheid of gerief van die werkgewer gebruik word, in aanmerking te neem. Die Kommissie meen dat 'n reëling van dié aard administratief omslagtig sal wees. Dit sal nie noukeurig wees nie en kan homself leen tot wyd uiteenlopende vertolkings. Gevolglik beveel die Kommissie aan dat die waarde van 'n belasbare behuigingsvoordeel aangeslaan word teen 15 persent van die bedrag (wat nie R60 000 oorskry nie) van die werknemer se besoldiging (insluitend die belasbare waarde van ander voordele verkry ten opsigte van diens) ontvang van die werkgewer wat die behuigingsvoordeel verskaf. Die bedrag aldus vasgestel, moet verminder word met die bedrag van enige huurgeld wat die werknemer vir die eiendom moet betaal.

5.6 Opdat daar nie groot verskille sal wees in die belasting betaalbaar op inkomstes van net oor en net onder R12 000 nie, beveel die Kommissie verder aan dat waar die besoldiging (sien paragraaf 5.5) tussen R12 000 en R16 000 is, die belasbare voordeel ooreenkomstig die volgende formule vasgestel word:

$$\frac{\text{Besoldiging}-R12\,000}{R16\,000-R12\,000} \times 15 \text{ persent van besoldiging.}$$

Op hierdie basis sal die belasbare voordele wees—

Salaries	Belasbare voordeel
R	R
13 000.....	488
14 000.....	1 050
15 000.....	1 680
16 000.....	2 400

5.7 'n Skema wat blykbaar in gewildheid toeneem, is een waarvolgens die werknemer sy eie huis koop en dit aan sy werkgewer verhuur, wat op sy beurt toelaat dat die eiendom gratis of teen 'n lae huur bewoon word. Die huurgeld wat die werkgewer betaal, is gewoonlik genoegsaam om 'n aansienlike deel van die werknemer se verbandverpligtinge te dek. Die reëling gee natuurlik aan die werknemer die voordeel van kapitaalappreasië en het baie duidelik ten doel om hom te beloon. In die omstandighede kan daar geen regverdiging vir vrystelling van belasting bestaan nie. As subsidies op huisverande en die voordele van gratis of goedkoop huislenings belas gaan word, soos deur die Kommissie aanbeveel, kan daar bowendien verwag word dat hierdie soort skema uitgebuit sal word. Die Kommissie beveel gevolglik aan dat nog die vrystelling aanbeveel in paragraaf 5.4, nog die toewysing aanbeveel in paragraaf 5.6 van toepassing moet wees in gevalle waar die betrokke woonhuis aan die werknemer of 'n familielid van hom behoort.

## 6. GRATIS HUISVESTING EN LOSIES

6.1 Hierdie tipe voordeel het nie veel probleme veroorsaak nie en die Departement se ondersoek het nie getoon dat dit enigszins misbruik word nie. Dit sal vir belastingdoeleindes gewaardeer word in ooreenstemming met die voorgestelde reël dat alle byvoordele gewaardeer word volgens die koste daarvan vir die verskaffer. Dit sal geen merkbare verandering meebring nie en die Kommissie is van mening dat, agiesen van voorsiening vir die twee vrystellings hieronder aanbeveel, geen wetsveranderings nodig is nie.

that would be charged under an arm's length letting agreement, adjustments being made to take into account such factors as isolation, unpleasant surroundings, the measure of compulsion on the employee to occupy the house and the extent to which it is used for the business or convenience of the employer. The Commission considers that a rule along these lines would be administratively cumbersome. It would lack precision and could lend itself to widely differing interpretations. Accordingly, the Commission recommends that the value of a taxable housing benefit be assessed at 15 per cent of the amount (not exceeding R60 000) of the employee's remuneration (including the taxable value of other benefits derived in respect of employment) received from the employer providing the housing benefit. The amount so determined should be reduced by the amount of any rental that the employee may be charged for the property.

5.6 In order that there will not be any large difference in the tax payable on incomes just over and just below R12 000 the Commission recommends further that where the remuneration (see paragraph 5.5) is between R12 000 and R16 000 the taxable benefit be determined in accordance with the formula—

$$\frac{\text{Remuneration}-R12\,000}{R16\,000-R12\,000} \times 15 \text{ per cent of remuneration.}$$

On this basis the taxable benefits would be—

Salary	Taxable benefit
R	R
13 000.....	488
14 000.....	1 050
15 000.....	1 680
16 000.....	2 400

5.7 A scheme that appears to be gaining in popularity is one under which the employee buys his own house and lets it to his employer who in turn permits the free or low rental occupation of the property. The rental paid by the employer is usually sufficient to cover a substantial part of the employee's bond commitments. This arrangement of course gives the employee the benefit of capital appreciation and its purpose is clearly to remunerate him. In the circumstances there can be no justification for any tax exemption. Moreover, if subsidies on home bonds and the benefits from free or cheap housing loans are to be taxed, as the Commission has recommended, it can be expected that this type of scheme will be exploited. Accordingly the Commission recommends that neither the exemption recommended in paragraph 5.4 nor the concession recommended in paragraph 5.6 is to apply in cases where the dwelling concerned is owned by the employee or by a relative of his.

## 6. FREE QUARTERS AND BOARD

6.1 This type of benefit has not presented much difficulty and the Department's survey did not show that it was being misused in any way. It will be valued for tax purposes in accordance with the suggested rule that all fringe benefits be valued at their cost to the provider. This will not bring about any appreciable change and the Commission considers that, apart from providing the two exemptions recommended below, no legislative changes are necessary.



Kommissie is van mening dat die enigste oplossing, hoe ongewild dit ook al mag wees, lê in die intrekking van die vrystelling wat verleen word deur die Konsolidasiewet op Finansie- en Finansiële Reëlingswette, 1977. Daar word egter besef dat die onttrekking van die toeweging sonder waarskuwing verleentheid, indien nie ontbering nie, kan veroorsaak en die Kommissie voel dat die toeweging eerder oor 'n periode van vyf jaar uitgefaseer moet word.

#### 4.2 Gevolglik beveel die Kommissie aan—

(i) dat *alle* kontantsubsidies wat deur werknemers ontvang word ten opsigte van hulle verbandverpligtinge as gevolg van hulle diens, beskou moet word as deel van hulle besoldiging; en

(ii) dat die voorgestelde reëls in verband met voordelige lenings deur werkgewers ook van toepassing gemaak moet word in die geval van *alle* rentevrye of goedkoop huislenings wat werknemers geniet as gevolg van hul diens; maar

(iii) dat daar teen die besoldiging 'n aftrekkings (wat nie die bedrag van die kontantsubsidie of die kontantekwivalent van die voordeel verkry van 'n voordelige lening daarby ingesluit, oorskrif nie) toegelaat word ten bedrae van R1 000 in die jaar waarin die magtigingswetgewing vir die eerste maal van krag word en R800, R600, R400 en R200 onderskeidelik in die daaropvolgende vier jare. Die bedrag van R1 000 is die benaderde maksimum jaarlikse voordeel wat ingevolge die Staatsdienshuiseienaarskema geniet kan word, waar verbandafbetalings op die basis van 'n 30-jaar-delginstydpark geskied. Dit geld ook in die meerderheid van skemas waar die voordele gedeel word deur die vrystelling soos bepaal in die Konsolidasiewet op Finansie- en Finansiële Reëlingswette, 1977.

4.3 Die gevolge van die uittasering van die bestaande belastingtoewegings soos deur die Kommissie aanbeveel, kan versag word deur 'n baie beskicte salarisverhoging, soos die volgende syfers aandui:

Salaris wat R1 000 subsidie insluit—

	Rand	Rand	Rand	Rand	Rand	Rand
	6 000	8 000	11 000	13 000	16 000	21 000

Inkomste *na* belasting:

Jaar	Rand	Rand	Rand	Rand	Rand	Rand
1.....	5 620	7 300	9 600	11 080	13 180	16 280
2.....	5 600	7 270	9 570	11 020	13 110	16 190
3.....	5 560	7 230	9 510	10 970	13 040	16 100
4.....	5 540	7 190	9 450	10 900	12 970	16 010
5.....	5 500	7 150	9 390	10 850	12 900	15 920
6.....	5 480	7 100	9 340	10 800	12 840	15 840

## 5. BEHUISINGSVOORDELE: GRATIS EN LAE-HUURBEHUISTING

5.1 Die Kommissie het aanbeveel dat die belastingvrystelling verleen kragns die Konsolidasiewet op Finansie- en Finansiële Reëlingswette, 1977, ten opsigte van subsidies wat staatsamptenare en werknemers van sekere ander liggame vir huisverbande ontvang, herroep word (paragraaf 4.1). Dit volg dus dat die aanbeveling ook van toepassing moet wees op die vrystelling verleen ten opsigte van voordele verkry van lae-huurbehuising en dat enige reëls om sodanige voordele te belas, in gelyke mate van toepassing moet wees op werknemers in die openbare en die privaatsektor.

could be considerable. In the Commission's opinion the only possible solution, unpopular as it may be, is to withdraw the exemption provided by the Finance and Financial Adjustments Acts Consolidation Act, 1977. It appreciates, however, that there could be cases where withdrawal of the concession without warning would cause embarrassment, if not hardship, and feels that, instead, the concession should be phased out over a period of five years.

#### 4.2 The Commission therefore recommends—

(i) that *all* cash subsidies received by employees in respect of their bond commitments by reason of their employment be treated as part of their remuneration; and

(ii) that the proposed rules in regard to beneficial loans by employers be made to apply also in the case of *all* interest-free or cheap housing loans that employees enjoy by reason of their employment; but

(iii) that there be allowed against the remuneration a deduction (not exceeding the amount of the cash subsidy or the cash equivalent of the benefit derived from a beneficial loan included therein) of an amount of R1 000 in the year when the enabling legislation first takes effect and R800, R600, R400 and R200 respectively in the four succeeding years. The amount of R1 000 is the approximate maximum annual benefit that could be enjoyed under the Public Service home ownership scheme where bond repayments are based on a 30-year redemption period. This applies also to the majority of schemes the benefits from which are covered by the exemption provided for in the Finance and Financial Adjustments Acts Consolidation Act, 1977.

4.3 The effects of phasing out the existing tax concession along the lines recommended by the Commission could be ameliorated by a very modest salary increase as the following figures show:

Salaris including R1 000 subsidie—

	Rand	Rand	Rand	Rand	Rand	Rand
	6 000	8 000	11 000	13 000	16 000	21 000

Income after tax:

Year	Rand	Rand	Rand	Rand	Rand	Rand
1.....	5 620	7 300	9 600	11 080	13 180	16 280
2.....	5 600	7 270	9 570	11 020	13 110	16 190
3.....	5 560	7 230	9 510	10 970	13 040	16 100
4.....	5 540	7 190	9 450	10 900	12 970	16 010
5.....	5 500	7 150	9 390	10 850	12 900	15 920
6.....	5 480	7 100	9 340	10 800	12 840	15 840

## 5. HOUSING BENEFITS: FREE AND LOW RENTAL HOUSING

5.1 The Commission has recommended that the tax exemption conferred by the Finance and Financial Adjustments Acts Consolidation Act, 1977, in respect of subsidies received by public servants and the employees of certain other bodies on housing bonds be withdrawn (paragraph 4.1). It follows that the recommendation should apply also to the exemption conferred in respect of benefits derived from low rental housing and that any rules for taxing such benefits should apply equally to employees in the public and the private sectors.



onder dieselfde beheer as die werkgewer, moet behandel word asof dit deur die werkgewer verskaf is. "Beheer" oor 'n maatskappy beteken die vermoë om beheer oor die maatskappy se sake uit te oefen, hetsy deur die besit van die grootste deel van die aandelekapitaal of deur stemreg of andersins.

2.6 "Werknemer" moet so omskryf word dat dit die volgende insluit:

- (i) Direkteure van alle maatskappye; en
- (ii) direkteure of lede van bestuurskomitees van liggame met regspersoonlikheid, uitgesonderd maatskappye.

### 3. VOORDELIGE LENINGSOOREENKOMSTE

3.1 Die ondersoek wat deur die Departement uitgevoer is, toon dat 'n groot aantal werkgewers voordelige lenings aan werknemers toestaan. Die rentekoers wat gehêf word, wissel tussen 0 persent en 5½ persent. Baie, moontlik die meerderheid, van die lenings is vir die doel om huise te koop. Meer word hieroor in paragraaf 4.2 gesê.

3.2 Dit is nie die Departement se beleid om werknemers te belas op die voordele wat hulle as gevolg van hierdie reëlings verkry nie, weens administratiewe probleme en die feit dat dit nie verklaar word nie. Die Kommissie kan geen regverdiging daarvoor vind dat hierdie voordele nie belas word nie en is van mening dat die probleem om die waarde daarvan te bepaal, oorkom kan word met die daarstelling van 'n "amptelike rentekoers" wat deur die Minister van Finansies voorgeskryf word by wyse van 'n kennisgewing in die *Staatskoerant* om as maatstaf te dien. Hierdie "amptelike koers" kan aangepas word wanneer omstandighede dit vereis, maar om die LBS-aftrekkings nie te ingewikkeld te maak nie, moet dit ten minste vir 'n volle belastingjaar vasgestel word en enige verandering moet bekendgemaak word nie later nie as gedurende die Desembermaand wat die belastingjaar waarin die verandering gaan intree, voorafgaan.

3.3 Die Kommissie is nie ten gunste daarvan dat die "amptelike koers" gekoppel moet word aan die bankoortrekkings- of die bouverenigingrentekoerse nie. 'n Waardasie op hierdie basis sal verteenwoordigend wees van die werknemer se besparing, 'n basis wat die Kommissie verwerp het. Daar word gevoel dat, met inagneming van die algemene rentekoerse, 'n koers van 10 persent voorlopig redelik sal wees.

#### 3.4 Die Kommissie beveel gevolglik aan dat—

- (i) waar 'n werknemer of enige van sy familieledes (omskryf in artikel 1 van die Inkomstebelastingwet) voorsien word van 'n rentevrye of goedkoop lening as gevolg van sy diens, die voordeel verkry van sodanige reëling as deel van sy besoldiging geag moet word;
- (ii) die kontantekwivalent van hierdie voordeel geag word die verskil te wees tussen die rente wat betaalbaar sou wees indien daar van die lener vereis was om rente teen 'n "amptelike koers", wat van tyd tot tyd by regulasie voorgeskryf word, te betaal en die bedrag rente wat hy in werklikheid betaal het;
- (iii) die "amptelike koers" voorlopig vasgestel word op 10 persent;
- (iv) daar voorsiening moet wees om 'n lening wat as 'n lokmiddel voor diensaanvaarding toegestaan is, ook binne die bestek van die belasting te bring;
- (v) 'n lening wat toegestaan of gereël word deur 'n maatskappy wat in beheer is van die werkgewer of deur 'n maatskappy wat deur die werkgewer beheer word, behandel word asof dit deur die werkgewer toegestaan is;

the employer should be treated as though it were provided by the employer ("control" of a company meaning the ability to exercise control over the company's affairs whether by possessing the greater part of the share capital or voting power or otherwise).

2.6 "Employee" should be defined so as to include—

- (i) directors of all companies; and
- (ii) directors or members of management committees of bodies corporate other than companies.

### 3. BENEFICIAL LOAN AGREEMENTS

3.1 The survey made by the Department shows that beneficial loans are being made to their employees by a large number of employers. The rate of interest charged varies from 0 per cent to 5½ per cent. Many, perhaps the majority, of the loans are for the purpose of buying homes. More is said about these in paragraph 4.2.

3.2 It has not been the Department's practice to tax employees on the benefits they derive from these arrangements because of administrative difficulties and the fact that they have not been reported. The Commission can find no justification for not taxing the benefits and considers that the problem of assessing their value could best be met by having an "official interest rate", prescribed by the Minister of Finance by way of a notice in the *Government Gazette*, to be used as a yardstick. This "official rate" could be altered as circumstances warrant, but, so as not to complicate the PAYE deductions, it would have to be fixed for at least the whole of any tax year and any change would have to be notified not later than during the December preceding the tax year in respect of which the change is to take effect.

3.3 The Commission does not favour the "official rate" being linked to either the bank overdraft or the building society interest rates. A valuation on this basis would be representative of the employee's saving, a basis which the Commission has rejected. It feels that, having regard to general interest rates, for the time being a rate of 10 per cent would be reasonable.

#### 3.4 The Commission accordingly recommends that—

- (i) where by reason of his employment an employee or any of his relatives (defined—section 1 of the Income Tax Act) is provided with an interest-free or cheap loan the benefit derived from such an arrangement be deemed to form part of his remuneration;
- (ii) the cash equivalent of this benefit be deemed to be the difference between the interest that would have been payable if the borrower had been required to pay interest at an "official rate", to be prescribed from time to time by regulation, and the amount of interest actually paid by him;
- (iii) for the time being the "official rate" be fixed at 10 per cent;
- (iv) there be provision to bring a loan that is made as an inducement before employment begins within the scope of the charge;
- (v) a loan made or arranged by a company controlling the employer or by a company controlled by the employer be treated as though it were made by the employer;



Hierdie neiging is onvermydelik as gevolg van die hoë marginale koerse van persoonlike inkomstebelasting, die ongelikheid tussen hierdie koerse en die maatskappykoerse en die wetlike en praktiese probleme om nie-kontantvoordele te belas. Die neiging is verstaanbaar, maar die gevolg is 'n ernstige erosie van die belastingbasis, wat op sy beurt bygedra het tot die bestaande hoë persoonlike inkomstebelastingkoerse. Bowenal het werknemers wat in die gelukkige posisie is om hierdie belastingvrye byverdienste te ontvang, wat belasting betref, 'n voordeel teenoor andere wat 'n identiese inkomste ontvang maar wat ten volle belas word. Die Kommissie voel dat dit net tot die bevraagtekening van die belastingstelsel se integriteit kan lei.

1.3 Dit is duidelik die bedoeling van die Inkomstebelastingwet dat nie net geld nie, maar die waarde van enige ander vorm van eiendom of geldelike voordele belas moet word. "Bruto inkomste" word in artikel 1 omskryf as die totale bedrag wat in kontant of andersins ontvang is deur, of toegeval het aan, die belastingbetaler, terwyl paragraaf (i) van die omskrywing "die waarde gedurende die jaar van aanslag van kwartiere of losies of huisvesting of van enige ander voordeel of bate ten opsigte van diens" insluit. Die Kommissie is van mening dat hierdie bepaling so vaag is en vatbaar is vir soveel verskillende vertolkings, dat hulle, met betrekking tot nie-kontantvoordele, in groot mate ondoeltreffend geword het. Gevolglik word aanbeveel dat omvattende en presiese reëls nou in die Inkomstebelastingwet opgeneem word.

## 2. ALGEMENE REËLS

2.1 Tans is dit nie duidelik volgens die Wet of die verantwoordelikheid om aan te dui of daar 'n belastbare voordeel volgens die bedoeling van paragraaf (i) van die omskrywing van "bruto inkomste" bestaan of nie, by die belastingbetaler of by die Sekretaris van Binnelandse Inkomste berus nie. Die gevolg is dat in baie gevalle, waarskynlik die meerderheid, hierdie voordele nie gemeld word nie of waar dit wel gemeld word, die waardes wat daaraan geheg word, onrealisties laag is. Die Kommissie is van mening dat indien die Wet enigins doeltreffend moet wees, 'n duidelike verpligting op die werkgewer geplaas moet word om 'n waarde aan nie-kontantvoordele te heg wat deur of in opdrag van hom verskaf word en om hierdie waarde by die bepaalde werknemer se besoldiging, ten opsigte waarvan werknemersbelasting betaalbaar is, in te sluit. Die woordomskrywing van "besoldiging" in die Vierde Bylae by die Inkomstebelastingwet moet paslik uitgebrei word om hierdie doel te bereik.

2.2 Dit volg nou dat daar duidelike reëls moet bestaan waarvolgens daardie voordele se waarde bepaal moet word indien 'n verpligting op die werkgewer geplaas word om werknemersbelasting af te trek ten opsigte van die waarde van byvoordele deur hom verskaf. Volgens die bestaande wetgewing beskou die houe die bedrag wat die werknemer se sak gespaar word, as die waarde wat belas moet word. Wat die werknemer se sak gespaar word, kan baie verskil, afhangende van verskillende menings, en daar kan nie van werkgewers verwag word om voordele op hierdie basis te waardeer nie. Die hantering van sekere voordele sal spesifieke reëls vereis, maar die Kommissie is van mening dat voordele, as 'n algemene reël, gewaardeer moet word teen die koste daarvan vir die werkgewer (of ander verskaffer) om hulle te verskaf, minus wat ook al op die werknemer verhaal is. Dit sal vir die werkgewer maklik wees om die voordele wat hy verskaf,

The high marginal rates of personal income tax, the disparity between these rates and the company rates and the legal and practical difficulties in the way of taxing non-cash benefits have made this trend inevitable. While the trend is understandable, the result has been a serious erosion of the tax base which, in turn, has contributed to the existing high rates of personal tax. Moreover, employees who are in the fortunate position of being provided with these tax-free perquisites have been placed at an advantage, taxwise, vis-à-vis others enjoying an identical income that is taxed in full. This, the Commission feels, can only lead to the integrity of the tax system being brought into question.

1.3 It is clearly the intention behind the Income Tax Act that not only money but the value of any other form of property or pecuniary benefit should be taxed. "Gross income" is defined in section 1 as the total amount, in cash or otherwise, received by or accrued to the taxpayer, while paragraph (i) of the definition includes "the value during the year of assessment of any quarters or board or residence or of any other benefit or advantage granted in respect of employment". The Commission is of the opinion that these provisions are so vague and capable of so many differing interpretations that, in so far as non-cash fringe benefits are concerned, they have become largely ineffective. Accordingly, it recommends that comprehensive and precise rules should now be introduced into the Income Tax Act.

## 2. GENERAL RULES

2.1 As the law stands it is not clear whether the onus for showing whether or not a taxable benefit exists within the meaning of paragraph (i) of the definition of "gross income" is on the taxpayer or on the Secretary for Inland Revenue. The result is that in many, in fact probably most, cases these benefits are not reported or where they are reported the values fixed are unrealistically low. The Commission considers that if the law is to be in any way effective a clear onus must be placed on the employer to value non-cash benefits provided by him or at his instance and to include this value in the particular employee's remuneration in respect of which employee's tax is to be paid. The definition of "remuneration" in the Fourth Schedule to the Income Tax Act must be suitably amplified in order to achieve this.

2.2 It follows that, if an onus is placed on the employer to deduct employees' tax in respect of the value of fringe benefits provided by him, there must be precise rules as to how he is to value those benefits. The Courts have held that under the existing law the value to be taxed is what the employee's pocket has been saved. What an employee's pocket has been saved could be largely a matter of opinion and it would be quite out of the question to expect employers to value benefits on this basis. It will be necessary for certain benefits to be dealt with in terms of specific rules, but the Commission considers that as a general rule benefits should be valued at the cost to the employer (or other provider) in providing them, less whatever may have been recovered from the employee.



# Housing and car tax perks set to go

Political Staff

Drastic proposals for taxing fringe benefits such as housing loans, free cars, entertainment and other allowances were gazetted today.

The proposals by the Standing Commission on Taxation Policy were published in the Government Gazette today for general information and comment. The commission has proposed that:

- Tax-free exemptions on housing loans to public servants be phased out over five years.
  - Interest-free or cheap housing loans to employees become taxable.
  - Tax exemptions for benefits derived from low rental housing be withdrawn.
  - Free cars to be taxed.
  - All entertainment allowances, whether in cash or kind, be taxed.
  - Genuine entertainment expenses continue to be allowed as a deduction.
- The commission has proposed that tax-free exemption on housing loans to public servants be phased out over five years.

## Loans

It also proposes that all interest-free or cheap housing loans to workers should become taxable. The system would be phased out over five years, with non-taxable deductions decreasing by R200 a year from R1 000.

Tax benefits from low rental housing in both the public service and the private sector should also be phased out over five years.

But people earning less than R12 000 a year should be exempted from taxation on low rental housing from their bosses unless the employer is a private company and the worker is a director or a shareholder of the company.

The commission says that "the provision of motor vehicles for the private use of workers is probably the most widespread of the fringe benefits."

It recommends that the private use of these cars be taxed and says it would be fair to assume workers' private motoring would be 10 000 km a year. The cash value of this would be set by the Minister of Finance.

The commission estimates that the benefit of a company-provided car costing about R10 000 is R1 350 a year.

In a table the commission lists the value of a

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luxury car costing more than R12 500 at R1 750. For those costing less than R7 000, the value of a large car is reckoned at R1 050, a medium car R900 and a small car R700.

The commission is concerned at a growing tendency for employers "to go far beyond meeting the cost of the traditional business lunch and, instead, to foot the bill for various types of expenditure."

A few examples of this are a roof-wetting party for an important customer's house stocking a director's wine cellar and bar, luxury dining rooms on business premises, banquets at the opening of new projects, taking clients to holiday resorts "purportedly to discuss business deals," and film shows at directors' homes.

But genuine entertainment expenses of employers should continue to be tax-deductible. This applies to both costs directly born by employers and to allowances in cash or in kind to workers and directors.

Bursaries come in for close attention and some forthright criticism.

The commission notes that certain bursary schemes are, in reality, a means of paying additional remuneration to workers.



# New rules will plug fringe benefit tax drain 320

By GERALD KELLY  
Preston Bureau

THE Standing Commission on taxation has recommended a drastic tightening of the rules applying to the taxation of fringe benefits, which cost the exchequer many millions of pounds a year.

So drastic have some of the proposals been that if they are adopted, public servants and other public sector workers would lose valuable tax-free concessions, the subsidised housing loans.

The commission, it is clear from the recommendations, is also intent on slowing down the spread of tax-free entertainment expenses and company car dodges.

The commission's report and recommendations, published in a Government Gazette yesterday, have been released for comment by the private sector.

Against a background of the reaction new rules aimed at plugging the tax drain from fringe benefits will be framed.

The practice of remunerating employees partly with non-cash benefits, which generally speaking were not taxed, had become widespread, especially among higher-paid staff.

There were no accurate statistics available but some private sector surveys put non-cash earnings in the upper income brackets as high as 25% or even higher.

The high marginal tax rates, the disparity between these rates and company rates, and the legal and practical difficulties in the way of taxing non-cash benefits, had made the trend inevitable.

The results had been a serious erosion of the tax base, which had contributed to the existing high rate of personal tax.

Employees who received tax-free pre-arranged had been placed in an advantageous position compared to those with identical incomes taxed to the full.

"Thus the commission feels the tax system being brought into line with the integrity of the Income Tax Act was that not only money, but the value of any other form of property or pecuniary benefit, should be taxed.

The commission believed

that the present non-cash fringe benefits provisions in the Act were so vague and so full of so many different interpretations, that they had become largely ineffective.

It recommended that comprehensive and precise rules should be incorporated into the Income Tax Act.

The commission pointed out that as the law now stands fringe benefits, probably in most cases, are not reported or where they were, the values fixed were unrealistically low.

"The commission feels that if the law is to be in any way effective a clear onus must be placed on the employer to value non-cash benefits and to include this value in the employee's tax return."

The commission considers that as a general rule benefits should be valued at the cost to the employer, less whatever may have been recovered from the employee.

The test of taxability should be whether or not the benefit was obtained by reason of the recipient's employment.

A survey made by the Department of Inland Revenue showed that beneficial loans were being made to employees by a large number of employers.

The rate of interest charged varied from zero per cent to 5%.

Many perhaps the majority, of the loans were for buying homes.

The commission could find no justification for not taxing these benefits. The problem of assessing their value could best be met by an "official interest rate" prescribed by the Minister of Finance.

The commission recommended that where an employee is given an interest-free or cheap loan the benefit should form part of his remuneration.

The cash equivalent of the benefit should be the difference between what the employee would have been payable by a bank, and the amount actually paid by him.

The commission recommended for the time being that the "official rate" should be 10%.

Loans made by the employer should be widely defined to include any form of credit, or any employee guaranteed by a third party. For the sale of administrative convenience no tax, the commission

says, should be charged where the total amount of any casual, short-term loan does not exceed £1,000.

No tax should be charged either on study bursaries. On subsidised home ownership schemes the commission says these are widespread attempts to encourage home ownership rather than as a means of providing tax-free remuneration.

"Nonetheless, these benefits enjoyed by employees can fairly be considered income that should be taxed."

To do otherwise would be unfair discrimination against the employee who received no assistance from his employer.

The commission points out that public servants and employees of several boards and other bodies were specifically exempted from tax on home ownership benefits by law.

"The commission finds it untenable that some benefits should be exempt from tax and others not. If by bringing about a measure of equity all housing benefits were to be exempted from tax, some tax concessions made to other classes have to be made to this class as well."

This, however, could not be recommended as a solution because of the erosion of the tax base it would entail.

The commission felt the only possible solution, "unpopular as it may be," would be to withdraw the exemption (which applies to the earnings and outgoings of employees in the public sector) provided in the Finance and Financial Adjustments Acts Consolidation Act.

However, there could be cases of hardship where the concession was withdrawn without warning, and the commission recommended that the concession should be phased out over five years.

This could be ameliorated by a modest salary increase.

The commission recommended, therefore, that all cash subsidies received by employers for bond commitments be treated as part of their remuneration.

It also recommended the exemption enjoyed by public sector workers on low rental housing be withdrawn, and that any relevant taxing rules should ap-

ply equally to employees in the public and private sectors. The commission supported the principle that free or cheap accommodation should not be taxed, unless it was provided as an additional entitlement. The value of a taxable housing benefit should be assessed at 15% of the employee's remuneration.

On cheap or free staff canteen meals the commission said it had been the department's practice not to tax employees for this benefit, and this should continue to be the approach.

The commission noted that the provision of cars for the private use of employees is probably the most widespread of fringe benefits.

In some cases the privilege was nothing less than additional housing. In others the vehicle was provided for the convenience of the employee.

"But it cannot be gaining that the free private motoring enjoyed by employees is a benefit, and by rights should be taxed."

The only practical solution was for the benefit derived from the free use of a vehicle to be assessed on the basis of a fair market value, less yearly motoring expenses of the average private motorists.

Taking all the circumstances into account, the commission felt that for the time being the rate of assessment to ensure an annual private distance travelled of 10,000km. This figure could be reviewed according to circumstances.

On the determination of motoring costs, the commission said that an employee who had the use of a company car should be taxed on an amount of £1,500. It, however, the vehicle cost £1,000 with an engine capacity of two litres the taxable value would be only £900.

The commission listed three exemptions where:

- The vehicle is used by more than one employee.
- The private use of the vehicle is merely incidental to its business use;
- And the vehicle is not normally garaged at or near the residence of any of the employees.

The commission recommended that assistance given an employee to buy a car should also be a taxable benefit.

The commission conceded that entertainment allowances and expenses constitute a difficult problem. In recent years there was a tendency for employers to go far beyond meeting the cost of the traditional business lunch, and instead to foot the bill for various types of expenditure.

Examples of this included:

- "Roof wringing" party for important customer's house;
- Luxury dining rooms on business premises where customers were entertained;
- Banquets on the occasion of the opening of new projects;
- Taking clients to holiday resorts immediately to discuss business deals;
- And film shows at directors' homes.

Strictly interpreted this kind of expenditure should not be admitted for it was by no means certain that it really was incurred in the production of income.

However, the department and the courts adopted a more liberal approach, and were prepared to accept that much of the more normal type of entertaining that was done was an adaptable expense for income tax purposes.

Although there was much to be said for disallowing all entertainment expenditure the commission doubted whether such drastic action could really be justified.

The key question was whether entertaining helped to produce profits.

"Like it or not, entertainment had become part of the way of doing business. It had been said that 'entertaining is to the selling business what fertiliser is to the farming business'."

What disturbed the commission was the "growing practice" of paying generous entertainment allowances to employees and directors which it feared was in most cases no more than a means of putting untaxed remuneration in employees' pockets.

The commission recommended that all entertainment allowances in cash or in kind be taxed in the hands of the recipient, without deduction of expenses. There must be no exception to this rule.

Also recommended was that entertainment expenses incurred by employees, which were not tax net,

in the form of costs directly borne by them or in the form of allowances in cash or in kind paid to employees or directors, continue to be assessed in terms of Section II (a) of the Act.

It could be argued the commission said, that the recommended solution was unworkable on the employee whose job it was to entertain and who had hitherto been paid a cash allowance.

The general answer to this, the commission went on, is that the remedy lies with the employer who is free to reimburse the employee on production of evidence of entertainment expenditure on clients.

The commission believed, however, that a measure of relief should be granted to those employees who were paid an entertainment allowance, and whose duties necessarily involved entertaining. If necessary Section II (ii) of the Act should be amended to make this possible.

The entertainment expenses deduction allowable in terms of the Act has remained unaltered at £300 since 1954. The commission has recommended that this deduction be raised to £600.

It warns, however, that if the concession is allowed it will not be desirable to recommend a withdrawal.

On bursters the commission said certain schemes were without doubt genuinely designed to assist deserving students when they may happen to be dependants of the employees of the grantor.

In cases where a bursary scheme complied with certain conditions, which would have to be laid down in the Income Tax Act, it would be equitable to make an exception.

In perhaps the most blatant case observed an employer paid substantial "bursaries" to young children who were being educated at a State primary school, the report stated.

In its conclusion the commission said it was obvious there could be no single ideal solution to the complex problem of attempting to value fringe benefits for tax purposes.

"Perhaps the best that can be hoped for is to bring at least a reasonable portion of those amounts which are currently



# Taxing fringe benefits strongly opposed

By KEVIN STOCKS

MASSIVE opposition to proposals for taxes on fringe benefits is building up in commerce and industry and is expected to spread to some trade unions.

Some experts feel they could lead to widespread tax evasion.

The Association of Chambers of Commerce has already reacted unfavourably and tax experts have pointed out that the proposals do not only hit at highly paid executives but also threaten the living standards of a wide variety of lower-paid workers.

"In fact," tax-benefit consultant Mr Michael Loughlin told *The Sunday Times*, "the proposals put the entire traditional salary and motivation structure of banks and financial institutions under threat."

It was pointed out that the proposals, by the Standing Com-

For full details  
see today's  
BUSINESS TIMES

mission on Taxation Policy, were at pains to avoid the political dynamite of suggesting taxation of benefits arising from the subsidised company-owned housing supplied to most workers on the mines and in the entire spectrum of quasi-government enterprises, like the Railways and Iscor.

The commission did, however, propose that public-service exemption from taxation on subsidised housing loans be removed — although it could hardly expect agreement from a Government that had gone to the trouble of specifically exempting public servants in anticipation of taxing subsidised housing loans.

Although the commission's ideas for taxing expense accounts would hit hard at highly paid executives, it is the subsidised housing tax proposals that threaten lower-paid workers.

Banks, building societies and other financial institutions, for instance, have traditionally compensated for fairly low salary structures with extremely cheap, or even interest-free, bonds.

This not only compensates for low salaries, but helps the employees to their companies.

● See back page of *Business Times*



320 pm 3/5/79

FRINGE BENEFITS

# A new threat to growth

A sharp reduction in marginal tax rates combined with a doubling, to R60 000, of the level at which the top rates are applicable are essential if fringe benefits are to be attacked along lines proposed by the De Loor Commission.

Unless such moves are taken if and when the De Loor recommendations are acted on, SA will be taking an illogical and unexpected step away from the free market philosophy espoused by Finance Minister Owen Horwood and supported by Prime Minister P W Botha.

Progressive taxation is by its nature punitive. It seeks to take from the successful to support those less fortunate. It is therefore incumbent on the revenue authority to tread a careful line between judicious redistribution of wealth and the blunting of initiative, risk-taking propensities and the sheer desire to work which creates wealth. Quite simply, before you redistribute wealth it is necessary to create it.

Fringe benefits have grown up in SA in direct response to stupidly punitive high rates of tax. If the civil service now seeks to replace payment in kind with payment in cash, leaving taxpayers in no worse position, then well and good. But if the outcome of what they propose is to reduce after tax earnings (in whatever form), then they are doing the nation a grave disservice likely to stunt economic growth and the creation of jobs which is so absolutely vital to social stability.

An estimate of R50m in additional revenue from the proposed steps has been made by Finance Secretary Joep de Loor. This year government income will approach R9 billion. A cynic could be forgiven for suspecting that the target of the recommendations might well be the good life supposedly enjoyed by fringe benefit recipients rather than the national good.

Clearly there are abuses and the law should deal with them. But it is an unsound principle which seeks to punish taxpayers at large because of the excesses of the few.

The only reasonable argument (and it is persuasive) in favour of the De Loor plans

is that they will bring clarity to taxation. Taxpayers will know where they stand, and the ability to buy expert fringe benefit advice will not determine real living standards.

The argument on which the Secretary for Inland Revenue, Mickey van der Walt, bases his support for the new proposals, (see box), is not new. He insists that any form of remuneration, in cash or kind, has always been taxable — all that the De Loor Commission has introduced are new parameters by which to judge the taxable value of perks.

FCI taxation adviser, George Thomas, reckons the proposals will kill initiative. "They may adversely affect immigration, and exacerbate emigration," he adds. The FM knows of at least one major company whose chief executive visited Finance

Minister Owen Horwood this week to warn of this effect of a war on perks.

Although the principle of equitable taxation cannot be argued, admits Thomas, the private sector should receive a *quid pro quo* in the form of a lower top marginal rate — currently 55%, excluding loan levy — or a raising of the R30 000 floor (R22 000 for single taxpayers) at which this comes into operation. Allowing for the effects of inflation, the FM's suggestion of R60 000 is realistic — the old R28 000 ceiling lasted from 1969 until this year when it was raised to the present level.

Certainly Van der Walt hopes that more thorough fringe benefit taxation will enable his boss to cut marginal tax rates. But both of them indicate that they favour sacrifices by the executive class in the



P. T. C.



## INCOME TAX ACT

### Tidying up *m 3/4/79*

Substantial changes have been made to section 24B of the Income Tax Act dealing with profits and losses on foreign exchange transactions.

UCT Professor of Tax, John Morris, explained to a National Council of Chartered Accountants course last week that s24B has been retrospectively amended to take effect from the start of tax years ending on or after March 29 1979. Though forex losses were previously deductible (and profits taxed), claims were subject to tough conditions. Among these was that the taxpayer had to show that no forward cover was available at the time of the transaction.

This condition now falls away, and forward cover no longer has to be sought to obtain tax benefits from forex losses. But if a forward contract is bought, the cost is deductible.

Any losses (or profits) incurred in roll-

ing over foreign loans now fall within the ambit of s24B, as do foreign loans arranged by "associate" companies, provided the foreign money has been used to produce income in SA.

Another significant change in the Act is that deductions are now allowed on all training schemes recognised under the Black Employees In-Service Training Act or the In-Service Training Act 1979. Previously, only expenses incurred in training schemes for blacks were deductible, which, says Morris, "was not popular in the Cape" where large numbers of coloureds are employed.

There have been extensive amendments to the Sales Tax Act but, explains Morris, "many of them merely give effect to administrative decisions taken during the year". The major changes:

- The withdrawal or variation of a ruling by the Secretary for Inland Revenue will not have any retrospective effect on sales tax liability. Cautions Morris: "The original decision must have been accepted by the firm" for this provision to apply. Apparently, many more rulings in the future will be given on a deal-by-deal basis.

- The Secretary may not recover any tax, interest or penalty for past transactions, if he has previously given a general ruling affecting them. But, asks Morris: "How does one find out about general rulings?"

- S6 provided that exemption from sales tax may be granted on the sale of a "going concern" when the business is sold with all assets. Now, fixed property and

book debts do not have to be transferred to avoid gst payments. In addition, the Secretary may grant exemption in cases where other assets are retained by the seller.

Says Morris: "This is an important exemption as many groups have considered consolidating their operations into one operating company but have found the cost to be excessive if they were forced to transfer fixed property."

- In terms of s32, no sales tax refunds will be granted where the Secretary is not satisfied that the money will find its way into the hands of the person who originally paid the gst. Retailers will thus be wasting their time by applying for refunds. No refunds will be considered unless applications are received within three months of the transaction, except in cases where there was a calculation error or an error of fact. Finally, no refunds of under R2 will be considered.



# Confusion over denial on GST cuts

Staats 8/8/79  
(320)

There was widespread confusion and disappointment today after the Minister of Finance, Senator Owen Horwood, had denied a suggestion that the Government was considering lifting the General Sales Tax on food.

The suggestion was contained in a speech prepared for delivery by Minister Horwood to the Bloemfontein Afrikaanse Sakekamer last night. But today, the Minister denied the Government was considering the abolition of the sales tax on food.

The denial caused enormous disappointment among consumer and labour spokesmen who had earlier welcomed the news reported in morning newspapers and over the radio.

Consumer spokesmen had earlier welcomed the original announcement.

● To people living below the breadline every cent counts, said Mrs. Sally Mollana, president of the Black Housewives League.

● Mrs. Joy Hurwitz, president of the South African Housewives League felt that there should be exemptions with the present state of the economy. "But, we would be so relieved if GST would be removed from food."

In his prepared speech, Minister Horwood said that the Government would not hesitate to do what was necessary to beat the inflation monster that devalued the savings of pensioners, weakened export efforts, created hardship for the lower paid, and made it difficult for the authorities to provide necessary services.

## BULGING

It was true that State coffers were bulging as a result of the high gold price, he added. He was under pressure in these circumstances to considerably increase subsidies on food to help those hard hit by inflation.

Another proposal was that help could be provided by, for example, exempting food from general sales tax. If this were administratively possible, and the Government was studying the matter, the loss of revenue would have to be made up.

## Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygevoel:

- Jaarlike Konferensie, Nasionale Uitvoerende Komitee en Raadvergadering van die Suid-Afrikaanse Instituut vir Nasseverhoudings, Kaapstad (Januarie).
- Suid-Afrikaanse Jaarlike Vergadering van die Religious Society of Friends, Stellenbosch (April).
- Nagende Werkgroep van Sosiologie, Uppsala, Swede. Verhandelings in werkgroep vergaderings bygevoel van die Raad van die Internasionale Logiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

1. Boekhof, oorspronklike van die konstruktiewe met 'n aantal instansies wat verskeie transaksies insluit en met verskeie handelsle firmas in Natal, kontak opgeho.

Gedurende Augustus en September het die Direkteur Engeland, Switserland, Swede, Israel en Zambie besoek.

Antwoordende joernaliste, Suid-Afrikaanse diplomaatiese van die Suid-Afrika-Stigting regering betrokke by Suid-Afrikaanse belange het besprekings gevoer met stigtings, trusts en diensverskaffers. As gevolg van sy besoek het hy 'n toelae vir die konstruktiewe Pro van die Algemene Diakonale Bureau van die Kerke in Holland.

c) Ander lede:

- Mrs K. Bosman
- Professor A. Cupido
- Mrs. Annas
- Mrs. Annas
- Professor R.J. Davies
- Professor J.J. Degenaar
- Mrs. R. de Villiers
- Dr. I.D. de Plessis
- Professor J.B. du Toit
- Mrs. H.W. Middelman
- Mr. N.L. Mollens
- Professor A.D. Muller
- Professor R.J. Davies
- Professor N.J.J. Olivier
- Mr. L. Phillips
- Professor H.P. Pollak
- Mrs. W.J. September
- Mrs. Franklin Sorensen



# Gold income can cover GST bill

By Michael Chester,  
Financial Editor

Reports that the government may decide to lift the general sales tax on food items was regarded today as evidence of the spin-off now possible from the golden harvest being reaped by South Africa from the gold boom.

The size of the harvest is laid out in estimates by the Chamber of Mines.

## HIGHER

SA income from gold last year broke all records by surging to R3 600m — based on an average bullion price of about 194 dollars an ounce on world markets.

## Hint seen as evidence of boom

Even the most conservative forecasts, using 250 dollars as an average over the year as a whole, suggest income in 1979 will touch R5 500m and perhaps even higher.

So the rise in gold income alone — around R2 000m or 52 percent more than in 1978 — is likely to pay the overall GST bill three times over. A final count by the Receiver of Revenue put total payments of GST in the first 1978/79 financial year at R654m, all items

counted, not only food.

Moreover, the use of 250 dollars as a possible average for 1979 gold prices may well underestimate the power of the gold rush.

## REVERSED

Though gold prices have been pulled from their 307-dollar record peak over the past few weeks, there were signs today that the decline had been reversed.

New York prices last night gained 3.50 dollars on the spot market to

advance back to 285,80 dollars and so overtook the London close of 283,75 dollars.

On the futures market, gold resumed its climb at even faster rate by rising as much as 4,90 dollars.

And in Hong Kong this morning gold went on to 286,80 dollars on the international market.

Two factors appeared to be having an influence:

● More nervousness on the world currency markets as the British pound carried on in a dramatic spin downwards on renewed fears that inflation will trip the UK economy.

● Ominous rumbles from the oil crisis on reports that militant members of Opec now want an emergency meeting to cut the dollar link to oil prices and re-set prices on a wider basket of currencies.

Gedurende Augustus en September het die Direkteur Kragland, Nederland, Switserland, Swede, Israel en zandig besoek. Hy het voorantstane joernaliste, Suid-Afrikaanse diplomaate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verennings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die konstruktiewe program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerke in Holland.

Professor J.L. Boshoff, ere-fellow van die konstruktiewe Program, het met 'n aantal akademiese, wat universiteite in Natal en Transvaal insluit, verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlike Konferensie, Nasionale Uitvoerende Komitee- en Radvorsingsgereg van die Suid-Afrikaanse Instituut vir Massaverhoudings, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlike Vergadering van die Religious Society of Friends, Sturteheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Betsprekingsgroep 6 en vergaderings bygewoon van die Internasionale Konvensie van Sosiologiese Vereniging as die amptelike afvaardiging van Suid-Afrika (Augustus).



# The Star

Thursday August 9 1979

320

## Lift the growing tax on food

THE draft of a speech intended for Senator Horwood to deliver at a meeting of the Bloemfontein Afrikaanse Sakekamer could have been prepared in a dark room: it contained a reference to lifting GST from basic foodstuffs which has since been declared wholly in conflict with the Treasury's decision. This is a great pity. Senator Horwood should find a way—surely he can find the money—to alleviate the intolerable burden on the nation's poor.

At the beginning of last year we predicted that the imposition of a general sales tax while the Government was reducing food subsidies would deal a severe blow to all families who do not count themselves rich. We suggested that the Government should formulate an entirely new subsidy scheme for a relatively wide range of foodstuffs, then build the cost of the scheme into a sales tax. As we have pointed out previously, thousands of families already live below the breadline and the dangers in the

rent in the pressure of sales tax and rising prices on the pockets of the poor should not be underestimated. Administrative difficulties that might occur in exempting food from tax are no greater than the difficulties presently faced by most people who have to pay that tax.

Meanwhile the Treasury coffers are filling, not only with extra revenue from taxes on steadily inflating prices, but also from the huge bonanza provided by gold.

Yesterday's public comment from consumers' representatives and labour leaders, shows how unpopular is the tax on food. Mrs Sally Mollana, president of the Black Housewives' League, made a point that should have been self-evident a long time ago. "To people living below the breadline, every cent counts," she said. "If every cent must work to keep body and soul together, every cent taken by the tax man contributes to hunger. Senator Horwood should not have that responsibility on his conscience."

Geransete en sonder kragtens die Maatskappijwet 1973 (Wet Nr. 61 van 1973).



summer price index as a whole this year—18.7 per cent and 13.5 per cent respectively—in the 12 months to June.

60/80



# Plea for tax incentives on building

## Own Correspondent

The Government has been urged to ease the critical accommodation shortage by stimulating building with tax concessions.

A spokesman in Pretoria for the South African Property Owners' Association, Mr Robbie Schiltz, said developers granted tax incentives should be prohibited from

selling individual flats or from registering flat buildings under the sectional titles act.

They should be compelled to let their flats for, say, 10 years in return for the tax benefits, after which they could start selling them.

Every city needed a regular supply of flats and homes for renting by

people unable to buy their own, Mr Schiltz said.

Tax incentives, with the right strings attached, would encourage property developers to again build for this market.

He said although building costs had escalated by 170 percent over the past decade it was still practical to build one's own home. But South African

home-seekers must be prepared to lower their standards and accept more modest dwellings.

"I think homeseekers with their building societies and architects should all reconsider priorities. Then specialist builders will again be able to provide the man in the street with a home. He can afford."

JAAVERSLAG

1978

SENTRUM VIR INTERGROEPS

(Geregistreer as The Abe Bailey Inter-Racial Studies L (Bepert deur Garansi)

Posadres:

p/a Die Universiteit van K

Rondebosch

Republiek van Suid-Af

7700

Kantooradres:

Leslie Social Sciences

University Avenue

Groote Schuur Cam

Telefoon: 65-4145; 69-85

## INLEIDING

Gedurende die eerste nege jaar van Sentrum vir Intergroepstudies gere sy werksaamhede gepubliseer. Om d verjaarsdag op 1 April 1978 te vier in 1977 vervang deur 'n oorsig oor

## DIE OORSPRONG EN DOELSTELLINGS

Die Sentrum word grootliks gefinansier deur die Bailey-trust wat ingevolge die te Bailey gestig is. Dit is geregistreer as Institute of Inter-Racial Studies (Garansi) in 'n maatskappy beperk d h aandele-kapitaal. Kragtens die Nr. 61 van 1973).



# READERS' VIEWS

Write to: The Editor  
PO Box 1014  
Johannesburg 2000

## Taxation: fairness needed

Star 10/8/79  
320

The burdens which the ordinary citizen and taxpayer are being called upon to bear are becoming a matter of grave concern.

During the past 12 months the Consumer Price Index has risen by more than 13 per cent. Consumers were hit by a General Sales Tax on practically all commodities, including food and medicines, during 1978. This tax alone has brought in many millions of rands to fill the coffers of the State. Gold and other mineral sales have risen to an unprecedented high level, so much so that South Africa's balance-of-payments position is now in a much sounder state than it has been for many years.

Proposals are under consideration to tax fringe benefits and a draft Bill providing for the taxing of capital gains on property deals and stocks and shares is due to be gazetted.

The question may well be asked: with our ever-rising living costs, high rate of income and company tax coupled with a General Sales Tax and the prospects of two additional

forms of taxation the Government proposes to introduce, how can it reasonably be expected to stimulate the economy and provide the incentive for commerce, industry and the ordinary businessman and worker to show enthusiasm?

The little people are able to save from their salaries and wages is being eroded by the decreasing buying power of the rand and lack of worthwhile investment avenues. While the property market is showing a slight recovery —

investment in this market for capital gain purposes will be a dubious proposition if a capital gains tax were to be introduced. Moreover, the stock market will lose much of its attraction if the State were to take a slice of the profit which investors are able to derive from share sales.

It is time the Government took stock of what it is doing in the field of taxation, and take positive steps to encourage renewed confidence.

C Bouwer

Bryanston.

15

ber 1978

Hendrik W. van der Merwe  
Direkteur

Ten slotte is dit met in agte geneem dat ek my verpligtinge teenoor die oorgewingsinspanning van die Staat en die hulle bydraes tot die nuwingsprogram, boeshaaf en teenoor die personeel vir die wyse waarop hulle hulle pligte gedurende die jaar uitgevoer het.

Ek wil weereens die Carnegie Corporation en die Algemeen Diakonaal Bureau van die gereformeerde Kerken van die Nederland bedank vir hulle gulle ondersteuning van die konstruktiewe Program wat ons in staat gestel het om meer personeel aan te stel en om publikasies en werkgroepe te finansier. Ek wil ook graag weereens die ondersteuning deur plaaslike skenkers, firmas en trusts noem, kort nadat die Program gestig is. Hulle hulp het dit moontlik gemaak om etlike publikasies gratis te versprei onder almal wat in die bevordering van 'n oop samelewing belang stel.



## TAX RATES

## Battle of the bulge

Do you know that it is not the top earners in this country that pay proportionately the most taxes? It is those in the middle income bracket caught in what is known to tax experts as "the bulge." According to one of these experts, the "bulge" has been accentuated by the last national budget.

A bigger bulge has now been created which pushes the top marginal rate up to 66,6%. This is the conclusion reached by management consultant Delano Caras in an article appearing in the September issue of the *SA Chartered Accountant*.

Caras reckons it is "surely quite inequitable that the highest marginal rates should be paid, not by the taxpayers at the top of the income scale, but by those somewhere else in the spectrum. The person caught in this bulge is required to pay proportionately more tax than anyone else out of his inflation-induced annual increase."

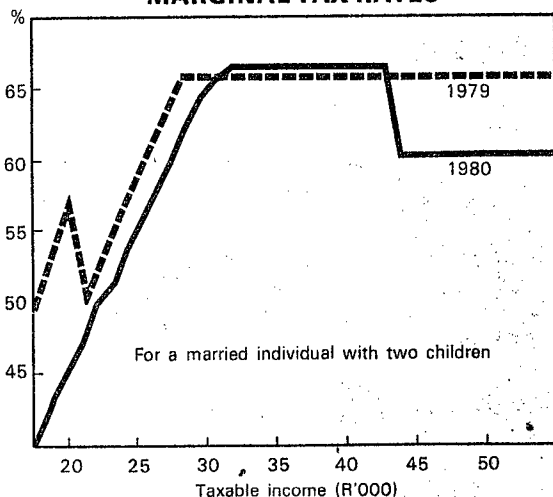
Married couples with two children (and an entitlement to full medical and insurance abatements) earning between R32 000 and R44 000 are taxed (including loan levy) at the 66,6% marginal rate.

ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

II

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,85	0,69	0,70	0,31			0,32	0,19
1-4	0,49	0,21	0,31	0,27		1,24	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

## MARGINAL TAX RATES



Source: The South African Chartered Accountant, Sept '79

R1 000 of taxable income deprives the taxpayer of R100 of abatements and he therefore moves up the tax scale at a faster rate. In effect, each additional R1 000 of taxable income, yields R1 100 of taxable amount.

Suggests Caras: "The problem can so easily be remedied. The abatement system should be scrapped, and allowances should be granted as straightforward deductions in arriving at taxable income."

But, as soon as taxable income tops R44 000, the marginal rate falls to 60,5% (see graph)

Although this bulge is not a new phenomenon it is more inequitable in the latest tax rates compared to those in previous years. Formerly tax bulges occurred well below the top rates, and the current marginal tax rate peak now persists over a much wider income range. Caras points out that it occurs because of the abatement-reduction system. Until the taxable income reaches a level where all abatements fall away, each additional

Secretary for Inland Revenue, Mickey van der Walt tells the *FM* that the 'bulge' has been accentuated in this year's tax rates because of the slower reduction in abatements, but, he stresses that those taxpayers affected are "still effectively paying less tax than previously."

0-1  
1-4  
5-24  
25-44  
45-64  
65+  
ALL  
NO.



## GST ON FOOD

# Scrap it now

Finance Minister Owen Horwood may not know a good idea when he sees one. Instead of dithering on the abolition of gst on food sales, he should take the plunge and scrap it forthwith.

After the massive coverage given by the SABC and — to a lesser extent — by the Press, to his Tuesday speech in Bloemfontein in which he was reported as saying gst on food was to go, Horwood back-tracked on Wednesday. He said that the idea of getting rid of gst on foodstuffs was just one of several suggestions on how to pass on to South Africans the benefit of soaring gold mine taxes. The problem will be discussed by the PM's Economic Advisory Council at its meeting later this month. It should advise the PM, and Horwood, to act right away.

Acceptance of this proposal could be a masterstroke in achieving many of the ambitious economic goals which optimists like Horwood are hoping for in the next few months.

First, a cut in gst will put more rands into consumers' pockets, enabling them to spend more on other items. Secretary for Inland Revenue Mickey van der Walt reckons that gst on food brings in R150m-R200m a year.

That doesn't sound very much. It is only about one-sixth of total gst collections. But the cut could mean a lot to consumers, especially in the lower income groups, who have been hard hit by steep price hikes on many staple food items over the past year. Senbank estimates that over a third of every rand spent on consumer goods by blacks goes on food and drink.

Second, the move would be a giant step towards cooling inflationary pressures, and possibly inflationary expectations, which have a habit of being self-fulfilling. Food prices have soared much faster than the consumer price index as a whole this year (18.7% and 13.5% respectively in the 12 months to June). And since 90% of retailers use in the add-in system (see box), they would be more likely to pass on a cut in gst than, say, a reduction in the import surcharge.

Although the effects on inflation should not be exaggerated, the scrapping of gst on some items might prompt stores to compete more fiercely on others, albeit briefly. Asserts Pick n Pay chairman Raymond Ackerman: "The moment petrol goes up, everyone pushes up their prices. Cutting gst could have the reverse effect."



Minister Horwood . . . now's the time for action

## ANNIVERSARY FACTS

Ninety per cent of retailers and wholesalers opted for the "add on" system of gst when it was introduced last July. Since then, only 3% have switched from one form of collection to the other as a result of the competitive disadvantages of their original choice. These facts emerge from a survey conducted by the Stellenbosch Bureau of Economic Research in June and July.

The bureau also reports that 86% of respondents' turnover was unaffected by the introduction of gst. Of those 14% whose turnover did suffer, most were consumer goods retailers, whose sales have since recovered.

About two thirds of those questioned

would welcome a compulsory "add on" system, while about a quarter are non-committal.

The survey, commissioned by Assocom, sampled firms of all sizes throughout SA. Commenting on the results, Assocom notes that as only a small number of firms have changed from one method of tax collection to the other, "it was correct to allow a choice." Assocom reckons the introduction of a compulsory method of gst collection would be premature. One reason: traders with predominantly black or coloured customers are mostly using "add in" for the sake of simplicity.

Best leave things as they are.

Third, removing gst on food would combine the best features of a subsidy and a tax cut, and avoid the worst. While pushing down the prices of basic essentials (as government has been urged to do by subsidies), it would not prop up inefficient industries as handouts so often do. At the same time, it would go a long way towards redistributing in an equitable way the millions of rand in gold mine taxes which have been piling up in Pretoria's coffers. The delay in pushing these revenues through to the rest of the economy has been a major reason for this year's disappointing growth rate (see next story).

But, make no mistake, the selective reduction of gst would initially mean a lot of hassles.

VII DISEASES OF THE

	W		M	
	M	F	M	F
0-1	0.51	0.33	1.10	0
1-4	0.05	0.06	0.02	0
5-24	0.07	0.06	0.09	0
25-44	1.09	0.44	1.31	0
45-64	9.75	4.44	14.76	11
65	42.19	32.93	55.30	4
ALL	4.70	3.81	3.22	
NO.	9752	7926	1135	

VIII DISEASES OF T

	W		M	
	M	F	M	F
0-1	2.90	2.22	7.81	
1-4	0.22	0.28	0.90	
5-24	0.05	0.06	0.17	
25-44	0.20	0.12	0.37	
45-64	1.46	0.92	3.33	
65+	11.52	7.89	16.51	
ALL	1.12	0.97	1.22	
NO.	2336	2019	430	



2 320  
Jun 10/8/79

According to tax consultant Michael Loughlin, the system operating in the UK, and that proposed for SA, are similar in principle. But British law allows a greater number of exemptions and concessions. The result is that taxes levied in SA may end up being much harsher than in the relatively socialist UK.

But in the UK, extensive concessions and deductions mean that the employee will enjoy a taxable benefit only when the loan reaches R60 000, and the tax payable at that point would be only R540 (assuming an exchange rate of R2=£1)

- The first R50 000 borrowed for purchase or improvements.

- Bridging loans of up to R50 000 outstanding for up to a year to finance purchase or improvements,

- Company loans of up to R50 000 to re-finance a loan obtained from a third party,

- Loans of any amount used to purchase property which is then leased at the com-

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**Cars:** The taxable benefit of British company cars is reduced by half when total distance travelled does not exceed 40 000 km a year, and by 33% when the car is more than three years old. Low cost cars with small engines are also treated more leniently. A company car in the UK with a value of R12 000 – R20 000 has a taxable benefit of R1 000. The De Loo commission proposes, however, that a car costing over R12 500 should enjoy a taxable benefit of R1 750. At the lower end of the scale, a small car with an engine capacity of 1.3 l carries a taxable benefit of R700 in SA, but only R350 in the UK.

**Cheap loans:** Again, British rules are

**Tax payable on the difference between the interest charged at the subsidised rate, and interest that would be paid at the official rate, possibly 10% pa.**

The only exemptions are loans under R1 000.

**Tax payable on the difference between interest charged at the subsidised rate, and interest charged at the official rate of 9%**

No tax is payable when:

- the taxable benefit is less than R100,
- the loan is used to buy shares in a partnership or family company
- the loan remains outstanding after the employee's death,
- the loan is used to buy a capital asset to be used for business purposes,

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TABLE II

## CAPITAL GAINS TAX

## A longer wait

320  
m 18/74

Despite reports that the draft bill on a new capital gains tax would be released this week, Secretary for Inland Revenue Mickey van der Walt reckons it will be "a physical impossibility" to publish it "for some time."

Van der Walt says that his four-man research team is giving priority to the fringe benefit proposals. Capital gains tax will have to wait until the pressure on this front eases.

Less lobbying will be allowed on the capital gains bill than on the fringe benefits report, Van der Walt reckons. The principles involved in a tax on capital gains were widely aired in the Franszen Commission report as far back as 1969. The intention of the new proposals, he adds, is a "modernisation" of the original principles, with a few new features relating to the phasing-in of the tax. The provisions of the bill will dovetail closely with existing tax procedures, Van der Walt says.

The Franszen Commission recommended that the tax be limited to profits on the sale of marketable securities and immovable property. Recommended exceptions

include realisations on the sale of the taxpayer's residence. A sliding scale capital gains tax was suggested, varying with the period for which the asset was held. The commission also proposed that the top rate of taxation on a capital gain would be a "comparatively modest" 20%.

	WHITE		ASIAN		COLOURED		BLACK	
	Male	Female	Male	Female	Male	Female	Male	Female
Rheumatic Heart Diseases (390-398)	115 1.2%	121 1.5%	28 2.5%	15 1.9%	120 3.9%	139 4.4%	49 2.1%	56 2.9%
	21 2.4%		115 10.1%	127 15.8%	190 6.1%	276 8.8%	273 11.4%	212 11.0%
	37 1.8		537 17.3%	246 30.6%	845 27.1%	566 18.0%	148 6.2%	66 3.4%
	587 6.3		273 24.1%	239 29.7%	939 30.2%	1278 40.7%	772 32.3%	749 39.0%
	752 100%	7926 100%	1135 100%	804 100%	3114 100%	3140 100%	2390 100%	1921 100%
Motor Vehicle Accidents (E810-E819)	750 38.0%	287 42.4%	122 36.6%	28 26.9%	572 26.3%	161 24.7%	282 15.1%	59 18.2%
Suicide (E950-E959, E979) *	485 24.6%	104 15.4%	42 12.6%	13 12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

\* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision). See Ref. 13.



## FRINGE BENEFITS 1

### The early shots

Commerce and industry are drawn into battle plans for a sharp exchange of Inland Revenue over the taxation of benefits.

Although organised commerce is reluctant to reveal its strategy to the proposals in the De Loor recommendations are far more than expected. The fight will thus be between PE Consultants director, Martin W. says that reaction from some "borders on outrage." The Natal C of Industries calls the proposals "ill and ill-conceived." A review of the existing tax system is an "priority," it adds, suggesting the commission should have also proposed in the maximum marginal rate of 50%, at a starting level of around a year.

The FCI is reluctant to commit to a meeting later this month. economist Arthur Hammond-Tenison says that while the present tax applies, there could be "a lot of if the commission's report is Lowering the tax scale is a answer, he argues.

Alan Lighton, secretary of tax committee, and AHI president van der Berg are also wary of their plans before further

	M	F	M	F	M	F	M	F	M	F
0-1	0.09	0.05	0.06	0.21	2.27	1.68	2.31	1.96		
1-4	0.03	0.01	0.00	0.05	1.27	1.08	1.02	1.29		
5-24	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02		
25-44	0.02	0.02	0.08	0.08	0.08	0.05	0.06	0.07		
45-64	0.09	0.12	0.39	0.88	0.28	0.42	0.24	0.61		
65+	0.39	0.59	1.61	2.59	0.81	1.28	1.04	1.44		
ALL	0.05	0.08	0.12	0.18	0.28	0.26	0.22	0.33		
No.	114	173	43	63	316	307	455	530		

III

ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES

II

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NEPHRASIS

## HOUSING LOANS

Lighton reckons there has been little response from member firms. One management consultant, however, consolidates much of the muttering in expense-account restaurants by moaning that "they're killing the goose that lays the golden egg." One unfortunate effect of the new proposals, he adds, "will be to increase the effort going into finding new loopholes, which is non-productive work."

Federale Volksbeleggings assistant general manager, Attie du Plessis, reckons his company is "sharpening its pencils to quantify the effects of the new proposals." It will "certainly" be making representations to Pretoria.

Hulets group MD Kees van der Pol reckons his company's attack will concentrate on the issue of free or low rental housing, which Hulets offers many employees. The R12 000 income limit, below which such housing would not be taxable, is too low, he says. Much higher salaries are essential to attract top personnel.

Bankers are reluctant to comment on the effect of the proposals on their generous housing schemes. But with loans to bank employees costing only 2.5% - 5% - "frequently a deciding factor when considering employment," according to a senior banker - they are considering a sharp retort to the commission before the September 7 deadline.

Building societies offer similar perks, and will feel the pressure both from employees and from the distortion of the housing market that may result if the recommendations are accepted. But Ass-

SA			UK	
Amount of loan (interest free)	Taxable benefit	Tax	Taxable benefit	Tax
R20 000	R2 000	R1 210	nil	nil
R40 000	R4 000	R2 420	nil	nil
R60 000	R6 000	R3 630	R 900	R 540
R100 000	R10 000	R6 050	R4 500	R2 700

Note: In the case of SA civil servants, a maximum deduction of R1 000 from pre-tax income, reducing by R200 a year over five years has.

Other points of contention surface each day as executives pore over the commission's findings. One economist worries that, although the proposals are likely to become law only in the 1980-81 tax year, Receivers of Revenue may already be taking hints from the recommendations: they deal with the current tax return now being assessed, possibly leading higher than expected tax liabilities.

	M	F	M	F
30	1.55	1.27	2.15	1.27
	51.04	7.48	29.36	27.05
	0.21	0.21	3.56	3.42
	0.21	0.21	0.20	0.22
	0.78	0.78	0.36	0.45

David Alston, is keeping mum on the societies' strategy. The Association has formed a four-man committee to study the problem. It will report later this month.

### Insurance problems

First-blush reading of the report by insurance companies has revealed a new problem. Insurance firms are taxed according to investment income only, without taking into account operating expenses. If a company wishes to compensate an employee for taxed perks by raising his cash salary, these extra payments would bite into operating surpluses. No relief would be achieved by a lower tax on profits, as would be the case with a non-insurance company.

Some brokers reckon that if the insurance market was less competitive than it is at present, companies would be tempted to hike premiums. Old Mutual assistant general manager Ralph Roseman disagrees. "The extra cost is minimal when compared to our total income," he reckons, and pressure on premiums would be "very marginal." The ultimate effect, under current market conditions, will be to cut profits, says Constantia Insurance MD, Trevor Tennant.



# Grobhelaar stands firm on fringe tax

By Sieg Hannig  
Labour Reporter

Mr Arthur Grobhelaar, general secretary of the 250 000-strong Trade Union Council of South Africa, has taken a firm stand in favour of the taxation of fringe benefits.

Other labour leaders are worried that thousands of civil servants, miners and bank employees will lose fortunes in housing privileges.

They are also concerned about the inflationary effect of a tax on fringe benefits.

But Mr Grobhelaar is uncompromising: "I don't give a damn if it's inflationary — I'm concerned in seeing justice done."

"Even if I have to stand alone on this issue, I shall not be party to a perpetuation of inequality."

An unfair tax system reflected poorly on the Government as well as that section of the population which benefited from it, Mr Grobhelaar said.

Mr Attie Nieuwoudt, president of the 200 000-strong Confederation of Labour, commented: "I don't think we can object to the principle of creating order and equity."

"But we are very concerned about the proposed taxation of housing benefits."

c) Ander lede:

Mr K. Bosman  
Professor A. Cupido  
Mr J. J. J. Davies  
Mr A. J. J. Davies  
Professor R. J. Davies  
Professor J. J. Degenmar  
Mr René de Villiers  
Dr I. D. du Plessis  
Professor J. J. F. Durand  
Professor J. B. du Toit  
Mr A. Fiederman  
Professor R. F. Fuggle

Mr H. W. Middelmann  
Mr J. L. M. Middelmann  
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Friends (Quakers) en van die American Friends Service Committee deurgedring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings geleëde en verskeie ander belangrike sake. Hy het ook 'n reis gemaak na die Amerikaanse Departement van Justisie van die Amerikaanse regering, verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switserland, Swede, Israel en Zambie besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomaats, senior ampmanne van die Suid-Afrika-Stigting en verskeie regeringsbeampte by Suid-Afrikaanse belangte ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diskonale Bureau van die oesformende kerke in Holland.

Professor J. J. Boshoff, ere-fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

## (b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlike Konferensie, Nasionale uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudings, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlike Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandelings voorgedrag in werke van die Suid-Afrikaanse logiese Vereniging as die ampelike afgevaardigde van Suid-Afrika (Augustus).



# Inflation still outpaces effects of GST income

Sun. Tribune  
12/8/79  
(320)

By TONY HUDSON

DESPITE soaring GST receipts the indications are that the economy is still struggling to get back on its feet.

Initial studies of the amounts pushed into state coffers via GST show that the January of March the CPI had about 11 percent higher than the average for the period August 1978 to March 1979.

However, in August last year, the consumer price index (CPI) stood at 211 while at the end of March the CPI had advanced to 233.6 — an increase of 11 percent.

So when inflation is taken into account, it seems that rather than reflecting an increase in economic activity, the increased GST receipts are merely reflecting inflation and, in fact, show that no appreciable growth has occurred in retail sales.

And the chances are that instead of continuing to increase, GST receipts could well level out after the full effect of the latest round of fuel price increases takes effect. This in turn is going to mean that the retail sector, already in a bad way, is going to face some troubled water.

Figures released by the Department of Statistics show that in real terms stores ex-

perienced their worst month since 1974.

And the much-vaunted tax cuts which came into effect last month and which were aimed at sparking off a consumer led recovery, having been completely swallowed by the new petrol price and the man-in-the-street has been forced to dig even deeper into his pocket to meet his garage bills.

The prospect for the second half of the year is even bleaker, for economists are predicting that inflation could be as high as 20 percent by the end of the year.

The figure for the end of June, which does not reflect the increased fuel prices, had already reached 13.8 percent. Government economists estimate the new fuel price will add 1.9 percent to this and pushing the final figure to 15.7 percent.

However, other economists are more pessimistic and feel that once the ripple effect has been taken into account, the figure could be three to four percent higher than estimated.

The Stellenbosch University's Bureau for Economic Research has stated that on the Witwatersrand, in absolute terms, retail sales figures have been falling. "Ominously so," it states (See Chartist, page 3).

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SENTRUM VIR INTERROSTUDIES  
(Gevestigd as The Abe Bailey Institute of  
Inter-Racial Studies Limited  
(Beperk deur Garansie))

JAARVERSLAG  
1978



## The Chartist

Tony  
Henfrey

THE PAST WEEK has produced rather conflicting news regarding retail sales. On the one hand we read that the General Sales Tax was bringing in increasing revenue which leads one to believe that retail sales are rising.

But then on the other hand the Bureau for Economic Research of the University of Stellenbosch has the following to say about retail sales in its latest publication 'Trends': "Apart from Durban/Pinetown, retail sales volume growth rates in the metropolitan areas are not remotely near satisfactory levels; in fact in absolute terms, sales have lately been declining in Pretoria and Johannesburg — in the latter region, ominously so."

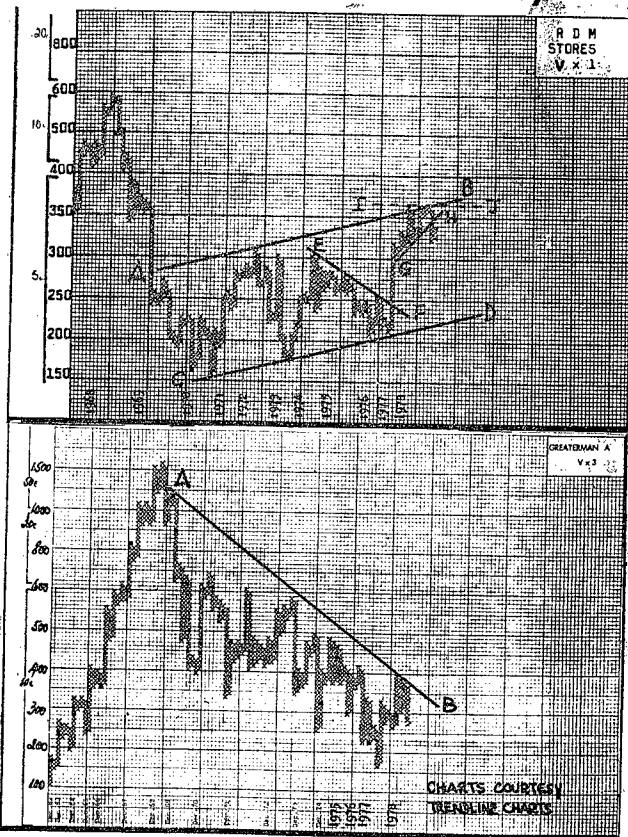
This is confirmed by Woolworths in their latest report which suggests that in real terms the retail sector is showing negative growth.

How then is the market rating the stores sector? The chart of the RDM stores index appears to be telling us — "nervously".

First, you will notice that since 1970 the sector has been rising slowly, bounded by lines AB and CD. The recent surge was signalled when line EF was broken and the advance continued until resistance from line AB was contacted around 360. Line IJ marks the three tops of the current bull market.

Recent weakness took the sector down through line GH which was theoretically a sell signal and it now remains to be seen whether the strength now seen in industrial shares will be able to get the stores index up through the resistance levels marked by line GH at 345 and lines AB and IJ around 360.

If the index fails to get through these formidable barriers, and weakness once more sets



## Take care—and study what's in store

in, then we must accept the likelihood of the index declining to around 255. So then, investors should view the stores sector with extreme caution unless the index can break above the 360 resistance level.

While the stores sector average has been rising gradually since 1970, Greatermans' has been pointed in the other direction. And one thing is

certain, as long as line AB remains in force, the shares must be considered to be in a bear trend. Until such time as the bear trend is replaced with a valid new bull trend the shares are best left alone.

Certainly, the current depressed condition may be the ideal buying opportunity, but there is no saying how long it

will be before line AB is broken. In the meantime there are better looking investments in other sectors which appear to have greater potential.



By DONALD ANDREW

THE Treasury's cheer in earning more than R1-million from sales tax and the ad valorem excise duty is not shared by the so-called "less essential" goods industries suffering as a result.

When general sales tax (GST) came into force on July 3, last year, sales duty (SD) was abolished and replaced with ad valorem excise duty (AVED), but covering far fewer industries and products — those classified "less essential".

However, with GST applied on top of the slightly altered renamed sales duty, or AVED, (plus up to two other taxes in some cases) the compounding effect is highly inflationary. Much to their ire, some "less essential" industries have found their de-jure (on paper) taxed products priced out of the reach of consumers with consequent industry reductions in employment.

In the year July 3, 1978, to June 30, 1979, R926-million in GST and R86-million in AVED was collected by the Department of Revenue and the Department of Customs and Excise respectively.

Whereas SD was applied at manufacturer level to numerous products, commodities and components, AVED is restricted to about a dozen "industries" including mainly certain cosmetics, furs, jewellery, vehicles, firearms, radios, watches, photographic, optical and audio equipment.

After last year's Budget, some of these manufacturers were left without the impression being "phased out", but SD was it arising by a different name. Between March and July, last year, SD was reduced 5% across the 2% to 33% bracket making its range from 3% to 28%.

The 5% to 20% AVED is calculated on the full or part value of the listed products. When related to imports it is called ad valorem customs duty

# 'Products priced out of market'

(AVCD).

In this year's Budget, AVED was abolished on motor cycles and motorcycles but applied to certain dishes but applied to certain dishes and light goods vehicles.

Pieterse SA, managing director, Manfred Fryh, said AVED added about 10% to the whole sale price of his finished product before the retailer added 4% GST and a trading margin.

What's more, AVED must be calculated on the highest wholesale price — before discounts. This can push up the tax considerably in relation to

the actual price paid by the retailer.

A government tax expert said it was originally intended that profit margins should be calculated on cost before duty, but that this had been unworkable. Here a wholesaler or retailer would calculate the profit margin on the before-duty cost instead of on the cost-plus price.

While this would decrease the inflationary effect, it would also turn manufacturers and companies to finance the servicing of the tax. Importers are even worse off. Here up to four taxes can

be built into the consumer price.

Added in at importation level are customs duties of up to a usual maximum 30%, import duties of 7.5% and the AVEDs from 5% to 20%. And then at retail there's the 4% GST.

Particularly sinful imports like fully assembled sport bikes, cars would carry 100% customs duty.

But while some products may be "less essential", purchases for some, in other instances they could be regarded as essentials not made in this country.

Cameras are a case in point.

Kodak's managing director Richard Fox says none of the import taxes can be absorbed and are passed on to the public. There is no alternative to buying an imported watch.

An electronics equipment manufacturer said his industry was adversely affected by the taxes which led to consumer resistance.

In the jewellery industry the compounding effect of the taxes was becoming critical as the price of diamonds and gold rises. One estimate is that total tax on gold has doubled in the

past two years.

On light motor vehicles there is the local content or specific excise duty (SEED) payable on 65% of the dealer billing price in addition to the AVED. The 15% discount is allowed to compensate for tax charged on components and to arrive at a wholesale price.

According to a Datsun Nissan spokesman the duty is related relative to the class of local content. The duty is expected to fall away with the introduction of phase five of the local content programme on January 1, next year, leaving only



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## Business

RESISTANCE to Senator Owen Horwood's proposed capital gains tax has been reinforced by the Shareholders Association of SA which says even the threat is depressing the market.

The Association of Chambers of Commerce fought the concept of a capital gains tax at a meeting with Inland Revenue officials in April. No result.

Now members of the Shareholders Association

## Tax hits market?

are talking of taking their case to the Minister.

The association argues the case of the Tel Aviv stock exchange collapse after the imposition of a capital gains tax, described by Dr. R. E. Lapidot, an Israeli Professor of Tax, at a seminar in Cape Town.

### JAARVERSLAG

1978

#### SENTRUM VIR INTERGROEPSTUDIES

(Geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited  
(beperk deur garnisie))

Posadres:

p/a Die Universiteit van Kaapstad

Rondebosch

Republiek van Suid-Afrika

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Kantooradres:

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Groote Schuur campus

Telefoon: 65-4145; 69-8331 vltb. 766

### INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se iode verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n oorsig oor die eerste tien jaar.

### DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grooitslik gefinansier deur die Abe Bailey-Trust wat ingesluit die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (beperk deur garnisie) - 'n maatskappij beperk deur garnisie en sonder 'n aandele-kapitaal. Kragtens die Maatskappijwet 1973 (wet Nr. 61 van 1973).



# No Govt committal on capital gains tax

NM 1578/79

(320)

**PRETORIA** — The Government had not committed itself to a capital gains tax in any shape or form, the Minister of Finance, Senator Owen Horwood, said in a statement here yesterday.

The publication of the results of the investigation into capital gains would be held over until a more appropriate time. The statement read:

"In the course of my Budget speech earlier this year, I stated that an investigation into the advisability of instituting a limited and moderate capital gains tax was being carried out by the Department of Inland Revenue in consultation with the Standing Committee on Taxation.

## Income tax

"This investigation was planned as part of a general programme of tax reform aimed at making the South African tax system more efficient and equitable, and among other things, at reducing the high marginal rate of income tax.

"Since that time, considerable progress has been made in this inquiry and it remains my intention to publish the draft report in due course and to invite public debate on the subject. This procedure yielded good results in the case of the general sales tax last year.

"In the meantime, however, the Standing

Commission's recommendations on fringe benefits have been published and the private sector has been invited to comment on these proposals.

"In view of the importance, I attach to the processing and full evaluation of these comments, I have decided not to place the additional burden on the Department of Inland Revenue and the Standing Commission at this stage of also having to consider new capital gains proposals.

"The publication of the results of the capital gains investigation will therefore be held over until a more appropriate time.

"I would also stress again, as I did in the Budget speech, that the Government has not committed itself to a capital gains tax in any shape or form." — Sapa.

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7700

SENTRUM VIR INTERKROEPSTUDIES  
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JAARVERSLAG  
1978







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die Vise-Voorsitter:  
Die Abe Bailey-Trus  
Landman en mnr G.K.  
versiteit van Kaaps  
professor G.F.R. El  
Biskop A.W. Habelga  
Maatskappy.



# Experts at odds over inflation

By Sieg Hannig

A "staggering" 3.6 percent rise in the inflation rate in July has left economists and trade unionists at odds over solutions to rising unemployment and under-utilised production capacity.

"Pay increases are the only thing that will get us out of this state of virtual stagnation," said Mr Arthur Grobbelaar, general secretary of the 250 000-strong Trade Union Council of South Africa.

Mr Ben Nicholson, secretary of the 100 000-strong Confederation of Metal and Building Unions, pleaded for a reduction in the petrol price which was "unduly high because it was based on a higher price than that actually being paid."

## MORE EXPORTS

He also called for a reduction in the prices of farm products, saying these had been "unduly inflated" by the fuel price increase.

Once the cost structure had been reduced that way, more investment and exports would ensue, allowing moderate increases in wages, Mr Nicholson said.

Mr Arthur Hammond-Tooke, economist of the Federated Chamber of Industries, said: "There is no real way out of the problem in the short term."

"In the longer term we must look to increased volumes in production and increased productivity amid continued monetary restraint."

## LITTLE HOPE

Neither a wage/price freeze nor a deflationary monetary policy was the answer, he said.

"Fortunately, South Africa is not alone in this problem. We may be able to keep a comparative edge over foreign competitors."

The July boost to inflation, bringing the rise in consumer prices for the previous year up to 12.9 percent, coincided with the Reserve Bank's annual report which held out little hope for dramatic improvements.

● GST swells State coffers — Page 18.

b) Severtien persone wat jaar lode van die Bel lede aan:

Professor E.V. Axel  
Professor J.F. Broek  
Professor J.F. Broek  
Mr C.S. Corder  
Professor W.H.B. De  
Dr J.P. Duminy  
Professor G.F.R. E.  
Biskop A.M. Habelg  
Mr E.V.E. Howes  
Professor M.F. Kapl  
Dr. W.A. Landman  
Mr G.K. Lindsay  
Sir Richard Layt  
Professor S.J. Saunders  
Professor M.W. van der Merwe  
Professor B. van der Merwe  
Professor Monica Wilson

Mennonite Central Committee se Konferensie oor: 'Die Rol van Oekumeniese Vredeskerke', Gaborone, Botswana. Verhandelings voorgedra oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

en in die stadsgebiede bevorder.

Die Direkteur is gelies as lid van die Raad van die Vot van die Suidelike Afrika. Hy is ook 'n lid van die Suidelike Afrikaanse Sosiale Vereniging en van die Internasionale Sosiologiese Vereniging. Hy is aangestel as die Suid-Afrikaanse afgevaardigde in die Raad van die Internasionale Sosiologiese Vereniging vir die tydperk 1978-1982.

## MAARDERING EN DANK

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum.

Die Universiteit van Kaapstad het benevens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoortruite voorsien. Met die uitbreiding van personeel het ons die huisie op die laer



# Tax plan still on review

320

21/8/79

JOHANNESBURG — Government has not committed itself to accepting the recommendations of the standing commission of fringe benefits, Dr J. H. de Loor, Secretary for Finance, said here.

Dr De Loor was addressing a FCI meeting of industrialists from across the country to discuss the principles of the proposals for the effective taxation of fringe benefits.

Dr De Loor reiterated that any changes in fringe benefits would take place within the framework of an overall review of the tax structure and the effect of inflation. It is not the intention to have a simple set off of marginal scales over the entire spectrum of personal taxes, he said.

Government accepted that the growth of fringe benefits was caused by the twin effects of inflation

and the progressive tax scales.

It was also recognised that the current structure of personal tax was distorted and inappropriate for a young country in which initiative and risk-taking had to be encouraged. Fiscal policy would be kept in line with general economic policy in setting and adjusting tax scales.

The proposals of the taxation commission had been published for general comment of the specific proposals. The objective was to find an equitable basis for a uniform application of the tax on fringe benefits.

In certain instances fringe benefits were used for large scale tax evasion. A continuous erosion of the tax base and the integrity of the tax system could not be contemplated, he said. — SAPA.

On die Sentrum se 10de verjaardag op 1 April 1978 te vier is die Jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

## DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappijwet 1973 (Wet Nr. 61 van 1973).



# GST swells the coffers by R928m

By Pieter de Vos  
State coffers were swelled by R928m from general sales taxes in the year since its inception on July 3 last year.

The Reserve Bank says in its annual report for the year ended June 30 that this collection was "substantially more" than the loss of revenue resulting from the abolition of sales duty.

Indirect tax collections

in the form of customs and excise duties, the surcharge on imports, sales duties and proceeds from the general sales tax rose by 40 percent to R2 695m compared with an increase of 26 percent in the preceding year.

It says the most important change in inland revenue collections was the sharp increase in income tax and mining lease payments by gold

mining companies.

Receipts from gold mining companies almost doubled from R450m to R901m, causing their relative contribution to total revenue to rise from six to 10 percent. These figures underscore the recent complaints from the mining chiefs that they are taxed too highly.

The tax structure seems to reflect the direction given by Senator Horwood,

Minister of Finance, in his 1973 Budget speech that indirect taxes would be increased while direct taxes would be decreased. The ratio of indirect taxes to total tax receipts reached a level of 42 percent compared with 37 percent in the previous year.

At the same time the attempt to strengthen consumer spending power is indicated by a relatively low rate of increase of three percent in the income tax payable by individuals and companies because of the abolition of the surcharge on income of individuals and the lowering of the surcharge on companies.

This rate is expected to be affected even more when the tax concessions announced by Senator Horwood in his Budget speech become fully effective in the second half of this year, says the report.

Illovo:  
J.L. Boshoff  
T. van der Horst  
Ismene Jaarvergadering van die Nasionale Uitvoerende Komitee van die Suid-Afrikaanse Instituut vir Rasserverhoudings, Kaapstad (Januarie).

Mr P.M. Somn  
R.F. Fuggle  
R.F. Fuggle  
Mr R. Tobias  
Professor R.E. van der Ross  
Professor J.H. van Rooyen  
Rev. S. Walters  
Professor F.A.H. Wilson

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J.L. Boshoff  
T. van der Horst  
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Ismene Jaarvergadering van die Nasionale Uitvoerende Komitee van die Suid-Afrikaanse Instituut vir Rasserverhoudings, Kaapstad (Januarie).

## (b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlike Konferensie, Nasionale Uitvoerende Komitee van Rasseverhouding van die Suid-Afrikaanse Instituut vir Rasserverhoudings, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlike Vergadering van die Religious Society of Friends, Stellenbosch (April).

Nagende Wereldkongres van Sosiologie, Uppsala, Swede. Voorhandelingsvergadering in die Nieuwe Wereld bygewoon van die Raad van die Nieuwe Wereld, Uppsala, Swede. Logiese Vereniging van die amptelike afgevaardigdes van Suid-Afrika (Augustus).



# Relax! Perks tax to be scrapped

Sun. Times Bus. 26/8/79

(320)

**GOVERNMENT has made the firm decision to drop the controversial fringe benefits tax proposals almost in their entirety.**

The process towards the introduction of the equally disliked capital gains tax is, in view of the public outcry over the perks tax, to be slowed considerably if, in fact, it is not entirely scrapped.

This has been learnt by Business Times from informed sources in Pretoria.

While steps will be taken to stem the tide of rising remuneration, the government has not formed any part of the next national Budget.

This follows a heated row between the Treasury and the Department of Inland Revenue, headed by Secretary Mickey van der Wal, the chief advocate of these taxes.

The former contended that

the taxation of fringe benefits had never formed a part of government policy in that they would be singularly inappropriate under present economic conditions. They would also cut across government's policy of encouraging free enterprise.

Essentially, they would be both inflationary and a disincentive to growth, at a time when a rising unemployment rate must be given top priority.

The Ministry officials believe that when steps are taken to reduce income tax which is paid in forms that attract little or no tax, they must arise from a more intensive study than the one undertaken by the Standing Commission of Inquiry into the Taxation of Fringe Benefits.

"It was foolish to think that in one budget, the established practices of 20 to 30 years could be reversed," a source close to government told me.

Ministry officials acknowledge that the tide towards re-

**BY NIGEL BRUCE**

muneration through fringe benefits has to be stemmed. For if it continues at the current pace, the government could be receiving half of their salaries in this form.

But the process must be gradual and linked directly to reductions in the middle class and other income groups. This will shift the net result would be to the advantage of most.

As this happened, public opinion to the changes would, they suspect, largely fall away. They are critical, too, of some of the committee and by the manner in which the proposals were presented to the public, which was through publication in the Government Gazette.

In the Department of Inland Revenue, however, I under-

stand a very different view is being taken.

Frustrated with the success of the public relations surrounding the introduction of general sales tax (GST) last year, and anxious for continued tax reform to introduce greater equity and administrative convenience into the taxation system, these officials have fought for a firm government policy for a firm government policy, or an amended form of them.

They point out that the proposed tax, in essence, confined to the technical methods of implementing a tax on policy.

I understand that sensitive though proposals of this nature would inevitably be the Minister of Finance, Senator Owen Horwood, had no part in the manner of their publication.

Nor need he be embarrassed by the decision not to proceed with them. For he has repeatedly stated that the taxing of

fringe benefits was being investigated, but had not yet been adopted as official policy. Nor was a commitment necessarily intended.

The rejection of a capital gains tax will not be quite as easy for the Minister did commit government to this form of taxation in his Budget speech.

But, I understand that the state of the economy and the public reaction to the taxation of perks, has persuaded him that he has little choice but to back-track on this matter.

Senator Horwood has called senior financial journalists for a special briefing. The subject is not yet known, but speculation is that he would use the occasion to state that the government's attitude to fringe benefits and tax reform in general.

A report on a critical analysis by Wits Graduate School of Business Administration experts of the tax perk proposals appears on Page 7.

Handeling van die Internasionale Societate van Suid-Afrika (Augustus).

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# Resistance to new tax grows

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27/4/74

320

Financial Editor

**A POWERFUL body of resistance is building up against the Government's proposal to tax fringe benefits.**

A series of meetings of employer and professional bodies began in Durban last week with a workshop arranged by the Natal Society of Chartered Accountants to consider the new tax and submit reports to the authorities either direct or through a head office in Johannesburg or Pretoria.

These are all expected to be against the new tax. It remains to be seen whether the strongly worded submissions will influence the Government. Many think it will not.

**Important**

In the past, fringe benefits have carried out an important function in the business sphere.

- They have encouraged highly qualified and badly needed people from overseas to work in South Africa.
- Top businessmen have been compensated for the responsibilities they bear.
- The hardships and discomforts of working in distant parts, such as mining camps or at sugar factories in the depths and heat of Zululand, have been offset by free housing and

- People have been encouraged to join the country's civil service.
- The "anti" lobby is opposing the new tax on the grounds that if men and women are prepared to take risks and work hard in the promotion of economic activity they should be compensated.

## Equal basis

Initiative and ambition should not be killed by making the game unworthy of the candle, the group says.

The Government counters by saying that taxation should be applied on an equal basis to all taxpayers.

If a company wants to reward an employee for hard work, unpleasant working conditions or extra responsibility, it should pay him more money.

This argument does not stand up because more pay

**List employees**

But, these hopefuls are on unfirm ground.

The Government will not waste time sorting out test cases or allow itself to be led into a maze of legal or tax arguments. My view is that the Receiver of Revenue will throw the full responsibility at employers.

They will be asked to list employees who receive fringe benefits and what these are worth. The employees will be taxed accordingly.

However, this does not alter the fact that this is a bad tax. It is unpopular and only expected to bring in R50 million a year.

The advice of Mr. Bill Hamilton, president of the Natal Chamber of Industries, to the Government on this issue is simple — "Drop it".

On this point he has almost 100 percent support.

- Top businessmen have been compensated for the responsibilities they bear.
- The hardships and discomforts of working in distant parts, such as mining camps or at sugar factories in the depths and heat of Zululand, have been offset by free housing and

would push the employee into higher tax brackets and cost the company more money. This, in turn, will affect company profits.

Also, it is not only executives who receive fringe benefits. A wide range of employees from the top men to those who carry out the most humble duties are in receipt of the benefits.

The taxation of fringe benefits will create a number of economic trends which could be most unpleasant.

- What will be the effect on the property market if free housing and cheap loans are taxed?
- How can a salesman's car be taxed when it is a tool of the trade?
- What will happen to inflation? A fringe benefits tax must push up costs at a time when inflation is already running at more than 13 percent a year.
- Many people are seeking comfort in the thought that the new tax will be too difficult to impose and the task will be almost impossible to police. In addition the project would be complicated in the extreme.

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The Abe Bailey  
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# New taxes

# — what you will pay

By HAROLD FRIDJHON

IT'S going to hurt at the top if the recommendations on taxing perks become law next year — without any changes. And a lot of people are going to press for some relief by complaining to the Secretary for Inland Revenue before September 7, 1979.

Just to give some idea of what perks tax can cost—

A man earning R50 000 a year, living in a northern suburbs company house for which he pays a nominal R200 a month in rent, driving a company Mercedes, enjoying an entertainment allowance of R2 500 and who gets a company bursary to keep a son at Michaelhouse, will find that his taxable income will jump by R16 250 a year on which he will have to find R9 750 in additional tax.

This, of course, is at the very top of the scale but lower down, every man with a company car in which he can do unlimited private mileage will have the "taxable benefit" on the use of that car added to his taxable income.

If, however, he makes a nominal payment to the company for private use of the car, he can claim this amount against his "taxable benefit".

Mr G.K. Lindsey  
Sir Richard Luyt  
Professor S.J. Saunders  
Professor H.W. van der Merwe  
Professor D.J. Wain  
Professor Monica Watson

Die oort: 'Die  
skoonheid,  
'The Role of  
in Africa'  
Liese Beweging,  
Openbare  
Afrikaner  
in die Weskaap-  
Komitee van van

Meanwhile the executive director of Assocom, Mr Raymond Parsons, said extensive fringe benefits were largely a symptom of excessively high rates of income tax and great caution should be exercised in accepting any proposals to increase the tax burden.

He was commenting on the report of the Standing Commission of Inquiry regarding taxation policy which was published in the Government Gazette yesterday.

Mr Parsons said employers, in order to increase productivity, had been compelled to offer substantial fringe benefits to maintain a realistic after-tax income for staff. "This is particularly so in a country which has to solve a chronic skilled manpower bottleneck," he said.

HAROLD FRIDJHON writes that it is the entertainment allowance which is going to hurt — and not only at the top but halfway down the line as well.

The commission has taken a strong view of a practice which, it says, is nothing more than a means of putting untaxed remuneration in employees' pockets. Except for a proposed allowance of R600 a year — at present it is R300 unaltered since 1954 — all other entertaining will have to be paid for by the company, and vouched (the credit card companies will appreciate this proposal).

a) Drie stigterslede:

Mr J.C. Benfield  
Mr H.L. Kennedy  
Mr P.C.T. Watson

Stigters van Verreëde word voortaan  
nulle sluit die volgende in: Tans is daar 57 lede en



# "Fringe" tax likely to boost inflation

Deputy Financial Editor

TAXATION of fringe benefits is likely to have an inflationary effect unless there are changes in taxation.

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Friends (Quakers) en van die Amerikaanse Committee deurgebring. Hy het 'n verskillende dele van die land blywings toespraak en senior bespreekings van Community Relations.

A typical example would mean a 13 percent increase in salary to maintain the amount of take-home pay.

Yesterday accountant Mr. Jock Porteous said that a married man with two children, earning R15 000 a year, paying R300 for the use of a company car and having a R25 000 low-interest housing loan would have to pay R943 more tax.

## Abatements

His salary would have to be increased by R2 000 to keep pace because his higher tax bracket would mean a reduction in abatements and tax gearing came into effect.

Mr. Porteous said the effects could be lessened if there were changes to the tax brackets.

He pointed out that the Government had put itself in a difficult position by highlighting the avoidance of tax on fringe benefits. If

the tax was postponed or cancelled the Government would have to be very convincing to persuade ordinary tax payers to accept the decision.

There were another two objections to the tax proposals — one was the difficulties that would be placed on getting homes and the other the disincentive to productivity.

One of the proposals establishes a formula to tax the difference between a low cost housing loan and arbitrary tax figure (a suggested 10 percent).

## Civil servants

This would affect civil servants and employees of banks and building societies.

Mr. Porteous said it was evident that the Revenue was changing the "large" tax bite by the creation of the general sales tax, by alterations to abatements and reductions in the marginal tax rates. But more was needed if the fringe benefit tax was not to discourage senior people.

## Broader base

Mr. Toni Kedzierski of the National Development and Management Foundation, which arranged the discussion, said there was no doubt that business had been getting away with a lot under the existing taxation administration.

He went on to outline the proposals and said they were aimed at broadening the tax base and of putting into practice several legal provisions which allowed fringe benefits to be taxed.

"All we are seeing now is a way of establishing the value of the benefits," Mr. Kedzierski said.

Suid-Afrikaanse Jaarverslag van die Regering van die Republiek van Suid-Afrika (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Hierdie kongres het 'n verslag uitgegee en verskeide besprekings gehad. Die verslag is deur die Suid-Afrikaanse Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

c) Ander lede:

Mr H.W. Middelman  
Eerw. M.T.L. Moletsane  
Professor A.D. Muller  
Sheik A. Najaar  
Mr Victor Norton  
Professor R.J.J. Olivier  
Mr L. R. H. Pollal  
Mr R. H. P. Pollal  
Mr W.J. September  
Mr Franklin Sonn  
Mr P.M. Sonn  
Regter J.H. Steyn  
Mr R. Tobias  
Professor R.E. van de  
Professor J.H. van  
Mev. S. Walters  
Prof. Dr. Gertud Heydorn  
Eerw. D. Guma  
Mr G.J. Gerwel  
Mr A. Fiederman  
Professor R.F. Fuggle  
Eerw. A. Paul Hare  
Dr. Gertud Heydorn

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## NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika  
Hierdie projek is 'n paar jaar gelede aangepak. 'n Oorsig van die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-



## FRINGE BENEFITS

### Still on the cards!

Businessmen seem to have short memories and high hopes when it comes to government's tax proposals. They have apparently forgotten that many of the key recommendations in the Franzsen report, published 10 years ago, including adjustments to the marginal rate and the introduction of general sales tax, have already been implemented.

Among the proposals still outstanding are those on the taxation of fringe benefits and capital gains. There is little doubt that these will also eventually become reality although, in the case of fringe benefits, not necessarily in the precise form suggested by the De Loor committee, and, in the case of capital gains, at some distant time and in a muted form.

Finance Minister Owen Horwood this week refuted reports that the proposals are to be shelved. He stressed that no decisions on the tax have yet been taken. Government is waiting for proposals by the private sector to be evaluated by the standing committee on taxation.

Deputy Secretary for Inland Revenue, Carl Schweppenhauser, tells the *FM* that "the exercise is still being continued, and the public must not be discouraged from sending in their suggestions."

Schweppenhauser's boss, Mickey van der Walt, puts it more firmly. "We're not asking for comment just for the hell of it," he insists. Suggestions of a dispute between the Ministry of Finance and the Department of Inland Revenue are "not true."

Van der Walt says that he is willing to grant a selective extension for private sector comments on the De Loor report beyond the September 7 deadline. He reckons reaction so far from the private sector has been plentiful, but expects comments from organised commerce and industry to come in closer to the deadline.

Changes are certain to be made to the De Loor recommendations. Senior policy makers have already admitted that the package was poorly put together. For instance, Van der Walt told the *FM* at the time of release of the committee's report that the 10% "official" interest rate was

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the "white" community is suicide, whilst that for the 'coloureds' is homicide. For Africans, the latter is the main cause in this category.

The expectation for life at birth and at age 45 for whites, Asians and 'coloureds' is summarised in Fig. 6. The expectation of life for urban Africans is a large measure of migration. The difference of life for women in comparison to men. However, what is of interest is the life for the three communities. At ratios are 1:0.91:0.76 for males and of 45 these are 1:0.91:0.86 for males. The 'coloureds' are less disadvantage males and females, a difference which infant mortality rate in this community. Asian females have the worst expectation communities, which is in marked distinction at e and males at 45. The fact that women have the highest mortality rates digestive, genito-urinary and ill-effects contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

calculated late last year, before the recent easing in rates, and that it could easily be negotiated downwards.

Likewise, the department may change its tune on the gradual phasing out of civil servants' housing subsidies or their extension to the private sector as well. If the current discriminatory proposal remains in force, Van der Walt could be destroying whatever goodwill he has as a basis for discussion of the report.

Van der Walt says Pretoria's capital gains tax proposals have been "put on ice until we clear the decks." He is unwilling to be specific on when the draft bill will be published.

What is clear is that the thrust of comment from the private sector will be that it is impossible to unravel the fringe benefits system - developed over years in response to punitively high marginal tax rates - without at the same time sharply lowering marginal rates and the thresholds at which they are attracted.

As (Table I) are compared with the proportional mortalities in the 'coloured' community, the actual rates for higher than those of the whites. The reason for this is high that they effectively swap the proportional mortality rates for most causes of death are so low, the importance of the circulatory diseases become disproportionately exaggerated.

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death. The proportional mortalities of the international overall mortality of the white whites show a typical infectious and Parasitic plasmids (15,68) and Diseases importance. For urban Diseases make an important category of infectious diseases are the most experience an interesting mortality with a high interest in the relatively high, particularly in the



# Don't skip GST importers told

**EAST LONDON** — Business concerns were misusing their registration certificates to import goods and they were being warned to confess their sins or face the consequences.

The warning came yesterday from the Receiver of Revenue, Mr. J. D. Euvrard, who said his inspectors had uncovered a few cases.

"These concerns and individuals are using their registration certificates to import such things as

machinery without paying sales tax on the goods.

"I wish to point out this is not permissible. Their attention is drawn to the fact that only goods imported for resale, hire, leasing or for incorporation into manufactured goods may be imported free of sales tax."

He said anybody who had misused a registration certificate or who had any doubt should contact the sales tax section of his office. — **DDR**

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Telefoon:

Gedurende die eerste  
Sentrum vir Intergrasie  
sy werksaamhede gepu-  
verjaarsdag op 1 April  
in 1977 vervang deur

## DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) — 'n maatskappy beperk deur garansie en sonder 'n aandelskapitaal. Kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).



Sunday

EXPRESS

Business

320

# It's on! The taxman will hit those fringe benefits

**DON'T relax! The perks tax is definitely on.**

Wishful thinkers who have claimed the proposed fringe benefits tax would destroy incentive and only pick up around £50-million or 0.5% of existing revenue, have reversed their own point, a senior Inland Revenue source told the Sunday Express this week.

Because the onus of tax evasion through fringe benefits has been left largely to the individual, only an expensive increase in revenue

**WISHFUL THINKERS WRONG —**

**YOU'D BETTER BELIEVE IT!**

Investigative audits could find and punish enough of the guilty to constitute a general deterrent, he said.

But by changing the system to increase the involvement of the employer, who dispenses the perks, policing would be made cheaper and easier.

A significant increase in fringe benefit tax evasions was expected

to increase with inflation.

He also dismissed reports of heated disagreement between the Treasury and the Department of Inland Revenue over the tax.

"One school of thought believed more exploratory work could have been done in formulating the balancing factor — a review of higher taxation to offer open incentives to replace the hidden margins of fringe benefits — be-

fore opening-up the proposal for public comment," he said.

An Inland Revenue official told the Sunday Express that a survey of executive salaries published last week clearly illustrated that tax money was vanishing into fringe benefits — at the expense of other taxpayers.

The survey concluded, in a main example, that an executive would require three times his sal-

ary of eight years ago to have kept pace with tax and cost of living. It seems a fair point that an executive with this right has found, together with his pension, some method of compensating for the missing £1,000 of the official

"Private benefits of this order must stand with, for example, the wage-paid worker who gets a subsidised house.

"There must be an equitable tax base for everybody. The problem of incentive for leadership with such a base," he said.



# Exemption from GST resisted <sup>320</sup>

Political Correspondent

BLOEMFONTEIN. — The Deputy Minister of Finance, Mr. Pietie du Plessis, yesterday, resisted calls for agricultural exemptions from general sales tax.

He told farmers who had pressed for various concessions that the government was extremely reluctant to grant exemptions.

Sales tax was a general indirect tax which hit both rich and poor. The moment exemptions were granted, narrowing the tax base, the rate would have to be raised to produce the same revenue.

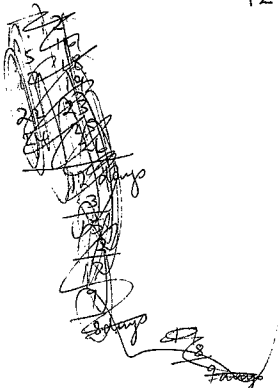
Britain, for example, had started with a 7½ percent value added tax, but because of a variety of exemptions, including food, it had recently been raised to 15 percent.

"Our four percent tax must be kept in perspective," he said.

"If we start granting exemptions, we will make holes and leaks in that tax source and will have to increase the rate of general sales tax drastically."

Mr Du Plessis said GST had produced R654 million last year and was expected to yield R1 050 million in the current financial year.

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FRINGE BENEFITS

320 pm 7/9/79

# Clearing the air

*"The tax which each individual is bound to pay ought to be certain, and not arbitrary . . . The certainty of what each individual ought to pay is, in taxation, a matter of so great importance that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty."*

— Adam Smith.

One thing is certain regarding the controversial proposals on taxation of fringe benefits. No one is going to be hurt. For the time being, however, it appears the business community will simply have to exercise patience and wait for next year's budget.

Minister of Finance Owen Horwood will receive the revised recommendations of the Standing Commission on Taxation early next year, according to Secretary for Finance, Joep de Loor.

But before Horwood has the commission's final report, De Loor expects it will be handed to organised commerce and industry for yet further scrutiny and comment. And De Loor makes it clear in discussions with the FM that government will lean over backwards to make sure SA's leader group is not penalised by what amounts in effect to additional taxation.

"At this stage, about three-quarters of the representations submitted on the fringe benefit proposals have been received," he says. "The department of Inland Revenue will summarise them and submit them to the Standing Commission, which will meet sometime in November. The committee will then submit a revised proposal to the Minister."

### Consensus coming

De Loor strongly rejects the criticism of some that government went into the matter of taxing fringe benefits without adequately considering public and business sentiment — thus creating an unnecessary "scare". He believes consultation on this thorny issue has been more thorough than on most potential legislation, and that the end decision will almost certainly be one of consensus.

The Minister's dilemma revolves around:

- The principle of whether fringe benefits should be taxed or not;
- If they are to be taxed, what formula to adopt; and in this event,
- What timetable to adopt.

Significantly, however, De Loor believes a decision to go ahead with any of

the perks tax proposals could be balanced by some form of tax relief for businessmen affected by any change. He stresses, though, that this would be a decision for the Cabinet — and the Standing Commission's second report would merely be another advisory one. It will, however, include the comments of organised commerce and industry, particularly the Afrikaanse Handelsinstituut, Assocom and the FCI, all of which will "definitely be given an opportunity to come back at the government," De Loor assures the FM.

It is quite clear, however, that though Horwood won't be announcing any final decision before budget day next year, speculation that government will drop most of the really contentious proposals, such as taxation of low rate housing bonds, is accurately aimed. The volume of protest with which government is having to contend — particularly from its own supporters — is so weighty that even Ministers spoken to privately reckon the majority of the proposals are highly unlikely to receive Cabinet sanction in their present form.

And those that do go through will

almost certainly be softened by additional tax benefits — though what form such concessions would take, the FM is unable to ascertain at this stage.

relationship between technical matters and matters of utility in health services. From one point of view, the question whether to tax health services in the community is a technical one. But whatever are the society's requirements for the health group? But community care originally became a good thing in itself. The practitioners are very at the medical and economic arguments when it suits them politicians and administrators equally so when it suits but the economist's concern is to keep them separate"

programme budgeting, then, entails the attempt at this steping out from the multiplicity of decisions those which can the basis of administrative or economic, together with med criteria, and those in which the role of the public through



Joep de Loor . . . nobody will be hurt — now

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

- This is necessary:
- (a) to know the cost of pursuing each objective;
  - (b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

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### 2.1 Programme Budgeting



# US plans value-added tax system 320

The Star Bureau

NEW YORK — The chairman of the US House Ways and Means Committee has outlined a massive plan to shift the focus of the fiscal system from income and payroll taxes to taxation of consumption.

Mr Al Ullman says he is working on a package to slash individual income taxes, business taxes and social security taxes by \$120,000m a year, replacing the revenues with a new value-added tax.

The Vat, used widely in Europe and elsewhere, is levied on the increase in the value of goods at each stage of production and distribution. That is, the tax is paid on the difference between costs of materials and components and the price received for the product.

## VERSION

Analysts generally conclude that the Vat is a form of sales tax added to prices and ultimately paid by consumers. But Mr Ullman says his "Americanised" version will not be a retail sales tax. He is understood to be contemplating a wholesale tax.

Addressing a conference

on Vat sponsored by the US Chamber of Commerce, Mr Ullman said a 10 percent Vat could raise enough revenues to allow Congress to:

- ① Roll back social security payroll taxes by at least 25 percent, without reducing benefits.

- ② Increase business tax deductions for depreciation in order to encourage investment.

- ③ Reduce "double taxation" of corporate profits — when earned by the corporation and again when received by stockholders as dividends.

- ④ Encourage savings by deferring taxation of interest on thrift accounts until savings are withdrawn.

- ⑤ Cut the maximum tax rate on individual incomes from 70 to 50 percent. The top rate on wages, salaries and other "earned" income is now 50 percent, but the maximum on investment earnings is 70 percent.

- ⑥ Reduce individual income tax rates to offset the effects of inflation in boosting taxpayers into higher brackets, and increase the earned income credit now allowed the "working poor."



FRINGE BENEFITS

The great escape

Even if, as seems increasingly unlikely, the De Loor Commission's recommendations were to be implemented more or less intact, there would still, no doubt, be sighs of relief in Pretoria's corridors of power.

For, according to fringe benefit consultant Michael Laughlin, civil servants

receive significant tax concessions in terms of existing income tax legislation. These mean substantial savings for public servants at the top end of the salary scale. But the De Loor Report failed to mention the relevant sections of the Income Tax Act dealing with State-employee exemptions from certain taxes, suggesting only that civil servants' housing subsidies should be brought, gradually, into the tax net.

For instance, entertainment allowances, however large, received by public servants on official duties are tax free in terms of s29 of the Income Tax Act. And there is no onus on the individual to substantiate his allowance claims, which implies that allowances do not necessarily have to be spent to be tax free.

In the private sector, on the other hand, the commission is proposing a tax-free entertainment allowance limit of R600 a year; any amount in excess of this will have to be supported by evidence that the

firm materially benefited from the expenditure if it is to escape the Receiver of Revenue's clutches.

Retirement gratuities paid out by government are entirely tax free, at the discretion of the Treasury. Similar payments in commerce and industry, generally known as deferred compensation, are subject to a tax-free limit of R1 500.

Other State lump sum payments and pension or provident fund payouts also completely escape the Receiver's net, as also do public servants' contributions (with no 'ceiling') to these funds. Once again, the private sector does not enjoy similar concessions. A tax-free ceiling of R45 000 is placed on these types of payouts, and contributions in excess of R3 500 a year to both a pension fund and retirement annuity (15% of income for a self-employed person) are taxable.

But perhaps the commission's members are realists. MPs' entertainment

allowances are not taxable, and, in terms of the legislation (s14 of the Income Tax Act), they can be paid unlimited amounts. A review of public servant exemptions in the Income Tax Act would have to include a close look at politicians' benefits, and they are notoriously reluctant (the UK's Margaret Thatcher apart) to pass legislation adversely affecting their own pockets.

Meanwhile, Dr Anton Rupert, chairman of the Rembrandt group, appears to have one answer to the current wrangle on taxing fringe benefits.

On Tuesday, he called for the abolition of fringe benefits combined with the reduction of the maximum rate of personal income tax to 50%.

While Rupert did not explain whether the fiscus could afford such a reduction in tax rates, he asserted that "it is unwise to be generous at the bottom when this is at the expense of being punitive at the top." This would discourage those people who are best suited to make a productive contribution to the economy.



NM 19/9/79

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## Mercury Correspondent

**PRETORIA — Finance Minister Senator Owen Horwood yesterday gave South Africans a R511 million handout. Everybody will benefit in one way or another. There might even be selective cuts in GST.**

Taxpayers are in line for a loan levy repayment; pensioners will get a bonus payment over and above budgeted pension increases; food subsidies have been increased, and subsidies for transport are to go up.

Announcing the biggest payout outside of a Budget day, Senator Horwood told the National Party's Transvaal congress that the benefit of a soaring gold price was being passed on to the consumer.

This is how he plans to spend some of his R511 million:

- R24,5 million for pensions. This will be paid in a single bonus to pensioners in November, over and above the increases which begin next month.

### Child allowances

This will work out to a R30 bonus for Whites, R24 for Coloureds and Asians and R18 for Blacks, payable in November only. From October 1 child allowances will increase by R1 a month for all races.

- R20 million during the next six months for food subsidies. Senator Horwood indicated that this would affect GST on certain basic foodstuffs, but did not say which would be affected. The matter would be worked out and an announcement made soon.

- R12 million for transport subsidies over and above the R50 million already made available to offset fare increases caused by the rising fuel price.

- R160 million — inclusive of R21,5 million interest — for the repayment of the 1977 loan levy. The cheques would be sent out on November 12.

### Bread subsidy

Other concessions include an additional R45 million on the bread subsidy and a R55 million interest exemption to the Railways.

Reaction was ecstatic. Mrs. Mercia Watkins, president of the Pietermaritzburg Housewives' League, told a Mercury reporter the food subsidy was tremendous news.

"We really welcome any concessions. We consumers are always last in the line because we have to bear the brunt of manufacturers' increases. This injection will certainly ease the burden."

Pensioners at old-age homes in Durban were delighted at their news. "It is a bit hard to comprehend how much the R24 million will mean to the individual social pensioner, but any increase is tremendous," elderly Mr. Keith Ball said last night.

Mr. D. McCourt, manager of the Ezakheni bus service, recently in the limelight following bus boycotts when fares were raised, said: "I welcome that some steps are being taken to subsidise passenger bus services. It will not affect us at present but will do a lot of good for the future."

Our Financial Editor Jack Keir reports that Mr. Bill Hamilton, president of the Natal Chamber of Industries, said that his chamber would be delighted with the news.

"This is what we asked the Minister of Finance to do. Now consumers have an opportunity to spend and get the economy moving. We asked for a dynamic package and this is the first part of it. There must be a follow up."

Mr. Ken Hobson, general manager of the Durban Chamber of Commerce, said the Minister's announcement had been

♦ TURN TO PAGE 2

P.T.O. for  
Continuation



POCK CRAB

1 large tomato  
1 1/2 cup grated cheese  
2 beaten eggs

Ellie Lotter, Bellville

1 t butter  
1 t grated onion  
salt and pepper to taste

Peel and slice the tomato. Melt butter in a pan and fry tomato to a pulp. Stir in the grated cheese and onion, then the beaten eggs and seasoning. Cook until thickened, and serve on toast. Excellent sandwich filling too!

---o0o---

LALLINALA (Cape Malay Dish)

Mrs A. Schroeder

Coconut Ice

4 cups sugar  
1 cup milk (rose colouring or green colouring as desired)  
2 cups coconut  
rose water to taste  
6 cardamon seeds (ground in a pestle and mortar)

Place the sugar, water and cardamon seeds in a large saucepan, stirring until dissolved. Place on medium heat and bring to boil, add the coconut and boil for a further 5 minutes. Remove from heat and place in a pan of cold water, add colouring and flavouing and beat until thick. Set in an 8" papered, buttered square pan as this is not papered, cardamon seeds are usually set, this is the only ice in little greased tins. (To use papered ones, the brightly coloured coconut ice is generally tinted pink or green.)

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ROLLS

1 egg  
1 1/2 t salt  
1 cup water  
1/6 cup margarine

Janine Brown, Bracken

3 1/4 cups cake flour  
2 t yeast (dried)  
1/6 cup sugar

Dissolve yeast in warm water, add sugar and salt. Leave 5 minutes. Beat adding 1 cup flour for 2 minutes. Add 1 cup water and butter, beat for 3 minutes. Stand 10 minutes. Roll out on floured surface and knead and shape into rolls. Place on buttered baking sheet, leave to rise till double in size. Bake at 375°F for 10 - 15 minutes.

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POTATO CAKES

Peggy Brown, Haleson

Mix 4 cups grated raw potatoes with 1/2 a cup milk, 2 beaten eggs, 3 T flour, salt, pepper and 2 T grated onion; fry in hot oil.

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BULLY BEEF BRAUN

1 tin corned beef  
2 cups boiling water  
Worcester sauce

Ma

Remove corned beef from tin and cut up a pot with boiling water. Bring to the boil with Worcester sauce. Add gelatine to and place in bottom of dish. Pour meat fridge.

---o0o---

SAVOURY CAULIFLOWER PLATTER

1 large cauliflower  
salt and pepper  
2 onions  
75 g butter  
parsley  
100 g grated Gruyère cheese

Cook the cauliflower in salted water & return to pan. Chop onions, fry in oil & add paprika and garlic seasoning. Add to cauliflower in a dish, top with diced pepper, cheese and rest of butter. Heat under.

FROM PAGE 1

# The R511m handout

"very necessary".

"The up-swing in the economy had been faltering although we had started the year well. The new concessions will put cash into people's pockets — particularly the lower income groups. They will

have to spend it because they are under pressure financially and will now buy things which they had been putting off."

Jack Keir writes that Senator Horwood made his announcement at a time when the economy needed

stimulation urgently.

The hoped-for, consumer-led boom had not materialised. In its place the country had inflation running at 13.5 percent and expected to move higher, a soaring price for gold and economic growth bumping along at 3 percent when the country needed twice that rate to keep unemployment in check.

In addition the price of fuel was choking the life out of the economy.

It was not surprising that South Africans were not spending. Rising prices had cut into their disposal incomes to such an extent that they could not move. The result was that goods remained on the shelves and manufacturers had to cut production.

Although the economy had been in an "up" phase for about 20 months and the banks were full of money, economic activity was sluggish.

Something needed to be done and there were loud demands for further stimulation. The Minister has now taken the bold step required. It remains to be seen whether his action will be sufficient.

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# The payout — is it his, mine or ours? 20/9/79



Christiane Duval... "Arguments for separate taxation."



Babette Kabak... "Always been one of our moans"

## SHEILA STEVENS

WORKING wives will be left out in the cold when the 1977 loan levy is repaid to taxpayers from next month. Because of the system of joint taxation, the cheques will be made out to their husbands.

And, in terms of the Income Tax Act, there is no obligation on the husband to refund any portion of the loan levy to his wife — regardless of the contribution she made to it as a working woman.

"If a couple were married in 1977, the whole lot will go to the husband," said Johannesburg's Receiver of Revenue, Mr Tony Chemaly.

"It may be unfair in the 20th century, but that is the law, unfortunately. On the other hand, the husband was the one who had to pay the assessment on the joint income, so he'll be getting back what he paid in the first place, plus a bit of interest," he added.

Where separate tax assessments were issued to husbands and wives — such cases are few — each will be repaid a portion of the loan levy in relation to the respective amounts of tax they paid.

"If a couple were not married at the time, the loan levy the woman paid prior to the marriage will be refunded to her," said Mr Chemaly.

In the case of divorced couples who were married at the time the 1977 loan levy was determined, the money will be refunded to the husband and the woman has no claim on it, he added.

Mr Chemaly predicts that the repayment of the loan levy to the husband "may cause a certain amount of hardship" if the woman earns more than the man or if the husband is a "wastrel" and does not use his money for the benefit of the home.

He believes, however,

that, where a couple's joint income is used for the common benefit of the home, "it doesn't really matter whose pocket the loan levy came out of or whose pocket it goes back into".

"In the ordinary home, the woman doesn't lose out," he said.

But women who support the campaign for equal rights and separate taxation, disagree.

"I have earned the money and parted with it but it doesn't come back to me," said Christiane Duval, legal adviser to the Johannesburg Chamber of Commerce.

"This has been one of our arguments for separate taxation.

"In this instance, the married woman knows that she is not going to have a cheque in the post — she's excluded from the concession.

"It re-emphasises the principle of joint taxation — when something is paid back, it doesn't get back to you personally. One is at the total mercy of the husband. In some cases, a wife might need the extra money but never sees it. She is not in control of the situation at all."

Dr Sandra van der Merwe, professor of marketing at the University of the Witwatersrand's Graduate School of Business, said: "It doesn't surprise me at all. This is just another pointer to the fact that wives who work are not taken seriously — they're overlooked to a large extent.

"People who make the decisions still feel a woman's place is in the home and that the working wife is therefore in a privileged position.

"They don't deliberately exclude her. It's just because she's regarded as an exception rather than the rule that she's ignored."

Dr An Der Merwe believes that people should be "educated" about the 1977 loan levy.

taxed as individuals in their own right" regardless of sex.

But, she says, society has never really accepted the "working wife" as a "respectable" person.

"Until she gets the respect she deserves as part of the working force, she's always going to come out second best."

Mrs Babette Kabak, convenor of the Women's Legal Status Committee which favours separate taxation at higher income levels, said: "This has always been one of our moans.

"If the wife has made her contribution to the loan levy, why should it be refunded to the husband? Work should be recognised on an individual basis and the wife should be entitled to have the levy paid back in her name as well.

"If it's a decent marriage and they share and share alike, then it's fine. But if the husband keeps it to himself, it's not fair," she said.

This is how the loan levy was calculated.

If the normal income tax amounted to R150 or more for the 1977 tax year, a loan levy at the rate of 10% was charged for that year.

This will now be refunded automatically. A person who paid income tax of less than R150 that year would not have been assessed on the loan levy and will therefore not get a refund.

Loan levy repayment cheques will be issued by computer but Mr Chemaly anticipates problems with tracing many taxpayers whose addresses have changed. The Johannesburg Inland Revenue office has been inundated with enquiries about repayment of "the 1976 loan levy".

However, the system was first reintroduced in 1977 and there were no problems then. The 1976 loan levy was first introduced in 1976.

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(320)

20/9/79

# More tax cuts on the way: Horwood hint

320 RDM 20/9/79

By HAROLD FRIDJHON

A CLEAR hint that not only will taxes be cut in the next Budget but that the tax structure itself will be altered has been given by Senator Horwood in a speech to the Transvaal National Party Congress.

He said that increased Government expenditure did not necessarily have first claim to additional revenue earned by the Exchequer, either in the current year or in the future.

"Tax concessions, changes in the tax structure, repayment of loan levies and the abolition or lowering of other temporary measures such as the surcharge on imports, probably have a prior claim," he told the congress on

On the other hand it is felt that his attitude is correct; that the Exchequer hasn't got the money until it is safely in the Treasury. And the Minister refuses to spend what isn't in hand.

It is precisely because of this attitude that economists are of the opinion that, should the gold price continue to remain reasonably buoyant — about the \$320 mark — the Minister will have cash in hand at the end of March to return money to the public by way of tax cuts and a revised tax structure.

Tax revisions which are being looked for are: a raising of the marginal rate from the present R30 000 taxable income a year to somewhere around the R35 000 level; a cutting of the top marginal rate to 50%; a smoothing of the tax curve and a fairer adjustment of abatements so that people in the top income brackets don't lose the benefits.

Against this background there is no doubt that fringe benefits will be taxed.

One tax authority said some of the harsh conditions in the original draft won't remain but that the overall principles will apply.

Unless company tax was also reduced — and the savings levy on companies abolished — profits would be affected at a time when Government policy is to stimulate the private sector.

And as an industrialist said yesterday there was ample evidence of the private sector being encouraged.

He sees this in the appointment of Dr Hennie Reynders to head up the Manpower Commission.

This step is interpreted as indicating that urban industrialists will decreasingly be pilloried by white/b-

Business circles, yesterday interpreted his remarks hat demands for additional Government services cannot be met by increasing taxes as meaning he will continue to keep State spending under control so the private sector will be given more opportunity to expand the economy.

Senator Horwood, spelt this out when he said the State would not be allowed to spend beyond its means.

Opinion in mining circles is that he again erred on the conservative side when he said that the Exchequer will probably collect R300-million more from gold mining tax and lease payments this fiscal year than he had originally budgeted for.

Informed views are that if the gold price remains at about \$320 for the rest of the fiscal year he could collect more than twice this amount.

What you will get back when the loan levy cheques start arriving.

	Unmarried No Children	One Child	Two Children	Three Children	Four Children
Taxable Income	R	R	R	R	R
1 500	—	—	—	—	—
2 000	15	—	—	—	—
2 500	21	—	—	—	—
3 000	27	—	—	—	—
4 000	41	17	—	—	—
5 000	56	22	17	—	15
6 000	78	32	27	21	27
7 000	104	46	40	33	40
8 000	134	61	54	47	54
9 000	165	80	72	63	72
10 000	195	102	92	82	92
11 000	227	126	116	104	116
12 000	261	154	142	128	142
13 000	297	184	171	156	171
14 000	335	217	203	186	203
15 000	375	250	238	220	238
20 000	484	371	371	359	341
25 000	605	472	472	472	455
30 000	885	712	712	712	712
35 000	1 185	1 000	1 000	1 000	1 000
40 000	1 785	1 600	1 600	1 600	1 600
50 000	2 385	2 200	2 200	2 200	2 200



by 1970, this figure had decreased to 15.7%, improved disproportionately to the 'coloureds' 1 to 4 years of age, during the period 1941 to experience as a percentage of the 'coloureds' 7.1%. It should be noted that the 0 year age higher than the corresponding SMRs. This is the former is the number of live births whilst mid-year populations under one year of age.

Fig. 4 provides an indication of the proportion of causes of death to the overall mortality expect and African communities.

During the period 1939 to 1970, the whites had of mortality which is classically associated with infectious diseases have become less important

## TAX <sup>6/21/78 (30)</sup> Spanner in works

Since the end of June, some businessmen have stopped qualifying for the machinery investment allowance previously given as a deduction under the Income Tax Act.

This deduction was available to manufacturers and to businessmen who used machinery in activities such as dry cleaning or road building, which, in the abstruse legal language of the Income Tax Act, comprised "any other process . . . that in the opinion of the Secretary is of a similar nature" to manufacture. The deduction is 30% of the value of the equipment in the year of purchase. At present.

A whole range of activities qualified as "similar processes." They included panel

though . . . small proportion of the overall mortality of indicates that the actual rates for cardiovascular similar for both whites and 'coloureds' since Clearly, the broad diagnostic categories used certain amount of information. However, because classification which have taken place since it examine the temporal changes of mortality rate ease categories with rates greater than 5/1, Table II. It will be noted that the mortality

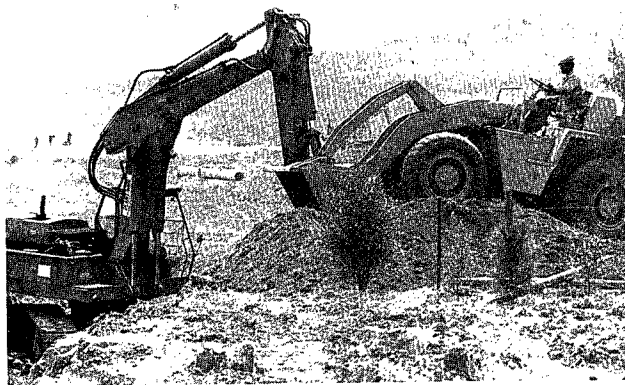
invokes the discretion of the Secretary.

The leading case on what constitutes a process of manufacture is the Hersamer case, in which it was held that there had to be some change in the "nature or form or shape or utility etc" of the article or material.

Another point of importance to businessmen is that the Department looks at the "integrated operation of a given industrialist". There is no intention of "fragmenting or segmenting the several activities of a manufacturer" so as to exclude a portion from the benefit of the deduction. Arthur Hammonde-Tooke, chief economist of the Federated Chamber of Industries, gives the example of packaging sugar. If performed by the sugar refiner as the last stage of his operation, the machinery employed would qualify for the deduction. On the other hand, a cafe owner using the same machinery for packaging, but as a separate operation, would not qualify.

What about the lease of machinery? Under the wording of the Act, the leasing company will qualify for the deduction in the same way as an owner, provided that it is leased to someone who uses it in manufacture.

Incidentally, this "machinery investment allowance" under section 12(2) of the Act should not be confused with the "machinery initial allowance" allowed un-



Earthmoving equipment . . . will it still qualify?

beating and spray painting, oil reconditioning, film making, map printing and food processing. Until the change in the Act, it was entirely academic to establish whether a process was ranked as manufacture or merely as a "similar process", as both qualified for the deduction. Since June, it has become critical to draw the line.

A senior spokesman for the Receiver of Revenue assures businessmen, though, that the new requirements of the Act will be interpreted "in a reasonable manner", and it will be open to persuasion that a process still qualifies.

If you can't get satisfaction, you are free to take the matter to the Special Court, as the amended section no longer

ented for by specific conditions.

was calculated both at birth ( $e_0$ ) males and females. It expresses the individual would be expected to live

ity was the only index calculated.

standardised mortality rates (SMR) d in Fig. 2 and Fig. 3. Whilst decline in both of these indices initial decrease, show a comparatively in their SMR since 1960.

der section 12(1).

The original scope of the deduction was ostensibly restricted because its extension to "similar processes" watered down a concession intended originally to enable manufacturers to keep up with technological advances in machinery. But Costa Divaris, a co-editor of *Businessman's Law*, says the move represents an effort by the Department to reverse a weakening of the tax base that had been previously allowed to go too far, through the cumulative effect of all the special deductions. It seems that the average effective rate of tax could currently be down to 30%.

between 1960 and 1970 for 'coloureds'

mortality rates of whites and assistant for persons between the ages is than 5 years of age, the gap ing. In 1941, white children under reality of 'coloured' children;



# How government helps itself

The way in which the issue of the taxation of fringe benefits was raised and advocated has left an unfortunate — and erroneous — impression among large sections of the public. This is that fringe benefits are a means whereby businessmen can, by agreement, deprive the State of legitimate revenue.

Nothing could be further from the truth. The fact is that fringe benefits have arisen in response to massive and progressive exploitation of taxpayers by government itself through a process known as fiscal drag.

Indeed, far from the controversy over fringe benefits having been a case of businessmen being caught with their hands illicitly in the cookie jar, it is more like a great big bureaucratic fist that has got embarrassingly stuck.

This is a result of two phenomena, both of which can be laid substantially at the door of government.

The first is inflation, which is a hidden tax twice over. It lowers the real value of personal tax exemptions and raises the tax rate applied to incomes by pushing recipients into higher tax brackets. And it erodes the value of cash balances.

The second is the progressive rate of

income tax which, in this country in particular, rises very steeply the faster incomes grow. This means that salary increases, even if only to match rising prices, also push taxpayers rapidly into

ever higher tax brackets.

The combined net effect is that, even without legislated tax increases, the amount of revenue that flows to the Exchequer each year rises progressively.

## HITTING THE CHIEF EXECUTIVE

	1974	1975	1976	1977	1978	1979
Annual taxable income.....	21 252	24 080	26 392	28 872	31 961	34 326
% increase.....	—	13.3	9.6	9.4	10.7	7.4
Tax!.....	5 396	6 974	9 454	11 188	12 294	12 715
After tax.....	15 856	17 106	16 938	17 684	19 667	21 611
Actual % increase.....	—	7.9	—1	4.4	11.2	9.9
CPI % increase.....	—	12.0	10.3	10.6	9.2	13.5
Increase by CPI.....	—	17 759	19 598	21 664	23 557	26 851
Cumulative fiscal drag as a %...	—	3.8	15.6	22.5	20.3	24.2

## MIDDLE MANAGERS' BURDEN

	1974	1975	1976	1977	1978	1979
Annual taxable income.....	13 872	16 466	18 310	20 397	22 090	23 600
% increase.....	—	18.7	11.2	11.4	8.3	6.4
Tax!.....	2 326	3 494	4 829	5 873	6 230	6 484
After tax.....	11 546	12 972	13 481	14 524	15 860	17 016
Actual % increase.....	—	12.4	4.0	7.7	9.2	7.3
CPI % increase.....	—	12.0	10.3	10.6	9.2	13.5
Increase by CPI.....	—	13 448	14 834	16 406	17 915	20 334
Cumulative fiscal drag as a %...	—	3.7	10.0	12.9	12.9	19.6

Source: PE Consulting Group SA Salary Survey

1 Tax has been calculated for a married man without children

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst

Ischaemic Heart Disease is the major Circulatory Disease in the white and Asian communities, Cerebrovascular diseases are the major cause of Circulatory Diseases in the 'coloured' and African communities.

Similarly, if the Accidents, Poisoning and Violence category is examined in greater detail, motor vehicle accidents are the major cause of mortality in whites, 'coloureds' and Asians, the second most important cause in the white community is suicide, whilst that for the 'coloureds' is homicide. For Africans, the latter is the main cause in this category.

The expectation for life at birth and at age 45 for whites, Asians and 'coloureds' is summarised in Fig. 6. It is not meaningful to calculate an expectation of life for urban Africans as this group is subject to a large measure of migration. The characteristically better expectation of life for women in comparison to men, is apparent for all three communities. However, what is of interest is the ratios of the expectations of life for the three communities. At birth, the white:Asian: 'coloured' ratios are 1:0.91:0.76 for males and 1:0.88:0.77 for females; at the age of 45 these are 1:0.91:0.86 for males and 1:0.79:0.85 for females.

The 'coloureds' are less disadvantaged at e<sub>45</sub> as compared to e<sub>0</sub> for both males and females, a difference which is largely attributable to the high infant mortality rate in this community. It is also noteworthy that Asian females have the worst expectation of life at age 45 of the three communities, which is in marked distinction from both males and females at e<sub>0</sub> and males at e<sub>45</sub>. The fact that for the 65+ age group, Asian women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated



## THE EIGHT-YEAR 'DRAG'

	1971	1972	1973	1974	1975	1976	1977	1978	1979
National income....	11 112	12 481	15 675	19 413	21 260	23 382	25 983	29 665	32 000†
Tax receipts*.....	2 319	2 729	3 182	4 202	4 983	5 661	6 505	7 261	8 518
Tax issues*.....	2 743	3 531	3 824	4 607	5 799	7 017	8 475	9 270	10 604
Receipts as									
% of income....	20,9	21,9	20,3	21,6	23,4	24,2	25,0	24,5	26,6†
Issues as									
% of income....	24,7	28,3	24,4	23,7	27,3	30,0	32,6	31,3	33,1†

Source: Reserve Bank Quarterly Bulletins  
\* Excluding borrowing † Financial Mail estimates

But, worse than that, the percentage of total revenue that flows to government also increases — and on a rapidly expanding base.

Partly as a result of this process, total tax receipts of government over the past eight years have risen by more than 267%, as the table above indicates.

Moreover, government's share of national income has, in consequence, increased over the same period from 20,9% to 24,5%.

And, as the extent of the annual tax inflow is often an important determinant of government spending, this process tends also to raise government's share of disposable national income too.

In SA, this has risen from 24,7% in 1971 to an estimated 33,1% for this year, although it could be slightly higher. This trend, in turn, fuels the process that encourages prices to rise, which assists in the perpetuation of the whole process.

The effect that this has on personal incomes is known to economists and tax experts as "fiscal drag". They can calculate its effect by comparing after-tax income with what it would have been if inflation had not pushed the taxpayer into a higher tax bracket.

Because of our steeply graduated tax system, higher income groups are hit hardest.

It means, too, that a relatively static 25% of the total number of taxpayers pay about 75% of total indirect taxes, which, even with the new general sales tax (gst), represents the bulk of government revenue and will continue to do so for the foreseeable future.

What happens to personal incomes is illustrated in the tables on the previous page, which represent averages drawn from medium-size companies. The figures were extracted for the FM from PE Consulting Group's Salary Survey by Jon Cole, manager of its salary survey unit, and compiled with the assistance of Nic Nel, of SA Financial Evaluation Services. They apply to the chief executive of a company of the size described and to a marketing executive.

Fiscal drag has been calculated in them by comparing the net after-tax income actually received to the increased after tax income that the taxpayer would have received if his earnings had been adjusted

for inflation.

For example, in the first table the chief executive earned a gross R21 252 in 1974 and received an increase of 13,3% to R24 080 in 1975. His net after tax income was thus increased by 7,9% from R15 856 to R17 106 whereas, with a CPI increase that year of 12%, he should have received R17 759 had his earnings been adjusted for inflation.

The fiscal drag is the difference between R17 759 and R17 106, which is R653 or 3,8%. The taxman thus become R653 richer in that year from this man alone without any increase in the actual income tax rate. In later years, as the table shows, the position becomes far worse.

The process, which is well known to the

creasing the proportion of government revenue provided by direct taxes, such as gst. It is a process that got off to a good start in South Africa last year with the introduction of gst. But as government's declared objective is eventually to increase revenue from this type of tax to 50% of the total, and as it cannot reasonably be expected to go further, the problem will to a degree always remain.

Theoretically, more permanent solutions can be found in, for example, movements towards:

- Greater fiscal discipline on the part of government and a determined effort to reduce its share of national income. This is a process that has already begun in SA, which is encouraging, but it is one that needs to be taken further.

- Allowing blacks to participate more rapidly in revived commercial and industrial economies so that the number of taxpayers and the amount of taxes paid increases, thus allowing the steep progression to be eased gradually.

- Reducing tax rates generally, and lifting the threshold at which the high marginal rates apply, during periods when Treasury tax receipts are high, as they are at present because of a rising gold price.

While fiscal drag causes an erosion of



experts if not to the public at large, has led to numerous studies into indexation (linking to inflation) to mitigate the consequences of rising prices, but regrettably very little research has been done into the question of reducing fiscal drag itself.

One way to fight fiscal drag is for companies increasingly to remunerate their employees through tax exempt fringe benefits and, as inflation has risen in recent years, this process has accelerated.

But fringe benefits merely mitigate the symptoms, as would the inflation proofing of taxes through indexation, of a far greater malaise. They do not cut to the root cause.

This can be partially achieved by in-

real personal incomes and an expansion of government that ultimately affects us all, it is not a process easily explained to or comprehended by the man-in-the-street.

Inevitably, government will have eventually to get to grips with the matter, as it is a far more serious problem than the mere R50-million that fringe benefits allegedly costs the fiscus — if indeed after the incentives they provide can be considered a cost at all.

When that time arrives, educating a public that has been led to believe that fringe benefits are some sort of executive theft, will be no easy task, especially as much more careful consideration of tax reform in a broader context than a quixotic rush at a perks windmill will be needed.



## CONSUMER MAIL

# GST on bottles and medicines

320  
RDM  
24/9/79

BY VITA PALESTRANT

CONSUMERS buying ointments and mixtures made up by pharmacies will be paying GST twice on dispensing bottles, if the Department of Inland Revenue has its way, according to pharmacists.

A directive issued by the Department of Inland Revenue has now instructed pharmacists to pay GST on the bottles and containers they use for dispensing medicines.

Effectively this means that consumers will pay GST twice. Once to carry the cost of GST that the pharmacist now has to pay, and then again when he pays for the mixture.

Traditionally, pharmacists work out what a consumer pays for a made-up medicine by totalling the cost of the mixture, the prescription fees and the cost of the bottle or container used for the mixture.

Inland Revenue's new directive is seen as an attempt to try and bring pharmacies in line with other retailers, who are required to pay GST on their packaging materials.

GST is a point of sale tax. Because wrappings and packets are not sold to the consumer, but offered as a service — free of charge — it is the retailer that is taxed for it.

However, packaging that is used in the manufacturing process is not subject to GST.

Pharmacists argue that where they are called upon to make up mixtures for a prescription, they are basically doing the same work as a manufacturer — or a drug company — and cannot be compared to retailers.

Consumers see this as the last straw in escalating medicine prices.

Last month, Government regulations were passed prohibiting pharmacies from passing on discount benefits on Schedule 2 medicines, like cough mixtures.

By law pharmacies must now charge a prescribed price on these medicines — and those pharmacies that previously offered competitive prices are now no longer allowed to do so.

Reacting to Inland Revenue's

directive, Mrs Yvonne Forshaw, vice-president of the Housewives League said: "Forcing pharmacists to pay GST on containers is ridiculous. It means the consumer must pay GST twice. Manufacturers are not asked to pay GST on their containers and bottles — why should the pharmacist?" "One minute the Government is announcing tax bonanzas and subsidies and the next it is penny pinching. Last month we had resale price maintenance introduced on schedule 2 medicines and now we have double taxation on dispensing containers. If anything, medicines should be exempt from GST."

Consumer ombudsman Mr Eugene Roelofse said medicines were already far too expensive and the Government was party to this when it introduced resale price maintenance last month.

Mr Norman Feitelberg, president of the South African Retailer Chemists and Drugists Association said: "Pharmacists are fully aware of how price-conscious consumers are. The line must be drawn somewhere: There is no reason why we should pay GST on bottles we have to buy to make up mixtures, ointments or tablets — manufacturers don't."

Mr Boet van der Merwe, director of the Pharmaceutical Society of South Africa said representation had been made to the Department of Inland Revenue by the pharmacy trade.

Asked about the directive, Inland Revenue's Mr J W Swart said: "In terms of the Act, pharmacies are regarded like all other retailers and are obliged to pay the GST on packaging materials."

When Consumer Mail pointed out that medicines already made up by the manufacturers would not have these added costs, but those made up by the pharmacists would, Mr Swart agreed there was an anomaly. He also agreed that pharmacists could not be regarded as ordinary retailers, where they were required to make up medicines and said any further representation by the pharmacy trade would be looked into.



# Big tax cuts in 1980 forecast <sup>320</sup> <sub>ROM 27/9/79</sub>

Pretoria Bureau

BIG TAX cuts, aimed at giving the economy its biggest single lift of the past five years, are planned in the next year's Budget, economists and businessmen believe.

The imperative, they say, in the Government's economic programme is to relieve the acute unemployment problem and this can only be done by injections of new spending power through tax concessions.

Concessions announced by the Minister of Finance, Senator Owen Horwood, at the Transvaal National Party Congress last week — they amount to R216-million — will merely maintain the current unsatisfactory pace of the economy.

Economists said that in 1978, total consumer spending was estimated at R25 000-million. Against this background it is clear R216-million is a drop in the bucket.

The Minister told the National Party congress that tax concessions, changes in the tax structure, repayment of loan levies and the abolition or lowering of other temporary measures, like the surcharge on

imports, probably had a priority claim over Government spending.

The Prime Minister's Economic Advisory Council has emphasised there is an urgent need for additional stimulatory measures.

The chief economist of Union Acceptances, Mr Merton Dagut, said the recent stimulation could maintain a growth rate of between 3% and 4% — when what was needed was 5% or 6%.

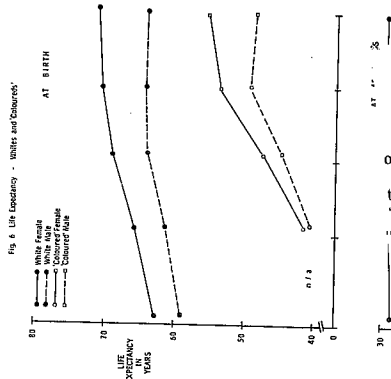
Indications suggested extra stimulation would come from higher Government spending or decreases in taxation — and the Minister of Finance seemed to have plumped for lower taxes.

The PFP's finance spokesman, Mr Harry Schwarz, MP, said there would certainly be tax cuts in next year's Budget.

Just how big they would be, however, would depend on how much the Minister devoted to eliminating the inequalities in amounts made available for social services.

There was a crying need for relief for pensioners and aged people living on fixed incomes and also for the unemployed.





of personal tax." On the matter of evaluation of perks, the FCI concurs with Assocom that the "cost to the employer" principle is unacceptable.

Among organised labour, Tucsas general secretary Arthur Grobbelaar agrees that all income must be taxed, but all tax must be equitable. Federal Consultative Council general secretary, Johann Benade, who represents all of the railway workers' unions, is more vehement. "We are diametrically opposed to the taxation of fringe benefits," he says. "Every sphere of employment has its drawbacks which cannot necessarily be countered by cash salaries. Perks are the mechanism through which the fine tuning is carried out." He adds that the Railways would have great difficulty in attracting and keeping staff if it were not for benefits such as housing loans.

Benade reckons housing loans of under R35 000 to employees should be made tax-free. "Housing gives an employee security, and means the Railways are likely to keep him longer," he adds. The NCCA stresses that home ownership should be encouraged, and recommends that some relief be granted to all taxpayers in respect of their housing costs.

The SA-German Chamber of Trade and Industry has already sent in its proposals, and expresses its concern about the undesirable effect a perks tax will have on the recruitment of skilled labour from overseas. Without such labour, the Chamber reckons, many German companies might have to withdraw from the local market. Others to have put forward their views include the Afrikaanse Handelsinstituut and the Chamber of Mines, but neither are prepared to publicise their reports yet.

Meanwhile, FCI economist Arthur Hammond-Tooke says his organisation still has to submit its final report. However, he asserts the FCI "has nothing in principle against the taxation of fringe benefits," but adds that any hike in perks tax should not increase the overall burden on the taxpayer. "Any change," he says, "must form part of a restructuring of the scales

## FRINGE BENEFITS Organised reaction

The official reaction of organised industry and commerce to the proposals on fringe benefits taxation is now emerging. If Assocom's suggestions are anything to go by, the Receiver and his staff will be burning the midnight oil for some time and the chances of having concrete proposals before Parliament by the start of the next session must be fading fast.

The thrust of Assocom's argument differs little from the reactions that preceded its report. It argues that the package should have been presented after the lowering of the marginal tax rate and a hike in the tax ceiling. And it strongly disagrees with the concept of fringe benefits being valued at the cost to the employer.

Assocom presents some other specific objections:

The organisation reckons that the Commission's allowance for 10 000 km of non-taxable individual travel in a company car will discourage fuel conservation. There is no incentive, Assocom complains, for individuals to join lift clubs, while there is every reason for them to drive up to the maximum allowed.

Likewise, Assocom quotes former Minister of Finance Nico Diedrichs on company share schemes as saying: "If an employee wants participation in the company he serves, it is a good thing... the company should give him the opportunity of paying for these shares over a number of years." The National Council of Chartered Accountants (NCCA), however, reckons that the department's proposals on share acquisition schemes are the most acceptable method of dealing with the problem.

In South Africa the analysis of mortality data is of particular importance since, apart from the notification of certain predominant diseases and a

### INTRODUCTION

PART 2 1974



# Silke slams fringe benefit tax proposals

A SYSTEM of indexation in the Republic's tax system to counter the growing effect of inflation on the personal income tax liability of individuals would be a tremendous boost to the taxpayer's confidence in the integrity of the tax system, Professor Aubrey Silke told a tax seminar in Cape Town yesterday.

Other speakers were Costa Divaris who covered the 1979 sales tax amendments and capital gains tax and Michael Stein who reviewed the 1979 income tax amendments.

Professor Silke said that indexing of the tax system should be at least on an annual basis in relation to the primary abatement and the child abatement and on a regular periodic basis in relation to the other abatements, the income bands or ceilings in the tax rate schedule, the abatement reduction ceiling of R5 000 and the basic tax payable at each band of income.

"Unless our present tax rate schedule is adjusted to the effects of inflation on a much more frequent basis than in the past, adjustments to life styles will become imperative and substantially reduced standards of living will ensure. How is an

employee able to keep his head above water when every increment in his salary, that is designed to meet the increase in his cost of living, has to bear tax at the highest marginal rate that has not been adjusted for inflation?"

## Fringe benefits

Professor Silke, whose lecture dealt with the taxation of fringe benefits and the Standing Commission's proposals, said that any new system of taxing fringe benefit that might be introduced should:

- Clearly define the value to be taxable and hence the liability for tax. This clarity is needed in the interests, not only of employees and employers, but also of the Treasury. The value, as defined, must be fair and equitable;

- The system must not draw any distinction between employees in the private and public sectors, as is the present situation with civil and other public servants who are exempt from tax on a wide range of benefits that are not granted to employees in the private sector.

- The system must be administered in such a way that taxpayers can feel confident that every one bears his fair share of the tax burden. Certain employees should not be allowed to "get away" with tax on fringe benefits which are nothing more than cloaked remuneration. The morale of other employees inevitably suffers and they lose confidence in the integrity of the tax system.

"The Department of Inland Revenue should be accorded the highest degree of priority in the allocation of properly trained and efficient staff, for without an effective administration, it will not be possible to administer effectively any near comprehensive system for the taxation of fringe benefits."

Professor Silke criticized the Commission's majority proposal that in the year in which an employee in a share incentive scheme acquires the right to dispose of his shares, he should be taxed on any unrealized appreciation in the value of the shares.

"To say that such an appreciation has a relationship to the services of the employee when it is directly related to market forces, is with respect, quite wrong."

He also criticized the values proposed by the Commission in respect of the private use of company cars.

"Even in tax-soaked England, the value of these benefits

is considerably lower."

UK employees earning under some R15 000 a year are not taxable in respect of the free private use of a car, provided some business use is made thereof. In the case of director and other employees earning over R15 000, if the original cost of the vehicle did not exceed some R15 000 and it was under four years old, the taxable value ranges between R350 and R700 and is lower for older vehicles. These amounts must be compared with the Commission's proposed taxable value ranging between R700 and R175, irrespective of the vehicle's age.

In regard to the benefit derived from interest-free or cheap loans, the non-taxation thereof was the result of a clear, unmistakable practice of the Department over many years. There ought to be transitional relief as proposed for public servants and as was the position in the UK when it was first introduced there.

The initial rate proposed of 10 percent was far too high. Because an increase in taxable income has the effect of reducing the abatements by 10 percent of the amount of such increase, the "official rate" would really be 11 percent.

Professor Silke said that by recommending that specific exemption be given in respect of the value of free or low rental housing derived by an employee whose remuneration does not exceed R12 000 per annum, the Commission is favouring one group of taxpayers enjoying free or low rental housing as compared with those earning more than R12 000 or other employees who do not obtain a similar benefit from their employers and cannot deduct the full interest they pay on loans made to acquire their houses.

"And", said Professor Silke "what about all those employees who rent their houses and who receive no benefit from their employers and who cannot deduct from their incomes the rentals they pay for their houses?"

"The proposed basis for taxing the value of a housing benefit in the case of an employee earning more than R12 000 per annum, namely 15 percent of the amount (not exceeding R60 000) of his remuneration is high in the extreme.

"The linking of the value of this benefit to the employee's remuneration can lead to anomalous results. Why should an employee entitled to a housing benefit find himself in the position every time he receives an increase in his salary that

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he has to pay tax on 125 percent of such increase due to the additional housing benefit of 15 percent, plus a further loss of abatements of 10 percent in respect of that income?

Taxation of a free or subsidized house should, according to Professor Silke, be based on the open market rental value of the property as is the case in the UK. He also said that there is no good reason why in a young developing economy such as South Africa, in which it is imperative that initiative and risk taking be encouraged, the tax rates should be such that when the average taxpayer doubles his income the taxes payable may increase by some 350 percent even though there may be no increase in his real income due to inflation.

"If these unfortunate distortions could first be made to disappear from our tax system, I think that employees and employers will have little to complain of should there be any tightening up of the law relating of fringe benefits under a system that is fair and equitable, he said.



# Amaizing! SA grain is going into real whisky

a result of  
th other new

## A SHOCK FOR DRINKERS

THIS week's shock for dedicated Scotch whisky drinkers is the revelation that South African maize is exported to Britain — and used to make the traditionally barley-based spirit.

"It is absolutely true that our maize

finds its way into Scotch whisky," said a spokesman for the SA Maize Board.

"We have been exporting over 250 000 tons of maize to Britain over the past five years ... and we know it is used for whisky."

enough opportunity for information lecturers liked more; only 6 in their offices i see staff as well with the arrange

### 2.5 The Student Worksh

Approximately one-questions in this be because they d a great number of that they would hi on a Sunday. Of section 83% felt helped them to so as well as in cho

### 2.6 The Course on Stu

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As regards an on-going study methods co semester, 72% of the sample stated they desirable and 30% would find it very ve

### 2.7 Library Instruction Course

An overwhelming majority of the sample enthusiastic about the library course librarians very helpful.

### 2.8 Academic Advice

In indicating whose advice they had pr planning their university curriculum, as follows:

hat they had jects from the / 31% were d with the ified in their se content out- ject to be also have liked al organisation, research methods.

nat there had been the Course ey would have red to see staff s. 89% wished to e satisfied

● SA mealie farmers send 250 000 tons of maize and it's used to make Scotch

Stellenbosch Farmers Winery says, unofficially, that it is undertaking constant research and that it is technically possible to produce a whisky in South Africa.

This indeed would change the pattern of the SA whisky market.

An SA whisky would not only save valuable foreign exchange for the country, but would also insulate whisky drinkers against price rises caused by international currency fluctuations.

What many Scots forget is that business success often depends on market de

mands — as illustrated by the Japanese brand "Suntory", the world's most popular whisky.

A spokesman for liquor retailer Solly Kramer's says SA drinkers are prepared for a wholly SA-made whisky.

On the bottlestore shelves today are almost 100 whisky brands which fall into five main categories, graded roughly by price:

- Prestige brands such as Chivas Regal
- Proprietary brands, like Bells and 100 Pipers
- House brands, exclusive to particular retailers, such as White Heather, and

## ... AND SHOCKS FOR SMOKERS TOO

House of Lords. These are internationally-known brands imported in bulk to hold prices down:

- Private label whiskies, imported but exclusive to one retailer, such as Kramer's Whisky
- The SA blends

According to Nielsen research, prices average R6.56 a bottle in the liquor stores, though house brands have been known to sell at R4.99.

Now that Black drinkers account for about 40% of SA liquor sales, a cheaper local whisky should find ready acceptance.



# The 'Perking Class' storms the Taxman

Finance Reporter

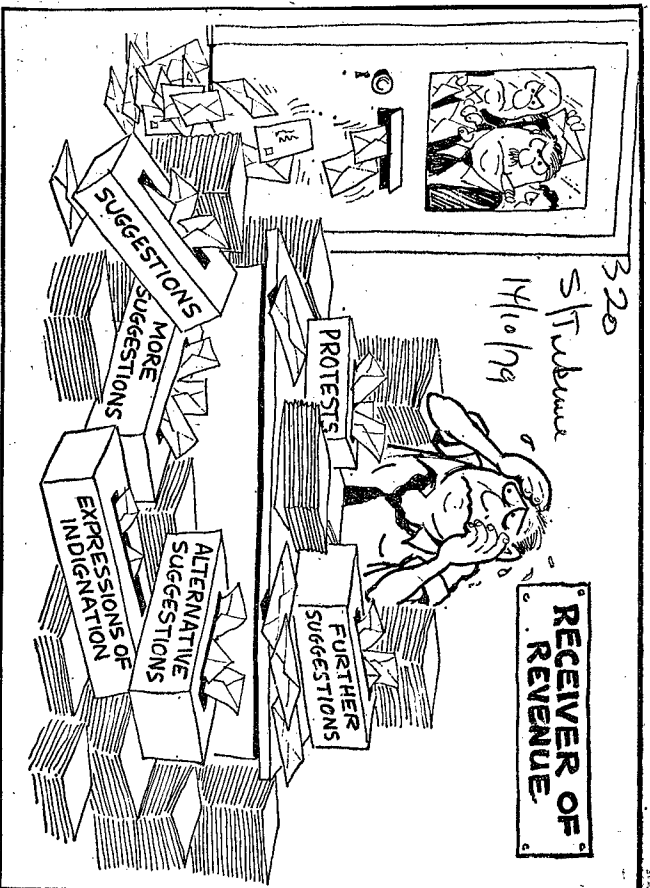
THE TAXMAN is drowning in a flood of paper as hundreds of written representations, mainly from small businesses, are piled up in his office in Pretoria.

The efforts by Secretary for Inland Revenue, Mickey van der Walt, to allay fears of businessmen by dismantling a road block of proposals have backfired with the mountain of representations now threatening to further delay the implementation of the De Looor Commission proposals.

The proposed measures, which concentrate on housing benefits, company loans, use of company vehicles, entertainment allowances for dependents, have been criticised by some businessmen as a representative of one of the larger industries is elated at the number of submissions being sent to the department.

"Good. It should keep them busy for the next six months," he says.

Certainly, it appears the department will find it extremely difficult to prepare legislation in time for the next session of Parliament from the end of January to June. The shortage of legal



draughtsman is another delaying factor. Assocom has asked in its submission for another opportunity for interested parties to comment on specific

proposals if the Government decides to proceed with the exercise. The Government will, in any case, consult the private sector again after a draft Bill has been

drawn up. All these delays mean the new tax measures cannot be brought in until the 1981-1982 tax year. Despite pleas that the taxing of the im-

portant executive class will affect productivity and delay economic recovery, Van der Walt is still firmly in favour of tightening up the tax measures.

Assume the tax rate remains 42%

b) deferral method

under a) Liability method

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# Here's a way of getting a tax advantage

GENERAL

By STEPHEN ORPEN

COMPANIES which need to build up long-term contingency reserves can derive tax advantages through the use of pure endowment insurance policies.

These policies, which provide for a cash lump sum to be paid at maturity or on earlier death, are taken out on the life of a director or employee.

They are a form of keyman insurance and are, therefore, deductible for tax purposes under section 11 (w) of the Income Tax Act.

The policy proceeds belong to the company and not the employee but will be subject to tax when they accrue to the company.

Normally a company will invest its after-tax profits to provide for long-term contingencies, and will earn interest on the investment. It will have to pay tax on the interest earned.

In effecting the pure endowment policy, however, the company is investing part of its profits before tax which creates considerable additional earning potential for the investment.

Federated Insurance Company is one major insurer which underwrites policies for building up contingency reserves.

Deputy general manager Arnold Basserbie says that the scheme does no more than harness existing tax legislation for the benefit of a company.

"If you examine the scheme closely," he adds, "you will notice that it has two aims.

"The main objective is the provision of keyman insurance.

"The subsidiary aim is to provide a contingency reserve other than providing for the replacement of a keyman.

"I don't think anyone would argue with the view that funds for contingencies ought, in any case, to be flexible.

"This flexibility is important to a company which may want at some time in the future to ease cash-flow problems, to meet loan commitments, to invest in capital equipment or simply to provide itself with more working capital."

## QUESTIONS

### DEFERRED TAX

- A. Alpha Limited on 1 May 19.6. straight line. tax purposes, w balance. Tax and taxable inc respectively, 1 and 19.7
1. What is the bal of the plant at
- a) defer
- b) liabi
2. Show how the t income stateme assuming
- a) deferral method
- b) liability method
- (assume there are no other items causing timing differences)
3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?
4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.
5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.
- Draw up the income statement for the 19.8 financial year under
- a) liability method
- b) deferral method
- Assume the tax rate remains 42%



# Docile taxpayers must start fighting

320 Sunday 24/10/79

PRACTICE

TAXPAYERS are too docile and the time has come when they must stand up and fight for their rights. This was the message at a tax planning seminar in Durban this week.

Already only eight percent of the taxpayers pay nearly two-thirds of the income tax and about 10 percent of the workforce pays income tax compared with 30 or 40 percent in other developed countries.

The proposed capital gains tax in particular attracted a fair amount of flak this week. Cape Town consultant, Costa Diyaris, told the seminar a capital gains tax would be paid by the same small section of the population that bears a disproportionate share of the income tax burden.

Income tax inflation makes it difficult for South Africans to accumulate capital and a capital gains tax will make it much more difficult. Brakes will be put on new businesses

## Finance Editor

by lowering the after-tax returns necessary to attract investors.

This view is echoed by Richard Lurie, president of the Johannesburg Stock Exchange, who said in Durban this week that the Government must make a sensible decision on capital gains tax "because if they don't it could have a detrimental effect on the economy".

Although the proposed tax has been withdrawn for an indefinite period because of staff problems, the Department of Finance and Revenue is known to be still keen on the tax. Secretary for Finance Joop de la Ruer says the delay in introducing the tax is just a matter of timing.

Durban tax consultant Neville Hebrard says the tax is unnecessary.

"We don't need it even without the gold income."

The tax should be accompanied by al-

lowances for tax losses and if the tax is to be applied fairly it should include rebates for interest payments on bonds because the sale of a house could involve a capital gain, said Hebrard.

He says there already is a tax for capital gains for people who make regular profits on property or shares and become classified as dealers by Inland Revenue. Full-scale application of the gains tax in Britain since 1970 has raised little revenue in relation to the administrative effort collecting the tax.

Divaris says that in Canada in 1975 a commission established that the tax accounted for only 0.5 percent of federal revenue and that it was costly, complex, and a disincentive to business. The Franzen Commission in South Africa in 1969, which favoured the tax, had based its proposals largely on the system in operation in Canada.

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31 December 19.7,

(assume there are no other items causing timing differences)

3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?
4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.
5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.

Draw up the income statement for the 19.8 financial year under a) liability method

b) deferral method

Assume the tax rate remains 42%



processes is essential; and the division will have to be more fine the more discriminating public decisions can be.

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Pensioners will also get a one-shot bonus at the end of November. The minister announced a total amount of R24,5 million for this purpose.

It means that White social pensioners will get R30, Coloured and Asiatic pensioners R24, and Black pensioners R18.

The inadequacy of pensions, and the small size of the increases, have been sharply criticised by Opposition financial spokesmen.

The PFP's financial spokesman, Mr. Harry Schwarz, has called for a drastic revision of benefits means test, which he claims is hopelessly out of date.

Coloured and Asiatics will get a 13,1 percent rise, and Blacks 15,8 percent.

Maximum pensions will go up to R97 and the minimum to R57.

Pensioners will also get limited relief. In his Budget Senator Horwood announced that from October 31 White social pensions would rise by about 10 percent.

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precise methods, most of the value judgements have to be made

Dr. Cloete recommended tighter control on prices and wages. He doubted whether appeals to the private sector to modify price increases and to unions to moderate pay demands would be effective. Meanwhile, the economy will get a pre-Christmas injection of about R170 million next month when the 1977 loan levy is repaid to individual taxpayers. The cheques will be posted on November 12.

In its latest report the Bureau for Economic Research at the University of Stellenbosch is also confident that a new round of tax cuts can be expected in a batch of economic stimulants.

The Budget, the economists say, will be aimed primarily at making jobs for the country's growing number of workless Blacks.

## Options

Barclays Bank's chief economist, Dr. Johan Cloete, said the tax-relief options open to Minister of Finance Owen Horwood included:

- Reduction in personal income tax;
- Abolition of the loan levy on individual taxpayers and companies;
- A reduction in the Government's big 29,5c a litre cut from the fuel sales; and
- The removal of the 7,5 percent surcharge on imports.

Dr. Cloete said a reduction of say 10c a litre in the petrol price and the removal of the import surcharge would have an immediate, deflationary effect. That would also raise the level of consumer spending.

However, he said, the extent of concessions would depend greatly on the inflation rate.

Dr. Cloete recommended a breakdown of the budget bet may be compared with our int on these things. Our judgema fits of expenditure under each analysis seeks to formalise (s that expenditure on preventive expenditure on health, 11 it m of provision warrant an increas

Unfortunately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

## Mercury Correspondent

**PRETORIA** — Personal tax cuts are certain in next years' Budget as part of the Government's programme to stimulate the economy, economists agreed yesterday.

They emphasised, however, that the extent of the cuts would depend greatly on the gold price remaining above 300 dollars an ounce, and on the inflation rate which, based on the current 14,3 percent, could be between 16 and 17 percent by next March.

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Specific diseases:					
V.D.	++	+++	++	++	++
Dental problems	++++	++	+	++	++
TB	+++	+++	+++	++	++
Common cold *	+++	+	+	+	+
Yaws *	-	+	+	+	+

\* Added to test scoring method

# planning Jonanza

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Government is determined to continue on its course, having allowed a two-year period of grace for adjustment. In the past a company could claim an investment allowance of 30% of the cost of new plant and machinery used in a manufacturing process, or a process of a "similar nature."

Now the amendment to the Income Tax Act, 1978 provides that plant brought into use after June 30 this year and used in a "similar" process will not qualify for the benefit. The initial allowance of 25% is unaffected.

Investment allowances are intended as an incentive to encourage manufacturers to up-date their technology. Last year Finance Minister Owen Horwood said that the value of the concession was being watered down by granting it to processes "similar" to manufacturing.

Nevertheless, the timing of the decision is questionable. Says management consultant Delano Caras: "Government is trying to revitalise the economy. The dropping of the allowance will hardly encourage investment." Caras reckons that with the company tax rate at 46%, government was effectively subsidising new investment by 13.8%. Under the amendment, that subsidy will no longer be granted to those on the fringes of manufacturing industry. For instance, the film industry, dry cleaners, the construction industry and, perhaps, Sasol will lose the benefit of the 30% investment allowance.

The construction industry has been the hardest hit by the ruling. One large building firm has estimated that it will have to generate an additional R1m profit a year to maintain its current position. And while

the full effect is unlikely to be felt this year, the squeeze will be felt in the 1980s.

The two-year period of grace allowed between decision and implementation has hardly eased the burden. Construction firms made strong, but unsuccessful, representation to the Ministry of Finance during this time.

Banks will also be affected by the dropping of the investment allowance. In the past, they have leased construction equipment to the civil engineering industry and passed on the tax savings to clients. But Nedfin's Ron Rundle says the effect will not be too severe. He reckons the upswing in the economy will result in increased demand for finance for other types of machinery.

The basic criterion for designation as a manufacturer is that a firm has to transform merchandise into something "essentially or substantially different from the materials with which the process of manufacture started. In the past, the courts have not been too consistent in applying the definition. In one case, for instance, the process of converting liquid to gas was classified as "similar" to manufacturing.

In the October issue of the *SA Chartered Accountant*, Wits' University accountancy lecturer Alwyn de Koker notes: "This amendment may cause excessive aggravation as many taxpayers were perhaps shortsighted in accepting the classification of their undertaking as 'similar' to manufacture, rather than insisting on recognition as a process of manufacture." Though, of course, under the old law it made no difference for tax purposes.

Theoretically at least, those companies that accepted erroneous classification

## COMPANY TAX

### Less incentive

Appeals to government not to exclude "fringe" manufacturers from investment allowances have all failed and some firms will feel the crunch this year after all. But it will not be too bad.

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should have little difficulty getting redesignated by the taxman. Reclassification is provided for in the Act, at the discretion of the Secretary for Inland Revenue. In practice, however, De Koker reckons there is likely to be resistance from the Department.

Urges De Koker: "If a taxpayer believes that his process qualifies as manufacturing, he should pursue his claim with determination."











## Taxman in a dither

Two massive suspensive sale agreements, totalling nearly R200m, which could bring substantial tax savings to chemical giants Sentrachem and AECI, are awaiting clearance by the authorities.

If the deals are finalised a significant new approach to financing capital projects could be heralded.

In both cases the finance is being provided by banking consortia and is intended for the expansion of manufacturing capacity.

Sentrachem plans to use the finance for its planned R123m synthetic rubber plant and AECI for its low density polyethylene plant.

Essentially, a suspensive sale deal enables a firm to capitalise both the principal debt and finance-charge portions of the sale, thereby receiving greater tax relief on finance charges. In effect, because the whole debt is capitalised, firms can apply initial and, if applicable, investment allowances to the interest element as well as the capital.

Companies would thus be able to write-off 130% of the finance charges, as opposed to 100% on other types of financing. Further, in a normal deal, with HP repayments made over a period, tax savings on repayments total 42% of the 30% allowance. Now, the benefits can all be brought up front.

If the benefits can all be absorbed in one year, the firm will realise higher profits in the first year, and savings on interest during succeeding years. Estimates are that the saving could total 85% of 30% of the finance charges on a suspensive sale.

### Tax base needed

Not surprisingly, suspensive sales only make sense for a company with a substantial tax base. If the firm is losing money, or is starting operations, the method of financing is not an important consideration from the tax viewpoint.

Inland Revenue men apparently are apprehensive over whether the tax allowances should be granted against the capitalisation of both the principal debt and the interest.

Sentrachem is currently negotiating with them on this question and AECI is still assessing the whole question itself. The banks behind the deals believe there is no problem and are mystified by the objections, the exact nature of which the FM was unable to substantiate before publication.

One banker goes so far as to say that if Inland Revenue should block the deals

now, it would amount to a dramatic policy change.

If this be so, and precedents have been set, it does seem that in view of the urgent need to stimulate manufacturing production, and the present abundance of State finances, the men in Pretoria could be more pragmatic.



# A case for tax on fringe benefits

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**JOHANNESBURG —** The Secretary for Inland Revenue, Mr. Mickey van der Walt, said here yesterday "an overwhelming case for the taxation of fringe benefits exists" and a capital gains tax was justifiable.

Mr. van der Walt was giving the Financial Mail's annual conference "a review of the tax treatment of fringe benefits and the philosophy of a capital gains tax."

He began by saying he was expressing his own views.

"An untenable situation has developed. Some forms of fringe benefit are taxed, whereas others are not taxed or are inadequately taxed or are taxed too highly.

"It is my considered opinion that an overwhelming case for the taxation of fringe benefits exists. The failure to tax such benefits

leads to inequity between taxpayers."

There was no doubt about the taxability of certain incentive payments.

"Why then should there be a different approach if a payment for services rendered or an incentive reward or motivating remuneration is dolled up in the form of a free car or cars, free house, entertainment allowance, stocking or larder and/or cellar or the various other perks that managerial ingenuity can devise?"

"The recipient is relieved of the necessity of providing for all these goodies out of his after-tax income."

The department's view was that it was not its function to moralise but to judge a situation as it found it.

"Contrary to popular belief we do not advocate the abolition of fringe benefit payments, but we

do say that whether remuneration for services or for the holding of an office is labelled 'food allowance, beer allowance, clothing allowance, wife's clothing allowance, pocket money allowance, entertainment allowance, free house or free car etc' the sum total of all the components making up remuneration must be determined and subjected to tax in the same manner as a cash payment for total remuneration would have been taxed.

"A name is but a name, but taxable income yields tax."

Turning to a capital gains tax, Mr. van der Walt said that "in the interest of tax equity, in order to combat tax avoidance and in order to broaden the tax base, a tax on capital gains which escape the normal income tax net is justifiable."

Limiting a capital gains

tax to gains derived from the realisation of fixed property and shares would probably be the easiest to administer, he said.

Mr. van der Walt dealt with a number of objections to such a tax and said: "A reasonably rated capital gains tax applied to a base which is determined with due regard to the effects of inflation and furthermore provides for a 'roll-over' in respect of investments in certain production assets can have less effect on the economy than a high rate of tax.

"The fears which most people have of a tax on capital gains probably stems from visions of a penal tax eating into one's capital.

"This need not necessarily be the case. In fact, there is nothing to commend either a tax on unrealised profits or one which is penal by nature."

— (Sapa.)

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TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1-4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5-24	0,09	0,05	0,07	0,05	0,06	0,04		
25-44	0,26	0,33	0,21	0,26	0,54	0,56		
45-64	3,01	2,58	1,47	2,19	5,10	2,68		
65+	12,24	7,26	4,70	5,18	12,59	7,51		
ALL	1,41	1,21	0,36	0,43	1,03	0,69		
NO.	2920	2522	126	152	1170	809		

III  
ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,09	0,05	0,06	0,21	2,27	1,68	1,02	1,29
1-4	0,03	0,01	0,00	0,05	1,27	1,08	0,02	0,02
5-24	0,01	0,01	0,01	0,01	0,01	0,01	0,06	0,07
25-44	0,02	0,02	0,08	0,08	0,08	0,05	0,24	0,61
45-64	0,09	0,12	0,39	0,88	0,28	0,42	1,04	1,44
65+	0,39	0,59	1,61	2,59	0,81	1,28	0,22	0,33
ALL	0,05	0,08	0,12	0,18	0,28	0,26	455	530
NO.	114	173	43	63	316	307		

# New tax deal is vital for the executive

By STEPHEN ORPEN

IT IS essential that South Africa's tax managers continue to reform the tax structure if executive motivation is to be maintained.

This is revealed from an analysis of past and expected remuneration and tax figures in the latest top executive salary survey produced by FSA (formerly Fine Spamer Associates).

The survey shows that, unless there are new changes in the tax structure, the country's senior managers, whose real incomes have declined to 82% of their 1972 earnings, should brace themselves for further shocks.

Without additional tax concessions their incomes in 1987 will be worth only 79% of what they are today.

The projections are based on historical data relating mainly to the seven-year period from March 1972 to February 1979, during which the tax structure was largely unchanged.

Based on a sample of 650 companies — the largest in SA — the survey points to a possible future pay scenario for senior executives which senior FSA consultant Harold Kinsley describes as "absolutely frightening."

Tables in the survey show that an executive earning a gross R18 000 in 1972 took home R14 380 after tax and loan levy.

The same executive's salary would have progressed to R37 520 gross by 1979. But, adjusted for inflation, tax and loan levy, his take-home pay would be only R12 060.

Taking 1980 as the new base year, a manager earning R42 020 will take home R28 960 after allowing for tax and inflation.

By 1987, assuming no changes in the tax structure and based on an inflation rate similar to that in the past seven years, the same manager will have to earn at least R87 590 to crawl home with a real salary of R22 872 — some R6 000 less than he received in real terms this year.

Mr Kinsley notes: "The persistence with the present tax structure makes something of a mockery of the conventional approach to cash increases in salaries."

"It results in maximum debits in a company's profit and loss account, maximum revenue to the Government and a heightened incentive to the manager to take his talents out of the salary race, in which responsibilities are climbing much faster than rewards."

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S. James 4/11/79



# Horwood pledges to cut income tax 'when I can'

NM 15/11/79

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Mercury Bureau

PIETERMARITZBURG — The Minister of Finance, Senator Owen Horwood, said yesterday he would reduce income tax in South Africa whenever he could.

Speaking at a luncheon here, Senator Horwood added that to do this, Government spending would have to be cut.

Senator Horwood said Government spending, in spite of an increased defence budget, had remained constant for three years and it was hoped to maintain this

trend.

Basic financial discipline had to be maintained and if "we let Government spending go, we will not have a free enterprise economy."

The minister said the Government's finances were in a sound position although inflation was a major problem. It had to be realised, however, that this was a world-wide problem.

Two factors towards inflation in this country were a deliberate policy of increasing wages in the lower income groups, es-

pecially Blacks, and recent oil price hikes.

"Had it not been for the oil price increases, our inflation rate would have been dropping," Senator Horwood said.

He said a deficit in the balance of payments on current account had in 1977 been turned into the biggest surplus South Africa had ever had.

A R3 000 million surplus was expected at the end of the year and unless something out of the blue happened, South Africa could expect a growth rate of 4 percent — which could rise to 5 percent — in 1980.

Senator Horwood added that South Africa's stand on gold had been vindicated and the metal was destined to play an increasingly important role in the world economy.

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# INCOME TAX

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The draftsmen of SA's Income Tax Act never allowed for modern multi-million rand building contracts extending over four or five years. The result — a thorough-going tangle surrounding the taxation of income accruing to building companies engaged in long-term projects.

No fewer than four different approaches are being applied by various Receivers of Revenue around SA. A senior revenue official in Pretoria explains that the present undesirable situation has arisen largely through the diversity of approach by accountants to the drawing of company accounts.

The Department, realising that building companies have much equity on their side, is giving the matter intensive study, in consultation with the accountants' profession and others concerned, in an effort to achieve uniformity and equity.

The trouble arises because a literal application of the Act to long-term projects attains a result which can be most unfair to the taxpayer. The reason: building companies engaged in long-term contracts often face the problem of taxable income and deductible expenses which do not arrive in phase with each other. The terms of payment for these giant contracts often provide for a disproportionately large amount of the total payment to be made to the construction company in the early stages of construction ("front-end payment").

But during this initial phase, deductible

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P. T. O



# Homelands need money, expertise to be viable



Dr. E. Leisner, "...big business should include homelands employees in decision-making."

By David Butler

South Africa's black homelands need money and expertise to become viable members of a constellation of states. The men at the Prime Minister's conference in Johannesburg this week have both the money and the expertise.

This is seen as a major reason for the decision by the Prime Minister, Sir P. W. Botha, to include South Africa on business men in his Southern African constellation strategy.

What big business in the homelands can provide is training, Dr. Erich Leisner, director of the Africa Institute and a conference delegate, said in a pre-conference interview.

On both the technical and managerial levels, homelands employees need training to improve productivity, Dr. Leisner said. Big business should include homelands

workers in decision-making.

On the technical level, industrialists should send workers to in-service training courses where they can learn the skills needed for those who did.

Where this was not feasible, employers should provide on-the-job training and also afterwards.

"Even the most basic skills are lacking in the homelands," Dr. Leisner said after a recent visit.

White business could help build up entrepreneurial skills in the homelands by going into three-way partnerships with national development corporations and local black businessmen.

One dilemma in the training of workers in the homelands is deciding whether to go for quantity or quality of training. Dr. Leisner said both could be achieved, by train-

ing workers in quantity, and then choosing the pick of the bunch for quality training.

There are strong rumours that increased incentives for industrialists to invest in homelands may be announced.

Concessions such as tax cuts, have so far proved to be too little to lure industrialists into the homelands on the scale the government hoped for.

## INCENTIVES

Greater incentives have been given to white industrialists investing in homelands, than to those investing in border industrial areas outside the homelands.

This is because the Government has seen the development of the homelands themselves as a priority.

A commuter work force living in the homelands and working in border

industrial areas, is regarded as second best.

A sensitive issue to industrialists could be that homelands consolidation may swallow some border industrial areas.

However, the Government is likely to guarantee concessions by financing homelands to continuing businessmen at this week's conference may object to the huge cost of homeland consolidation — now estimated at R3 000-million.

This money must come from the taxpayers' pocket — including the pocket of big business. The cost could be even higher if the Government departs from the 1985 Land Act, as already suggested by Mr. Botha.

The only way to finance the consolidation of homelands without spending is to encourage white farmers in homelands to buy farmers.



"Poems sincere to the point of pain" *Natal Witness*

"Peter Horn is as vigorous and versatile a poet as any in South Africa ... he not infrequently achieves poems of memorable force or beauty". LIONEL ABRAHAMS, *Rand Daily Mail*

'Peter Horn'  
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'poems that redefine and deeply move" STEPHEN GRAY

'He can seize a detail and render it emblematic; write  
a satire which bludgeons its subject in a satisfyingly  
thorough way". ROBERT GREIG, *To the Point*

It is a beautiful and moving work which seems to have  
opened Aragon's 'cage of words' and found the door of this  
world of black and white." MARGUERITE EDMONDS, *New Nation*

F.M. 25/11/79  
**INCOME TAX**  
**Out of the net** (320)

Taxpayers who have sold their shares in private companies encumbered with large debit loan accounts (ie where the shareholders owe the company money) can now breathe a sigh of relief.

This is the effect of the unanimous judgment of a full five-judge bench of the Appellate Division in *Hicklin v SHI* (delivered on November 9). The appeal court held that the ultimate sanction of section 103 (the anti-avoidance section of the Income Tax Act) could not be applied to transactions of this sort, even though tax avoidance was an important motive for the transaction.

Shareholders very commonly paint themselves into a corner in their management of private companies through reluctance to pay dividends to themselves, and so incur additional tax on personal account. Instead (with or without the advice of an accountant), they repay loan accounts and even allow their loan accounts to go into debit with the company, which by now reflects large unappropriated profits on its books.

If the company subsequently discontinues its business, it cannot be liquidated without a painful tax penalty, as that proportion of the liquidation dividend which comprises profits will be liable to tax in the hands of the shareholder. To keep the company in being also costs money through statutory fees and auditors charges.

The great number of dormant companies in this situation made an opening for at least one enterprising concern. Ryan Nigel started the practice of buying up the shareholdings in such "frozen" companies at a discount, which in *Hicklin's* case was 10% of the book value of the assets. The beauty of the scheme from the shareholder's point of view was that he received 90% of the nominal value of the company's assets (that is the loan account) in the form of a tax-free capital gain. Ryan Nigel, on the other hand, hoped to be able to declare the accumulated profits as a dividend which would (bearing in mind its status as a public company) not even involve undistributed profits tax.

The success of this scheme was not at all to the liking of the Secretary for Inland Revenue, who therefore brought up the heavy artillery of section 103.

But the appeal court has now held that section 103 has no application to shareholders who sell under these circumstances, because the transaction in ques-

tion fell "within the limits of normality of means, manner, rights and obligations" prescribed by the section. The court held that the parties had dealt with each other "at arm's length", each striving to get the maximum commercial advantage from the deal. (The court did concede that the other requirements for the application of section 103 were fulfilled — there was a "transaction, operation or scheme", which had the effect of avoiding liability for any tax on income, and the avoidance of that tax was "the sole or one of the main purposes" of the transaction.)

The *Hicklin* decision is likely to leave ruffled feathers in the Secretary's nest, as it opens a wide gap for tax avoidance. Amending legislation to cover this type of deal is therefore far from improbable in the not-too-distant future.

Peter Horn

Siles & Tail



# Tax refunds: married women lose out again

18/12/79  
Star 320



Thousands of 1977 loan levy cheques were sent to South African taxpayers last month — but only to men and single women. The thousands of married women (or those who have since divorced) who were taxed jointly with their husbands in 1977 received nothing from their Receiver of Revenue.

Their chances of getting back any part of the loan levy if their husbands or ex-husbands don't want to give them a portion, are slim.

A woman's "rights" to any tax refund including a portion of the loan levy appear to be almost non-existent.

After discussions with Department of Inland Revenue officials, tax experts and lawyers it emerged that.

Department of Inland Revenue officials themselves don't know how a woman could get her money back. Two of them said she could take her husband to court while another said guardedly that she might have a common law right to her portion.

According to a Johannesburg tax expert "The duty to pay tax on the combined income rests on the husband. The wife can keep her wages and there is no obligation for her to contribute."

The dice are heavily loaded against married women under our Income Tax law. Their "rights" to any tax refund appear to be non-existent JENNY DYER was told by tax experts.

BUT according to Section 91(3) of the Income Tax Act of 1962 the State may recover tax due to it if a wife married out of community of property refuses to pay a portion of the tax.

In this way the State and husbands are fully protected by law.

If a wife does decide to take her husband or ex-husband to court she might be able to sue him for unlawful enrichment — but lawyers were not sure about this.

In addition it was pointed out that the cost of litigation would probably not make the action viable — especially if there was no certainty she would win the case.

The "loose-ends" of the Income Tax Act were sharply criticised by many lawyers.

Professor Theo van Wyk of the department of mercantile law, University of South Africa said: "The income of a couple is deemed to be that of the husband. Whether or not the wife can claim back any tax refunds from the husband is left in the air."

"It's a sorry state of affairs because it's not

spelt out in the Act," he said.

He felt the husband's case in litigation would be much stronger and said he would advise a wife to threaten the husband with legal action but not go to the actual cost of taking him to court.

A Johannesburg tax expert said it was "quite incredible that the law relating to the liability of tax between husband and wife remains uncertain."

Women's rights campaigner, Mrs Adele van der Spuy said she felt it was unethical, incorrect and irresponsible that a woman should have the vote and yet be deprived of tax-paying status.

"It's a bad law because it protects the State and husband when it suits them," she said.

A Department of Inland Revenue spokesman pointed out that if a husband and wife had been taxed separately then each would receive their portion of the loan levy.

Separate tax assessments are made in terms of Section 77 (6) of the Income Tax Act.

However permission to submit separate assessments is only granted at the discretion of the Secretary of Inland Revenue after a written application by one of the spouses.

The total amount of tax paid by the husband and wife would be the same as if they were taxed jointly.

The amount paid or refunded to each is worked out on a pro rata basis.

Total Accidents, Poisoning and Violence (E800-E999)

\* E979 "Suicide and self inflicted Africa which does not appear in I

TABLE II

Rheumatic Heart Di

Hypertensive Disea

Ischaemic Heart D

Cerebrovascular D

Total Circulatory Disea

Motor Vehicle Acc

Suicide (E950-E95

Homicide (E960-E9



	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1-4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

# State hits a GST bonanza

Own Correspondent

General sales tax collections are streaming into the State coffers, and current predictions are that this year's target of R1 150-million will be exceeded.

The latest figures, for the financial year from April until the end of October show that R637,6-million has been collected from GST.

This is R33-million more than was collected in the eight months GST was in operation last year, and with a bumper Christmas trading period predicted the Government is confident that the year's target will be met.

The Secretary for Inland Revenue, Mr M. van der Walt, said he was confident the target would be exceeded by between R10-million and R20-million, or even as high as R25-million.

The latest figures have dispelled earlier fears that the target would not be met.

At the end of June GST collections were running R5-million behind target, but the deficit is now only about half that.

Mr van der Walt said the increase was the result of the upturn in the economy, and monthly GST collections for November and December would continue to spiral upwards.

## TROUGH

However, this would be followed by a trough in January and February when public spending dropped.

Economists point out that even with Mr van der Walt's predictions of beating the target, there is little chance of tax relief.

They said the current estimates showed only a one or two percent excess, which would have virtually no effect on the tax structure as a whole.

	1-4	5-24	25-44	45-64	65+	ALL	No.
	0,03	0,01	0,01	0,02	0,09	0,39	114
	0,01	0,01	0,01	0,02	0,12	0,59	173
	0,00	0,05	0,01	0,08	0,39	1,61	43
	0,01	0,01	0,08	0,08	0,88	2,59	63
	0,01	0,01	0,08	0,28	0,81	0,28	316
	0,02	0,02	0,05	0,42	1,28	0,26	307
	0,06	0,07	0,24	0,61	1,04	0,22	455
	0,44	0,61	1,44	1,44	1,44	0,33	530

METABOLIC DISORDERS			
	M	F	B
	2,27	1,68	2,31
	1,27	1,08	1,02
	0,01	0,01	0,02
	0,08	0,05	0,06
	0,28	0,42	0,24
	0,81	1,28	1,04
	0,28	0,26	0,22
	0,45	0,33	0,33

	1-4	5-24	25-44	45-64	65+	ALL	No.
	0,16	0,02	0,06	0,25	1,04	0,19	399
	0,13	0,02	0,03	0,13	0,72	0,15	315
	0,07	0,08	0,17	0,75	1,61	0,56	198
	0,20	0,20	0,45	1,98	1,98	0,45	159
	0,21	0,21	1,14	3,30	5,48	3,33	3792
	0,21	0,21	0,78	1,37	2,78	2,69	3146
	0,20	0,22	0,36	2,15	5,45	1,66	3472
	0,45	0,45	1,27	2,93	2,93	1,61	2593

	M	F
	29,36	27,05
	3,56	3,42



# State receipts outrun spending

RDM  
28/12/19  
320

By HAROLD FRIDJHON

GOVERNMENT expenditure at the end of November was running at a rate 19% above the comparable figure for the fiscal year to March 1979, but offsetting this is the 19.6% rise in Treasury receipts during the same period.

Total expenditure during the eight months of the current fiscal year amounted to R7 568-million while revenue collections built up to R5 825-million. The comparable figures for the last fiscal year were R6 355-million expenditure and R4 868-million revenue.

The 19% growth in total Government spending is not a frightening increase when the effect of inflation is taken into account. It reveals that the Minister of Finance, Senator Owen Horwood, is managing to apply the restraints which he promised to do when he introduced his last Budget.

This is noticeable when the eight months' expenditure is annualised; it works out at R11 352-million against R11 219-million which was originally budgeted for. In point of fact a higher degree of over-run can be expected because of some of the hand-outs which were announced by the Minister at the last National Party congress in Pretoria.

But it is on the revenue side where Senator Horwood will find a big flow of extra cash

when he balances his books next year. On an annualised basis the eight months' revenue is running at a rate of R8 783-million, compared with a budgeted estimate of R8 417-million — and this before he has collected his take from the gold mines and the other bonanzas which will come his way this year.

At the end of this month, the gold mines will be making their contribution to the fiscus on profits which will be swollen by a gold price that very few people foresaw for 1979. In addition, the overall business environment this year has been far better than even the optimistic minister might have envisaged last March. This suggests that collections will be higher than he had might have hoped for from income tax on individuals and on companies.

A revenue source which should yield a bounty far beyond the Senator's expectations is the general sales tax. At the end of October GST had brought in R638-million. On an annualised basis this indicates that total collections should be of the order of R1 182-million against a Budget estimate of R1 150-million. The reports of bumper Christmas shopping from all parts of the country, with turnovers orbiting in the R3 000-million altitude, suggest that GST from the Retail trade alone should bring in R120-million in December.

General sales tax was esti-

mated to bring in an average of R96-million a month from all sources, of which the retail trade is only one. The incidence of the tax includes most goods and services and with the improved state of business in most sectors of the economy collections are most likely to exceed, the Minister's expectations.

At the end of November with expenditure running at R7 186-million and with revenue at R5 381-million the Exchequer account was showing a deficit of R1 805-million. This was partly financed by net borrowing of about R1 795-million, according to the Treasury's monthly statement. But these figures do not include the many millions which were raised by the 183-day special Treasury bills. It would seem that the Treasury's position should be very comfortable without the authorities having to make any calls on the banking sector.

During November, R13 802 610 was raised in Defence Bonus Bonds, bringing total receipts from the lottery bonds to just under R92-million during the eight-month period.

The Treasury also issued as a "tap" R102-million of its 9.25% loan dated 2004. Presumably this went to the Public Debt Commissioners.

And during November foreign export credit facilities amounting to R34-million were repaid.



TAXATION — GENERAL

4 JAN. 1980 — 28 April 1980



# Perks tax likely to <sup>520</sup> be passed this year <sup>RJM 4/1/80</sup>

By GERALD REILLY  
Pretoria Bureau

FRINGE benefits worth tens of millions of rands are almost certain to be taxed to the hilt during the 1980/81 tax year, it was learnt in Pretoria yesterday.

The Standing Commission on Taxation has evaluated the response by commerce, industry and other sectors of the economy to the proposals published in August last year.

It is understood that the commission, under the chairmanship of Dr J J H de Loor, Secretary for Finance, will meet in Cape Town later this month to finalise its proposals

before submitting them to the Minister of Finance.

Before final submission, however, it is likely that commerce and industry will be given an eleventh hour look at the final draft.

If the draft is approved by the Cabinet — and it is considered certain it will be — then the necessary legislation could go through Parliament during the coming session and the tax imposed during the coming tax year.

The imposition of the tax will mean a restructuring of earnings of a big percentage of top and middle management in the private sector. At this level as

much as a third of incomes is made up of tax-evading perks.

Compensating payments will also have to be made to personnel at lower levels. Many workers get housing and other loans at nominal interest rates.

This includes thousands of public servants.

Main targets of the tax will be company cars, lavish entertainment allowances, school bursaries for the children of senior employees and subsidised loans.

The Government's view is that it is not a question of whether perks are taxable, but of evaluating them so they can be taxed equitably.



# Can levy to go?

## Good news Budget expected

### Mercury Correspondent

**PRETORIA** — The Prime Minister's Economic Advisory Council will meet in Cape Town next month to make its Budget recommendations before submitting them to the Prime Minister and the Minister of Finance.

It is understood major attention will be focused on the country's still worsening unemployment problem among urban

### Blacks.

This is not only seen as an economic problem but as a factor aggravating the security risk.

This is why the council is expected to recommend further strong stimulatory measures.

Among them are likely to be:

- Individual tax cuts;
- The possible scrapping of the loan levy;

- (a) if the shares to which the offer or 1 by, or in respect of which permissio stock exchange in the Republic rec Gazette for the purposes of this sec publishing the material so states in v
- (b) if the offer is made or the material i:

- (i) whose ordinary business or part in shares, whether as principals or agents; or

(ii) who are at the time of the offer the holders of shares of the same com-

- An easing of company taxation to swell expansion investment funds, and stronger export incentives.

Economists pointed out yesterday that the Government was in the strongest position for more than 30 years to grant significant relief to taxpayers.

Not only will revenue estimates for the current financial year be overtaken, but a balance of payments surplus on current account of about R3 000 million is expected at the close of the year.

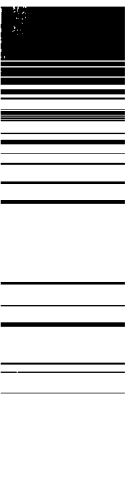
The tax from the gold mines for instance was budgeted to net R666 million. At the time the price of gold was 240 dollars an ounce. It is now,

and has been for some weeks, fluctuating around the 600 dollar mark.

The Minister's expectation of receipts from the General Sales Tax for the financial year was a conservative R1 150 million. This is also expected to be over-run.

The council is likely to emphasise that tax cuts will mean little to the average Black wage earner as he earns too little to benefit.

Other ways of benefiting the lower income group and giving them a share in the gold bonanza will be found — possibly through cheaper basic foods and heavier subsidisation of urban transport.





# Senator Harwood's den b-bag dget

Members of the State have produced a feeling of taxpayers and hopes of a bumper Budget. If HOWARD PREECE examines some of the ones open to Senator Owen Harwood.

American says: "The Budget will, or should, be aimed at the booming growth in a balanced way. To the extent that it succeeds, particularly in creating jobs, it will be a success. But the major tax reforms are necessary for this and the impact on the economy is beyond the direct recipients."

Dr. Adam Smith, chief economist of the government's economic and social research council, criticizes the government's approach to the budget. He says that one of the most powerful tools for reducing unemployment is to cut the public sector. He says that the public sector is too large and that it is a major cause of unemployment.

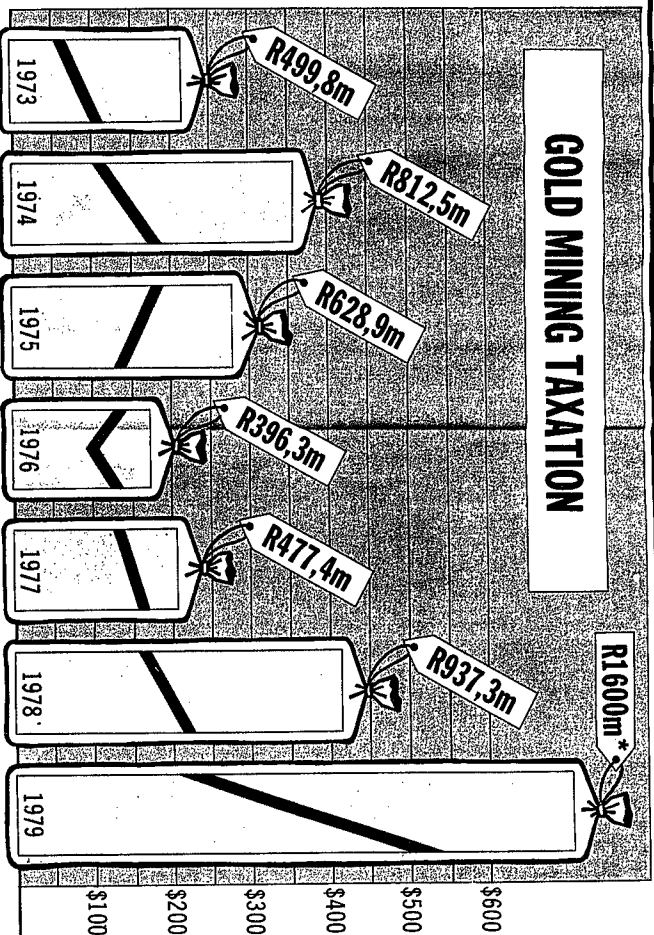
While expectations that Senator Harwood will increase State aid to the public sector are high, it is not clear that he will do so. He has said that he will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector.

Even with the reservations above it seems reasonable to think that Senator Harwood will not increase State aid to the public sector. He has said that he will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector.

So do not look for sweeping changes in the public sector. Dr. Smith and Harwood will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector.

But and Harwood will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector. Dr. Smith and Harwood will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector.

## GOLD MINING TAXATION



BLACK taxpayers have been spending for the past several years. This will be further increased by the fact that the government is planning to increase the tax on gold mining. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

Other civil servants may be asked to contribute to the cost of the new tax. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

In fact work quite fast way. The government is planning to increase the tax on gold mining. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

The government is planning to increase the tax on gold mining. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

Howey, as he was also then, the Government rather than on

Senator Harwood is faced with something of a problem. He has to take action on the gold mining tax. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

mean in money terms. Various experts expect inflation this year between 12% and 13%. The estimates on 12% (or even lower) that he risks holding back spending by too little public

On the other hand he will look to be appearing to be taking 14% or so inflation for granted. The lower level estimate but static spending (the rate rises beyond plausibility at this stage) will turn out well apart from the likely scrapping of the import exchange get that will directly restrain inflation, private sector economists, such as Sir Andrew Humes of Standard Bank, believe the Government is to let the rate appreciate in value on the back of a point from attacks on a "rich man's Budget" Senator for not being bold enough in his tax concessions and in being

We shall see. It is a pity, but for great boldness now were such enthusiastic supporters of the government's policy in 1977.

Economic growth depends on the availability of capital and the availability of skilled labour. The government is planning to increase the tax on gold mining. This is a tax on the value of the gold mined, and it is a tax on the value of the gold mined. This is a tax on the value of the gold mined.

That aside, however, there is a risk that the government will not increase State aid to the public sector unless it is accompanied by a reduction in the public sector.



The bulging coffers of the State have produced a feeling of euphoria among taxpayers and hopes of a bumper Budget. Financial Editor **HOWARD PREECE** examines some of the options open to Senator Owen Horwood.

However, the (over)valuing of the middle and upper income groups will certainly rejoice over very substantial tax reductions — the rejoicing possibly tempered in some cases by a clamp on tax-free perks.

This means the Budget will certainly be attacked in some quarters as heavily biased in favour of the rich.

But Mr Aubrey Dickman, chief economist of Anglo

be, however, who would dispute that gold offers some firwood some great Budget opportunities.

- Balance of payments fears, even with frightening world oil prices, have disappeared, at least for the time being.
- Gold tax revenues have been pouring into the Treasury like a fruit machine jackpot. The original estimate for 1979-80 was £87.5-million. The Cham-

● THE IMPORT surcharge of 7.5% on a sweeping range of

the Budget," says Dr. J. H. de Loor, the Secretary for Finance. He wouldn't, of course, but the point is well made.

The Government, the Treasury and the Reserve Bank have all badly bitten in 1975 when they based their strategy on an assumption that the gold boom of 1974 would continue. When gold went in reverse it was a painful experience and memories are still vivid.

I have no idea what gold price or range Senator H. H. Wood will assume for the 1980-81 revenue estimates (nor, I am sure, does he yet) but I would expect it to be below \$400 even on the present level of the gold market.

However, this would still be handsomely sufficient to allow tax concessions at the absolute minimum similar to those in the 1979 Budget.

There were then income tax

a R100-million reduction in the import surcharge from 12.5% to 7.5% on top of R100-million cuts in loan levies previously announced.

The top effective marginal tax rate was cut from 65% to 60.5% with reductions down the line.

I would not expect the top rate in the coming Budget to come down much below 55% except as a part of a compensating deal for action on fringe benefits.

That could see it down to 50%.

Getting rid of the import surcharge would cost around R200-million.

Company tax, plus levy, came down last year from 48% to 46%. It will surely be eased further.

Total net tax concessions of R700-million to R800-million could certainly be on the cards.

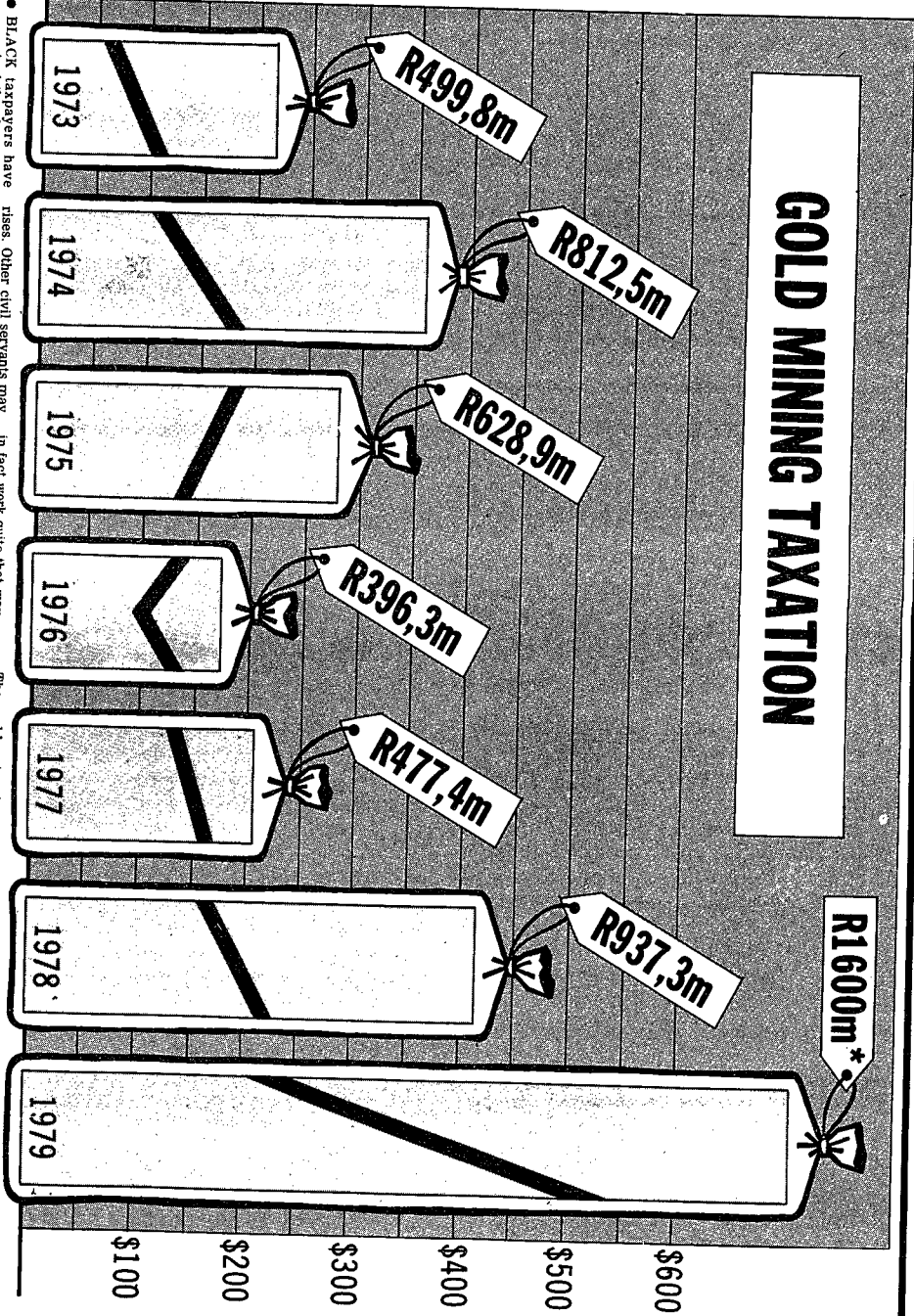
Economic growth depends crucially on physical factors such as manufacturing capacity and availability of skilled labour and the previous economic "overkill" is a limiting factor to expansion now.

That aside, however, there clearly is a danger that Senator Horwood will be too timid — and not just in fiscal policy.

Against that it can be hoped that if the gold boom continues anywhere near its present level, the economic upturn will automatically be accelerated throughout the country.

Through the 1970s, Senator Horwood can always be counted on to keep the economic pump primed.

Of course, if we have any of the familiar experience to the human tragedy and political blunder of the 1973 Biko incident we shall again pay a heavy eco-



Economic growth depends critically on physical factors such as manufacturing capacity or availability of skilled labor and the previous economic expansion<sup>1</sup> is a limiting factor.

That aside, however, there certainly is a danger that Senator Fordwood will be too timid — not just in fiscal policy, but against him it can be hoped that if the good common sense he has heard his present level of economic optimism will allow him to be accelerated enough to keep the economy from slipping back into stagnation. Fordwood can always make it even later and in fact it may well be in 1981 that he will most need money to keep the economic pump going.

If, of course, if we have any real experience to the history of the 1970 Biko incident we again pay a heavy eco-



	Tons milled 000s	Grade g/t	Costs R/ton	Costs \$/oz	Revenue \$/oz	Net Profit R000s
FS Geduld	688	12,93	37,79	109	405	33 800
September	785	11,97	32,77	102	306	28 861
P Brand	836	9,21	28,97	117	406	32 726
September	848	9,00	28,33	117	309	36 147
P Steyn	908	7,00	30,87	164	409	22 665
September	972	6,56	27,97	159	314	20 023
Welkom	532	5,22	29,23	209	408	7 682
September	558	5,53	27,85	188	314	7 298
FS Saai	314	3,49	27,43	283	408	5 058
September	327	3,41	24,83	272	317	12 473
W Holdings	778	9,30	27,33	109,5	403	20 024
September	830	10,44	25,02	88	299	16 256

# Tax takes heavy toll at OFS mines

ROM 2 15 11:50

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320

By ADAM PAYNE

THE profit figures for Anglo American Corporation's Free State mines, although better in December than in the September quarter, were hit by two factors: First, the shorter quarter which resulted in lower tonnages milled, and heavy tax. The only mine to record a substantial increase in profit was Free State Geduld with net profit up 17% at R33 800 000 in pite of tax at R39 945 000 (R28 286 000).

R39 945 000 (R28 286 000). The earnings a share were 86c compared with 115c in the previous quarter. Dividends last year totalled 42nc.

The decision to reduce stopping tonnage in the northern area from 88 000 to 44 000 a month resulted in a variation in the comparisons of the financial and production statistics between the quarters.

Working costs a ton milled rose 15.3% to a high R37.79 from the previous quarter's R32.7.

The yield increased to 12.93 g/t from 11.97 g/t following the reduction in tonnage of lower-grade ore through the mill.

Free State Geduld is one of the best investments in the Free State, especially as its life is likely to be long because of the unexploited area in the north-east of its lease where some good borehole results were obtained last year.

If this ore is exploited through a new shaft, the mine will become a low-grade long-life one with big tonnage. There will be high capital spending.

President Brand, with Free State Saaipiaas, was the only mine to show a lower profit for the December quarter than for September.

Tonnage was down, but grade was higher, with gold production up so that pre-tax profit was 37% higher, but tax at R25-million knocked the after-tax profit down to R32 726 000

with grade and gold production higher in spite of lower tonnage.

Tax was not so fierce as at President Brand and net profit was 13% higher at R22 665 000.

This represents the same earnings a share as those at Brand at 101c. Earnings a share in the previous quarter were 64c and the total dividend last year was 162.5c.

As an investment I would choose Steyn in preference to Brand because it has a medium to long life and it has completed its big No. 4 Shaft. President Brand has only started sinking a big shaft in its southern area.

Welkom made a modest profit, with grade and tonnage lower and therefore a decreased production of gold. The high gold price saved it, so that pre-tax profit was up and, with modest tax, net profit was R7 682 000 — 49c a share compared with 33c in the previous quarter.

The total dividend last year was 110c. If earnings remain at about 49c a quarter, there is considerable scope for an improvement in dividend distribution.

Free State Saaipiaas, the fastest-growing share last year, performed disappointingly in the quarter.

Costs at \$293 an oz for gold are high because of the low grade.

The main factor in the poor performance was the contribution of only R1 137 000 from the JMS. The JMS, on which FS Saaipiaas relies heavily, contributed R10 491 000 in the previous quarter.

September was a particularly good quarter for uranium sales by the JMS. Sales were reduced in the December quarter because contract dealings with Iran were stopped, and because of a drop in spot sales.

Net profit was R5 058 000 (R12 473 000). There were no earnings a share because of

mium sales, made an estimated profit of R9 021 000 (R22 466 000). Production figures were better with 579kg of gold compared with 419kg in the September quarter.

September was a particularly good quarter for uranium sales by the JMS. Sales were reduced in the December quarter because contract dealings with Iran were stopped, and because of a drop in spot sales. Net profit was R5 058 000 (R12 473 000). There were no earnings a share because of high capital spending. Western Holdings' Tonnage milled dropped significantly, grade was low and gold production was down. Because of the improved gold price, net profit at R20 024 000 was marginally higher than in September.

This represents 299c a share compared with 199c in September. Dividends last year totalled 64c. The Joint Metallurgical

President Steyn did better than last year than President Brand.



out of the area against petrol. It had to be are a long way away

## THE FORUM Letters to the Editor

# Taxpayer gets a puzzling document

N M

21/1/80

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SIR, — After a slight difficulty with the Income Tax Dept in Durban — as yet unresolved — I cannot help but marvel at the zany activities of that august fraternity. Also I fret over the possible consequences of same.

For example, not having received my annual income tax assessment form at the local P O agency where we are obliged to collect our mail, my wife telephoned the aforementioned department. After eventually flushing out the person concerned, through the tortuous channels of officialdom, my wife was informed that the missing document and cheque for R13 credited to me had already been posted some time ago. How jolly!

But what happened to the cheque? Did it simply finish up in a garbage dump, or go into someone else's bank account? Who knows? And what are we to do? Not to worry, stated the departmental expert over the phone, as a copy of the assessment form would be sent out shortly. Then the long-awaited document arrived — 'shortly' being short of ink or carbon, I suppose. Of course the cheque was not forthcoming. You didn't think they'd pass me a second one, did you?

### Undeciphered

My better half has suggested that this very precious document might even be a piece of the Magna Carta. And you know, since I cannot decipher its contents, neither can I contradict her.

Inevitably a disquieting possibility occurs to me. The

missing cheque is an admission that the Government owes me R13. A paltry sum, you say? Fair enough. Yet do I shudder to contemplate my fate had the situation been reversed and I had been the debtor. Mayhap this very great miscreant would long since have been invited into court on a charge of tax evasion or some even more sensational felony.

Meanwhile, dear Sir, here I am, up a stump with this copy of a document which I require for the purpose of estimating provisional tax still to follow, and which I cannot for the life of me make head or tail of.

TAXPAYER



NO.	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0.51	0.54	2.10	1.24	7.00	6.86	19.69	19.83
1-4	0.04	0.04	0.21	0.35	0.75	0.77	2.58	2.48
5-24	0.01	0.01	0.09	0.06	0.08	0.03	0.21	0.23
25-44	0.05	0.05	0.28	0.17	0.42	0.31	0.72	0.78
45-64	0.44	0.18	1.73	1.04	1.73	1.02	3.80	3.64
65+	1.84	1.95	8.32	6.56	8.55	5.71	14.69	14.84
ALL	0.22	0.23	0.56	0.38	0.83	0.65	1.80	1.96
NO.	463	485	199	134	943	761	3765	3145

## ALL CAUSES

NO.	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	24.76	16.18	40.44	27.11	133.70	119.02	91.30	88.18
1-4	1.17	0.94	2.42	2.39	17.22	16.21	10.23	9.93
5-24	1.05	0.46	1.31	0.74	2.26	1.25	1.64	1.12
25-44	3.02	1.47	4.33	2.48	8.80	4.96	4.78	3.70
45-64	17.46	9.49	26.27	18.72	24.27	17.87	18.06	15.57
65+	73.62	54.55	92.20	82.93	96.90	71.79	53.38	45.89
ALL	9.44	7.40	8.03	5.51	14.62	11.00	8.77	8.13
NO.	19600	15374	2828	1967	16632	12847	18348	13062

## INJURIES AND VIOLENCE (EXTERNAL CAUSE)

NO.	A		C		B	
	M	F	M	F	M	F
0-1	0.70	0.31	1.18	1.24	0.32	0.19
1-4	0.31	0.27	0.63	0.61	0.21	0.20
5-24	0.68	0.20	1.40	0.38	0.68	0.12
25-44	1.43	0.37	3.32	0.70	1.22	0.26
45-64	1.55	0.40	2.89	0.76	1.10	0.31
65+	1.34	0.91	2.19	0.90	1.02	0.53
ALL	0.95	0.29	1.91	0.56	0.89	0.20
NO.	1973	677	333	104	2175	652
					1868	324

## Wage earners pay 88 percent (320)

The country's wage earners complain that they had paid a total of 88 percent of the income tax collected by the government last year. They want heavier payments by farmers and the self-employed — both prosperous sectors of the population which pay comparatively little in taxes.

Yesterday's demonstrations were similar to a series of one-day protests last year when taxpayers succeeded in getting a commitment from the government to overhaul the tax code.

Factories, shops and offices closed down at lunchtime as thousands of workers left to take part in afternoon marches in 20 cities and towns. Even schoolchildren were sent home at midday as the teachers left the classrooms to join in demonstrations.

Sapa-AP



# Tax concessions for gold mining expected

Mike Brown, Chief Economist at the Chamber of Mines, says that from the South African point of view, one must assume exchange control will continue, so one will be

limited to investing in South Africa.

Speaking in general terms, Brown said: "We are looking at a growth rate of about five percent a year, which we have got to achieve —

By Colin Vineall

otherwise the unemployment situation becomes so bad.

"We are also looking at a growth of about six percent a year over the

period up to the mid-1980s. So the opportunities for new investments to reach that target growth rate have got to be pretty substantial.

"Secondly, Senator

Horwood said in his last Budget that he was going to try to reduce the amount of public sector investment in the economy, which at the moment is running at about 70 percent of the economy.

"He has committed himself to reducing that to 40 percent by 1981, which means that the major brunt of new investment in South Africa will have to be taken up by the private sector.

"So the authorities will have to make it more profitable for the private sector to take up this investment, which means tax reforms.

"We are therefore going to have a situation where more disposable income will be available for investment.

"Also I think that as the economy grows, that savings rates will increase. I believe foreign confidence in South Africa will get a little bit better so that the inflow of foreign capital from abroad, which has been negative for the last three years, will turn positive.

We are assuming that as the world gets more and more into an economic mess — and this is based on our contacts abroad — so more people will be willing to invest in certain areas of South Africa.

"Assuming the Government is so flush with taxation from gold mines with the gold price going up and working costs virtually under control, we think it is going to make tax concessions to the gold mining industry which will enable new investment to take place.

"As a whole the in-

dustry mines gold at a grade of about nine grams a metric ton. But at present prices a lot of gold at lower grades has now become viable.

"And whether one likes the idea or not of new gold mines starting, we believe there's a substantial potential for mining of low grade gold reserves which it has not been payable to mine.

"This makes me believe that investment in the gold mining industry will continue well through the 1980s.

"The gold market is becoming broader all the time and we now have substantial Middle East participation.

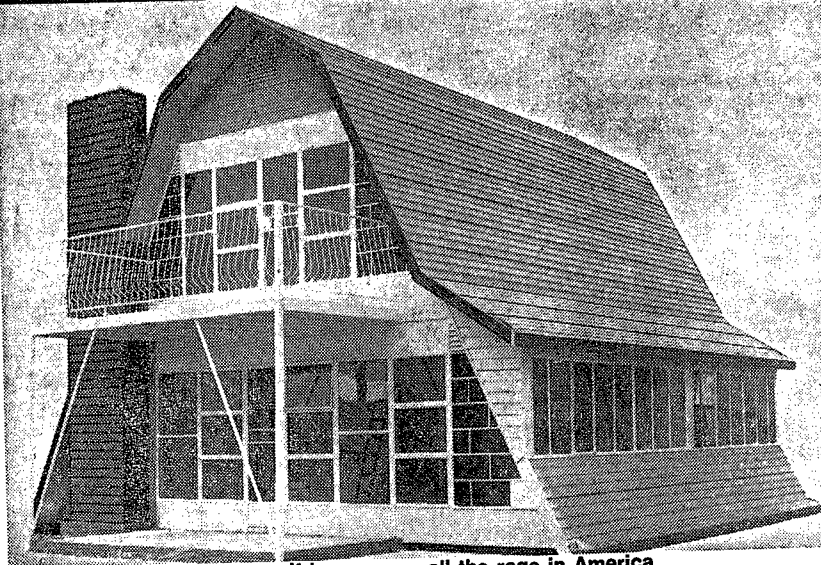
"We see a big growth in the market in the United States where the citizen has never been involved in investing in gold — it was illegal from 1932 until 1975 but it now looks as though it is starting to take off.

"We think that as gold interest increases in the States, so the Kruggerand market will continue to grow. We don't think the other coins are competition, because their premium will always be higher, and we have had about eight years establishing the market.

"But in South Africa we are only allowed to sell 2000 Krugger a week so it is a investment — if you get hold of them.

"From a African point of view, I think the energy has obviously profitable to development to energy resources. We have had this investment in mining renaissance believe this office. (initials)

## Exciting news on the home front



Do-it-yourself houses . . all the rage in America

## Buy a kit, build your own home and save money

MR and Mrs C. R. Justice have sold their suburban home in Reston, Virginia, in the US to Mr and Mrs William Swope. The price was 188 000 dollars (R155 000) — a reasonably "normal" sum in America.

In the same newspaper which recorded the sale, an estate agent advertised a five-bedroom home with "dramatic heavy oak staircase" and "ample space for pool and tennis courts" at 395 000 dollars (R325 000).

Prices like these are affordable in the United States but not by everyone. So some peo-

ple are taking hammer in hand and building their own houses from pre-fabricated kits.

How much they save is a variable which depends on many factors but the promoters of the kits say it will be at least one third.

Pre-cut and pre-drilled housing kits have been on the market for many years but were seen, until interest rates soared recently, as being suitable only for holiday shacks.

One firm which is getting more and more inquiries is Shelter Kit

Incorporated, run by electronics engineer Andy Prokosh.

The basic kit enables two people to create a 4-metre by 4-metre module in four days. Tools, ladders and even carpenters' aprons are part of the package, which costs 2 600 dollars (R2 170).

According to Mr Prokosh, the less one knows about building the better one will understand the exhaustive instruction manual, which is designed to reassure the beginner.

The manual has full-

scale drawings of each size of nail and screw so that the most helpless amateur can find out exactly what goes where.

One big snag, Americans have found, is a reluctance by the banks to make loans for do-it-yourself homes.

Bank managers fear that a homebuilding project might be abandoned halfway through, or that a do-it-yourselfer might build something so weird that it would be unsaleable and therefore without any foreseeable value.

Kitmakers are trying to convince the banks that there need be no fears on this score.

Tribune New York Bureau



# Experts warn against high tax cut hopes

By GERALD REILLY  
Pretoria Bureau

ECONOMISTS yesterday warned taxpayers against over-optimistic expectations in the 1980/81 Budget.

But, they say, there will be big tax concessions which could trigger off a spending spree, create a demand inflation and send the inflation rate soaring towards the 20% mark.

And Government sources in Pretoria yesterday indicated that the taxpaying public was busy talking itself into a big disappointment.

Furthermore, joy over any concessions will be tempered by the likely imposition of a tax on fringe benefits.

The chairman of the Standing Commission on Taxation and Secretary for Finance, Dr J H de Loor, said yesterday the commission had completed its final recommendations.

They would be in the hands of the Minister, Senator Owen Horwood, within the next few days.

Dr De Loor indicated that if the Minister decided to go ahead and introduce the tax, there would be sufficient time during the coming session to do so.

The view of authorities is that Sen Horwood will maintain a stringent financial discipline with some relaxations.

Spending priorities will include defence, improved earnings for public sector workers, more funds for black formal

and vocational education, and housing.

However, the economists agree — and this is borne out by Government sources — there will be individual tax concessions, the loan levy is likely to be scrapped and pensioners will be given substantial relief.

Volkas' chief economist, Mr A T Engelbrecht, said the soaring gold price had generated an unrealistic expectation that there would be large tax concessions.

"Concessions there will be, but we cannot afford tax cuts which would lead to a consumer spending spurge and to even higher inflation with all its associated problems," he said.

The benefits from the high level of the gold price should be used for long term projects which would have long term benefits and not just for tax relief.

Barclays Bank's chief economist, Dr Johan Cloete, said taxpayers must not expect too much in the March Budget.

To use the budget to grant tax concessions which would aim to stimulate consumer spending to attain a 7% growth rate could have disastrously serious inflationary effects, he said.

Under these circumstances the inflation problem would become so critical that drastic economic restrictions would have to be imposed, setting the scene for a slide back into recession.



## IV DISEASES OF BLOOD AND BLOOD-FORMING ORGANS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,20	0,21	0,05	0,16	0,05	0,05
1-4	0,01	0,01	0,02	0,00	0,02	0,04	0,01	0,01
5-24	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
25-44	0,01	0,01	0,01	0,02	0,00	0,01	0,01	0,01
45-64	0,02	0,02	0,03	0,03	0,05	0,04	0,01	0,03
65+	0,11	0,11	0,13	0,15	0,01	0,01	0,01	0,01
ALL	0,01	0,03	0,02	0,02	0,01	0,01	0,01	0,01
NO.	30	34	7	7	0	0	0	0

## VI DISEASES OF THE NERVOUS SYSTEM

	W		A	
	M	F	M	F
0-1	0,52	0,18	0,50	0,41
1-4	0,05	0,05	0,02	0,07
5-24	0,03	0,01	0,05	0,04
25-44	0,03	0,01	0,04	0,05
45-64	0,07	0,07	0,21	0,11
65+	0,18	0,13	0,00	0,15
ALL	0,06	0,04	0,07	0,06
NO.	128	85	26	23



SENATOR HORWOOD

# Scrap all direct tax, urge

By Sieg Hannig,  
Labour Reporter

The Mineworkers' Union today called on the Minister of Finance, Senator Owen Horwood to scrap all direct tax.

Indirect taxation — General Sales Tax — had exceeded all expectations, it said.

The time had therefore come for further tax adaptations, said Mr P C C "Cos" de Jager, president of the union.

He was addressing the annual meeting of the union's general council in Johannesburg.

Mr de Jager referred to the expected doubling of Government income from gold mines to R1700-million for the current tax year.

He also expressed regret about Senator Horwood's appeal to trade

unions not to make excessive wage demands.

In previous years there had been similar appeals which employers had used to keep pay increases as low as possible, he said.

But no one had done anything to curb price increases.

Mr de Jager called on Senator Horwood to take such action.

He also called for:

● A review of the means test for pensioners who were living in "parlous conditions" because of the high rate of inflation.

● A Government allocation to upgrade the pensions of retired miners, who had helped to build up the economy.

Mr de Jager devoted much of his

## miners

speech to the union's clashes with Mr Fanie Botha, Minister of Manpower Utilisation who was formerly Minister of Mines.

Mr Botha was directly responsible for the scrapping of job reservation, he said.

Previously, the National Party had used job reservation as an anti-communist slogan.

Now black apprentices were being admitted and allowed to work anywhere in the Republic after their training, he said.

Mr de Jager described today's meeting as the most important congress in the union's history. The union's council had to decide whether it would stand or fall by its labour policy or change its policy.

VIII

VIII

	W	M	F
0-1	2,90	2,24	2,24
1-4	0,22	0,28	0,28
5-24	0,05	0,05	0,05
25-44	0,20	0,12	0,12
45-64	1,45	0,32	0,32
65+	11,52	7,48	7,48
ALL	1,12	0,97	0,97
NO.	2336	2009	2009



# Tax inducement to housewife?

Measures to attract more married women back into jobs may be included in the 1980 Budget package to be unwrapped by the Minister of Finance, Senator Horwood, on March 26, according to a leading bank.

Inducements to persuade housewives to return to offices and factories were forecast by Volkskas today in an economic analysis of the options open to Senator Horwood.

Volkskas sees the move — likely to be centred on bigger tax-free allowances — as at least a partial

counter to the shortage of skilled workers which is spreading in business.

The bank also predicts that more government funds will be allocated for training and re-training of workers as a whole to fill the growing vacuum in skilled jobs as the economy gathers speed.

The study says the Budget can be expected to "hold a little bit of everything" for the public because of higher revenues flowing into Government coffers, especially in taxes from the gold mines as profits increase in the gold boom.

Among the possible con-

cessions listed by the bank are:

① Lower taxes on individuals.

② Abolition of the loan levy or another early repayment of previous levies like the one made in November.

③ Higher subsidies on bread.

④ Higher pensions and salaries for public servants to compensate for inflation.

⑤ Export concessions which will encourage offensives in overseas markets to bring in more foreign exchange.

But the bank warns the cornucopia will not flow at full flood.

"In view of the serious inflation question and certain labour bottlenecks which are starting," it says, "the Minister can hardly consider more than mild supporting measures for the growth process."

"South Africa cannot afford its unemployment question to be further worsened — and this is just what will stare us in the face if inflation is not properly curbed."

⑥ Page 29 — Business outlook brighter.



320 fm/240 213, 219, 213

# To tax or not to tax?

**Finance Minister** Owen Horwood's response to the recommendations of his Standing Committee on Taxation dealing with revisions to the vexed draft bill on fringe benefits is expected soon.

This week the Standing Committee had finalised its report on perks tax, incorporating a good deal of the welter of representations it evoked since it was first published for comment.

How the Minister will respond is now a matter of intense speculation which should be ended as soon as possible.

With the March 26 budget not far away, government officials are experiencing their seasonal bout of collective security psychosis and will not be drawn on the subject.

The reason for this is that, although Horwood and his tax researchers almost certainly remain committed to the principle of a specific perks tax (fringe benefits have long been an integral part of the Income Tax Act, but their taxability and the rate at which they are assessed are largely discretionary), the timing of its introduction is a policy decision, not something that should be decided by civil servants.

It would be an immensely unpopular decision to introduce a perks tax at this stage, even though his better instincts probably signal that the best time to introduce a new tax is when the need for additional sources of revenue has never been less. The strategy would then be to ease in the new regimen, while at the same time sweetening the pill by further cuts in the marginal rates of income tax.

## From theory to action

However, as any tax designer will confirm, it is one thing to draw up a set of principles governing a new tax. It is even easier to amend them, upon receipt of good advice. It is quite another to sit down and translate those principles into action. Time could be a problem if the new tax is to be introduced this year.

On the other hand, Horwood could decide to proceed with only a limited part of the new bill, selecting, say, one or two items for grossing up with taxable income.

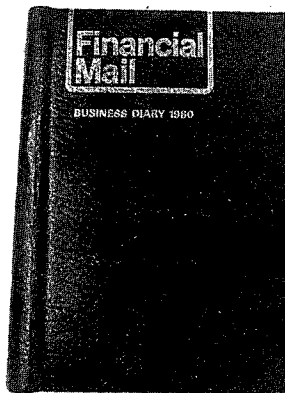
The popular view in the lobby, however, is that he will shelve the measure in preference for more pressing reforms, such as lifting earnings ceilings and lowering marginal rates. The perks bill has generated a lot of heat. To introduce it now, at a time when revenue collections are way above 1979/80 original estimates, is something close to political lunacy.

Assocorn, AHI, FCI, Seifsa and even many of the trade union federations condemn the new tax coming on to the statue book at this stage. They can't all be wrong.

The proliferation of perks in SA has been a symptom of an unhealthy addiction to high direct taxes, a narrow tax base, and fierce wage competition for scarce skills arising from restrictive employment and education/training practice. In recent years, however, Inland Revenue has shown greater appreciation of the linkage between broadening the tax base and cutting marginal rates, as happened last year.

The reduction in marginal tax rates and the broadening of the tax base (through the introduction of GST) are two sides of the same coin. By gradually dismantling tax concessions, as income taxes come down to acceptable levels, government will be able to maintain its revenue and increase incentives to work harder at the same time.

## APOLOGY



The FM apologises to its readers for the delay in the receipt of the 1980 Business Diary. This was caused by circumstances beyond our control in 1979, but every effort will be made to ensure that the 1981 diary is delivered timeously in 1980.

It would be helpful if those readers who want the diary place orders well in advance. Orders should be addressed to: Financial Mail, P O Box 10493, Johannesburg 2000.



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## GOLD MINING TAX

# Fair or unfair?

If there is one point gold mine chairmen have plugged almost *ad nauseam* during gold's recent price advance, it is the "inequity" of SA's "high" gold mining tax rates. When gold falls, on the other hand, and profit margins narrow and average tax rates decline, the clamour is generally not heard as loudly. And when gold falls so far that mines become unprofitable, management is the first to scamper to the Government Mining Engineer looking for State Aid.

One thing is clear — gold mine tax and

lease payments are not punitive. If they were and if they were unreasonably high, new gold mines would simply not be established. Unlike many other developing and developed countries, SA has the great advantage that its mining tax regime is consistent. It positively encourages investment in new mines through generous tax allowances and, most important, the formula tax basis is designed to benefit operations which mine to the average grade of their ore reserves, thereby resulting in efficient extraction of all the

payable gold in an ore body.

That being said, how does the State take its fair share of gold mining profits?

For all but a few of the older mines, the State's take comes in two tranches, lease and tax payments, both of which become payable *after* aggregate profits have exceeded total capex plus significant taxable allowances.

First deducted is lease calculated on a formula — typically along the lines of  $Y = 12.5-75/X$ . Once that has been deducted, tax is calculated according to one of three



formulae:  $Y = 60-360/X$ ;  $Y = 60-480/X$ ; or  $Y = 68-601/X$ . The first applies to mines established before 1966; the second to post-1966 mines (effectively East Drie, Ergo, Randfontein Cooke Section, Deelkraal, Eldrandrad, Unisel and Video); and the third to State assisted mines.

Which is all very well, but what does it mean?

In the case of lease payments,  $Y$  is the percentage of profit assessed for lease (don't worry about what this is at this stage — we'll come back to it later) paid to the State.  $X$  in this case is the profit assessed for lease expressed as a percentage of mining revenue.

Thus assuming the above lease formula for a mine which on a revenue of R1m earned an assessed profit for lease purposes of R100 000,  $X$  would be 10%. Their divide 75 by 10 to give 7.5, subtract that from 12.5, and you have  $Y = 5\%$ .

In lieu of transfer duty when mining leases are granted, all lease payments are subject to a fixed additional charge equal to 1.25% of the lease paid. So with the example above, the mine would pay 5% of R100 000 which is R5 000 plus 1.25% of the latter or R62.50. Thus the total lease payment is R5 062.50.

Now try the calculation yourself. Only this time assume a profit assessed for lease of R200 000 and a mining revenue of R1m. If you calculated  $Y = 8.75\%$  and a lease payment of R17 718.75, you are well on the way. If not, return to go and have another bash.

Once the lease payment has been made, it is deducted from pre-tax profit in arriving at the profit assessed for tax.

If you have understood the mechanics of lease calculations, the basics of tax calculations should be as easy as falling off a log.

Let's look at another mine now. This one had a mining revenue of R25m and a profit assessed for tax (we'll come back to that one again later) of R8m. The mine is an old one assessed under the  $Y = 60-360/X$  tax formula. Clearly  $X$  in this case is  $8 \div 25 = 32\%$ . Divide that into 360, giving 11.25, and subtract that from 60 and you get  $Y = 48.75\%$ .

Now the Receiver does want his pound of flesh at times, so if you are thinking that the amount our mine is going to pay in tax is 48.75% of R8m, (that's R3.9m by the way) you are jumping the gun a bit. That is the basic tax payment, but there is a 5% surcharge on the R3.9m which disappears into the Receiver's maw for ever. On top of that there is a 10% loan levy which will be returned some time when everyone has forgotten they had even paid it.

Thus in the particular year we are talking about, ignoring loan levy repayments from earlier years, the Receiver's tax take-off is R3.9m plus 15% which equals R4.485m.

So far, so good?

All right, now try it with a mining revenue of R40m and an amount assessed for tax of R25m. If you come up with the answer  $Y = 54.24\%$  and a tax payment of R15.594m, you're getting along fine.

So what is so difficult about all this, you might well ask? Stick around, the more difficult bits are coming up now. We'll make it easy, ignore the complications of uranium and assume a pure gold producer with no non-mining profits which are taxed at the corporate rate. In any case, the latter can be safely ignored by most investors.

Firstly, profit on which lease is to be paid. That is a mine's operating profit (gold revenue less mining costs) less capex and capital allowances. Capex is straightforward, while for pre-1966 mines, capital allowances calculated for lease are 5% simple interest on any year's capex



Building on tax consistency.

and 6% compound interest for post-1966 mines (you have the list above).

That is all very well, but no mine spends all of a year's capex on January 1, and the average investor has no way of telling how it is spent month by month. The best thing to do under these circumstances is to assume that the year's capex is spent in twelve equal monthly tranches.

For a pre-1966 mine that means an effective 2.292% capital allowance and for a post-1966 mine a 2.75% capital allowance. So, if our pre-1966 mine spends R1m capex in any particular year, it can deduct R1,029.2m from operating profit to give its assessed profit for lease. Let's make it clear, the capex allowance is only deducted from the profit on which lease payments are levied. It is not deducted when calculating the  $Y$  of the lease formula.

Our post-1966 mine can deduct R1,027.5m from operating profit to give its assessed

profit for lease.

There is no need to bolt for the doors here comes an example. A post-1966 mine makes an operating profit of R15m on a mining revenue of R45m and spends capex of R3m spread equally throughout the year.

Its profit on which lease is to be levied is operating profit less capex less 2.75% capital allowance. In figures that is R15m-R3m-R82 500 = R11,917.5m.

Go back to our original lease formula and we calculate  $X$  as equal to 12.0.

26,666%. Insert that in the  $Y = 12.5 - 75/X$  formula and you get  $Y = 9.1875\%$ . Multiply that by the R11,917.5m profit assessed for lease and add the 1.25% surcharge and you come up with a lease payment of R1,041,637m. Phew!

By this stage, fresh as a daisy, you are eager to get your teeth into the tax calculation.

OK, we'll start off with an easy one. The same post-1966 mine with a  $Y = 9.1875\%$  X tax formula. It has reached the paying stage so it is allowed no capital allowances to offset against profit — simply the capex it spends during the year.

Remember, it made an operating profit of R15m on a mining revenue of R45m spent R3m capex and paid lease = R1,041,637m.

Its assessed profit for tax purposes — operating profit less capex and less tax paid. In our example that is R15m-R3m-R1,041,637m = R10,958,363m. Divide that by R45m mining revenue and you get the formula  $X$  of 21.25193. Divide that into 19,710,963%, subtract it from 25, giving a value of 40,28903% for the  $Y$  of our tax formula.

We're almost there. All we have now is multiply  $Y$  by the profit assessed for tax and add 15%.

In our example that is 40.28903% of R10,958,363m times 1.15. And if my calculator has not let me down, that equates to R5,077,337m give or take a cent or two.

So, at the end of the day, what is to share among the shareholders? Simple elementary subtraction, it is our profit less lease paid less tax paid and capex. R15m-R1,041,637m-R5,077,337m-R3m = R5,881,077m. Now you can see why all the chairmen are moaning.

Now for a few complications, about a uranium producer which gives details of revenue from uranium, solely uranium profits.

There is no hard and fast rule this. But as near as will make difference, you can assume that the treatment costs average about R3.7m. Thus assume our mine reports a profit of R1m from uranium, and a 200 000t of material in its uranium. More or less, you can assume that the unit costs were about R600 000 and, therefore, uranium revenue was about R120 000. That last figure should be added to revenue and the R1m added to gold



12  
in calculating the Xs of the lease and tax formulae.

Next we come to the State Assisted mines. They are exempt from the 5% tax surcharge though they do have to pay the 10% loan levy.

At current gold prices, none of the quoted mines is receiving State Aid. But the gold price could fall apart and squeeze profits. If it does and the ratio of profit to revenue used to calculate X in the  $Y = 68-601/X$  tax formula falls below 8.83824%, the Y of the tax formula becomes negative and State Aid is paid to the mine.

On the other hand a mine which is classified as State Assisted has a profit: revenue ratio which would make the Y:

$68-601/X$  tax formula more onerous than the  $Y = 60-360/X$  formula, tax is automatically calculated at the less onerous rate. But on the latter formula, of course, the 5% tax surcharge is levied. Thank you No 1 Rissik Street.

Finally what about new mines such as Deelkraal, Elandsrand or even Beisa?

This is where the generosity of SA's tax regime becomes really apparent. A new

mine will incur considerable capex before it comes into production and will not be liable for lease or tax until operating profits exceed pre-production and on-going capex plus capital allowances. Effectively all new mines which have not reached the tax-paying stage are entitled to add an annual 10% compound interest to the balance of unredeemed capex before tax is payable. And before lease is payable, they are allowed 6% compound.

Shareholders will, of course, sympathise with gold mine chairmen who rail against the Receiver's "heavy" share of profits. But at least the Receiver is consistent and anyone planning a new mine can be confident that the tax and lease parameters in which he operates will be fixed for the life of the mine. No-one has yet advanced any real evidence that SA's tax regime has prevented the establishment of a new gold mine.

Gold mine chairmen have bolstered their calls for lower tax rates by pointing to the steadily increasing tax bills paid with gold's advance. Do they really believe that as profits advance, effective tax

rates should narrow? If they do, in all justice they should be calling for higher tax rates as profits fall.

Perhaps it is time they came off the grass. Formula tax was devised many years ago to discourage unscrupulous miners from picking the eyes out of a mine and leaving large tonnages of lower grade ore in the ground simply to turn a fast buck. If it does have a drawback it is that it encourages capital spending rather than improving operating efficiencies.

Gold mines are a national asset. And everyone gains from the possibility of lower income, corporate and sales taxes as gold mining tax revenue advances with a higher gold price. You can bet your boots the Receiver thinks along those lines and it is not his job to favour sectoral interests.

Everyone who invests in a gold mine, whether it be from grass roots or through equity participation when the mine is producing profits, does so with his eyes open. Why then should the rules of the game be changed giving a *bonsella* to a lucky few?



## TAX POLICY

# Equality or efficiency?

*"High taxes, sometimes by diminishing the consumption of the taxed commodities, and sometimes by encouraging smuggling, frequently afford a smaller revenue to government than what might be drawn from more moderate taxes."* — Adam Smith

The century of the common man is also, inexorably, the age of the progressive income tax. From very modest beginnings before World War I, the system swelled to confiscatory proportions in many countries. SA, at one time, had a maximum marginal rate of 75%, while top marginal rates of almost 100% applied to certain classes of income in Britain.

The progressive income tax had its origins in the surge of humanitarian feeling against the gross inequalities which marked the first stage of the industrial revolution. But this original compassionate impulse curdled, eventually, into what has been labelled derisively "the politics of envy." The phrase denotes a sterile and destructive resentment of any economic inequalities whatsoever, notwithstanding that the economic machine cannot reasonably be expected to function without adequate incentives to the owners of capital or to business executives and other highly-trained individuals.

Of late, though, a whole new school of free market economists has raised its

voice on the subject of confiscatory income taxes. They argue that the progressive income tax, viewed as an engine for social justice, has failed. These neo-conservative thinkers contend that over-high taxes have had an asphyxiating effect on top executives, professional men and independent businessmen. The resultant harm to economic efficiency and the spirit of enterprise has been so great that everyone has suffered, including those who are supposedly the beneficiaries of income redistribution.

Instead of a larger cake from which all social classes could take a bigger slice, there has been endless bickering over the division of a static, or even a shrinking one.

One of the most numerate of these critics is an American academic, Arthur Laffer, who has given a formal economic basis to the case against over-high taxes, embodied in a diagram called "Laffer's curve." Income tax levied at a relatively low rate (argues Laffer) does no great harm to efficiency, and brings in a certain amount of revenue. But if the government continually attempts to augment its take by increasing tax rates, a point of diminishing returns will, sooner or later, be attained — a level of taxes at which government's revenues are optimised.

For, if tax rates are increased above the optimum rate, the disincentive effect increasingly outweighs the effect of the

increase. So, the total tax take (in real terms) starts to decline.

Where the optimal point (with reference to maximum marginal rate) lies, may be open to debate, but Laffer believes it to be lower even than the (relatively modest) current American top of 50%.

One SA tax hard-liner, Costa Divaris, (a co-editor of *Businessman's Law*), has even been so bold as to take Laffer's argument to its extreme, and to analyse the implications of abolishing the progressive scale altogether and replacing it with a flat rate income tax.

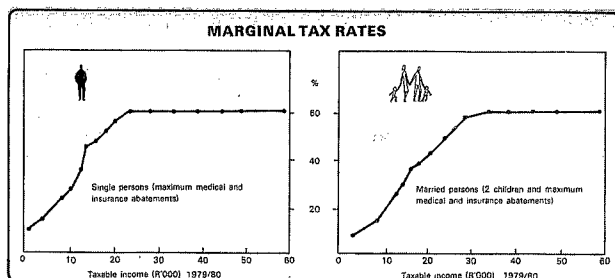
## A flat 15% rate

Divaris has calculated that a flat rate of 15% applied across the board to the current 1,7m taxpayers (mostly whites) would bring in the same revenue (about R1 700m in 1977) as the present sliding scale. Some 135 000 would pay less and the balance would pay more.

There is no doubt that a substantial reduction in tax rates at the top end of the scale would act as a tremendous stimulus to business development and economic growth. Joubert Botha, professor of economics at Witwatersrand University, endorses this view, noting that the pace for economic development in recent years has been set by economies like that of Hong Kong, distinguished by very low income taxes and also an absence of minimum wage laws.

Divaris concedes that a relocation of the tax burden among the existing body of taxpayers would cause much resentment at the middle-income level (say, those earning around R6 000 a year), while it would seem hardly feasible, politically, to apply a 15% income tax to those (around 900 000) earning under R5 000 a year.

But Divaris's analysis ignores the central political problem weighing on tax policy. The irony of SA politics is that free market economics is only now winning its battle within Afrikanerdom. This follows a previous generation's adherence to *dirigiste* policies in general (not only high taxes) just when a new political force is raising the banner of "redistribution" all





over again.

Even moderate black leaders like Gathu Buthlezi cannot but emphasise the stark poverty still engulfing the mass of urban blacks and their rural counterparts. The intensity of urban black poverty can be observed by reporting that Markinor African Syndicate, as at March 1979, places over half of Soweto families below the poverty datum line (now R172 a month for a family of six).

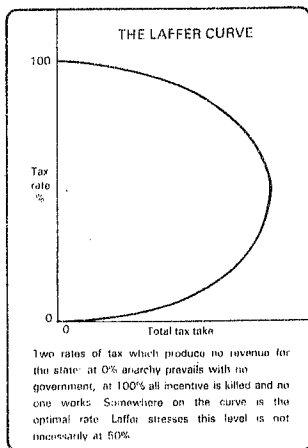
So, the battle lines between economic efficiency and incentives, on the one hand, and social justice, on the other, have been redrawn, this time with affluent whites on one side, and hungry blacks on the other. The truth is that SA has a severely skewed income distribution, an intense provocation to the masses living on or below the breadline.

And it's an obvious and necessary implication of pleas for "redistribution" that tax is, once again, to be the engine for social reform.

But, as has been argued so convincingly by the neo-conservatives, the long term interests of the poor in SA would really be better served by low taxes and rapid growth than by penal taxes and slow growth, however seductive this remedy may appear in the short term.

How is this dilemma between equality and economic efficiency to be resolved?

It seems true to say, for the moment, that the progressive income tax has passed its zenith both in the UK and SA. Locally, the retreat was heralded by the second volume of the Franssen Report, which recommended a cut in the then-prevailing top rate and an increase in the



income level at which the top rate applied.

Last year, the maximum rate (including loan levy) was down to 60.5%, and the next budget could well see a further reduction. The successful introduction of the general sales tax has also altered the balance between direct and indirect taxation, precisely in the manner it was intended to do.

Secretary for Inland Revenue Mickey van der Walt cautiously concedes the case for lower top marginal rates, although he emphasises that government's year-to-

year needs for revenue must always take precedence over any preconceived idea about tax rates. (This goes for contemporary ideas like "indexing" tax rates to the COL index, too).

The first major conclusion must be that the principle of the progressive income tax is a tribute that will have to be paid by economic efficiency to political necessity for the foreseeable future.

But this does not mean that redistribution through ultra-high taxes must be taken to the destructive extremes it reached, say, in Labour Britain. SA's business community is arguing the case, not only for itself, but for everyone, in drawing a line for maximum tax rates sufficiently low to preserve and even enhance incentives. After all, Buthlezi and others do recognise the need for adequate incentives, too.

Not only should the recent gains to incentives through the reduction of the maximum rate to 60.5% be preserved, but the very reasonable goal of a top rate of 50% should be set, along with some raising of the level at which the top rate is hit.

This goal, if achieved, would align SA's overall tax structure with America's, and would set a reasonable balance between the urgency of immediate black emotional needs for an appearance of equity in the tax system and the equally important need to promote rapid growth.

Finally, as Prime Minister PW Botha appears to have grasped firmly, the private sector is the most efficient machine for job creation, while lower taxes essentially shift resources from the public to the private sector.



The currently accepted criteria for malnutrition consider 60% of the expected weight for age as a cut off point for severely malnourished children. Those between 60% and 80% (3rd percentile Boston standards) are underweight for age, whereas those below 60%, depending on their clinical condition, are either marasmic or marasmic-kwashiorkor.

Another method of obtaining a measurement of malnutrition is the Shakti strip which measures the mid-upper arm circumference.<sup>3</sup> Even though it is somewhat conservative, it can be easily used by unskilled staff and is a valuable screening procedure as it will identify those that are overtly malnourished.

No uniform measurement of nutritional status is available in South Africa. A collation of published results appears in Table 1, Once again, there is a marked variability in the results.

#### 1.4 What Statistics are necessary?

The difficulties of collecting reliable statistics from developing areas are manifest. The impossibility of obtaining complete data should not prevent the collection of limited but useful data. A series of well-planned sample surveys on a national scale to measure infant mortality and nutrition could provide a baseline for planning. The urban system of health care is much more complex than that in the rural areas. Information on all aspects of the health service system is essential, especially when it departs from the price system of the private economy and goes in for direct quantitative planning. Unfortunately, the collection of data can only be described as capricious. Very seldom are terms such as patient or attendance defined, with the result that data are not uniformly collected in various institutions or even within a given one. The

## Call to tax MPs on fringe benefits'

### Pretoria Bureau

THE call by the Association of Chambers of Commerce for an immediate announcement from the Minister of Finance, Senator Horwood, on when he intends imposing the fringe benefits tax widened yesterday.

Pretoria sources believe that the Minister, who has received the final recommendations of the Standing Commission on Taxation on the tax, will introduce the tax in 1980/81 financial year.

The country's biggest trade union organisations — the SA Confederation of Labour and the Trade Union Council of South Africa — also demanded an assurance from the Minister that the tax would be applied with ruthless impartiality.

The General Secretary of Tucs, Mr Arthur Grobbelaar, and the President of the Confederation, Mr Attie Nieuwoudt, said Cabinet Ministers should also be pulled into the net.

It was pointed out that Ministers had probably more lucrative fringe benefits — free cars, luxurious housing at nominal rentals and upkeep of gardens by the Public Works Department — than the most lavish in the private sector.

Tucs claimed, too, that the State President should not be allowed to escape liability because of his high office.

He said that the Budget on March 26 would be the appropriate time for the Minister to make the announcement.

The executive director of the Afrikaanshandelsinstituut, Mr Fritz Stockenroom, said an early announcement would assist the private sector in preparing for the big adjustments which would have to be made.

Mr Stockenroom added that the AHI agreed the tax should be applied to all irrespective of rank or position.

The President of the Motor Industries Federation, Mr Theo Swart, also supported the call for an early announcement of the Minister's intentions.

Mr Swart said if perks were taxed, compensating increases would have to be provided for. This would be a complicated exercise.

He estimated that 60% of all cars on South African roads for instance were either company cars or subsidised cars, and that 90% of the 60% were used for private

interdisciplinary nature of this conference that, although there was a unifying concern over the need to make a greater impact on health without a vast expansion in resources devoted to health care, a difference of approaches was apparent.

Administrators tended to be concerned with the question of how to provide the existing type of medical services more efficiently, at lower cost, using techniques of cost-analysis and public administration. A large proportion of the doctors and health workers present considered what type of health care to provide and what reforms were required to the existing health system to promote this. Both consider essentially the choice of adequate techniques for health care delivery; the administrators concerned with what economists would call technical efficiency and the medical reformers with efficiency as judged by epidemiological criteria. Economists on the other hand, treat the question of what an efficient allocation of health care is, and how this might be most closely approached: what agents should be responsible for providing and financing health care and what criteria should govern its allocation and delivery. A third perspective that of the social sciences, does not consider that freedom of choice exists in any of these respects because the distribution of health and health requisites and the closely linked issue of the technology they are delivered are both determined by the socio-political system. Health is seen mainly as the outcome of collective choices about the nature of the economic system and of society.

A fourth group, mainly community developers, argued that despite the ineffectiveness of medical reforms, it is possible to raise community awareness and their ability to deal with health problems at the times altering some of the economic and social factors causing ill health in advance of wider changes.

The winning number 0407119220 and the certificate was bought on April 10, 1978.

When people converge on a subject from different angles, there is seldom a common understanding of where problems lie. It was a reflection of the

as in most third world countries, health service structures in Southern Africa are not adapted to this state of affairs. He traces three resulting problems:



different objectives (programmes) are evaluated and compared with each other by their contribution to a small number of health indicators, such as life expectancy, morbidity or nutritional status.

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(as in U.K., initial difficulties of communication may be a mere first step to the sharing of perspectives, without which no benefit can be derived);

- (c) the constitution of a health planning body, which deals with the health implications of policy in all sectors (as in, e.g. the Sri Lanka Planning Unit. 27). This body would first research and monitor the health system - that is, all the factors which contribute to health and their order of significance. The evaluation of projects falling under the health and other ministries could then be done. Unless some such basic model is referred to, it is impossible to ensure that resources are so directed as to have the maximum effect on health.

The model is also required to draw out the implications of different value parameters which policy-makers might choose, or to infer actual parameters from existing decisions;

- (d) opening courses on health economics in faculties of medicine.

Although it is also desirable to incorporate discussion of health problems in the teaching of economics, it may be inadvisable to separate problems of health from those of development as a whole

- (e) more research into alternative techniques available for the development of health care. Evaluation of projects helps little when the range of alternatives considered at any stage is small. There is a great deal of experience in many countries in techniques of health care

which have not been considered for use in the Southern African context, or for which local experience is in a very early stage. 28

# Tax-relief hopes could be dashed

By HAROLD FRIDJHON

EXPECTATIONS of large and far-reaching tax concessions in Senator Horwood's Budget on March 26 may turn out to be overoptimistic, says the February issue of the Standard Bank's Economic Review.

Analysis reveals that there is less room for fiscal generosity than is commonly thought. While tax receipts will be substantially over budget for the current fiscal year, Government spending will be much higher than was planned. And borrowing will fall considerably short of intentions.

The net effect, says the bank review, "is that the Government's coffers are not nearly as full as is commonly thought despite the past year's large tax intake."

A further point is that a tax windfall in one fiscal year does not necessarily imply large tax reductions based on a permanent lowering of the tax base in the following year. The review says the Budget based on conservative views of tax revenues and State expenditure.

What the bank expects are:

- Abolition of the import surcharge.
- Moderate cuts in personal and company income tax.
- Small concessions to encourage investment, employment, decentralisation and exports.

The main objectives of the Budget are likely to be:

- Underpinning existing growth trends.
- A further reduction in the public sector's share of the economy.
- Gradual tax reform.

Based on the figures for the first nine months of the fiscal year Standard Bank forecasts that State revenue will be R9380-million against an estimated R8383-million which would mean R997-million over budget.

The additional income will emanate from gold tax and lease R500-million, GST an additional R130-million, company tax an extra R200-million and

other taxes an extra R176-million.

On the expenditure side, the forecast is R11745-million against an estimated R11247-million (including the increased pensions and subsidies announced last September). This would involve over-budget expenditure of R498-million.

The result would be that the deficit before loan redemption and borrowing would be R2307-million - down R500-million on last March's estimates.

If total budgeted net borrowing is also down by R500-million, the Exchequer will have little need to borrow from the capital markets for the rest of the fiscal year. Borrowing to date is R1744-million and a further R2000-million will probably be forthcoming from loan levies, bonus bonds, defence bonds and other non-marketable loans.

Forecasting the likely income and expenditure figures for the year to March 1981, the bank makes the assumption that to be conservative Senator Horwood will use a gold price

of \$350 an ounce, that GST will remain unchanged and will yield R1510-million and that total revenue at current tax rates will rise to R100500-million with expenditure at R13150-million, leaving a deficit of R2650-million.

Tax cuts would therefore increase the deficit which the authorities might choose to do, although these would not be excessive. A large increase in the deficit would put pressure on financial markets if it were financed in a non-inflationary way through long-term borrowing. Other methods of financing would be unduly inflationary.

But it should not be anticipated that the higher revenues from the current financial year will be used to finance next year's deficit by making tax concessions. This would be excessively expansionary and inflationary for an economy which is heading into an economic boom.

The Standard Bank says with emphasis: "Prospects for large tax cuts...are therefore not favourable."

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# Company tax 'stifling growth of economy', *Stan 1/14/50*

The current rate of company tax at 42 percent in South Africa is suffocating and counter-productive, with the rate of increase over the years a clear indication of the growth of the State.

In an article entitled "Company tax and national impoverishment," written for the latest edition of *Businessman's Law*, David Matthews says individual capitalism is being turned into State capitalism by means of taxation.

Mr Matthews contends that the suffocating and counter-productive nature of the tax is self-evident to those who eke out a living in the market place and has escaped the notice of officialdom.

## PRODUCTIVITY

"The greater the transference of funds from the private sector to Government by means of such a tax, the greater will become the fall-off in national productivity," he says.

Mr Matthews says while the tax rate over the years has increased dramatically (see table) it is

not regarded as unacceptable.

But it is interesting to note that compared with the beginning of the century company profits have been effectively reduced by 42 percent.

And the implications of this reduction have had an enormous effect on productivity.

## ODDS

The amount of self-generated cash for future growth has been drastically reduced.

Individuals who may have set themselves up as self-employed and as employers will not do so because of the tax odds stacked against them.

Today's business man though better off than in the past, is denied vigorous growth because, with R42 out of every R100 being siphoned off in tax, his productivity effectiveness is greatly reduced.

## INEXPERIENCED

"A high rate of taxation denies the entrepreneur

and businessman the tool of their trade — money," he says.

The high rate of taxation now means that the economy is being controlled by a few salaried civil servants with little practical experience as to how the market works.

"Economically speaking, the ship has been taken over by the passengers. The crew (the business community as a whole) is on water and biscuits and the captain (the entrepreneur) is locked in his cabin."



# Private sector in last-minute talks on new perks tax

Pretoria Bureau

ORGANISED commerce and industry will be given an eleventh-hour opportunity to suggest amendments to draft legislation on taxing fringe benefits.

Confirming this from Cape Town yesterday the Secretary for Inland Revenue, Mr Mickey van der Walt, said the Afrikaanse Handelsinstituut, the Association of Chambers of Commerce (Assocom), the Federated Chamber of Industries (FCI) and other organisations would be consulted on the wording and content of the draft before it was finalised.

There would be enough time, he said, to see the legislation through Parliament during the current session, but whether it would come before Parliament this year was for the Minister of Finance, Senator Horwood to decide.

The chairman of Assocom, Mr Raymond Parsons, said Assocom welcomed the opportunity of further consultation.

The President of the AHI, Dr

Martin van den Berg, also welcomed the decision.

"In any case we would have taken it up with the Minister of Finance if we felt strongly about features of the proposed legislation," he said.

Last month Assocom and the FCI appealed to the Minister to shelve the fringe benefit tax proposals until the direct tax system had been reformed.

There was no response from Senator Horwood.

Commerce and industry, it was pointed out yesterday, were not consulted before the Standing Commission on Taxation completed its recommendations last month.

The recommendations were submitted to Senator Horwood.

It was strongly felt by nearly all who made their views on the perks tax known to the commission that before the tax was introduced the marginal rate should be lowered and the level at which the marginal rate comes into effect raised.

This will be stressed again in the coming consultation.

Currently the marginal rate is 60.5%, including loan levy, on all incomes over R30 000.

Assocom has also appealed to the Minister not to allow uncertainty on the perks tax to continue right up to Budget day, and to make an early announcement about his intentions.

The director of the FCI, Dr Johan van Zyl, said:

"Certainly we welcome the fact that we are to be allowed a look at the draft legislation.

"We hope, however, it will be something more than a token gesture, and that in fact any objections we have to the draft will be taken urgently into account."

A vital issue, Dr Van Zyl said, was whether there would be a quid pro quo — whether the tax taken in fringe benefits would be compensated by tax relief in other areas.

"In fact, we have had this assurance and we will be watching closely to see whether it is to be implemented," he said.





Parliament

NRP opposes road safety change

# 'Empire building' powers

Parliamentary Staff

THE New Republic Party opposed a Bill yesterday on the grounds that it gave the Minister of Transport taxation powers that should be in the hands of Parliament.

Mr G S Bartlett (NRP, Amanzimtoti) warned in the Assembly that such powers for a Minister, as given in terms of the National Road Safety Amendment Bill, could lead to 'empire building' at some stage in the future.

The Bill provides, among other things, for amending the National Road Safety Act of 1972 so as to authorise the Minister of Transport to fix the amount of the levy on motor vehicles by notice in the Government Gazette.

## 'PRINCIPLE'

Opposing the second reading of the Bill, Mr Bartlett said it was not necessary for the Minister to have these powers, because powers of taxation rested with Parliament.

This was a very important principle, Mr Bartlett said.

If a Minister were to be given such powers in one field, it meant that individual Ministers could also ask for taxation powers in other fields.

Mr D J N Malcomess (NRP, East London North) said, the power given to the Minister to fix the rate of the levy was 'open-ended' and there was no limit on the amount he could ask motorists to pay.

This was taking money from the public and using



MR G S Bartlett ... 'not necessary for Minister to have these powers.'

it for a statutory body — the National Road Safety Council.

Although the NRP wholeheartedly supported the work of the council, the party believed there should be an upper limit to the amount of the levy imposed by the Minister.

## 'TAX'

Replying, the Minister of Transport, Mr J C Heunis, rejected these arguments. He said the levy could not be regarded as a tax and was intended for a service provided to the general public by the National Road Safety Council.

Earlier, when Mr Heunis introduced the second reading of the Bill, he said there was a need for the council to increase its activities in several fields.

There had to be an effective campaign against road accidents and casualties.

It had become necessary to increase the levy payable to the council from 50c to 75c per vehicle.

This was necessary for driver training, publicity and education for research. The council's funds for this work were inadequate at present.

Road accidents were costing South Africa about R600-million a year. The accident rate, compared with that of other countries, was alarmingly high.

The second reading of the Bill was approved. The official Opposition voted on the side of the Government, and the NRP against.

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#### Loan levy

153. Mr. T. ARONSON asked the Minister of Finance:

What is the amount of the loan levy expected to be repaid during 1980 to (a) companies and (b) private persons?

The MINISTER OF FINANCE:

No loan levy is automatically repayable during 1980 as none of the maximum loan periods of 7 years provided for in paragraph 6(1) of the Fifth Schedule to the Income Tax Act, 1962, will expire during 1980 and it cannot be indicated at this stage whether the levy which has been collected in respect of any year of assessment will, in fact, be prematurely repaid during the year.

Although repayments will be made in those cases where the circumstances contemplated in the provisos to the said paragraph are applicable, the amount which will be so repayable cannot be determined in advance.



# Group therapy

Large groups of companies, with common parentage, are no stranger to the SA business scene. But, under the Income Tax Act, each member of a group is (with insignificant exceptions) treated as a strictly separate entity without recogni-

tion of its affiliation.

So, all too often, accountants are faced with the embarrassment of one company in a group with a large tax loss which cannot be used to set off against profits made in other group companies.

Assessed losses can arise in a number of ways. One is acquisition of a company with an assessed loss (but beware section 103(2) of the Income Tax Act, which gives the Receiver the power to refuse to allow the set-off of an assessed loss if the

transaction was entered into mainly or solely to utilise the loss.)

Then there could be the influence of special deductions on the assessed position of a group subsidiary, or the situation where a group subsidiary has, for one reason or another, been bearing more than its fair share of group overheads. Also, long-term contracts, like those for large construction projects, may involve a "front-end load" through a disproportionate share of expenses becoming deductible towards the beginning of the period of the contract (FM November 16 1979). Lastly, there's the humiliating commonplace of a group subsidiary making a loss on its ordinary trading operations.

Before analysing the wider implications of group taxation, it's only fair to observe that business groups frequently bring tax woes on their own heads through succumbing to the condition described by Costa Divaris (a co-editor of *Businessman's Law*) as "companyitis."

The term denotes a proliferation of companies within a group motivated by the naive belief that registering a new company is the panacea for every kind of tax problem. So, various geographical or other categories of trading or manufacturing activities are hived off into companies. And, when one of them ends up with a loss, the group accountant has the problem of massaging the figures as best he can so as to minimise the profit in other group companies.

As Divaris points out, if the group's activities had simply been carried on as divisions within one company, all divisional profits and losses would automatically have been consolidated, and tax paid on the net figure.

Group managements should, therefore, think twice before incorporating additional companies which may well turn out to be, not just unnecessary, but a positive embarrassment.

The SA Fiscal Association (representing a wide variety of tax practitioners) recently examined the problems connected with the taxation of company groups. In particular, it attempted to evaluate the merits of introducing "group tax relief" — a principle now part of the UK tax system.

Briefly, this system provides for the transferability of assessed losses between companies enjoying certain defined minima of common ownership. There are also extra provisions to provide for the case where a loss is transferred against payment of consideration.

There may well be a case for introducing group tax relief, but there are also weighty arguments against.

In the first place, to the great majority of the business community, which manipulates fiscal concepts through necessity rather than for amusement, any further elaboration of contemporary tax systems should be regarded as, intrinsically, a bad

thing.

Secondly, as pointed out by SA's Secretary for Inland Revenue, Mickey van der Walt, there are specific features of local economic activity not at all amenable to the smooth application of group tax relief.

As everyone knows, gold and diamond mining companies are taxed according to complex formulae designed to promote specific economic and social goals. To provide for the transferability of losses between gold mines having common affiliation would cut right across these motivations. So, it's difficult to see how these important sectors could be included in any local system for group tax relief.

Then, thought should be given to some circumstances in which group accountants can make present arrangements work to



Mickey van der Walt

occasional advantage. For a start, a detailed knowledge of the specific deduction provisions of the Income Tax Act can sometimes be of value in devising a scheme which enables the group (taken as a whole) to pay less tax than it would have done if treated as one consolidated taxpayer.

There are also the hardy stand-bys of interest on loan capital and management fees (including directors' fees). These charges are regularly loaded on to profit-making subsidiaries and taken away from loss-makers.

Accountants are also adept at the shrewd manipulation of "transfer pricing" — the pricing of goods sold from one group company to another in a manner calculated to place the bulk of profits where they will be least heavily taxed.

But the fisc is not, at least in principle, helpless in the face of this sort of manipu-

lation. Firstly, section 11(a) allows only deduction of "expenditure and losses actually incurred in the Republic in the production of the income." Then, too, section 23(g) provides that no deductions shall be made in respect of any moneys "not wholly or exclusively laid out or expended for the purposes of trade" — another possible weapon in the hands of the fisc to strike down questionable transactions. Some group transactions could fail to pass these tests, leading to the unpleasant situation where, say, an excessive management fee or interest charge is disallowed in the hands of the subsidiary paying it, but remains taxable in the hands of the subsidiary receiving it.

Lastly, there's the dragnet of section 103 (1), which can always be brought to bear to nullify the effects of a transaction if it is motivated by tax avoidance and either employs abnormal means or contains features not normally found in dealings between parties at arm's length.

Van der Walt pointedly observes that the fisc is especially careful with all transactions not at arm's length, as the possible motive of tax avoidance must always be allowed for.

The threat of section 103 can, broadly speaking, generally be kept at bay by ensuring that transactions within a group pass the "arm's length test." In other words, they should only contain terms which would have been included by two parties contracting on an independent basis, each seeking to maximise its own profit. So, an interest charge should follow current market rates for that type of loan, a management fee should be reasonable for the amount of work performed by one group company for another, and transfer prices should follow market patterns.

Here another problem arises: that of "ex post" transactions within a group — interest charges or management fees set up only after the close of a financial year. (The Act requires that an item of expenditure, to be deductible, must be incurred "within the year of assessment.")

The SA Fiscal Association suggests that a contractual basis should be laid during the year of assessment, so that only the actual calculation, and not its very basis, requires action after the close of the fiscal year. Otherwise, a totally retroactive setting up of interest charges or management fees could be highly suspect. Van der Walt concedes that it is often impossible, practically, to quantify charges before closing off the books for a particular tax year, so that retrospective quantification of a charge remains acceptable.

Divaris also questions whether the Receiver actually has the manpower to give full scrutiny to all intra-group transactions. If he is right, then some carefully devised group schemes for tax avoidance are still escaping full official analysis. They would, naturally, be in the form of counter-

P.70



# Socialistic trend seen in fringe tax

By Pieter de Vos

The introduction of tax on fringe benefits will make South Africa's tax structure even more socialistic than at present, says Mr Harold Kinsley, senior consultant of PSA, a company specialising in the field of remuneration consulting and pay surveys.

## CALCULATIONS

Slightly more than 2 percent of personal taxpayers — those with taxable incomes in excess of R20 000 — contribute 25 percent of the total revenue from personal tax, he says.

The drafting of legislation on fringe tax should be finished within days when it will be presented to parliament, such as Assocom and the Africaners' Representative for their comment.

Present Government thinking on fringe benefits is, it is, "greatest achievement in demagoguery," Mr Kinsley says.

To prove this, he has made the following calculations:

An executive who receives an increase of 12.5 percent on an annual income of R30 000 will:

① Earn 1.08 percent less if current tax rates

are reduced by 10 percent while only R1 000 of benefits are taxed.

② He will earn 3.77 percent less if tax rates are reduced by 10 percent while R2 000 of benefits are taxed.

③ Even should current tax rates be reduced by 15 percent, his increase in income would not be 1 percent of his present income of R1 000 if his benefits are taxed.

④ Should the tax rate be reduced by 20 percent, he will only earn 1.48 percent more should R2 000 of benefits be taxed.

All the above calculations

assume an annual inflation rate of 12 percent.

If one assumes that the 40-50 people in South Africa who earn R20 000 and more — presumably the people who will have to carry the brunt of fringe tax — had an extra R2 000 added to their taxable income, this would result in a gross figure of R80m.

Assuming that the average marginal rate was 45 percent, the Treasury would receive "a mere R36m."

"Why such a fuss about achieving so little?" he asks.

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to do so, and it seems a little unjust that workers should have to rely on the farmer's goodwill. Wide differences between farms, regions, districts, provinces, etc. seem to argue more for the need for minimum wage fixing than against it. Wages should clearly not be set without regard to working hours, seasons, etc. which probably do differ widely, but it should not be impossible to lay down maximum hours, and minimum leave periods for various districts and types of farming. A set of uniform values could be established for payment in kind and minimum levels of payment in both kind and cash could be discussed (alternatively, a minimum total payment could be laid down, of which a stipulated proportion, at least, would have to be in cash). The fact that farm and domestic workers have a generally low level of education would again seem to be an argument in favour of granting them some statutory protection.

The last of the Commission's problems— that minimum wage fixing could lead to maximum wages — presumably means that farmers would pay no more than the minimum. The problem disappears if the minimum set is acceptable to most of the workers: it is surely better than a few who may have been earning higher than the new minimum should suffer wage reductions (they are in any case likely to be those workers with special skills who can bargain on their own account) than that their wages should remain high at the expense of the majority, who earn below the acceptable minimum and are generally not in a position to bargain at all.

The only one of the Commission's objections which needs serious thought is that the workers are scattered. This means that enforcing of minimum wage regulations is likely to be difficult. But it should surely not be



# Mixed reaction to add-on GST plan

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ROM 25/2/80

By JAYNE LA MONT

THE Department of Inland Revenue has proposed that only the add-on system of General Sales Tax be employed.

This has drawn mixed reaction from consumer organisations.

The Housewives League, while agreeing that only one system should be used, was opposed to it being the add-on or exclusive method. However, Mr Eugene Roelofse, consumer ombudsman for the South African Council of Churches and the SA Consumer Council, said both were in favour of the add-on system.

The department is suggesting that the system be used exclusively except for such items as petrol, delivered milk and liquor in bars.

The department's suggestion is contained in a letter, sent to the Association of Chambers of Commerce by the department, asking for comment by March 31. The letter also recalled an

undertaking that before any recommendation is made to the Government, organised commerce, industry, mining and agriculture would be consulted.

"Coupled with the compulsory introduction of an add-on system would be the requirement that each sale must be evidenced by the issue of a cash slip, cash register slip, invoice or statement of written evidence of the sale," the letter says.

Where the whole transaction is subject to sales tax, details of the nature of the various items constituting the sale need not be specified, but the tax chargeable must be separately stated, the letter explains.

In the case of non-taxable sales, however, the nature of the goods sold will have to be specified on the sales documents mentioned above by way of a description or by a coded reference which will identify the goods sold.

If there is consensus to adopt

the add-on system exclusively, the Government will be approached to amend the Sales Tax Act.

The Housewives League yesterday expressed dismay at the suggestion.

Mrs Yvonne Foreshaw, vice-president of the league, said consumers were not interested in how much tax they would pay.

"The consumer wants to know how much money she will have to pay — not how much of it will be in GST. From the start we have been in favour of the add-in system because this means the consumer does not have to do calculations in order to see which store is cheaper," she said.

Mrs Foreshaw said the add-on system also left the way open for dishonest retailers to include sales tax in the price of the article and then use the add-on system at the check-out tills.

"If this system is adopted, it

would cause chaos in the future if the powers that be decide to exempt an item such as milk or medicine from GST. The add-on system would necessitate some items to be rung separately or sales tax to be deducted from them," she said.

Mr Roelofse said he felt it was the right of the consumer to know exactly how much GST he was paying for an item.

"It also makes it possible for the Government to monitor if the retailer collecting the GST is actually paying it. Add-on tax makes GST a reality to the consumer and not just a calculation made at the till," he said.

Mr J J Verheem, director of the SA Consumer Association, said he was in favour of the add-on system.

"This is based on the principle that the consumer should be supplied with all possible information about a product or service. Add-on GST does this," he said.



# Horwood expected to reply on perks tax

RDM 25/2/80

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Preterior Bureau.

THE Minister of Finance, Senator Horwood, is expected to outline his intentions on the contentious fringe benefits tax when he introduces his part appropriation "little Budget" in the Assembly on March 3.

This is a curtain-raiser to the Budget on March 26, when the Minister will be in a stronger position than any of his predecessors in the past 30 years to make tax concessions.

Senator Horwood is expected to reply to appeals from Association of Chambers of Commerce, the Federated Chamber of Industries and other private sector organisations to delay the implementation of the perks tax until the whole tax system has been reformed.

The Minister is to ask for a total of R3 640-million to tide the Government over until the Budget is passed towards the end of May.

The president of the Afrikaanse Handelsinstituut, Dr Martin van den Berg, said the Minister should have about R1 000-million to distribute.

Like other private sector leaders, however, Dr Van den Berg cautioned against over-optimistic expectations of tax relief.

A basic problem was excess liquidity of banks, financial institutions and state coffers.

This had not worked through to the man-in-the street where

it was needed to maintain and increase the economic recovery momentum.

Hopefully the Budget would be aimed in this direction.

In a memorandum to Senator Horwood the AHI has appealed for a postponement of the fringe benefits tax until the Franzsen Commission's proposed tax reforms have been implemented.

It has also asked for the lifting of the 7.5% tax on imports, and for funds to be set aside for development of small businesses, particularly small industries.

It has asked for measures, including tax relief, to attract qualified married women back into the labour market, and for the financial fat from gold to be used on projects like black housing expansion and the electrification of townships like Soweto.

In Oudtshoorn at the weekend, Sapa reports, Senator Horwood said South Africa's strict monitoring and conservative tax and fiscal policies established in 1973 before the oil crisis had paid dividends.

With the capital budget at a record high, South Africa was able to fund 90% of its own capital requirements, he said, at a Rotary banquet.

He said the Government had kept its spending in real terms constant over the last four years.

This, with the disciplines that had been introduced, had enabled South Africa to turn the corner long before the rise in the gold price.

He paid tribute to the way in which South Africans had supported the fiscal policies.

The rise in the gold price as well as better prices for South Africa's strategic materials had enabled the country to continue its economic development and he pointed to the harbours at Richards Bay and Saldanha Bay which were paying their way.

The economy could now move forward and the growth rate was 4% in real terms.

He hoped that by the end of the year it would reach 5%, which would be the highest in the world.

Senator Horwood paid tribute to the work of the Rotary movement in improving relations between South Africa and other countries.

In the same way, the Government's policies were fostering better understanding between the peoples in South Africa, he said.

South Africa was setting an unparalleled example in the world, Senator Horwood said, and he thought that no other country had done as much in housing as South Africa had in the past two years.

This was also true in education.



RAND  
Daily Mail

TUESDAY,  
February 26, 1980

# Add-in is the best way to tax

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DM 26/2/80

THE Government has at last realised that only one system of General Sales Tax should be employed. But having come to that conclusion, it seems that the authorities have chosen the wrong one.

According to a letter sent to the Associated Chambers of Commerce, the Department of Inland Revenue wants the add-on system and has called for comment.

Response has been divided: The Housewives' League says consumers are solely interested in the total price — not how much of it goes to GST; the South African Coordinating Consumer Council claims that add-on is best because it supplies the buyer with full information — the cost of the article as well as the GST.

But which one is the fairest and most practicable system? As things stand now, commodities costing less than 13c are not taxed, except when they are part of a shopping list whose total takes these items into the GST bracket. Most of these are essential to the poor — candles, matches, half loaves of bread etc. Under the add-in system, these items will remain tax-free which will mean a great deal to the poor.

Administrative chaos would result from trying to keep these items tax free under the add-on

method as cashiers would be required to mark each item separately, patently an impossible job at the supermarkets and hypermarkets with their long queues and high turnovers which is why it is not being done now.

Again, the add-in system operating on its own will make it impossible for shopkeepers to exploit consumers by adding in the tax on the shelves, and then doing it again at the till. Even the most unsophisticated will know that the final price is that which is marked on the item.

And if shopkeepers inflate the price under the add-in system, they will still have to face competition from those who are marking fairly and will surely lose the custom of consumers who compare prices from store to store.

One of the problems of the add-in system, though, is that small outlets, such as cafes, get much of their trade from people buying small commodities which are not subject to GST — yet cafe owners have to pay tax to the Government based on their total sales.

It is obvious then that the answer lies in instituting the add-in system on its own, but exempting basic commodities and foodstuffs. If GST is to stay, this method would help all the way down the line.



Hansard 4 Quest Col. 179

26/2/80

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- (a) How many (i) Whites, (ii) Coloureds and (iii) Asians were eligible for income tax in each province, and (b) what amount was collected from each group, during the latest year for which figures are available?

Income tax

80. Mr. N. B. WOOD asked the Minister of Finance:

The MINISTER OF FINANCE:

The following figures relate to persons assessed for normal income tax in respect of the 1978 year and include loan levy. Not all assessments for that year have been issued.

4 (179) 26/2/80 320

	(a) Number of Taxpayers Liable for Normal Income Tax	(b) Amount Assessed R'000
Cape Province		
(i) Whites	438 522	406 407
(ii) Coloureds	202 866	29 208
(iii) Asians	6 204	2 780
Natal		
(i) Whites	198 229	215 279
(ii) Coloureds	13 638	2 801
(iii) Asians	97 403	20 642
Orange Free State		
(i) Whites	107 774	107 415
(ii) Coloureds	2 657	312
(iii) Asians	5	
Transvaal		
(i) Whites	796 744	1 028 487
(ii) Coloureds	25 170	5 261
(iii) Asians	21 021	11 116



Hansard  
4(188)  
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Loan levy account

152. Mr. T. ARONSON asked the Minister of Finance:

What is the amount which is held in the loan levy account at present and which is not due to be repaid during 1980?

The MINISTER OF FINANCE:

R1 301 081 887.



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Tax assessments

154. Mr. T. ARONSON asked the Minister of Finance:

- (1) (a) What is the estimated amount owing by taxpayers in respect of assessments for the 1978-79 tax year and (b) what number of taxpayers have not been assessed for that year?
- (2) whether there are assessments outstanding for longer than three years; if so, (a) how many and (b) what is the estimated amount owing in respect of such assessments?

The MINISTER OF FINANCE:

- (1) (a) Because taxpayers' accounts are consolidated, it is impossible to specify the amount owing in respect of a particular tax year. The total amount of assessed tax outstanding as at 31 January 1980 was R369 713 872 of which R197 986 332 was not overdue.

(b) Individuals ..... 729 490  
Companies ..... 135 913

Total ..... 865 403

This information reflects the position in respect of taxpayers who are on register as at 30 November 1979.

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TUESDAY, 26

(2) Yes.

- (a) On 30 November 1979 assessments for the 1977 and previous years of assessment had not yet been raised in respect of the following number of taxpayers who are on register:

Individuals ..... 247 110  
Companies ..... 14 363

Total ..... 261 473

- (b) This information can only be compiled when the outstanding returns are submitted. An estimate is, therefore, not possible at this stage.



Hansard

4(187)

26/2/80

(320)

Sales Tax Act

149. Mr. H. H. SCHWARZ asked the Minister of Finance: (320)

What amount was collected in terms of the Sales Tax Act in each month of 1979?

The MINISTER OF FINANCE: 4(187) 26/2/80

The information asked for may be obtained from the Statement of Revenue

FEBRUARY 1980

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which is published on a monthly basis in the *Government Gazette* by the Department of Finance.



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FEBRUARY 1980

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Salaries of Black/White teaching staff  
(320) 4(206) 27/2/80  
MR. DE-A. L. BORAINÉ asked the  
Minister of Education and Training:

Whether parity in the salaries of Black and of White teaching staff has been obtained since 1 April 1978 in any of the universities for Blacks; if so, in which universities?

†The MINISTER OF EDUCATION AND TRAINING:

Although there is still a gap in the approved salary scales for teaching staff, it has been ascertained that all the universities for Blacks has implemented the concession to close this gap from their own income. For this purpose the universities were granted permission to retain student fees as revenue.



Hausard  
4(201)  
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# Taxpayers

323. Mr. H. H. SCHWARZ asked the Minister of Finance:

4(201) 27/2/80 320  
What was the (a) number of individual taxpayers in each income category and (b) the percentage of tax assessed for each category in the 1978 tax year?

The MINISTER OF FINANCE:

(a) and (b) Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
LOSS	15 731	
1— 1 000	187 446	0.05
1 001— 2 000	186 474	0.61
2 001— 3 000	223 338	1.68
3 001— 4 000	179 841	2.31
4 001— 5 000	150 055	2.70
5 001— 6 000	133 976	3.31
6 001— 7 000	124 630	4.10
7 001— 8 000	118 405	4.97
8 001— 9 000	111 568	5.84
9 001— 10 000	96 998	6.31
10 001— 12 000	145 321	12.56
12 001— 14 000	89 800	10.93
14 001— 16 000	51 061	8.35
16 001— 18 000	30 619	6.58
18 001— 20 000	19 928	5.25
20 001— 22 000	12 544	4.00
22 001— 24 000	8 256	3.11
24 001— 26 000	5 675	2.49
26 001— 28 000	4 042	2.03
28 001— 30 000	2 834	1.61
30 001— 40 000	6 266	4.55
40 001— 50 000	2 014	2.15
50 001— 80 000	1 524	2.43
80 001—100 000	260	0.65
100 001—150 000	197	0.65
150 001 and over	102	0.78
TOTAL	1 908 906	100.00

The above information was extracted as at 31 December 1979.



# Biggest tax group earns R2-3 000

Political Staff

(320) 27/2/80.

HOUSE OF ASSEMBLY. — People earning between R10 000 and R14 000 a year are among the tax groups who contribute the highest percentage of the country's income-tax earnings.

The 145 321 people earning between R10 001 and R12 000 a year contribute 12,56 percent of tax earnings derived by the government while the 89 800 who earn between R12 001 and R14 000 contribute 10,93 percent.

Together the two income groups pay slightly less than a quarter of the total accruing from income tax.

The tax group R2 001 to R3 000 has the most contributors — 223 338 — but only 1,68 percent of the total tax income is derived from them.

The second biggest group of taxpayers earn only between R1 and R1 000 a year. The 187 436 people who fall into this category contribute 0,65 percent of the total tax income of the country.

The third biggest tax group are those who earn between R1 001 and R2 000, with 186 474 contributors.

Figures released yesterday by the Minister of Finance, Senator Horwood, in reply to questions by Mr Harry Schwarz, Progressive Federal Party member for Yeoville, show that 15 731 taxpayers operated at a loss and paid no tax.

At the other end of the scale there were 102 people who during 1978 earned more than R150 000 a year. But their contribution to total tax earnings was only 0,78 percent.

The statistics also show that slightly more than one-third of taxpayers in South Africa earn less than R3 000 a year.

In reply to questions tabled by Mr Theo Aronson, South African Party member for Walmer, Senator Horwood said that R369 million in tax was outstanding as at January, 1980. This was a consolidated figure of total outstanding taxes. Of that, R171 million was overdue. About 729 490 individual taxpayers had not yet been assessed for the 1978/79 tax year.

About 247 110 taxpayers had amounts outstanding for more than three years.



Thursday, February 23, 1980

# Taxes: Who <sup>RDM</sup> pays <sup>25/2/80</sup> what

## Political Staff

THE ASSEMBLY. — People earning between R10 000 and R14 000 a year are among the tax groups who contribute the highest percentage of the country's income tax earnings, according to figures released this week by the Minister of Finance.

He was replying to questions by Mr Harry Schwarz (PFP Yeoville).

The 145 321 people earning between R10 001 and R12 000 a year contribute 12.56% of tax earnings, while the 89 800 who earn between R12 001 and R14 000 contribute 10.63%. Together, the two groups pay slightly less than a quarter of the total amount accruing from income tax.

The R12 001 to R3000 tax group has the most contributors, 223 338, but only 1.68% of the total tax income is derived from them.

The second biggest group of taxpayers earn only between R1 and R1 000 a year. The 187 446 people in this category contribute 0.05% of the total tax income.

The third biggest tax group are those who earn between R1 001 and R2 000, with 186 474 contributors.

The figures showed that 1 531 taxpayers operated at a loss and paid no tax.

At the other end of the scale there were 102 people who earned more than R150 000 a year in 1978, but their contribution to total tax earnings was only 0.78%.

Slightly more than one third of taxpayers earn less than R3 000 a year.

In reply to questions by Mr Theo Aronson (SAP Walmer), the Minister said R369-million in tax was outstanding as at January, 1980.

About 729 490 taxpayers had not yet been assessed for the 1978/79 tax year, he said.



329 DM 28/2/80

# New plea over fringe benefits?

Pretoria Bureau

AN Association of Chambers of Commerce delegation is expected to make a last-minute plea in Cape Town this week to the Minister of Finance, Senator Owen Horwood, to delay fringe benefit taxation until the tax system has been revised comprehensively.

The delegation is to have a three-day meeting with the Prime Minister, Mr P W Botha, and nine other Ministers for a wide review of the economy and other social and employment problems.

The meetings will start on the eve of the Railway Budget, March 5 — three weeks before the main Budget on March 26.

Another issue likely to be discussed with Sen Horwood is the

now stands at 60,5% for incomes exceeding R30 000.

Organised commerce and industry have pleaded for a review of the rate, especially if fringe benefit taxation is to be introduced.

In talks with the Minister of Transport, Mr Chris Heunis, the Assocom delegation will emphasise the importance of keeping rail tariff increases — considered certain to be announced by the Minister in his Budget — to an absolute minimum.

The president of Assocom, Mr Bob Goodwin, said yesterday that issues to be raised with the Ministers include the still-rising black unemployment rate, the urgent need for more black housing and the speed with which the recommenda-



64 Tientsin

# Receiver <sup>2/3/80</sup> has biggest tax haul of all time

**THIS week saw the biggest ever provisional tax payment to the Receiver of Revenue. Money market men estimate that it will be in the region of about R1 400-million with the Transvaal gold mines contributing a bit less than R1 000-million.**

Because of the staggeringly high cash flows caused by the provisional tax payments, February and August month-ends always cause a stir on the money market.

However, this February is unique and particularly significant for various reasons.

New factors that will determine the availability of funds on the 29th are the sheer size of the payments, the extent of the commercial banks' loans to foreign (SIF) companies for the financing of their foreign trade; also the extent of the Reserve Bank's success with increased Treasury Bill (BT) allotments in November 1979 as well as its new tap TBs.

Each of these is a brand new variable in the SA cash flow scenario.

The size of the total flow of funds to the State at the end of the week has been estimated at around R1 400-million.

Of this the 30 or so Transvaal gold mines will contribute between R750-million and R1 000-million (including lease payments and loan levies), while at the end of August they paid

By PENELOPE MORGAN

about R485-million.

The average gold price that they worked on for the August payment was \$249 and for this half year it is about \$364 an ounce.

Anticipating that February would be an exceptional month-end the Reserve Bank came into the market in September 1979 with its (then) new tap Treasury Bills.

These bills had a maturity to February 29 even though they were issued more than three months before that date.

In November, three months before February 29, the Reserve Bank doubled up its ordinary TB issue — with a very positive response from the market — and those TBs maturing slightly ahead of the month end have had a good deal to do with the large surplus with the National Finance Corporation.

One dealer estimates that the market will see a redemption in excess of R150-million from these TBs.

It is likely that the extra TBs as well as other paper maturing short of the month end have resulted in the estimated surplus of between R450-million and R334-million with the National Finance Corporation.

It is certain that important aspects of future monetary policy will be influenced by the effectiveness of these TBs as tools for dealing with huge liquidity problems.

Another new variable to be contended with this week is the state of the current account deficit. Nobody knows the extent to which the banks' issued promissory notes to foreign held companies for the finance of their imports.

In December banks were notified that they could loan funds to the SA arms of foreign-owned companies if a movement of goods was involved.

Immediately there was a great flurry of switching. It is inevitable that the lag, just extended to 12 months in the mini-budget, in the lead/lag situation will pull some liquidity out of the market.

One dealer believes the outward flow could be about R100-million a month. This R100-million could be crucial.

Looking at the month-end in its broadest context it is possible it could trigger a sharp slide in money market interest rates especially if the market is short by the relatively small amount — R200-million — now being predicted.

The extent of the slide will depend on the Reserve Bank's impressions of its own handiwork at the February month end.

One dealer comments firmly that rates will not ease too dramatically because the Reserve Bank simply will not allow it.

However dealers report that investors are buying longer because they feel this will be their last chance before rates drop quite sharply again.



# R800m tax cuts on the cards

STAR  
5/3/80  
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Senator Owen Horwood will have scope to cut taxes by an overall R800m in the 1980 Budget, due to be unveiled on March 26, according to an analysis by Barclays National Bank released today.

Dr Johan Cloete, chief economist at the bank, calculates that the total represents a significant reduction equal to about 3 percent in real terms in the tax burden on individuals and companies.

He estimates that Government tax revenues for the expiring 1979/80 fiscal year could be R10 700m or a jump of 19 percent.

And he sees no reason why an increase of equal magnitude should not be achieved in the fiscal year ahead — boosting tax income for 1980/81 to R12 700m on current tax levels, leaving scope to cut taxes by around R800-million.

Dr Cloete believes an essential requirement of economic policy now is that the big increase in income from exports of

gold and other minerals should be channelled as much and as quickly to the level of the general consumer.

The booster to private consumption expenditure, he argues, is necessary if new inventory and fixed investment are to gather pace, new jobs are to be created, and the current economic upswing is to reach full maturity.

"For this reason," he writes, "it can be expected that the Minister will concentrate in the first place on granting tax concessions to the individual taxpayer, coupled possibly with increased subsidies on food and transport to people in the lower income groups."

Dr Cloete believes Senator Horwood is also likely to grant some tax concessions to companies — perhaps in the form of a removal or reduction of the loan levy on companies or tax incentives to encourage exports and investment in new projects to create more jobs.

However, a reduction in existing company tax rate, now 42 percent, is also a possibility.

Tax reductions for individuals at least equal to the ones in the 1979 Budget would mean a sacrifice of between R400m and R500m, which, along with higher pensions and higher civil servant salaries and wages, would be a significant benefit to consumer spending.

Abolition of the import surcharge and the existing company loan levy would cost R350m to R400m.

"Thus," says Dr Cloete in conclusion, "it can be seen that if the Minister is conservative in his estimate for total tax revenues for the coming year — which he is likely to be in view of the uncertainty surrounding the gold price — and if he wishes to keep his total borrowing requirement within manageable proportions, then he will simply not be in a position to make unduly large tax concessions."

By Michael Chester,  
Financial Editor



## Income tax fiddle costs director and company R50 000

### Court Reporter

THE director of an industrial electrical equipment firm was fined a total of R150 (or 100 days) by Mr J Jacobsz in the Durban Magistrate's Court yesterday after being convicted on two counts of income tax evasion.

Before Mr Jacobsz was Mark Usher Lownds — no age given — a director of Electromark (Pty) Ltd, who pleaded guilty to both counts.

He also pleaded guilty on behalf of his firm — also charged with two counts of the same offence.

### Liability

The total amount involved in the company liability was R42 265, of which R24 558 represented a 200 percent penalty imposed by the Receiver of Revenue for failing to declare proper income.

The second amount, involving personal taxes, amounted to more than R11 000, of which R5 015 included the 200 percent penalty levy.

When the imperfections had come to light, Lownds had co-operated fully with the Inland Revenue authorities, the Court was told.

The company's former book-keeper, Thomas

Anthony Yesmariam, who appeared before Mr Jacobsz at a separate trial, claimed he had submitted the false documents and invoices to the Receiver of Revenue on Lownds's instructions and because he was afraid of losing his job if he did not do so.

He was fined R200 (or 100 days), suspended for four years.

On a count of falsifying his own income tax return by submitting false figures to the Receiver of Revenue, he was fined R50 (or 25 days).

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# Tax cuts on way, say economists (320) ADM 6/3/80

By HAROLD FRIDJHON

WITH Senator Horwood's Budget speech due to be delivered in three weeks, the open season for making Budget forecasts is drawing rapidly to a close; few are the commentators who will stick their necks out too close to the event lest someone might remember what was predicted and compare it with naked actuality.

Probably last in the field is Barclays Bank economist Dr Johan Cloete who sees Senator Horwood having the scope to return R800-million to his victims in tax concessions of one kind or another. Earlier this month, Senbank's economist predicted this year's tax cuts reaching an impressive R1 000-million.

The Standard Bank's Andre Hammersma was apparently not as starry-eyed as his colleagues. He did not quantify the amount of possible tax relief. He contented himself with saying that expectations of far-reaching tax concessions might turn out to be overoptimistic.

But then Mr Hammersma, as conservative as he always is, suggested that the Budget would be framed on the assumption that the gold price

would average \$350 an ounce in the next fiscal year.

Dr Cloete wrote to an assumed gold price of "about \$400 to \$450 an ounce" — an assumption which would put a lot more money into Senator Horwood's coffers than Mr Hammersma's \$350; grossed up the difference amounts to a little over R700-million, which means somewhere near R200-million to the Treasury.

This would account for the caution of Mr Hammersma as compared with the high hopes of both Dr Cloete and Senbank. And yet when one talks of the mouth-watering return from Caesar of R800-million or R1 000-million while it sounds like a hell of a lot of money, when it is broken down and expressed as a percentage it's not much more than 17%.

And if Senator Horwood doesn't spread all his butter on one slice of bread — which he is unlikely to do — tax relief to the individual might work out less than 15%. And this would mean level-pegging with inflation.

The three economists agree that the import surcharge will have to go. From a revenue-earning point of view it means losing about R250-million and

that is nearly a third of Dr Cloete's R800-million or a quarter of the Senbank R1 000-million.

But there will still be money in the kitty and the three economists agree that Senator Horwood will put as much money as he can afford into the hands of the public — and the public includes public servants who will get more money, like the railwaymen — to keep consumer buying power high to fuel the boom.

As Dr Cloete puts it: "It can be expected that the Minister will concentrate in the first place on granting tax concessions to the individual taxpayer, coupled possibly with increased subsidies on food and transport to people in the lower-income groups."

I am not so sure about the subsidies. I think that we have had sufficient warnings from Ministers to dowse any hopes of keeping down the bread price, the mealie price and black bus fares.

All three economists share the view that the loan levy will not go with the Budget, but that it will be retained and possibly repaid to give a mid-year booster if it should be needed. (And when Senator Horwood knows exactly how much he will get from gold in six months' time.)

The three are agreed that companies might get some relief — a reduction in the loan levy, or a cut in the surcharge.

The real interest is how Senator Horwood will fund his deficit. Dr Cloete does not think that he will draw on his stabilisation account.

I think he will — notationally, in the hope that the gold price will make it unnecessary. He will probably issue a few loans to the Public Debt Commissioners and to the public, and if he relaxes some aspects of exchange control, the loans might be floated at coupon rates that will be appealing.

Dr Cloete says it must be expected that Senator Horwood will wish to keep his options open for the time being so that he can push the economy to a higher growth path if the gold price holds up and as the limited resources of skilled labour adjust to, and can support, a higher level of growth.



her husband after 35 years of marriage because she wanted to be taxed separately. Now I hope they will get married again.

"It should also bring the better qualified and professional women back into the labour market," said Mrs Schoeman.

She is president of the SWA/Namibia National Federation of Business and Professional Women's Clubs and has been working for a system of separate taxation since 1964.

"We've submitted memorandums, made representations and led delegations to the SWA authorities for 16 years. More recently we approached the Administrator General.

## From March 1 this year, salaried married working women in SWA/Namibia will be taxed as individuals on the same basis as their male counterparts.

SUE GARBETT reports.

"I have not the slightest doubt that our representations have resulted in this change of policy."

Mrs Schoeman said there were certain drawbacks however as executive working women, and women with their own businesses were excluded from the new system of separate taxation.

Further details about this were provided by Mr Bill Irwin, promotion manager of Liberty Life which has a branch office in Windhoek.

"The amendment to the tax law does not include

any amount received by a married working woman from her own business, or from a business in which she is a partner, or from a private company in which she or her husband is a main or principal shareholder or director.

Mr Irwin said he didn't think it fair if a woman was successful in a business of her own, quite apart from her husband, that she should be excluded from separate taxation.

Mrs Adele van der Spuy of Johannesburg who has been campaigning for se-

parate taxation for married working women in South Africa for six years now, exclaimed, "This is really positive news.

"I now see separate taxation as something definitely in sight for South Africa.

"Oh I don't know about this year, but I'm hopeful about the future. It will have to come in," said Mrs van der Spuy.

"I'm sure that for Rhodesia it will only be a question of time before it is introduced there. After all Mozambique and Angola have separate taxation.

"Joint taxation is a colonial thing. It is a throwback to the days when women were ladies sipping tea and not working."

# It's separate taxation— in SWA/Namibia

STAR  
6/3/80

320

"We've got separate taxation effective from March 1 for married working women," said a jubilant Joey Schoeman, a top South West Africa/Namibia businesswoman from Wind-

hoek yesterday.

"From now on the ordinary salaried, married, working woman will be taxed as an individual on the same basis as her male counterpart," said Mrs Schoeman who is an executive director of the

SWA/Namibia Building Society and immediate past chairman of the Windhoek Afrikaanse Sakekamer.

"This is a triumph. It will encourage couples to get married. Last year a friend of mine divorced



# Horwood's Budget could flatten that tax curve

By JOHN SPIRA

A SIGNIFICANT reduction in the vast disparity in tax paid by South Africa's varied income groups will be the most dramatic feature to emerge from Finance Minister, Owen Horwood's pending Budget.

This is the view of the majority of economists and tax consultants canvassed by Business Times this week.

Such a step would go some way towards redressing the glaring inequities of the country's tax system whereby some 50% of taxpayers (excluding blacks) pay only 7.4% of all tax paid by individual taxpayers, yet 0.2% pay 6.7% of such tax.

Arising from the economists' prediction is the expectation that meaningful tax reductions will accrue to all individual taxpayers.

But in absolute and relative terms, the major beneficiaries will be those falling into the higher income groups.

The consensus is that by flattening the tax curve in this way, the Minister will be reinforcing the official Government stand on encouraging expansion of the private sector through offering the individual more attractive incentives to make it to the top.

George Thomas, chairman of the FCI tax committee, comments that countless man-hours are frittered away in exploring ways and means of avoiding tax.

He adds: "By narrowing the gap between the corporate tax rate and the maximum marginal rate of tax, the Minister will slash the enormous amount of time spent on all the machinations involved when the individual taxpayer endeavours to wriggle out of the marginal tax

bracket into the much lower corporate rate category."

He believes that some of the shortfall in revenue which would be incurred by the State following a reduction in tax receipts from high income earners could be recouped via an increase in estate duty "which, at 35%, is low".

In the longer term, he would like to see maximum marginal tax rates for individuals being set at the same level as corporate tax.

He sees more pay for the top echelon of the civil service as being one of the Government's top priorities.

Not only would this enable the civil service to keep and attract capable people; it would also make for a better interface between the civil service and the private sector.

Senbank economist, Leon Steenkamp, stresses that the State's desire to expand consumer demand will result in a Budget containing tax cuts of a magnitude in excess of last year's R360-million.

He envisages an end result which will be described as "rather more than mild stimulation".

Consumer confidence is vital at this stage of the economic upswing, says Mr Steenkamp, and any measures aimed at reducing individual tax and flattening the tax curve would go a long way towards achieving this end.

They would also help arrest the declining private savings trend of the past several years.

Other measures Senbank would like to see in the Budget include a reduction in loan levy on individuals and companies.

● To Page 3

## Flatten that tax curve?

● From Page 1

an abolition of the import surcharge, more export incentives, greater incentives for private enterprise to expand housing and additional incentives for the promotion of training schemes.

A spokesman for the economic research unit of a major

Johannesburg stock broking firm also predicts a meaningful reduction in tax for high income earners.

He believes, however, that the Minister will not give away "all that much", although he might project the illusion that he has done so.

"Two months ago, expecta-

tions over the Budget package were highly optimistic," he says. "More recently, they have moderated and we believe, therefore, that the concessions will be more or less in line with expectations."

"We feel that the Budget's impact on the stock market will be neutral to, perhaps, mildly bullish."

EXAMINATION RESULTS IN FACULTY ARTS

YEAR : N/A

7 STUD-9  
17000 BACHELOR OF ARTS (HONOURS)

FIRST

SURNAME

SHEILA-JUSE

VIVIANNE

\* TOTAL NUMBER OF STUDENTS

DEAN

BRADFORD, H J



# Millions roll in from GST

By HAROLD FRIDJHON  
WITH TWO months to go to the end of the fiscal year, March 31, general sales tax has netted R1 040 397 680. Senator Horwood expected to receive R1 150-million.

As collections are running at a rate of R135-million a month, gst will produce its quota to the Minister's surplus.

And from the Treasury's statement of revenue for the period to January 1980, most other important heads of revenue, too, look as if they will end up well above the budgeted expectations.

With the upturn in exports, customs duty has brought in R375-million against R445-million in the budget. Two months to go at R40-million a month should put this heading into surplus.

Excise duty is coming in at a rate of R145-million a month — that is R290-million for February and March — and should make R1 119-million for the year, at least R100-million more than estimated.

The surcharge, against which everyone is jibbing, will probably earn R262-million against R235.5-million.

But it is income tax which will bring home the bonanza. Senator Horwood expected that he would collect R4 297-million. By the end of January, collections amounted to R3 605-million.

In January, the Exchequer took in R445-million. If one assumes this rate of collection for February and March the total would be R4795-million which is R500-million above estimate.

But this R500-million would be the least that the Treasury can expect.

February and March are traditionally months with big collections as provisional tax is paid, so it is reasonable to assume that the R500-million could easily be R750-million — at least.

Altogether Inland Revenue could produce just under R8 000-million compared with an estimated R7 134-million.

STUD-5	EXAMINATION RESULTS IN FACULTY ARTS	AS AT 29 02 80	PAGE 2			
13020	BACHELOR OF ARTS	YEAR : 2	13020			
STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
133492N	PEARCE	GARETH SUSAN	114101	RELIGIOUS STUDIES I	3 (51)	133492N
140639U	PETERSEN	BERTRAND SYDNEY	110201	AFRIKAANS EN NEDERLANDS II F	1	140639U
133499H	PLAJJIES	NANCY	101105	AFRICAN LANG INTENSIVE (S012-	(66)	133499H
137501H	PLAGIS	JOHN ACHILLES	001303	CORPANY LAW	ABS	137501H
139271G	REURAN	BAKRY GEORGE	105104	LATIN I	F (36)	139271G
052892R	KUSS	SALLY MARY	103302	SOCIAL ANTHROPOLOGY II(PRE 2-	(60)	052892R
121461Y	SANDGROUND	DAVID LEON	106202	ECONOMICS II	3 (53)	121461Y
133333C	SFAKIANLOS	ALEXANDER GEORGE	107201	ENGLISH II	3 (57)	133333C
133034C	SHAPIRO	UEENA PERLE	107101	ENGLISH I (PRE-1980)	3MX	133034C
137989Y	SHAPIRO	LEONARD STEVEN	114101	RELIGIOUS STUDIES I	F (44)	137989Y
134302F	SOLDON	IVOR DANIEL	004201	PSYCHOLOGY II	3 (58)	134302F
135878U	STICLING	TERESA	004101	PSYCHOLOGY I	2- (63)	135878U
			103302	SOCIAL ANTHROPOLOGY II(PRE ABS	1	
			101103	AFRICAN LANG INTENSIVE (XHOSA)	2-	
			101101	ENGLISH I (PRE-1980)	(61)	
			102101	AFRIKAANS	ABS	
			110202	HISTORY II	3 (52)	102160C

REGISTER (ACADEMIC)

UCT



## GENERAL N

# PFP call

for

tax

equality

Pretoria Bureau

THE Government must act urgently to remove what remains of black tax discrimination, says the PFP's spokesman on finance, Mr. Harry Schwarz.

The PFP had been pressing for equality in taxation for the past few years, and although some progress had been made in that direction, the black taxpayer was still discriminated against.

He started paying tax at too early a stage and at too high a rate.

Mr. Schwarz said that during the 1979 parliamentary session the Minister of Finance, Senator Owen Horwood, had given an assurance that discrimination would be eliminated over a period of three years.

The first step was taken last year when the black tax threshold was raised from R361 to R1 201. This applies to married and unmarried blacks. Other adjustments which improved the position for black taxpayers at other income levels were also made.

Mr. Schwarz said a married white taxpayer with no children starts paying tax at R1 501, and an unmarried white at R1 001.

Mr. Schwarz said the Minister had accepted in principle that parity between white, black, coloured and Indian taxpayers should eventually be reached.

During the little budget debate in the Assembly last month,

Mr. Schwarz again stressed the injustices and discrimination in the black tax system.

In his reply, Senator Horwood said he intended raising the issue in his Budget speech on March 26.

Mr. Schwarz said another positive move was the Government subsidy paid to independent black states to enable them to reduce their taxation to the South African level.

Economists said there was absolutely no justification for taxing blacks at an earlier stage and at a higher rate than whites.

In fact, there was every reason why the position should be reversed.

The Minister certainly had the means — and hopefully the will — to remove the remaining discrimination in the 1980/81 tax year, he said.



# Millions roll in from GST

By HAROLD FRIDJON

WITH TWO months to go to the end of the fiscal year, March 31, general sales tax has netted R1 040 397 680. Senator Horwood expected to receive R1 150-million.

As collections are running at a rate of R135-million a month, gst will produce its quota to the Minister's surplus.

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The surcharge, against which everyone is jibbing, will probably earn R262-million against R235.5-million.

But it is income tax which will bring home the bonanza. Senator Horwood expected that he would collect R4 297-million. By the end of January, collections amounted to R3 905-million.

In January, the Exchequer took in R445-million. If one assumes this rate of collection for February and March the total would be R4 795-million which is R500-million above estimate.

But this R500-million would be the least that the Treasury can expect.

February and March are traditionally months with big collections as provisional tax is paid, so it is reasonable to assume that the R500-million could easily be R750-million at least.

Altogether Inland Revenue could produce just under R8 000-million compared with an estimated R7 134-million.

STUD NO				SURNAME				FIRST NAMES				COURSE				DESCRIPTION				SYMBOL				PAGE			
STUD NO				SURNAME				FIRST NAMES				COURSE				DESCRIPTION				SYMBOL				PAGE			
152163V	152163V	152163V	152163V	VAN NIEKERK	VAN NIEKERK	VAN NIEKERK	VAN NIEKERK	HURTEL	DIANNE			107101	107101	107101	107101	ENGLISH I (PRE-1980)	3XK			3XK			152163V	1	1	159757Z	159757Z
159757Z	159757Z	159757Z	159757Z	VAN WAGENINGEN	VAN WAGENINGEN	VAN WAGENINGEN	VAN WAGENINGEN	ANNEMARIE				107101	107101	107101	107101	ENGLISH I (PRE-1980)	3	(58)		3	(58)		159757Z	1	1	159757Z	159757Z
155815P	155815P	155815P	155815P	WASSER	WASSER	WASSER	WASSER	AMBERLIE				107101	107101	107101	107101	ENGLISH I (PRE-1980)	2	(62)		2	(62)		155815P	1	1	155815P	155815P
153767N	153767N	153767N	153767N	WACHER	WACHER	WACHER	WACHER	GUY STEVEN				115102	115102	115102	115102	FRENCH INTENSIVE	UP	(58)		UP	(58)		153767N	1	1	153767N	153767N
160240L	160240L	160240L	160240L	WESSELS	WESSELS	WESSELS	WESSELS	CHARLENE				107101	107101	107101	107101	ENGLISH I (PRE-1980)	3XK			3XK			160240L	1	1	160240L	160240L
158400Z	158400Z	158400Z	158400Z	WHITAKER	WHITAKER	WHITAKER	WHITAKER	ANDREW				909105	909105	909105	909105	GEOLOGY IA (HALF COURSE)	UP	(58)		UP	(58)		158400Z	1	1	158400Z	158400Z
115228Y	115228Y	115228Y	115228Y	WILLING	WILLING	WILLING	WILLING	ROBERT GEORGE	GURZON			107101	107101	107101	107101	ENGLISH I (PRE-1980)	3XK			3XK			115228Y	1	1	115228Y	115228Y
157399L	157399L	157399L	157399L	WILLISHER	WILLISHER	WILLISHER	WILLISHER	MELANIE	GABRIELLE	ROSANNE		115101	115101	115101	115101	ENGLISH I (PRE-1980)	UP	(52)		UP	(52)		157399L	1	1	157399L	157399L
154400K	154400K	154400K	154400K	WOLFE	WOLFE	WOLFE	WOLFE	ANGELA	KIMMARN			107101	107101	107101	107101	ENGLISH I (PRE-1980)	3XK			3XK			154400K	1	1	154400K	154400K
107101	107101	107101	107101									107101	107101	107101	107101	ENGLISH I (PRE-1980)	3	(58)		3	(58)		107101	1	1	107101	107101
03202	03202	03202	03202									107101	107101	107101	107101	SOCIAL ANTHROPOLOGY I (PRE-1980)	UP	(55)		UP	(55)		03202	1	1	03202	03202
14101	14101	14101	14101									107101	107101	107101	107101	CULTURAL HISTORY I (PRE-1980)	UP	(55)		UP	(55)		14101	1	1	14101	14101

REGISTRAR (ACADEMIC)

UCT



# Govt asked to lift two tax burdens

Pretoria Bureau

SEVERAL finance spokesmen this week called on the Minister of Finance to give urgent attention to tax relief for working wives and the removal of the tax gap between blacks and whites.

The Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said the Minister had increased the tax deductible allowance for married women from R750 to R900 last year.

This was totally inadequate, he said.

"A basic reason for the Minister's attitude is his refusal to accept the principle of separate taxation for working wives."

Mr Schwarz said this was not only unfair; it was also a serious disincentive for skilled married women to go back to work.

"At this particular time when we are desperate for skilled workers, every possible incentive should be given to attract them back into the labour market."

On black taxation, Mr Schwarz said: "There is no reason why there should not be a universal tax."

"And there is every reason why the anomalies of separate taxation for blacks, which is greatly to their disadvantage, should be eliminated."

The general secretary of the Trade Union Council of South

Africa (Tucsa), Mr Arthur Grobbelaar, said that Tucsa had made strong recommendations to the Minister for separate taxation of married women workers two months ago.

The Minister had replied that no-one had yet proposed a workable, equitable formula for separate taxation which would provide for the collection of the same revenue.

But he assured Tucsa that he was working towards a uniform tax system for all taxpayers.

Tucsa appealed to Senator Horwood last year to bring black taxpayers under the same tax system as whites.

"Progress has been made and we are satisfied with the Minister's assurance that he is aiming at a uniform tax system with all the anomalies removed," Mr Grobbelaar said.

Most women's organisations, including the National Council of Women, agree strongly that the Minister should abolish joint taxation. They have been pressing for separate taxation for 20 years.

The chairman of Assoconi's tax committee, Mr R J Brown, said the least the Minister could do would be to double the present R900 abatement for working married women.

He claimed the shortage of skilled workers would reach a crunch in the second half of the year — and the more skilled workers we can pull back into the labour market the better."



CDM 14/3/80 320

# Schwarz calls for end to black tax discrimination

By GERALD REILLY  
Pretoria Bureau

THE Government must act urgently to remove what remains of black discrimination, says the PFP's finance spokesman, Mr Harry Schwarz, MP.

The PFP had been pressing for equality of taxation for the past few years, and although some progress had been made, the black taxpayer was still discriminated against.

He started paying tax at too

early a stage, and at too high a rate.

Mr Schwarz said during the 1979 Parliamentary session the Minister of Finance, Senator Owen Horwood, on the recommendations of a departmental commission, gave an assurance that discrimination would be eliminated over a period of three years.

The first step was taken last year when the black tax threshold was raised from R361

to R1 201 for married and unmarried blacks. Other adjustments which improved the position for blacks at other income levels were also made.

A married white with no children pays tax at R1 501, and unmarried at R1 001.

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# A breather before perks are taxed

By GERALD REILLY  
Pretoria Bureau

ORGANISED commerce and industry are to be given a post-Budget opportunity of suggesting amendments to the Government's proposals to tax fringe benefits.

It is understood that details of the proposals drawn up by the standing Commission on Taxation have been sent to the Federated Chamber of Industries, The Handelsinstituut and Assocom.

The Minister of Finance, Senator Owen Horwood, is expected to introduce a Bill to amend the Income Tax Act to deal mainly with the evaluation of various types of tax-dodging benefits.

During his Budget speech in the Assembly on March 26 he will outline the Government's intentions.

Sources in Pretoria said yesterday the fact that organised commerce and industry had been asked to comment on the details, and that there was too little time before the Budget to submit comment, was a strong indication that the perks squeeze could be delayed until

the 1981/82 tax year.

The FCI, Handelsinstituut and Assocom have accepted the principle of taxing fringe benefits.

But they want the tax to be compensated by a quid pro quo reduction in the high marginal tax rate — now 60,5% including the loan levy — and a lifting of the ceiling at which the rate becomes applicable, currently R30 000.

If the tax is introduced during the 1980/81 tax year, the private sector will have to do a swift restructuring of salaries, particularly those paid to middle and top management, where up to a third of real earnings is made up of tax-dodging perks.

Even at the lower employment levels adjustments will have to be made to compensate employees for the tax they will have to pay on cheap housing and other company loans at lower than market interest rates.

The Government claims the elimination of tax fiddles will make possible a widening of the tax base and ultimately, lower rates.

## EXAMINATION RESULTS IN FACULTY ARTS

STUD NO	SURNAME	FIRST NAMES	COL
13026	H.A./LL.B.		
13011C	SCHWETTZER	ANTONY GIDEON	6042
1349658	SMITH	ROBERT TRAVERS	1051
1351958	SMUTS	PETER RESSIER	6032
100311J	SWYMAN	GRAHAM THEODORE	6032
132266R	SOMMERBERG	GRAHAM JOHN	6042
136545T	STRAUSS	JENIFER SUSANNE	10510
133262A	TEE	RICHARD JOHN	10510
139650U	THOMAS	HELEN CAREN	10510
101563V	WILLERS	JOHAN MARITZ	10510

\* TOTAL NUMBER OF STUDENTS 28

DEAN

UCT



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STUD NO	SURNAME	FIRST NAMES	YEAR : 1
1	STU13-9	EXAMINATION RESULTS, IN FACULTY ARTS	
2	13010	RACHELOR OF ARTS	
3	162004R	BURNE	
4	156955C	CARO	
5	162195Z	CHAIT	
6	153945D	CLARKE	
7	157789K	COHEN	
8	156503M	COLLIEN	
9	153499Q	COLLINS	
10	153621E	COUCHEK	
11	158372X	COURTENAY	
12	153796V	DAVIS	
13	1400457W	DELAHUNTY	
14	162384E	DORMAN	
15	155331Q	DU PLESSIS	
16	158919N	DUNCAN	
17	156415R	ERASMUS	
18	162310Z	EVANS	
19	161480X	FATAK	
20	153363T	FAMUJAR	
21	152866J	FARRELL	
22	157359T	FINLAY	
23	159744K	FIUKAVANII	
24	161480X	GILLIAN DEGRAH	
25	153363T	GIULIETTA	
26	152866J	MICHAEL BRUCE	
27	157359T	RAVELA JOAN	
28	159744K	LUIGINA	
29	161480X	GAVIN MARK READ	
30	153363T	ERASMUS	
31	153363T	ERASMUS	
32	153363T	ERASMUS	
33	153363T	ERASMUS	
34	153363T	ERASMUS	
35	153363T	ERASMUS	
36	153363T	ERASMUS	
37	153363T	ERASMUS	
38	153363T	ERASMUS	
39	153363T	ERASMUS	
40	153363T	ERASMUS	
41	153363T	ERASMUS	
42	153363T	ERASMUS	
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47	153363T	ERASMUS	
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63	153363T	ERASMUS	
64	153363T	ERASMUS	
65	153363T	ERASMUS	

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STU3-9  
15036 R.A./LL.B.  
EXAMINATION RESULTS IN FACULTY ARTS  
YEAR : 3

AS AT 29.02.80

PAGE 1

15036

STUD NO SURNAME

FIRST NAMES

COURSE

DESCRIPTION

SYMBOL

101834P HACK

BRAN SPECIE

602101

PUBLIC INTERNATIONAL LAW

ABS

( 67 )

5

101834P

1154740 HARPER

GREGORY MARK

602101

PUBLIC INTERNATIONAL LAW

2-

( 67 )

5

1154740

114334E JACOBS

LEWIN

602101

PUBLIC INTERNATIONAL LAW

4

( 53 )

4

114334E

1030696 LEWIN

LEWIN

602101

PUBLIC INTERNATIONAL LAW

4

( 53 )

4

1030696

100344V LOVE

LOVE

602101

PUBLIC INTERNATIONAL LAW

5

( 56 )

5

100344V

094440C MAYO

MAYO

602101

PUBLIC INTERNATIONAL LAW

4

( 50 )

4

094440C

102253V WILLIAMS

WILLIAMS

602101

PUBLIC INTERNATIONAL LAW

4

( 50 )

4

102253V

\* TOTAL NUMBER OF :

DEAN

(ACADEMIC)

# Lebowa may increase fares

By MATHATHA TSEDU

THE Lebowa Transport may increase fares by an average 5 cents per single trip on all its routes next month.

The increase will be the second in 9 months according to a Press release from the company. The last increase was due to cost and maintenance increases up to November 1978 and did not cover the fuel hike early last year.

The company which operates 245 buses and ferries more than two million passengers per month has applied for an increase of 0,5 cents per passenger per kilometre. Their present rate in most areas is 1,6 cents.

This works out to about 5 cents more in practical money terms for single trips but is much higher on weekly tickets. If implemented, a single trip from Seshego would increase from 25 cents to between 31 and 32 cents.

According to the Press release the fuel increase alone besides other maintenance costs will cost the company R728 000 by the end of the month. They further explained that the Department of Transport and the Corporation and Development bear most of the workers' transport costs. In some areas workers only pay R2,00 out of a total weekly fare of R11,00. The rest is subsidised by the Government, the statement says.

UCT



# Tax on perks may be delayed

By GERALD REILLY  
Pretoria Bureau

ORGANISED commerce and industry will be given a post-Budget opportunity to suggest amendments to the Government's proposal to tax fringe benefits — a move which could delay the introduction of the squeeze on perks.

It is believed that details of

the proposals drawn up by the standing commission on taxation have been sent to the Federated Chamber of Industries, Assocom and the Handelsinstituut.

The Minister of Finance, Senator Horwood, is expected to introduce a draft Bill to amend the Income Tax Act. It will deal mainly with various types of tax-dodging benefits.

RDM  
20/3/80.

During his Budget speech in the House of Assembly on March 26, Senator Horwood is expected to outline the Government's intentions on fringe benefits.

Sources in Pretoria said the fact that organised commerce and industry had been asked to comment on the details, and that there was too little time before Budget day to submit comment, was a strong indication that the perks squeeze could be delayed until the 1981-82 tax year.

The FCI, Assocom and the Handelsinstituut have accepted the principle of taxing fringe benefits.

But, they stress, the tax must be compensated by a matching reduction in the high marginal tax rate — 60,5% including the loan levy — and a lifting of the ceiling at which the rate struts to ap/ply — R30 000.

If the tax is introduced in the 1980-81 tax year, the private sector will have to do a swift restructuring of salaries, particularly those paid to middle and top management where up to a third of real earnings is made up of tax-avoiding perks.

Even at the lower levels adjustments will have to be made to compensate employees for the tax they will have to pay on cheap housing and company loans at lower than market rates.

The Government claims the elimination of tax fiddles will make possible a widening of the tax base and ultimately lower rates.

Main targets of the perks tax will be company cars, subsidised housing and other loans, entertainment allowances and bursaries for children of staff members.



# SA heading for spending spree as tax cuts loom

BY PAUL DOLD  
Financial Editor

**SOUTH AFRICANS** are heading for their biggest spending spree in years with heavy tax cuts likely in the Budget boosting take home pay, while salaries rise strongly as firms compete for skilled staff.

With Senator Horwood's Budget only days away, economists believe he is in a position to grant some R100m of tax concessions and it virtually certain that much of this will be aimed at the ordinary wage earner.

These tax cuts will grant consumers some relief from the ravages of inflation and are vital if the economic upswing is to gather momentum.

Such a policy would help to distribute the gold boom as widely as possible and secondly, contribute to a continuation of the government's growth through strength strategy.

The additional consumer demand generated by the tax cuts will lead to a big growth surge in industrial production helping to cut unemployment further. This would allow the government to maintain its policy of achieving economic growth through stimulation of the private sector, which is less inflationary than allowing a sharp rise in government spending. Thus it would seem likely that government spending growth will remain low.

The tax cuts are seen as a certainty given the huge surplus in the State's coffers and the need to boost consumer spending at a time when inflation in the short term at least may be mounting.

And there is little doubt that after salaries, particularly among white consumers, have lagged behind the inflation rate for the past few years wages will rise strongly this year.

Already firms are finding difficulty in recruiting trained staff and many will be forced to offer incentives and higher salaries. Job advertisements in the newspapers are soaring. A

similar wage trend is probable in the public sector.

Real fixed investment is rising again as groups expand and go ahead with vast capital expenditure programmes buoyed by the highest confidence level in business since the boom of the sixties.

Horwood's Budget is expected to drop the 2.5 percent import surcharge which would help to fight inflation. The marginal tax rate may be cut to 50 percent from 55 percent and the 10 percent loan levy abolished. And a bigger allowance for married working women is also possible.

In addition, there will be the usual pension increases. Company tax may also be cut and training allowances to increase productivity increased.

It is to be hoped that the authorities will add to the food subsidies which, although they run counter to basic policy, are needed to give relief to the lowest income groups as inflation continues to increase.

The overall Budget is likely to be growth orientated but couched in more moderate terms than many analysts are expecting. There is no doubt that the upturn is already gathering pace and the authorities will no doubt be wary of applying too much stimulus due to the inflationary dangers. Horwood will no doubt stress that inflation is a major hazard.

The scenario which is developing will have a significant impact on retailers who can prepare for a boom. Retail spending is showing signs of rising and a trend of real increases (after allowing for inflation) can be expected.

The rise in spending is rapidly spreading throughout most retail sectors.

This is one of the factors behind the immense expansion of the retail chains who are investing millions of rands in opening new stores over the next few years aimed at taking a large slice of the cake. And the food retailers have sensed that the Budget will be very good news and are already engaged in a vicious price war.

COURSE	DESCRIPTION	SYMBOL	AS AT 29 02 80	PAGE
143P42	SOCIAL AND HUMAN SCIENCES I (PRE-1980)	(-51)	140942M	1
107101	ENGLISH I (PRE-1980)	3NX	157508V	1
145402	FRENCH I (PRE-1980)	(-43)	150236G	1
905101	CHEMISTRY I A CH. 102	ABS	158290E	1
911101	MATHEMATICS I M102			
109102	HEAVEN INTENSIVE	F	154026V	1
115101	FRENCH I	UP	154302K	1
117101	POLITICAL SCIENCE I	(55)	153961W	1
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		(55)	159186D	1
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			161602V	1
			162109F	1
			155641K	1
			115954M	1
			159604H	1
			161491J	1
			152726E	1
			155120L	1
			152009J	1
			155148P	1

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EXAMINATION RESULTS IN FACULTY ARTS  
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# es from Horwood!



## He's going to present the 'most popular Budget' since the war

ment's tax reform programme and a 'candid' pro quo for the drastic revision of the marginal tax rate to be announced in the Budget. They pointed out that disquiet in the market about the government's tax plan in 1970 paid 10 per cent tax on a salary of £10,000 was today squeezed for almost a third of his salary of £30,000 after inflation in real terms. The lowering of the high marginal tax rate would have a flattening effect on the whole tax curve and bring relief to all income levels. Although it would be felt most keenly at the middle management level, it was told.

The philosophy of the Budget was that it was essential to increase consumer spending to support the Government's growth policy. For this reason the loan levy, which was simply a form of forced saving, would also be abolished. The small decrease in company tax was regarded as a necessary psychological boost to investment. It would appear from informed Budget predictions that Senator Horwood and his advisors who have imposed a rigid monetary and fiscal discipline on South Africa during the past few years, have issued firm advice to produce a "neutral anti-inflationary" budget.

Inflation, which is currently running at about 14 per cent, had not been caused by consumer demand and a neutral Budget would have little effect on it, sources said. It was necessary to diagnose South Africa's present economic problem correctly and not to allow judgement to be clouded by fears of a repetition of 1975. The present problem was not demand inflation but an embarrassment of riches mainly because of the enormous gold earnings. At an average gold price of \$307 an ounce during the last fiscal year South Africa netted R6,000-million dollars and ended the year with a R3,000-million surplus on the current account of the balance of payments.

Even if, as expected, the Minister estimates the average expected gold price at a very high figure, gold inflows will be very much higher than the year before. But the final figure could be even higher and the golden shower could turn into a flood, an informed source said this week. We therefore have to decide what we are going to do if it doesn't stop raining and the dam overflows. South Africa was in fact "threatened" by an enormous balance of payments surplus which would be of no use at all unless it was put to work to increase growth. Inflation and an increasing growth rate would also mean that government revenue would soar on surplus because of an expanding tax base unless a radical new tax was introduced. Major tax increases had been introduced in 1970 and 1971. The problem was that although South Africa was awash with liquidity because of its gold earnings,

it still faced its two major problems: low growth and black unemployment. The gold bonanza had not been used for investment, neither had it filtered through to the man in the street who was still struggling with the effects of oil price-induced inflation. Increased Government salaries, which could be expected to spill over into the private sector, would simply put the average taxpayer marginally ahead of the inflation rate.

Therefore a drastic revision of the tax rate was essential to increase his take-home pay. The real bottleneck, sources said, was the shortage of the Budget would be devoted to solving it through tax incentives for training schemes and greatly increased expenditure on black education. Informed sources also predict that Senator Horwood will take a major step towards the full implementation of the De Kock Commission's recommendations and announce a drastic relaxation of exchange rate control and a firmer commitment to a "managed float" of the rand. The scrapping of exchange control would be designed to encourage overseas investors who at the moment found their low interest rate South African borrowings restricted by the Reserve Bank and were thus reluctant to invest in South Africa. As a developing country, South Africa needed to do everything possible to attract overseas investment rather than frighten it away. These opinions reflect an intense pessimism over the struggle between the pro-growth men and the anti-inflation conservatives. But you can't have a south-western summer blowing at the same time and those people who believe that South Africa can have low growth and demand inflation simultaneously have got it wrong. From confident Budget predictions it would appear that the pro-growth men have won the day. See Page 4.

320  
23/3/70



# Horwood perks law is likely to be held over

5 Times 23/1/40 (220)

FINANCE Minister Owen Horwood's tax purge on fringe benefits is virtually sure to be shelved.

By BILL CAIN

Informed sources indicate that the Government's axe on perks will be kept out of Wednesday's Budget speech, even though a Draft Bill is ready.

Provisions in this Bill will come as a shock even to businessmen prepared for severe cuts in the present laissez-faire allowances system. Proposals include:

- Maximum entertainment allowances of R100 a month or around 4% of gross salary. This means executives earning 20,000 a year will have R800 — R16 a week — tax free for drinks and luncheons.

- Company cars will be taxed on a sliding scale. Executives driving R12,000 models can expect the Inland Revenue to add close on R2,000 to their taxable income.

- People with company houses or cheap home loans — with public servants still exempt — are scheduled in the Draft Bill to be hit hard.

- Minister Horwood is expected to water down taxation proposals affecting school bills paid by companies for the children of key employees.

- The onus for declaring fringe benefits is almost sure to shift from the wage-earner to his company. Accountants failing to list perks given to each employee will face stiff penalties including jail for intentionally omitting fringe benefits.

The chances of these another changes in the perks law being held over for a long time — probably until the 1981 Budget — are, according to the sources, a pretty safe bet.







## What you want from the Budget

# Tax cuts and more for black education



**HUGH McBEAN**  
More on black education



**IAN WALSH**  
Reduce taxes



**AHMED VAHED**  
Reduce taxes



**COLLIN SOEN**  
More in my pocket



**MICHELLE THOMAS**  
Separate taxation

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\* TOTAL NUMBER OF STUDENTS

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more for usen and the country if it spent the same amount on black education.

**AHMED VAHED, 43**, a Vernlam trader: The Government has made a fortune from gold. We have every right to some share of the profits. I feel the Government is in an excellent position to considerably reduce our tax.

**MICHELLE THOMAS, a nurse**: I want to see the taxes reduced and the joint taxation of man and wife done away with.

**HUGH McBEAN, 19**, a cost clerk: I want to have more money in my pocket every month. After all, the State has made enough money from the gold boom to reduce our taxes. I would also like to see teachers earning more. They are performing an important task.

**IAN WALSH, 47**, an architect: Reduced taxes is what I want. I think we are entitled to it.

### By Ticks Chetty

**THE MAN** in the street does not care about Government priorities. What he wants when the Minister of Finance, Senator Owen "Gold-finger" Horwood, introduces his Budget in Parliament on Wednesday is reduced taxes.

The reasoning behind his expectations is that the Government is loaded with money and that he has a right to the benefits derived from the higher gold price.

This view was spelled out clearly to the Tribune this week in a snap street survey.

Senator Horwood has indicated that benefits from the higher gold price would be passed on to the man in the street only indirectly by encouraging rapid expansion of private business activities. He sees it as bringing long-term benefits rather than short-term perks.

But the average man, who sees Senator Horwood as a kind of "Mr Goldfinger", won't be satisfied with that. He wants the money in his pockets now.

The major concern of blacks interviewed is the massive amount the State sets aside each year for defence. They see this as totally unnecessary. They feel that if the Government wants lasting economic stability and peace in the country, it should spend just as much on black education.

There is little doubt that this expectation in our current political climate is only a pipe-dream.

An increase in defence spending in this year's Budget is expected to push the military Budget from R1 600 million to around R2 000 million. The motivation, as before, will be an escalation of the perceived threat to South Africa's borders.

But there are definite indications that Senator Horwood will set aside more for lower income housing and black education.

In our survey this week that is what some people said they expected from the budget.

**COLLIN SOEN, 34**, a Hammarsdale shoe salesman: The Government spends just



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country."

"On not one of these commissions did they have a woman. And think of the time and money they have spent in their 31 years of investigations."

"In 1978 we were told they first had to get general sales tax operating efficiently. That didn't take them long.

“We suggested they  
We came up with all  
kinds of ideas for over-  
coming their administrat-  
ive problems, their

"But at this stage their arguments don't hold water because they managed to organise GST within a couple of months."

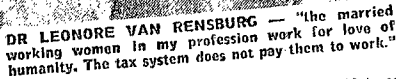
Dr van Rensburg ques-

"But we have achieved nothing by our silence," said Dr Leonore van Rensburg, who is on the executive committee of the Women's Medical Association. She works at Tygerberg hospital in the Cape.

The Women's Medical Association says it is fighting on behalf of all married working women, not just doctors.

Dr Van Rensburg told me of couples who divorced - because their joint tax made their financial position unbearable.

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tioned whether it was fair to penalise married working women because the Department of Inland Revenue allegedly had staff problems.

She stressed that deductions did not help.

“Married working women have extra expenses. They need to pay for domestic help, for transport costs, creches,

extra clothing. R900 is not enough. We have worked out conservatively that we would need four times that amount to make it worthwhile for us to work."

Dr van Rensburg stressed repeatedly that the married working woman was an individual who deserved to be treated as such.





By SUE GARBETT

Will Wednesday's budget herald a new era in taxation for married working women? It will be presented at a time when the South West Africa/Namibia administration has announced it will tax salaried married working women separately from their

husbands. In South Africa a group of women doctors has added its voice to the growing protest against the system of joint taxation of married working couples. And the number of people who say they won't marry because tax penalises them is growing.

# 'Joint tax prohibits marriage'

STAR 24/3/80

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"I am living with someone whom I would like to marry, but we are both in executive positions and the money we would have to pay in under the present system of joint taxation would be prohibitive," says a Johannesburg managing director, Charlene Leibman.

Mrs Leibman who is divorced with two children, runs her own ultrasonic applications firm. She is living with a man who is divorced and has custody of his two children.

"We have estimated it would cost us R300 a month over and above our PAYE contributions to marry. We have spoken to our auditors and accountants and there is no way around it" says Mrs Leibman.

"I am doing a man size job, I employ highly qualified engineers and I don't mind paying my tax. But I don't see why I should

be penalised for working and I resent having my tax status removed on marriage."

Mrs Leibman feels as a university graduate that the State put a lot of money into her training. "I'm trying to put this back into the economy, but if I marry I can't."

"I'm fortunate I have the choice of staying unmarried. As you get older you don't worry so much about convention."

"This living together because of tax has become a social phenomenon. I'm prepared to speak out for all those who can't."

Mrs Jocelyn Scharrer, creative director for a Johannesburg advertising firm who was recently divorced, said this had meant a considerable saving for her.

"We were paying in thousands of rands a year over and above our PAYE. In 1978 my husband and I paid in R9000 extra," said Mrs Scharrer.

"My tax consultant says



CHARLENE LEIBMAN — living with someone because joint taxation makes marriage prohibitive.

I will now only have to pay in a couple of hundred rands and my ex-husband will even get some money back!

A divorced woman who did not want to be named, said she and her ex-husband were in the process of getting together again. "If we do, we won't marry, we'll just live together because we

have calculated we would lose R60 a month in tax over and above our PAYE."

"A hell of a lot of people are in this situation. You can divorce terribly quietly you know, then live together as Mr and Mrs. I know a lot of highly paid executives living together."

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# SWA/Namibia wants skilled women to return to work

57AK 24/3/80

(222) (220)

South West Africa/Namibia has adopted a system of separate taxation of salaried married working women because it wants to draw skilled women back into the labour force.

The Chairman of the Executive Committee of the SWA/Namibia Administration said in the mini budget speech on February 19 that there was a need "to encourage married women to offer their services to the country by returning to work."

An official of the SWA/Namibian government services told me they had realised that many married working women did not regard their R1 000 deduction as enough to leave home for.

"The tax system wasn't attracting women," he said. "This new system will mean a loss of revenue — it will cost us about R3-million. But we hope we will get this back in the form of more working women putting it back into the economy."

He said women would not have their own tax

status. The husband would still remain the responsible tax payer. He would have to make up any shortfalls and he would receive the cheque for any surplus paid.

He also said the new system would only apply to salaried women, not those with their own businesses or those who worked for, or with their husbands in private companies.

Here are two examples which were given in the mini budget of tax savings for married working couples under the new system in SWA/Namibia.

## MARRIED COUPLE WITH TWO CHILDREN:

Taxable earnings		Tax savings for 1980/81
Husband	Wife	
R8 000	R4 000	R290
R10 000	R5 000	R920

I learnt of a further example where a married couple with no children with the husband earning R15 000 and the wife R10 000 would save R2 240 in the 1980/81 tax year.



# Cream off the State coffers

The South African bureaucracy just grows and grows. GERALD REILLY reports on the staggering cost to the taxpayer.

SOUTH African taxpayers burdened for the past 32 years with financing the National Party's apartheid policy, have proportionately more legislators, and bureaucrats ordering and controlling their lives than any other Western democracy.

Political scientists say we are governed to a gross extent, that the costs are high and soon — after the Budget has been tabled in the Assembly — it will go even higher.

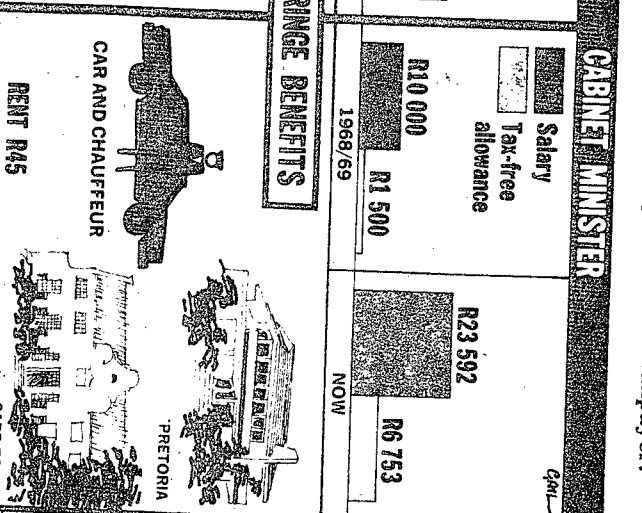
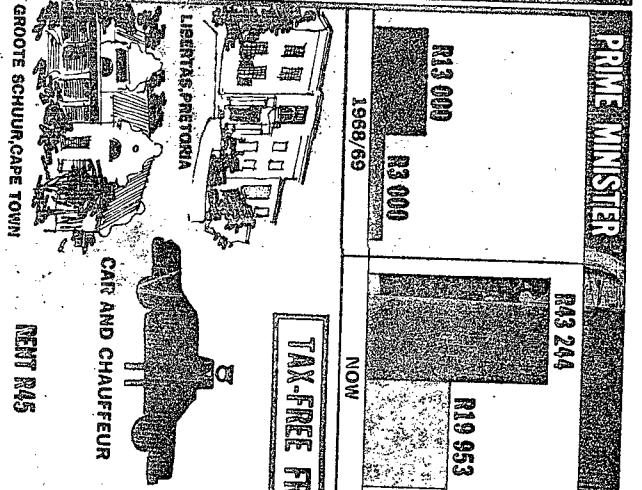
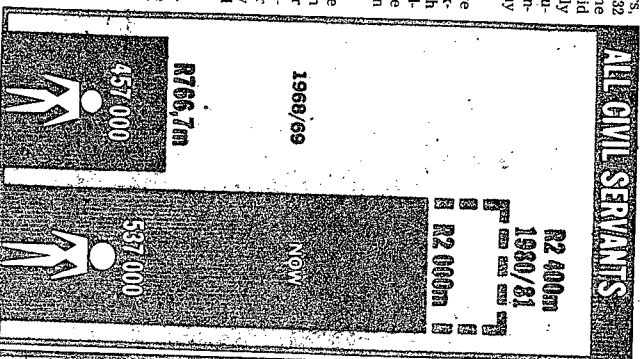
The reason for this is the bizarre political system which has to provide for virtually four separate administrators for the four race groups the costly apartheid policy is designed to keep apart.

The system has now partially failed and for the hundreds of millions of rands in taxpayer's money squandered on maintaining the apartheid facade we have anxiety, uncertainty and the constant threat of unrest — and a Government which has so far failed to repeal any of the legislation which has been used for nearly a generation to discriminate against blacks, coloured people and Indians.

Merely to pay the wages of the 537 000 — 232 000 of them white — who work in the State and provincial departments costs taxpayers over R12 000 m a year.

Ten years ago the State departments employed 272 000, and the Provincial departments 185 000 — a total of 457 000. They earned a total of R765 690 000.

Political scientists point out that democracy is not cheap — in fact it is the costliest, clumsiest and most cumbersome form of



And this year's Budget — it will be tabled in the Assembly by the Minister of Finance, Senator Horwood, tomorrow — will have to provide nearly R400 m more for increased earnings for the Prime Minister, his 18-member Cabinet — six deputy ministers and huge increases for the new super-bureaucrats — the directors-general of State departments — and more than half a million State and provincial department workers.

To pay the basic costs of the country's 165 members of Parliament — they include the Prime Minister, his ministers and deputy ministers — and the 51 senators costs in excess of R450 000 in allowances — a total of R1 057 000.

The Prime Minister earns a basic R34 244 with a reimbursement allowance of R19 953, cabinet ministers earn R23 292 with a tax-free allowance of R6 753 and deputy minister R19 272 with the same R6 753 allowance.

In the 1968/69 financial year the Prime Minister's salary was R10 000 with a R3 000 non-taxable allowance, cabinet ministers got R10 000 with a R1 500 allowance and senators earned R8 000 and a R1 960 allowance. During the 1970-80 financial year total payment to the 51 senators was estimated at R154 200 and for members of parliament R2 598 800.

In 1968-69 senators earned R219 000 plus R133 000 in allowances — a total of R352 000 — and members of Parliament R607 000 with R450 000 in allowances — a total of R1 057 000.

To give parliamentarians from the embarrasment of voting themselves big increases — and from biting public criticism — the Government decided a few years ago to peg parliamentary rises for the extent of the increases given to Government workers.

Included in the real earnings of cabinet ministers must be the lavish perks of their offices. For instance, their gardens and homes are maintained by the Public Works Department — a free service for their large houses in Pretoria and Cape Town, they pay only a nominal rental, they have free cars with white chauffeurs and they have lavish entertainments and allowances.

So the real value of a cabinet minister's earnings would be into account is the watertight "fireproof" security enjoyed by all public sector workers, including heads of departments.

Whether the fact that the number of State departments is to be shrunk to 16 from 40 will make for cheaper administration, yet clear.

Clearly, the numbers working for the State and provincial departments are not to be reduced.

For instance the Departments of Commerce and Industries — each had their own secretariat — Industries, Mr. P. F. Theron and Commerce, Mr. Theron van der Wal.

Both departments will now fall under a Director-General, Mr. T. A. du Plessis.

But Mr. Van der Walt and Mr. Theron will remain on as Deputy Directors-General and the two departments will remain unaltered.

So greater efficiency is likely, but significantly cheaper public administration is not.



INSTITUTE

Management. The function was held in a City hotel.

**Staff Reporter**

Mr Axton, guest speaker at the presentation of the Institute of Marketing Management's award for outstanding marketing achievement in 1979, said at the function at a City hotel that there was no justification for the loan levy in South Africa's present circumstances, although it would possibly remain in force.

The bad news, he said, was that the minister would probably introduce taxation on fringe benefits, which would affect cars, housing loans, cheap loans and entertainment allowances. Senator Horwood would hopefully resist the temptation to bring in the threatened legislation on fringe benefits.

Company tax would probably not be touched, but there was a possibility that loan levy on companies could be abolished.

There was a large lobby which recommended that the rand be revalued as an anti-inflationary step. The effect of this would be to decrease both the price of imports and the competitive ability of South Africa's exporters.

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EXAMINATION RESULTS IN FACULTY ARTS	
7	STUD-9
9	13010 BACHELOR OF ARTS
11	STUD NO SURNAME
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COURSE

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# STUDY-9 EXAMINATION RESULTS IN FACULTY ARTS

13110 PERFORMERS DIPLOMA IN SPEECH & DRAMA YEAR : 1

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PAGE 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	13110
135656C	BALLIES	EDUARD-SIERHANS	111120	DRAMA I	F	135656C
154249M	COMPION	MATTHYS CHRISTOFFEL	116120	DRAMA I	F	154249M
156762U	KRUSKAL	HEGAN	111120	DRAMA I	UP (-50)	156762U
162343K	MILLITZ	NICOLA ANDREA	116120	DRAMA I	UP (-50)	162343K
154826P	SAMUELS	ANDRE-CURIOU	116120	DRAMA I	UP (-50)	154826P

\* TOTAL MINUS

DEAN

## Year's grace on fringe benefits 320

By Hugh Lerratt,  
Political Correspondent

THE ASSEMBLY — The Government has declared itself in favour of tightening the tax net on fringe benefits, but details of how to do it still have to be ironed out before the measure is applied next year.

In his Budget speech, the Minister of Finance, Senator Owen Horwood, said he on no account envisaged fringe benefits as a new source of revenue for the State.

It was simply a matter of correcting a position which had become "indefensible."

The Standing Commission on Taxation Policy had made certain recommendations on which comments had been invited. "I was pleasantly sur-

prised that there was a fairly general consensus that income in kind should be liable to tax as "cash income is," the Minister said.

Senator Horwood said the Taxation Commission had revised its recommendations in the light of comments received and there had been acceptance in principle by the Government.

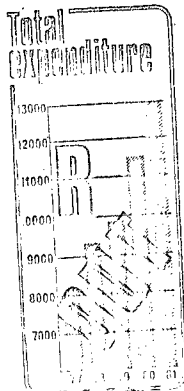
Revised proposals on the taxation of fringe benefits had been sent to organised commerce, industry, agriculture and mining for comment, with a view to drafting legislation before the end of the parliamentary session.

### OBJECTIONS

The Minister said his tax concessions should remove the main objections to taxing perks, such as that the proposed tax will induce an inflationary round of salary increases and will tend to have a disincentive effect on the entrepreneur and the professional man.

"Employers" and employees will be afforded sufficient time to determine the effect of my proposals on their take-home earnings, and to adapt to the new approach.

"To this end, I propose that the measure apply from March 1, 1981."



UCT



# R300 concession to married women 'a laughable token'

STAR 27/3/80 320

By Women's Page reporters

The tax-free part of married women's salaries goes from R900 a year to R1200. But women say the R300 concession is a "laughable token."

And almost without exception, they condemned the dismissal of the need for separate taxation.

But one tax expert felt that taxing single people at a higher rate had narrowed the tax gap between working married couples and their single counterparts.

In other words, it might not be so beneficial for couples to live together without marrying for tax purposes in future.

Professor Sandra van der Merwe, lecturer at the University of the Witwatersrand School of Business Administration, said:

"Taxing single people at a higher rate and giving larger allowances to married people means, I think, that the Minister is reducing the tax disadvantage married working couples have had to put up with in the past."

"But by not introducing separate taxation he has not given women the socio-economic status they deserve."

Adele van der Spuy, campaigner for tax reform, said: "We are still waiting for the Minister to realise it is the tax status of women that must be recognised and acknowledged."

A Johannesburg advocate who deals extensively in tax matters accused the Minister of being "pig-headed" and "just plain stupid."

"The Minister is wrong

not to give substantial reasons for not introducing separate taxation," he said.

Mrs Margaret Lessing, consumer expert, said: "The increase of R1200 is peanuts when you remember an allowance of R500 was recommended by the Franzen Commission in 1968."

And Christiane Duval, tax expert and consumer affairs manager of a publishing company said: "The Minister talked about the lack of skilled manpower being one of the bottlenecks in our economy."

"Yet what a golden opportunity he missed to bring skilled married women back into the work force by not introducing separate taxation."

SURNAME

STUD NO

14210

H.A./PERFORMERS DIP (SPEECH & DRAMA)

YEAR : 1

EXAMINATION RESULTS IN FACULTY ARTS

AS AT 29 02 80

PAGE 1

14210

COURSE	DESCRIPTION	SYMBOL
14420	DATA I	445
15101	FRENCH I	F (45)
		152374
		1523660
		REGISTRAR (ACADEMIC)

UCT



# EXAMINATION RESULTS IN FACULTY ARTS

YEAR : 1

FIRST PARTS

SURNAME

157010

157011

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157014

157015

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# Relief to farmers welcomed by SAAU

STAC 27/3/80 (20)

All the factors responsible for inflation were as hard at work as ever, although the Minister of Finance had said his Budget was combatting inflation, said Mr Chris Cilliers, director of the South African Agricultural Union.

But it was a "very good" Budget, to be welcomed from all sides — and therefore also by farmers.

All requests from the SAAU had been met to some extent, Mr Cilliers said.

The biggest relief to the farmers had come through the abolition of surtax, the changes to the income tax structure, and concessions regarding estate and transfer duties.

Organised agriculture also welcomed the R89-million for consolidation — now approaching the R100-million a year requested; the concession relating to in-service training; the intention to provide relief for tobacco farmers; and possible encouragement of labour-intensive industries including agriculture.

The SAAU was not very happy that no conclusion had been reached on the accumulation of a tax-free reserve.

It also regretted that the packing allowance for exporters had not been re-introduced, and that food subsidies had been increased for the rich as well as the poor.







# Taxes cut by up to 30 pc

STAR 27/3/80 (320)

## Own Correspondent

CAPE TOWN — Far-reaching tax reforms which should cut the ordinary citizen's average tax bill by about 30 percent were announced yesterday by the Minister of Finance, Senator O P F Horwood.

In his budget speech Senator Horwood announced that he was ending the loan levy on companies and individuals which would cut their contribution to the Treasury by about

R651-million in 1980/81.

Furthermore, abatements would be replaced by rebates, which was a reversion to the situation existing before 1972, and the income-tax tables were being revised, he said.

This would cost the Exchequer about R544-million in the current year.

These tax changes would result in the tax paid by a single man earning R5 000 a year dropping 33.6 percent from R434 to R288. The tax of a man earning

R10 000 a year would drop by 35.1 percent from R4 638 to R3 006.

A married man with no children earning R5 000 a year would find his tax bill cut by 37.2 percent from R319 to R200, while the tax bill of one earning R10 000 would drop 30 percent from R1 155 to R800.

A married man with two children earning R5 000 will no longer have to pay tax, while one earning R10 000 a year will now only pay R600 in tax, 34 percent less than the R921 in 1979-80. If he earns

R20 000 his tax will drop by 25 percent from R4 303 to R3 220.

The existing combined abatement for medical expenses and insurance premiums would be separated. Insurance premiums would continue to qualify for rebate purposes, but medical expenses up to R1 000 would be a tax deduction.

He also announced increased medical allowances for people aged more than 60.

STU-9

EXAMINATION RESULTS IN FACULTY ARTS

AS AT 29 02 80

PAGE 1

YEAR : 2

15026

FIRST NAMES	COURSE	DESCRIPTION	SYMBOL					
DAVID ANN	105144	LATIN I	3	(52)	1	111662V		
DAVID ASHLEY	604201	ROMAN DUTCH LAW I	ABS		1	116983F		
LORENTHO NISSEL	113201	GRUP AFR GOVT AND LAW I	3	(68)				
	613202	ROMAN LAW & JURISPRUDENCE I	3	(55)		137001P		
	604201	ROMAN DUTCH LAW I	2	(65)				
DIANA ALEGIA	105144	LATIN I	3	(36)	3	137345N		
DAVID GEORGE	105104	LATIN I	ABS		3	133987N		
PAUL PRITCH	105104	LATIN I	ABS			110435F		
MARC ALAIN	107101	ENGLISH I (PRE-1980)	3	(59)	1	132210G		
PETER ADIAU	603202	ROMAN LAW & JURISPRUDENCE I	2	(62)	1	119010J		
ANAR	103201	AFRIKAANS EN NEDERLANDS II	ABS		7	139814X		
	604201	ROMAN DUTCH LAW I	ABS					
COLLEEN BENITA	602101	PUBLIC INTERNATIONAL LAW	3	(53)	1	110281M		
EDWIN ANDREW	604201	ROMAN DUTCH LAW I	2	(62)	1	139836N		
JOHN BRUCE	103201	GRUP AFR GOVT AND LAW I	3	(51)	1	130539G		
	603205	ROMAN LAW & JURISPRUDENCE I	3	(52)				
STEPHEN JOHN	603202	ROMAN LAW & JURISPRUDENCE IUP	3	(54)	1	137806P		
MELANGE	105104	LATIN I	ABS		3	137243C		
MARIANNA	201405	STRUCT & INTERP OF ACTS	F	(42)	1	117171K		
LYNNE CATHERINE	105104	LATIN I	ABS		3	135970U		
	107201	ENGLISH II	ABS					
	603202	ROMAN LAW & JURISPRUDENCE IABS	ABS					
DOUGLAS ANDREW	603202	ROMAN LAW & JURISPRUDENCE IUP	3	(52)	1	133096V		
SANJIVA	103201	GRUP AFR GOVT AND LAW I	3	(56)	7	134365N		
GAUDIA	103201	GRUP AFR GOVT AND LAW I	3	(52)	1	131836A		
ANDREW GIBSON	603202	ROMAN LAW & JURISPRUDENCE IUP	3	(49)		132041C		

UCr



# Blacks have not been forgotten in Budget

STAR  
27/3/80

By Tom Duff, Political Reporter  
THE ASSEMBLY — Special benefits for blacks in the form of improved housing, education and training are contained in this year's bonanza Budget.

These are in addition to a wide array of other concessions and handouts they will enjoy along with people of other races.

But many blacks will be hit hard by price rises of four cents for a brown loaf of bread and five cents for a white loaf from the beginning of next month.

However, the Government has increased its subsidies on a variety of foodstuffs from R172-million to R221-million to stave off other increases.

## THE BENEFITS

Benefits the Budget will give blacks include:

- A 20 percent tax reduction and a raising of the threshold of liability for tax from R1 200 to R1 800 a year.

- An increase in spending of about 33 percent by the Department of Education and Training. Among major projects is the spending of R4-million on urgently-needed school accommodation on the East Rand.

- An amount of R12-million which is being set aside for low-interest loans for housing and infrastructure in urban residential areas.

- The total provision of the national housing fund is also being increased by 20 percent to R225-million.

- A possible housing boost for farmworkers due to tax deductions for farmers who provide housing for them.

## Top executive and mechanic better off

By Stephen Suckley  
"How does the Budget affect me?"

Today thousands of workers are asking themselves this question.

Two examples indicate what Finance Minister Owen Horwood's tax cuts will mean to the man in the street.

First, a motor mechanic with two children and a wife who works to maintain a standard of living threatened by inflation. They live in Yeoville in rented accommodation on a combined income of R13 200. His current yearly tax is R1 375.

Now, with an increase in the allowance for a

working wife, the removal of the loan levy and a reduction in the tax rate, he will pay R980, or about 30 percent less. But he will only score from the July month's pay cheque.

At the other end of the tax scale is a single unmarried executive who earns R50 000 a year — also benefits.

At this top end of the scale the marginal blacks in the public service have been cut 50 percent to 50 percent of land administrations and a chief executive statutory bodies which been paying a wholvi than those for whites.

A chief executive statutory bodies which been paying a wholvi than those for whites. Details will be announced soon. The Minister of Finance, Senator Horwood, has announced that R5 415, or 22 percent of the programme to narrow the wage gap between the races had entered a new phase.

Now his tax will be reduced to R18 752 — a reduction of R5 415, or 22 percent of the programme to narrow the wage gap between the races had entered a new phase.

● Increases of R5,50 a month for black social pensioners plus a bonus of R18 payable in May.

● A minimum increase of R17 a month for black civil pensioners. An increase of 20 percent will be granted to those who retired before April 1 1969: 15 percent for those who retired before June 30, 1973: 10 percent for those who retired afterwards.

This year's budget also gives attention to homeland consolidation and development.

● R4-million has been allocated to black hospitals, with the lion's share presumably going to Baragwanath.

## PAY RISES

● Pay increases for blacks in the public service

EXAMINATION RESULTS IN FACULTY ARTS

YEAR : 4

FIRST NAMES

STUD NO

AS AT 29 02 80

PAGE 1

SYMBOL

DESCRIPTION

COURSE

HOUSE-MAX KATHELINE

4 TOTAL MARKS OF CANDIDATE

UP (-50)

MARKS

14149

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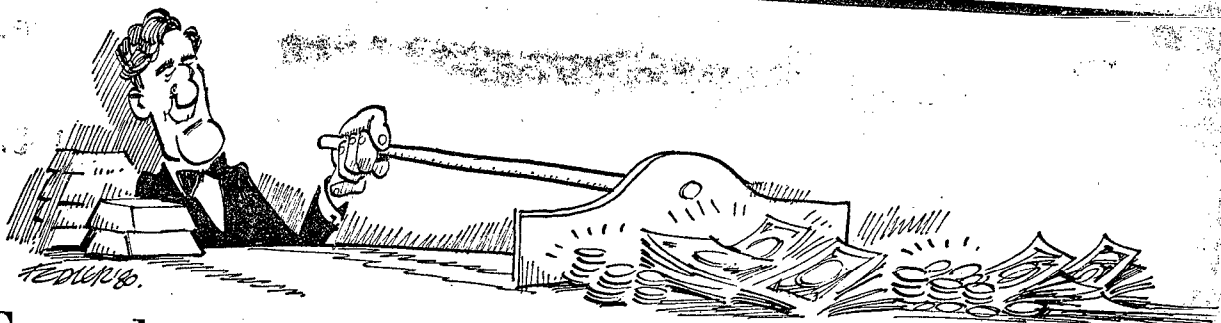
14149

1025314

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# Tax changes welcomed, but there are reservations

STAP 27/3/80 (320)

Fair Deal Reporter

Consumers certainly won't be dancing in the streets over the Budget, but neither will they sit weeping in the gutter.

The informed consumer received no surprises, except, perhaps, for the dubious benefit of the dropped import surcharge.

It is dubious because, in the past, wholesalers and retailers have not passed on reductions in the surcharge, and consumer organisations are frankly sceptical that the dropping of the 7.5 percent surcharge will ultimately lead to lower prices for them.

Consumer organisations welcomed the tax concessions with some reservation.

All cautioned consumers against over-spending and encouraged them to put extra money from tax savings into personal savings.

Consumer bodies welcomed increases in teachers' and nurses' salaries. The Housewives League was disappointed that the Minister had not singled out the poorly paid police force for special pay increases.

The bread price rise, was still a blow, even though it had been expected.

"We would have liked to see the percentage increases reverse instead of brown bread rising 4 percent in price and white



bread 20 percent," Mrs Hirzel said.

Mrs Joy Hurwitz, national president of the Housewives' League, attacked the Minister of Agriculture for being directly responsible for the bread price rise.

"The Minister of Agriculture should not have allowed wheat to rise 36 percent in price in October last year. It's a heavy blow for the consumer."

sumer.

"The extra R10-million added on to the present R40-million maize subsidy will not help the consumer. It will go to producers and to cover export losses," Mrs Hurwitz said.

Dr Piet Gouws, of the South African Maize Producers Institute, agreed with Mrs Hurwitz.

"The subsidy is always welcome. But taking into account that we will lose

at least R60-million on exports this year, and we have to export our maize instead of converting to ethanol, the export losses should have been carried by the economy of the country," Dr Gouws said.

The additional R1.5-million subsidy on dairy products will not be felt by consumers.

"The present R750 000 subsidy goes toward skim milk powder for combating kwashiorkor," a Dairy Board spokesman said.

"The Board has yet to decide what will happen to the additional R1.5-million, but it seems likely it will go toward this," he said.

The money is unlikely to be added to the existing R4-million subsidy on butter.

A bran levy will be imposed on millers.

Mr Tony Bloom, chairman of Premier Milling, said this would mean the price of flour would have to go up by between three and five percent.

All consumer organisations welcomed the Minister's move in increasing food subsidies from R172-million a year to R221-million — bread is the most heavily subsidised of these.

However, Mrs Betty Hirzel said her union was against subsidies, "because we feel people should be earning enough to pay the increased prices, without subsidies."

EXAMINATION RESULTS	
NO	SURNAME
130	13002 VILJOEN
131	11166 KANDEWANG
132	1466 MENDONCE
133	15906 WILLS-SMITH
134	GRANT
135	CHRISTOPH
136	9634 ZOLLER
137	10781 WYNGAARD
138	10782 WYNGAARD
139	10783 WYNGAARD
140	10784 WYNGAARD
141	10785 WYNGAARD
142	10786 WYNGAARD
143	10787 WYNGAARD
144	10788 WYNGAARD
145	10789 WYNGAARD
146	10790 WYNGAARD
147	10791 WYNGAARD
148	10792 WYNGAARD
149	10793 WYNGAARD
150	10794 WYNGAARD



Reduced prices?  $\frac{320}{27 \frac{1}{3} / 80}$

**THE ASSEMBLY.** — The surcharge on imports was abolished yesterday by Senator Horwood.

"Government notices to give effect to this decision will appear tomorrow and will be applicable to all the goods concerned which have not been entered for home consumption before tomorrow," he said.

The abolition of the surcharge on imports was a cost-reducing tax proposal aimed at helping to reduce the rate of inflation. The cost to the Exchequer would amount to as much as R200-million in 1980-81.

"The Government firmly expects that this reduction in effective costs will be passed on without delay by importers and other trade channels to the consumer in the form of reduced prices."

— Sapa.

התעלה



# Estate <sup>(320)</sup> deduction

THE ASSEMBLY. — The primary abatements and abatements applicable to children and the surviving spouse of a deceased person are to be increased to R37 500 each.

Senator Owen Horwood also proposed that:

- The maximum allowable deduction from the total value of an estate in respect of the proceeds of insurances policies, stock and land bank investments be increased from R80 000 to R100 000, and

- The rate of estate duty be adjusted so that the maximum rate of 35% would henceforth be reached at R400 000 instead of the present R300 000.

"These proposals relate to estates of persons who die on or before April 1, 1980.

"The cost of these concessions is expected to be R8-million in a full year, and R3 200 000 for the 1980/81 financial year," he said. — Sapa.



MR SCHWARTZ  
... has his doubts

\* Cannot graduate H Dip Lib as she has failed BA.

REGISTRAR (ACADEMIC)

STUD-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1  
14340 BACHELOR OF ARTS/HIGH.DIP.LIBRARIAN. YEAR : 4 14340

STUD NO SURNAME FIRST NAME COURSE DESCRIPTION SYMBOL  
1134601 HANLEY JENNIFER ANN 114302 111704 PRINCIPLES OF LIBRARIANSHIP 5 { 41 } 5 1134601

\* TOTAL NUMBER OF STUDENTS 1

UCT



# Tax-free share concession <sup>(320)</sup> <sup>RD 17</sup> will be reduced <sup>(68)</sup> 27/3/80.

THE ASSEMBLY. — The concession on tax-free subscription share interest was to be reduced over a period of three years, Senator Owen Horwood said yesterday.

"The interest on subscription shares of building societies is currently tax-free on a maximum share investment of R150 000 per person.

"This concession is out of line when compared with the far more modest amounts which may be invested tax-free in the Post Office, the Treasury and also in the form of tax-free indefinite period building society shares.

"I have therefore decided, after consultation with the building society movement, to restrict the concession to a maximum tax-free subscription share investment of R50 000 per taxpayer.

"To minimise any inconvenience which this measure may cause, this restriction will be

phased in in equal amounts over a period of three years."

Sen Horwood said he had directed the Standing Commission on Taxation to investigate the whole issue of initial and investment allowances, two of the country's principal incentive devices, which had been extended until June 30, 1982.

The allowances reduced the effective rate of taxation payable by companies and brought relief where depreciation and the write-off of assets was based on historical cases.

The view was held by some that the allowances increased in industrial capacity and should be paid in cash, especially in decentralised areas.

Others, however, expressed concern that the possible encouragement of capital intensive industries in this way was not conducive to the provision of adequate employment opportunities. — Sapa.

STUDENTS				EXAMINATION RESULTS IN FACULTY ARTS			
STUD NO				PERFORMERS DIPLOMA IN SPEECH & DRAMA			
SURNAME				YEAR : 1			
FIRST NAMES				COURSE			
DESCRIPTION				AS AT 29 02 80			
SYMBOL				PAGE 1			
135656C	EDWARD STEPHANUS	116120	DRAMA I	135656C	13110		
154249M	MATTHYS CHRISTOFFEL	116120	DRAMA I	154249M			
156762U	MEGAN	116120	DRAMA I	156762U			
162343K	NICOLA ANDREA	116120	DRAMA I	162343K			
154826B	ANNE CHRISTOPH	116120	DRAMA I	154826B			
* TOTAL NUMBER OF STUDENTS				5			
DEAN				REGISTRAR (ACADEMIC)			

UCT



320  
~~300~~

320  
~~300~~

Taxable income	1981	Unmarried	1980	Married: No children	1981	1980
R	R		R		R	R
1 000	—		—		—	—
1 200	—		—		—	—
1 200	—		—		—	—
1 400	—		—		—	—
1 600	—		—		—	—
2 000	—		—		—	—
2 500	—		—		—	—
3 000	—		50		—	—
3 500	—		100		—	—
4 000	48		155		—	35
4 500	96		210		—	70
4 500	144		270		—	110
5 000	192		330		40	150
6 000	288		521		80	195
7 000	408		695	(47)	160	330
8 000	552		895	(63)	260	458
9 000	720		1 122	(81)	380	600
10 000	912		1 375	(102)	520	763
11 000	1 226		1 654	(125)	680	937
12 000	1 368		1 967	(150)	860	1 177
15 000	2 252		3 146	(178)	1 060	1 423
20 000	4 056		5 819	(286)	1 780	2 323
25 000	6 292		9 042	(529)	3 300	4 389
30 000	8 608		12 067	(823)	5 080	6 996
40 000	13 608		18 117	(1 097)	7 100	10 098
50 000	18 608		24 167	(1 647)	11 780	16 148
				(2 197)	16 780	22 198

N.B. — (1) The tax has been calculated on the basis that: (a) the taxpayer is over the age of 60 years; (b) the taxpayer has no medical expenses or life insurance premiums; and (c) the wife of the taxpayer has no income. (2) The loan levy content of the amount payable in the 1980 tax year is shown in brackets.

STUD ID	STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	AS AT 29.02.80	PAGE
15026	15026	M.A./LL.B.	YEAR : 2					15026
13011C	13011C	SCHWETZER	ANTHONY GIDFON	604201	ROMAN DUTCH LAW I	2- (61)	1	13011C
1349653	1349653	STITH	ROBERT TRAVERS	105104	LATIN I	F (41)	3	1349653
1351958	1351958	SKOEN	PETER WESSELER	603202	ROMAN LAW & JURISPRUDENCE IUP	(54)	1	1351958
1003111	1003111	SONNEAU	GRAHAM THEODORE	603202	ROMAN LAW & JURISPRUDENCE IUP	(51)	1	1003111
1322844	1322844	SONNEUWEN	GRAHAM JOHN	604201	ROMAN DUTCH LAW I	(66)	1	1322844
1305451	1305451	STRAUSS	JEFFER SUSANNE	105104	LATIN I	UP (62)	1	1305451
1336624	1336624	TEE	NICHARD JOHN	105104	LATIN I	F (47)	3	1336624

REGISTRAR (ACADEMIC)

דבר



# A 20% surcharge for the 'singles'

THE ASSEMBLY. Income tax concessions amounting to R600-million were announced by Senator Horwood.

He said said the tax sacrificed as a result of reforms the Government was introducing, including increased medical deductions, would amount to R600-m in a full year and to R444-million for 1980-81.

He intended introducing a single basic income tax rate for both married and unmarried persons, and secondly a return to a system of tax rebates as was in force prior to 1972, in contrast to the system of income abatement applicable at present.

"The differentiation between unmarried and married people will be achieved, first, by allowing a smaller rebate to unmarried people and second, by increasing their tax by means of a 20% surcharge.

"This will contribute greatly to the simplification of the system."

More details of the changeover as well as the rebates would be set out in a supplementary memorandum. He did not wish to elaborate further except to say that the existing combined abatement for medical expenses and insurance premiums would be separated.

## Married women get further tax rebate

THE ASSEMBLY. — The tax-free portion of married women's incomes was to be increased from R900 to R1 200, Senator Horwood, announced in the House yesterday.

He said that during the past year representations for the separate taxation of working wives had again been received.

"I have once again considered these representations seriously, but still do not see my way clear, both for the reasons advanced by the Standing Commission on Taxation Policy and for practical and logistical considerations, to change over now to a system of separate assessments.

"I concede that rising costs prejudice the net income of the two-breadwinner family as against the single-breadwinner family and I have deemed it right once more to increase the tax-free portion of married women's incomes, this time from R900 to R1 200." — Sapa.

"Insurance premiums will continue to qualify for rebate purposes, but as far as medical expenses are concerned, I propose that from the 1980/81 tax year actual medical expenses up to a maximum amount of R1 000 qualify as a deduction.

"Mindful of our senior citizens, many of whom are dependent upon limited fixed incomes, I wish to propose further that, in addition to the augmented tax rebates and other concessions for which they

qualify, the maximum deductible amount in respect of their medical expenses be increased to R2 000.

"Hippocrates said: 'Wherever a doctor cannot do good, he must be kept from doing harm'."

The effect of the tax rebates would be that a person would only become liable to tax if this taxable income, after deduction of actual medical expenses, exceeded the following thresholds:

In the case of unmarried people over the age of 60, R3 000 and in the case of married people, R4 000.

In the case of people under the age of 60 the following applied:

Unmarried R1 500, married R2 500, married (one child) R3 750, married (two children) R5 000, married (three children R6 200), and married (four children) R7 165.

As a further structural change and relief measure the Minister proposed that the progression of the basic marginal rates of normal income tax be adjusted so that the maximum rate in respect of married people was only reached at R40 000 and in respect of single people, inclusive of the surcharge, at R28 000. In addition, the maximum basic marginal rate would be decreased from the present 55% to 50%.

Due to technical problems PAYE tables would, as in the past, reflect those substantial concessions with effect from July 1.

They would, however, be adjusted in such a manner that the taxpayer would, in fact, receive the full benefit of the concessions in the course of the tax year. — Sapa.

EXAMINATION RESULTS IN FACULTY ARTS		YEAR : N/A	
STUD NO	SURNAME	FIRST NAMES	
16179554	PERATED	SHEILA-JOSEPHINE-HOWARD	1
12077602	MURIN	VIVIENNE	2
* TOTAL NUMBER OF STUDENTS			
DEAN			
BRADFORD, H J			



# Horwood hints at taxing fringe benefits by next year

THE ASSEMBLY — Senator Owen Horwood yesterday hinted at the possibility of introducing legislation this session with a view to taxing fringe benefits as from March 1, 1961.

He said said that on no account, did he envisage fringe benefits as a new source of revenue, but simply as the cor-

rection of a position which had become indefensible.

The Standing Commission on Taxation Policy had thoroughly investigated the matter and he was pleasantly surprised that there was a fairly general consensus among interested parties that some form of that kind should be liable to tax as cast

was

"Revised draft proposals as to the taxation of fringe benefits have been made available for comment to organised commerce, industry, agriculture and mining with a view to the drafting of legislation before the end of the session. All interested organisations and individ-

nals will once again be afforded the opportunity to make their ideas known to the department."

Sen Horwood said he was convinced that the principles laid down by the Standing Commission, including the elimination of discrimination between the private and public sectors,

and the new tax concessions he had announced yesterday would effectively remove the main objective.

Those were that the proposed tax would induce an inflationary round of salary increases and would tend to be an effective effect on the employment and the professional man.

"Employers, and employees will be afforded sufficient time to determine the effect of my proposals on their take-home earnings and adapt to the new approach."

"To this end I propose that the measure apply from March 1, 1961," Sen Horwood said.

EXAMINATION RESULTS IN FACULTY APTS			
LIORARIANSHIP			
YEAR : N/A			
FIRST NAMES			
COURSE			
111702			
MARY-ANN			
NUMBER OF STUDENTS			
1			



A 20% <sup>(320)</sup>  
drop in  
black  
27/3/80 -  
tax rates

THE ASSEMBLY. — The tax rate on blacks would be reduced by 20% and the threshold for tax liability moved up from R1 200 to R1 250. Senator Owen Horwood said yesterday.

He said the tax equalisation on the tax liability of whites, coloureds and Indians on the one hand, and blacks on the other, would be continued.

"As in the case of the other population groups, it is necessary also to grant relief in respect of black taxpayers."

He then announced the tax reductions and said that, as was the case last year, governments of black states had been consulted in this regard and had consented to the measures.

The loss of tax for 1980/81 would amount to an estimated R55-million. Sen Horwood said. — Sapa.

\* Cannot graduate H Dip Lib as she has failed B.A.

DEAN

\* TOTAL NUMBER OF STUDENTS

113860L  
111706

113860L  
111706

113860L  
111706

113860L  
111706

REGISTERED (ACADEMIC)

UCT

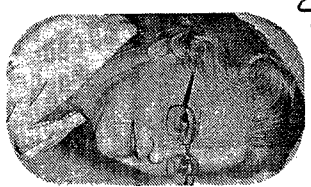
STUD 13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1  
14340 BACHELOR OF ARTS/HIGH.DIP.LIBRARIAN. YEAR : 4 14340  
STUD NO SURNAME FIRST NAME S COURSE DESCRIPTION SYMBOL  
113860L. HANLEY JENNIFER ANNE 111706 PRINCIPLES OF LIBRARIANSHIPS { 41 } 5 113860L



# Women attack the Budget

123 124 320 5744 28/3/80

omen and women's groups have for the most part acted angrily and with disappointment to the Budget. They are upset the Minister of Finance has still not introduced separate taxation of married working couples. What will the tax reforms mean to women? Will they attract more skilled women back to the work force? Has the Minister made marriage more attractive than "living together" by his 20 percent tax surcharge on single people? Women's Page reporters investigate.



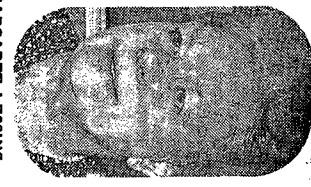
MRS SHEILA MACKENZIE — "It's a superficial budget."



CHRISTIANE DUVAL — "What a golden opportunity the Minister missed."



DR LEONORE VAN RENSBURG — "We must have action."



MARGARET LESSING — "Married women will be bitterly disappointed."

th Africa's married working women have only been given a seat once again the Minister of Finance in the tax department by his refusal to introduce separate taxation, they've left their tax position confused as to what is now in.

and great anger is expressed by the groups and individuals. Some plan action with only worried resolutions to the Government. Others will resort to demonstrations, picketing and other means to get their views heard.

few more ways have been found to get the government to acceptance by this large section of the country which is welcomed to open arms as a just unit, even when it is for being economical to the country's purse but slammed back

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taxation and separate statements. Dr. Leonore van Rensburg, who is on the executive committee of the Women's Medical Association, which has been fighting for separate taxation for three years, said all the women of South Africa to sign a petition. The association has had interviews with the Minister of Finance and the Department of Inland Revenue to ask for a new tax system.

Mrs. Barbara Kahk, co-convenor of the Women's Legal Status Committee, said: "We are going to see a couple of tax experts and work out with them a programme that will benefit everyone and give women tax status. Then we will work out the best way of making our demands known to the Government."

The Business and Professional Women's Club has already prepared a strongly worded resolution to be submitted to the Government after the National Congress in May.

of resentment at the higher tax that's paid by married women added together, but because there's been no account taken of the fact that married working women might not wish to reveal their incomes to their husbands.

"On the other hand, there will be some relief with the general tax reductions for families. This budget won't coax women into the work force though. They'll go, because of inflation, not because they expect to get much from it."

Many women said they simply could not understand how the S.W.A./Natal authorities could introduce a system of separate taxation for salaried married working women and the South African Government could not.

The tax gap has been narrowed between single people and married working women by the introduction of a 20 percent tax surcharge on single people and justifying one basic tax system regardless of marital status.

Christiane Duval, a Christiane Duval, a

fighting gloves on after making representation to the Government earlier with recommendations for this Budget, she said. With their recommendations largely ignored by the Minister, the council will once again press on the most important issues, she said.

It will take up the cause of separate taxation immediately and will "very, very readily support any action anyone else takes," Mrs. Mackenzie said.

She decried those who have been making "gratuitous noises" for the small merces granted. It's a superficial budget, she said. And to add insult to injury, the Minister of Finance is "really ignoring women. What is R1200 today for a married woman?"

The wife of a professor at the University of the Witwatersrand is waiting to see if married women also lose out on university salaries.

"When it comes to the annual bonus of R250, the married women professors only get 50 percent," she said.

Watch Donna Wurzel's programme "Woman Today" on Monday night in which she intends to examine the reaction of the country's leading women to the Government's

taxation and separate statements. Dr. Leonore van Rensburg, who is on the executive committee of the Women's Medical Association, which has been fighting for separate taxation for three years, said all the women of South Africa to sign a petition. The association has had interviews with the Minister of Finance and the Department of Inland Revenue to ask for a new tax system.

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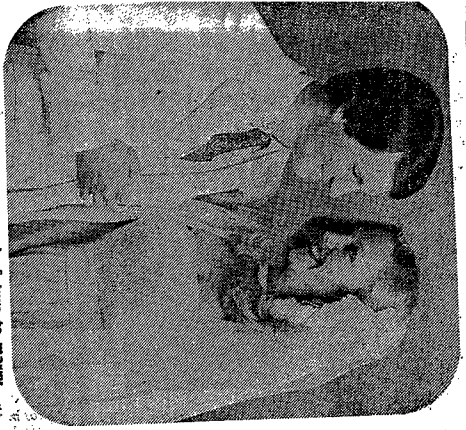
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Christiane Duval, a Christiane Duval, a





Will it be more advantageous in future to marry...

# To marry or to live together

S74K 2893/80

The new taxes have made very little difference to the overall pattern of paying tax, according to a tax expert and personnel consultant.

It would seem, they say, it is still cheaper to stay single and live with someone, but for the married woman, the new taxes could well encourage her to return to work.

There is no doubt the gap between married couples and those couples living together has been narrowed. The tax tables we have been given are, general ones because tax experts themselves were confused by the new taxes, and differed in their analysis of them. Jamesburg law firm's specialists in tax said that the new tax system would not discourage

the married woman from working. A Johannesburg personnel consultant, Mr. Mike Bole, managing director of Northern Personnel, worked out the following tables.

He feels that married women will be encouraged back to the labour market by the new tax savings.

"They are a definite incentive for married women to work," he claimed.

He based his figures on the fact that a woman would earn 35 percent of the income. In the case of the married couple he assumed that they had two children, had the maximum insurance rebates and no deductions for medical expenses.

For the 1980 figures he has assumed that the maximum medical and insurance abatements have been taken into account and the loan levy is included.

The second set of figures are for an unmarried couple living together who combine their incomes and have no children (see below).

From these tables it seems it is still cheaper to remain unmarried.

On a combined income of R20 000 the unmarried couple score over the married couple and make a saving of R1 525, on a combined income of R30 000 they make a saving of R2 195 and a combined income of R40 000 a saving of R3 143.



... or to live together, for purposes of being taxed?

MARRIED WITH TWO CHILDREN			
	1981	1980	Saving
INCOME			
R20 000 (woman earns R7 000)	R 1 816	R 4 303	R 2 587
R30 000 (woman earns R10 500)	R 2 345	R 5 979	R 3 634
R40 000 (woman earns R14 000)	R 3 825	R 6 979	R 3 154
UNMARRIED (combined income)			
	1981	1980	Saving
INCOME			
R20 000 (woman earns R7 000)	R 1 816	R 3 278	R 1 462
R30 000 (woman earns R10 500)	R 4 950	R 6 785	R 1 835
R40 000 (woman earns R14 000)	R 8 682	R 12 379	R 3 697



# Examples of tax relief for over-60's (322)

BY ALISON GILLWALD

CALLING all over-60's here's how to work out your tax position when Senator Owen Horwood's new taxation measures come into effect.

Mr Leon Du Toit, a Johannesburg tax consultant, explained to the Rand Daily Mail the tax reliefs for over-60's.

For a married man, medical expenses up to R2 000 will not be taxed. He will also receive a primary tax rebate of R200, in addition to the rebate of R120

for all whites over 60.

For unmarrieds, medical expenses up to R1 500 will not be taxed. They will receive a primary tax rebate of R120 as well as the R120 for being over 60 years of age. But unmarried people will have to pay a 20% surcharge on the taxed amount of their income.

An example, using R6 000 as an annual income in the case of a married man before medical expenses, will be:

If the actual medical ex-

penses incurred are R1 000, then income on which tax is paid is R5 000.

Tax on this would be 8%, or R400.

But the special rebate on this for a married man over 60 is R200. The rebate of R120 for people over 60 brings the rebate to R320.

The person in this case would pay R400-R320 = R80 tax.

In the case of an unmarried man earning R6 000 and medical expenses of R1 000, then the

income on which tax is paid in R5 000.

Eight percent on this would be R400 tax.

As an unmarried person he or she would receive a primary rebate of R120, and another R120 for all people over 60.

This would give him or her a tax figure of R160 a year, but unmarried people pay a surcharge of 20%, which would be R32. This gives him or her an annual tax figure of R192 to pay.

## EXAMINATION RESULTS IN FACULTY ARTS

1110 PERFORMERS DIPLOMA IN SPEECH & DRAMA YEAR : 1

AS AT 29 02 80

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL
13036C	BAITJES	EDWARD-SIFAHAMIS	116120	DRAMA I	F
150249M	COMPION	MATTHYS CHRISTOFFEL	116120	DRAMA I	F
150724H	KEUSKAL	MEGAN	116120	DRAMA I	UP
102343K	MILLITZ	NICOLA ANDREA	116120	DRAMA I	UP
150226P	SAMUELS	ANDRE-GUPTA	116120	DRAMA I	UP
* TOTAL NUMBER OF STUDENTS					5
DEAN					REGISTRAR (A)



# Budget euphoria is now lifting

BY GERALD REILLY  
Pretoria Bureau.

THE euphoria generated by the Budget began to lift yesterday and uncertainty and dissatisfaction began to show in some areas, especially among public sector workers and blacks.

Although it is generally agreed that the R11 500-million tax concession punt will give a powerful boost to business confidence, consumer spending and the growth rate, a sober look at the Budget contents has convinced economists that the poorer section of the population has been left out in the cold.

The vast majority of blacks, it was pointed out, pay no taxes heretofore tax concessions to them are meaningless.

Teachers, nurses and police are in the dark about details of their increases at least until next week.

Senior public servants said they would probably have to wait until the end of next week before they knew precisely what was coming to them. Meanwhile they stress that if increases are anywhere close to those apparently granted to the Prime Minister they will be more than content.

This Budget marks the biggest Cabinet pay hikes on record and no effort has been made to justify them, public servants point out.

They also point to the extensive pay cuts imposed by Cabinet Ministers with real earnings close to the six figure mark.

The president of the Public Servants Association, Dr C M Cameron, said yesterday if public servants got percentage rises similar to those given to the Cabinet they would be very content.

Dr Cameron said the PSA did not expect to get details of increases in the service until later next week.

However, the more than 500 000 workers in the state and provincial departments will share R44-million - an average increase of about 12% which means large numbers will get less than the average.

Teachers and nurses will also have to wait until next week to hear their earnings.

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	PAGE
1	STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL
2	11062V	BARKER	MARY ANN	LATIN I	3	11062V
3	11063F	DAHRELL	DAVID ASHLEY	ROMAN DUTCH LAW I	ABS	11063F
4	137001F	ELME	DERRIK NIGEL	ENGLISH I (PRE-1980)	3	137001F
5	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
6	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
7	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
8	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
9	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
10	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
11	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
12	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
13	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
14	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
15	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
16	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
17	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
18	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
19	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
20	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
21	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
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29	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
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32	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
33	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
34	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
35	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
36	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
37	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
38	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
39	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
40	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
41	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
42	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
43	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
44	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
45	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
46	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
47	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
48	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
49	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F
50	137001F	ELME	DERRIK NIGEL	ROMAN DUTCH LAW I	3	137001F



# TAX PAYABLE, MARGINAL AND AVERAGE RATES OF TAX MARRIED PERSONS (under 60)

Taxable income R	1981			1980 <sup>11</sup>		
	Income tax payable R	Marginal rate %	Average rate %	Income tax payable R	Marginal rate %	Average rate %
7 000	5	10,0	0,1	297	11,0	4,2
8 000	105	12,0	1,3	422	12,1	5,3
9 000	225	14,0	2,5	561	13,2	6,2
10 000	365	16,0	3,7	719	15,4	7,2
11 000	525	18,0	4,8	904	17,6	8,2
12 000	705	20,0	5,9	1 115	19,8	9,3
13 000	905	22,0	7,0	1 353	22,0	10,4
14 000	1 125	24,0	8,0	1 617	26,4	11,6
15 000	1 365	26,0	9,1	1 909	28,6	12,7
16 000	1 625	28,0	10,2	2 228	30,8	13,9
17 000	1 905	30,0	11,2	2 574	33,0	15,1
18 000	2 205	30,0	12,3	2 950	36,3	16,4
19 000	2 505	32,0	13,2	3 366	39,6	17,7
20 000	2 825	32,0	14,1	3 801	39,6	19,0
22 000	3 485	34,0	15,8	4 732	42,9	21,5
24 000	4 185	36,0	17,4	5 742	49,5	23,9
26 000	4 925	38,0	18,9	6 837	52,8	26,3
28 000	5 705	40,0	20,4	8 012	56,1	28,6
30 000	6 525	42,0	21,8	9 266	59,4	30,9
32 000	7 385	44,0	23,1	10 582	60,5	33,1
35 000	8 745	47,0	25,0	12 578	60,5	35,9
40 000	11 135	49,0	27,8	15 906	60,5	39,8
45 000	13 625	50,0	30,3	19 173	60,5	42,6
50 000	16 125	50,0	32,3	22 198	60,5	44,4
55 000	18 625	50,0	33,9	25 223	60,5	45,9
60 000	21 125	50,0	35,2	28 248	60,5	47,1

The following have been taken into account in the tables above

Maximum medical deduction.  
Primary, two children and maximum insurance rebates

Primary, two children and maximum medical and insurance abatements

Levels of taxable income at which individuals marginal rate and company rate are similar R30 000 (1980-R23 000)

<sup>1</sup> 1981 — before medical deduction  
1980 — before abatements

<sup>11</sup> All figures and percentages include loan levy

# TAX PAYABLE, MARGINAL AND AVERAGE RATES OF TAX UNMARRIED PERSONS (under 60)

Taxable income R	1981			1980 <sup>11</sup>		
	Income tax payable R	Marginal rate %	Average rate %	Income tax payable R	Marginal rate %	Average rate %
5 000	174	9,6	3,5	370	14,3	7,4
6 000	270	9,6	4,5	529	15,4	8,8
7 000	372	12,0	5,3	704	17,6	10,1
8 000	498	14,4	6,2	905	19,8	11,3
9 000	648	16,8	7,2	1 133	22,0	12,6
10 000	822	19,2	8,2	1 387	24,2	13,9
11 000	1 020	21,6	9,3	1 667	26,4	15,2
12 000	1 242	24,0	10,4	1 982	29,7	16,5
13 000	1 488	26,4	11,4	2 337	33,0	18,0
14 000	1 758	28,8	12,6	2 731	36,3	19,5
15 000	2 052	31,2	13,7	3 165	42,9	21,1
16 000	2 370	33,6	14,8	3 644	46,2	22,8
17 000	2 712	36,0	16,0	4 160	49,5	24,5
18 000	3 072	36,0	17,1	4 704	49,5	26,1
19 000	3 438	38,4	18,1	5 265	52,8	27,7
20 000	3 822	38,4	19,1	5 845	52,8	29,2
22 000	4 620	40,8	21,0	7 084	57,2	32,2
24 000	5 466	43,2	22,8	8 406	60,5	35,0
26 000	6 360	45,6	24,5	9 647	60,5	37,1
28 000	7 302	48,0	26,1	10 857	60,5	38,8
30 000	8 287	50,0	27,6	12 067	60,5	40,2
35 000	10 787	50,0	30,8	15 092	60,5	43,1
40 000	13 287	50,0	33,2	18 117	60,5	45,3
45 000	15 787	50,0	35,1	21 142	60,5	47,0
50 000	18 287	50,0	36,6	24 167	60,5	48,3
55 000	20 787	50,0	37,8	27 192	60,5	49,4
60 000	23 287	50,0	38,8	30 217	60,5	50,4

The following have been taken into account in the tables above

Primary and maximum insurance rebates and maximum medical deduction

Primary and maximum medical and insurance abatements

Levels of taxable income at which individuals marginal rate and company rate are similar R24 000 (1980-R16 000)

<sup>1</sup> 1981 — before medical deduction  
1980 — before abatements

<sup>11</sup> All figures and percentages include loan levy

# How taxes come down

THE comparisons (left) between 1979-80 and 1980-81 tax tables show not only the big tax savings to come but, crucially for many, the sharp dip in marginal tax rates for high-income earners.

High marginal rates on these people have been widely held to be a restraining factor in enterprise and this the growth of the economy.

For example, a married man with two children and with a taxable income of R30 000 — that is, after all his rebates and deductions — will pay R6 525 in tax next year with a marginal rate of 42% compared with tax of R9 266 and a marginal rate of 59,4% in 1979-80.

Inflation does, however, exaggerate the extent of the gains.

Consider the married man, as above, who earned R25 000 taxable income in 1979-80.

Tax took 26,3% of his income. If he were to earn R28 000 taxable income in 1980-81, the taxman's share would be down to 18,9%.

But if he were to earn R28 000 he would also be 14% worse off in real terms because of inflation.

So his income has to go to R30 000 just to give him a small real rise.

At that level the taxman takes 21,8%. Still much better — but not quite as good as the figures suggest if inflation is forgotten.

13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50												
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# Rykes verkies dié belasting

RAPPORT 30/3/80

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DAT die Regering nie vroeër persoonlike belastingkoerse vir die hoër inkomstegroepe verder verlaag het nie, soos wat wel nou in die Begroting gedoen is, is jammer en ook dat sekere byvoordele nie nou reeds belas is nie.

Dit is die slotsom waartoe 'n senior lektor in mannekragbestuur aan die Stellenbosse Nagraadse Bestuurskool, mnr. Dave Tromp, kom.

Mnr. Tromp grond hierdie bevinding op 'n intensiewe ondersoek na die voorkeure onder Suid-Afrikaanse topbestuurders oor hul vergoeding, wat die Skool se Instituut vir Entrepreneurskap onlangs afgehandel het.

Meer as 400 topbestuurders van 150 Suid-Afrikaanse maatskappye, wat op die Johannesburgse Effektebeurs genoteer is, het aan die ondersoek deelgeneem.

Dat die tyd ryp was om nou reeds sekere byvoordele te belas, is deur die ondersoek bevestig. Daar is bevind dat 55,2 persent van die deelnemers so 'n stap sou verkies.

Die Minister van Finansies, sen. Owen Horwood, het ook in sy Begrotingsrede gewys hy beskik oor inligting dat daar algemene eenstemmigheid is dat sekere byvoordele wel belas moet word.

Hy het net gesê dat meningsverskille bestaan oor die metode wat gevolg moet word.

Mnr. Tromp sê die Minister was Woensdag in staat om 'n redelik toeskietlike Begroting aan te kondig. Hy sê die instelling van belasting op byvoordele sou nou beter ontvang gewees het as in Maart volgende jaar, wanneer dit blykbaar belas gaan word.

Teen volgende jaar se Begroting sal die positiewe uitwerking van die verlaagde koerse reeds uitgewerk wees, en dit is moeilik om te voorspel of daardie Begroting weer 'n geleentheid sal bied om die negatiewe implikasies van sodanige maatreëls teen te werk.

In die ondersoek is ook bevind dat 67,4 persent van die topbestuurders steeds byvoordele sou wou ontvang, nadat dit belas word, en dat hulle sou verwag dat die verlies aan inkomste of deur die verlaging in belastingkoerse of deur hul werkgevers aangevul behoort te word.

● Ander interessante

bevindings van die ondersoek is:

Hoewel 66,3 persent van die topbestuurders 'n sê sou wou hê oor die samestelling van hul vergoedingspakette, is daar net 29 persent wat dit wel het.

● Hoewel die topbestuurders se bruto salarisse viervoudig toegeneem het in die tydperk van 1972 tot 1978, het hul werklike verdienste konstant gebly en selfs tot 15 persent in sommige gevalle weens inflasie en hoë belastingkoerse afgeneem.

● Topbestuurders toon 'n groter belangstelling in byvoordele wat aan pres-tasie gekoppel is, soos winsdeling en aandele-skemas.



# Angry teachers plan fighting all-race body

SUN EXPRESS 30/3/80

By DAVID NIDDRIE

A GROUP of teachers and educationists are to meet next week to form a new council to fight the Whites-only policies of the South African Teachers' Council.

The plan has been welcomed by both Black and White teachers. The group believes there is enough anger among White, English-speaking teachers over their pay to ensure massive support for the proposed new council.

The move comes after months of antagonism among White teachers against the SATC's race policies. It already has the support of a member of the Transvaal Provincial Council, the head of the Department of Education at the University of the Witwatersrand, a Johannesburg school vice-principal and lecturers at the Johannesburg College of Education.

"The move is long overdue, but very, very welcome. It couldn't have happened at a better time," the secretary of the Black Teachers Action Committee, Mr Fanyane Mazibuko said yesterday.

"I would be very eager to serve on such a council."

Mr J L Lemmer, registrar of the SATC, claimed this week the council was racially exclusive only because of South Africa's segregated education system.

"There are different education departments for all race groups, and one council could not possibly serve them all," he said.

Asked about opening the SATC to all races, he said there were already moves underway to enable Black teachers to set up their own council if they chose.

Mr Jack Ballard, secretary of the Transvaal Teachers' Association, supported the idea of a non racial council, but not at the expense of the SATC. "The council is a statutory body, created by Parliament, and we do not want a second organisation. We would rather see the SATC open its doors to teachers of all race groups."

But he saw little chance of the SATC doing that "for the moment".

White teachers have opposed the SATC's racial policy since the council was formed in 1978, but the pay issue and possible action by the British National Union of Teachers against White South African teachers, have brought their opposition to the boil.

At its annual congress in May, the NUT will consider barring members of the SATC from the NUT. This will make

## BLACKS AND WHITES TO FIGHT SATC

must tell us why, when apartheid signs are being taken down all over South Africa, they are being nailed up in the teaching profession."

"It shames and disgusts me to admit it, but I and my colleagues do not know any Black teachers. We know no more about their problems than they know about ours. It's about time we started working together and found out."

● Progressive Federal Party MPC, Mr Peter Nixon, himself an ex-teacher, has come out in favour of an alternative council. "The idea of bringing Black and White teachers into the same organisation can only benefit teaching in South Africa," he said.

● And the head of the the Department of Education at Wits, Professor D R White, has also declared his concern over the racial approach of the SATC.

● Mr Jonathan Paton, a senior lecturer in the English Department at the university, also backed the idea.

"If the SATC dropped its racial tags, I would support it to the hilt. But until it does, I support the idea of an alternative organisation for teachers," he said.

Mr Paton resigned from the Transvaal Teachers' Association over its refusal to open its doors to all races.

Gardner, said he was opposed to racial restrictions in any professional organisation. "Other lecturers here also feel the same," he said. "But we are sympathetic to those teachers who had to join the SATC to get their jobs. A sizeable minority of JOC final-year students last year did not wish to join the SATC, but had no choice."

● Mr Saul Omgaki, a Johannesburg teacher, declared teachers were tired of being forced to toe the Government line. "We want to form a non-racial council like those for doctors, lawyers and other professionals," he said. "Mr Pieter Janson (the Minister of National Education)



# Fringe benefit tax will hit the pockets of thousands

By Lynda Loxton

The proposed fringe benefit tax will hit thousands of South Africans when it is introduced on March 1 1981.

The indirect effect was that industry would have to pay employees more.

Dr Johan van Zyl, executive director of the Federated Chamber of Industry, said he had no clearance from the Government to comment on the Bill but would do so now that it was "public knowledge."

He pointed out that the principle of fringe benefit tax had been accepted in principle last year after an initial outcry. This had been the cause of a misconception but it would merely be a means of getting additional tax revenue.

These are some of the proposals:

- Private car expenses above 10 000 km a year for an employee who gets an allowance for the use of his own car will be taxed according to a rate per kilometre and according to the type of the vehicle used.

- Tax on the private use of a company car will be determined monthly and will vary according to the retail value and engine capacity;

- Loans to employees to buy, build or extend houses will be taxed on a cash equivalent basis and will be phased in during the 1982-5 financial years;

- Interest free or low interest loans will be taxed if the interest paid is less than eight percent. This does not include short term loans for less than R1 000 or direct study loans for employees;

- Bursaries granted to a relative of an employee will be taxable unless granted under an approved scheme;

According to notes on the draft Bill in the possession of The Star, the main targets will be housing loans and subsidies, entertainment allowances, low interest or interest-free loans and the use of company cars.

The notes have been circulated to commerce and industry for comment before April 15. Legislation will probably be introduced before the end of the present Parliamentary session by the Minister of Finance, Senator Owen Horwood.

Some of the details of the draft Bill provide for the taxation of all entertainment allowances above a maximum expenditure of R1 200 or four percent of an employee's taxable income, whichever is less. Legitimate entertainment expenses will not be taxed provided the employee submits accounts in full to the employer; advance entertainment, travelling and other allowances which are not spent for the purpose for which they were intended will be taxable.

Mr P Viljoen, an economist of the Afrikaanse Handelsinstituut, said today that the tax on fringe benefits could have an indirect inflationary effect.

## EQUALITY

The Institute's attitude was that the policy should be applied "equally to everybody." This meant that civil servants, bankers, and Cabinet Ministers would be taxed on fringe benefits.

The direct effect of the taxing on fringe benefits would be that the cost structure of skilled labour

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CAPE TIMES 31/3/80  
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**Tobacco industry  
coughs up R240m**

Own Correspondent

JOHANNESBURG. — The South African Government spends R240 million annually in the tobacco industry, according to the Department of Health.

And while the Treasury collects money from the smoking industry, another section of the Government — the Department of Health — is earnestly spending money on campaigns to halt smoking.

The department's latest campaign, beginning with a "smokeless day" on Wednesday, is aimed at both smokers and non-smokers.

The campaign emanated from a policy statement by the Minister of Health in parliament last year. It is aimed at

educating the public about the dangers of smoking by means of posters, pamphlets, films and media coverage.

The department hopes to dissuade teenagers from smoking and persuade smokers to smoke less or smoke low tar and nicotine-content cigarettes.

At a press conference in Johannesburg last week, the Deputy Secretary for the Department of Health, Mr Martin Raath, said the campaign was designed to inform South African smokers of the hazards of smoking and to try to halt beginner-smokers.

"Surveys in the UK show that more than 80 percent of smokers want to stop, and 87 percent do not want their children to smoke," he said.



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# 'Swindle sheet' blues...

**Taxman wants details of 'unexplained' expenses**

## Deputy Financial Editor

IF YOU get a housing loan and pay less than 8 percent interest, use a company car during leisure hours, or if you don't have to explain how you spend your expense account — get ready for the Receiver of Revenue.

You are the target of his determination to collect R50 million in 'perks tax' from March 1981. It will not be easy to evade because the onus is on the company accountant to explain the perks.

The toughest proposal concerns housing, including that of public servants, which aims to tax any loan below 8 percent.

The 'swindle sheet' of unexplained spending will be limited to R100 a month — or 4 percent of gross income, whichever is the lesser. Other items which will be affected are staff diningrooms, travel allowances, company loans and subsidised rent.

Car groupings will depend on their new value and will be R7 000 and R12 500. Above the higher figure the proposal is that the car is worth an extra R146 a month on taxable income. Below that it will be valued at R112 a

month.

An executive on the 50 percent marginal rate will have to find tax on R73 a month.

The tax authorities have already increased the 'taxable income' value of a free or subsidised car to R60 a month.

The taxable value in these cases, according to the proposals, is 'R87' a month for cars over 2 500cm<sup>3</sup>, R75 between 1 300cm<sup>3</sup> and 2 500cm<sup>3</sup> and R58 a month for cars less than 1 300cm<sup>3</sup>.

## increase

These are all taxable income. The actual tax depends on gross income and the marginal rate. For example, someone being assessed R18 (30 percent marginal rate of R60) would, under the new proposals, pay R26.

This small R8 increase contrasts with the effects of taxing housing loans.

On a R30 000 bond at 2 percent, the tax would be computed on 6 percent interest. A person being taxed at a 30 percent marginal tax would be assessed on R170 and would probably find his tax rising by R50 a month.

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Venda traders warned

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Up to 90 percent of  
Venda businessmen  
had failed to pay Sales  
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da Minister of Econo-  
mic Affairs, Mr A A  
Tshivhase, said here  
yesterday.

Speaking in the Na-  
tional Assembly, he warn-  
ed that his department  
had the means to deter-  
mine with "a great mea-  
sure of accuracy" the ac-  
tual sales of any busi-  
ness organisation.

He also warned those  
who were in arrears with  
such payments that "puni-  
tive steps" would be tak-  
en against them and their  
businesses. It was "wise  
for them to pay soon,"  
he said. — Sapa.



# WOMAN'S ARCUS

## TAX AND US

WHAT does the new Budget mean to the woman in the street, the woman in the home, and the woman at work?

**CHRISTINA RODELL**, director of a Single Woman Parent Association was disappointed there were not more concessions for divorced women with children and for unmarried mothers.

'In a country where one out of three marriages ends in divorce, there should be more concessions for divorced women,' she said.

'Although under the new tax law last year, a divorced woman may apply to be taxed as a married woman, this does not apply to the single woman parent.

'The R300 difference in tax-free portion of a woman's allowance really only makes up for inflation and no more. It's very disheartening.'

**DR. MARGARET BARLOW**, medical superintendent.

'I think it's fantastic. The R300 rise in the tax-free portion of a woman's income is an insult, but the fact that the supertax is down is remarkable. It makes an enormous difference. For the first time, I feel that working is worthwhile. Until now, half my salary has gone to the taxman.'

On the subject of salary increases for nurses, Dr Barlow said that nurses were sceptical. If some teachers would be getting R450 a month increases, that was more than some of the sisters were earning.

**TRUIDA PREKEL**, senior lecturer at the school of business leadership at UNISA, was favourably impressed by the Budget. She made the following points:

⑤ Consumers will benefit from the abolition of the import levy — provided that the Government makes sure that the benefit is passed on — and from the food subsidies. People should not get too emotional about the bread price,' she said, 'this has become an emotional and

price is not unrealistic in comparison with food prices in general — it is a relatively small increase. The other subsidies will at least keep things like dairy products at a reasonable price.'

⑥ Although R1200 is more than R900 it is still grossly inadequate to cover the actual expenses that a woman has to incur to earn a living — such as day care, clothing, travelling to work and higher grocery and household accounts.

⑦ Married women will benefit by the general reduction in tax, by the increase in the super ceiling to R40 000, and the reduction in the marginal tax rate, but it is disappointing that the educated and professional woman will still suffer heavy discrimination in her take-home pay and the lack of status as an individual due to joint taxation. Joint taxation pushes two moderate salaries into the supertax bracket.

**DAVID ROSS**, managing director of a clothing factory, said that the budget is definitely going to generate more movement in the clothing industry. 'Fashion people are very excited about it, because the extra money will generate extra business.'

'Removing the import surcharge means that we will obviously now look to overseas fabrics more carefully.'

A tax expert said that taxing single people at a higher rate had narrowed the tax gap between working married couples and their single counterparts.

In other words, it might not be so beneficial for couples to live together without 'marrying for tax purposes in future.'

**VAN DER MERWE**, of the University of the Witwatersrand school of business administration said 'taxing single people at a higher rate and giving larger allowances to married people means, I think, that the minister is reducing the tax disadvantages that married working couples have had to put up with in the past.'

'But by not introducing separate taxation he has not given women the socio-economic status they deserve.'



# Fringe benefit tax and the executive

11/4/80  
Jing Bep  
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JOHANNESBURG — Executives who have the free or subsidised use of luxury company cars will pay up to R73 a month in income tax for the privilege, according to the Government's draft proposals on fringe benefits.

The heaviest blow, however, could fall on people whose jobs allow them subsidised low-interest housing loans. The Treasury proposes to tax them on any loans charged at less than eight per cent.

Employees of banks and building societies — some of whom now get loans at two per cent — would be particularly hit by this.

The Treasury also intends, at present, to clamp a maximum R100 a month on "unattributable" entertainment allowances to businessmen and others.

These proposals are contained in the draft Bill to the Income Tax Act, 1962, which sets out the Treasury's planned clamp on fringe benefits.

The Bill is subject to discussion with business organisations but will become law, possibly

modified, from the beginning of the 1981-82 fiscal year.

Items also under attack are staff dining rooms, travel allowances, company loans and subsidised rent.

A key feature of the Bill is that it puts the responsibility on employers, instead of employees as is now the case, to tell the taxman what fringe benefits are being given to their individual staff.

It also makes companies liable for tax payment if their employees default.

The proposal for cars divides them into two groups — above or at and below a car's value when new of R7 000.

In the upper category there is a further subdivision at R12 500. Above that figure the Treasury proposes to regard the car as worth an extra R146 a month to an executive's taxable income and at or below to add R112 a month.

An executive who is paying tax at the proposed new top marginal rate of 50 per cent would, therefore, find his tax for the car at R73 a month.

The tax authorities, however, have already increased the "taxable income" value of a free or subsidised car to R60 a month.

So people using such cars worth R7 000 or less will not be so badly hit.

The taxable value in these cases, it is proposed, is R87 a month for cars with over 2 500 cc, R75 a month between 1 300 cc and 2 500 cc and R58 a month for cars of less than 1 300 cc.

What has to be remembered, of course, is that this is not the amount of tax that will be paid. It is the amount of taxable income. The tax will depend on a person's marginal rate.

A salesman, for example, with a marginal rate of 30 per cent using a 2 500 cc car worth new R7 500 or less will pay just over R26 a month in tax — 30 per cent of R87.

He would now be paying R18, 30 per cent of the existing R60 a month taxable income calculation.

So his extra tax of some R8 a month is swamped by the tax gains he is to get from last week's Budget.

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Housing is a different

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A R30 000 bond, for ex

ample, at two per cent

would cost the recipient

tax on the six per cent up

to the "official rate" of

eight per cent.

Taking again a person

paying a marginal rate of

30 per cent, his tax could

rise by around R50 a

month — that is, the tax-

man would value his sub

sidy at about R170 a

month and tax him on it.

The clamp on

"unattributable" enter

tainment allowances — a

maximum R100 a month or

four per cent of gross in

come, whichever is the

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# Budget will not give after deal for all



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Political  
Correspondent  
**BARRY  
STREEK**

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this is not going to be a great burden.  
But for the unemployed and living in miserable conditions in the rural areas, it is an additional economic blow — which the subsequent increases in the prices of sugar and flour have made much worse.  
Still, the bread price has been fairly well vented in the media. The question which really concerns me, and which seems to concern a little, is that there is a little conservative about alternative forms of growth: what kind of growth are we planning in South Africa?

own economic review, which was released with the budget, gives an unemployment rate, for blacks, of 5.3 per cent. The last one available — September last year — and that is undoubtedly an understatement.  
In any event, that means some two million people are out of work in South Africa. There are thousands of others who are under-employed, particularly those living in the rural areas, like the Ciskei. Minister of Co-operation and Development, Dr Piet Koornhof, said in Pleitenberg Bay last month that 1,000 jobs would have to be created every working day by the end of the century to accommodate potentially active black people.  
Dr Koornhof added: "From various investments, I have gathered it is clear that the unemployment issue can even now, but especially in the next few decades and beyond, assume such proportions that it could pose a grave threat to political stability."

What this really means, in real terms, is that vast numbers of people need jobs today and all that last week's budget has done in answer to this is to aid economic growth in the hope that this will absorb some of those without work.  
That is certainly not good enough, because every day thousands of individuals are without work, that person becomes more desperate. For people without incomes, stealing becomes a way of survival and other forms of anti-social behaviour become part of daily life. The MP for Grikuanand East, Mr Jan Jordaan, made a very sensible plea when he urged the government to start constructing canals from the Kubise River to East London and to use manual labour to do this — to give the people work.  
In essence, what he was arguing for was people should be able to make a profit-related growth.

It is about time the government started listening to such pleas. What is becoming absolutely essential is that tax incentives, and substantial ones, be given to industries which are labour intensive. In other words, it should be made more profitable for firms to employ people than for them to mechanise.  
Until such time as there is full employment in South Africa, there should be no state incentive to mechanise, and thereby decrease the number of workers.  
However, the budget's underlying assumption of growth also suggests that growth should be, and it left the impression that the Border area decentralisation programme is receiving less attention than before.  
And that will mean increased employment in the big urban areas, but in the rural areas where the problems are the greatest, the anticipated growth will be minimal.  
Senator Horwood did announce, some R70 million for the homelands, but this is not nearly enough to transform these areas into self-sufficient communities. It must stop being so minny and really give those areas the shot in the arm they need.  
Senator Horwood really needed to do something for the mass of people, he failed.  
Dr Ntsho Mphahlele, of Soweto, said the budget and white "will be until we have the vote". Senator Horwood has effectively endorsed that view.



## GENERAL SALES TAX

### Penalising defaulters

After a two-year honeymoon period, the Department of Inland Revenue has started to impose penalties for failure to render gst payments. Says Johannesburg's Receiver of Revenue Tony Chema: "The time has come when defaulters will have to pay the penalties. The period of grace is over. There is no excuse for not knowing how the system works."

Penalties are levied at 10% of the tax not paid per month or part thereof.

How does a taxpayer query his assessment of liability for gst without incurring penalties? Costa Divaris, writing in the February issue of *Businessman's Law*, says there are three methods.

The taxpayer can:

- Ask Inland Revenue for a ruling. This may be time-consuming and runs the risk of an unfavourable response and penalties on any unpaid tax.
- Notify the Department of his refusal to pay gst until the dispute is settled.
- Withhold gst due for one month only until there is finality on his assessment.

The last method, argues Divaris, has the advantage of limiting the taxpayer's risk to a single month's liability.

There has been no shortage of objections to their assessments for gst. Are packages and wrappings, for instance, exempt from gst when not used for consumption purposes as such but for holding product for resale?

The answer hinges largely on determining who is the "end-user" as defined by the Sales Tax Act. A retailer who buys wrapping for packing a customer's purchases is deemed to be the end-user of the wrapping as its use lies at his discretion.

When selling to the retailer therefore, the supplier must include gst in the wrapping's price. However, the retailer is not liable for gst on tins containing peaches as the canned peaches are packed before acquisition by the retailer. In this case, the consumer bears the tax as he is the end-user of the cans.

Inland Revenue has adopted a flexible approach to problems of the applicability of and exemptions from gst. No statistics are kept on the frequency of such objections or of the sums involved, as such cases are treated as routine.

But objections to gst are frequently allowed by the taxman and to date no-one has taken a dispute to the Advisory Committee or the Supreme Court. This could be because the cost of litigation would exceed the value of any reduction gained.

As for the right procedure to adopt when contesting an assessment, Chema doubts whether any tax payments can be suspended by an objection or appeal unless the objector negotiates with the Receiver to hold payments in abeyance. Tax authorities have discretionary power

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AN - Part 2

5 Evening Lectures

8.15 pm

is designed to illustrate the various issues  
with Nuclear War, the conflict in Northern  
conflict situations will be screened during  
accompanied by discussions led by invited  
e with a panel discussion dealing with the  
mmes relating to "education for peace."

5 Evening Lecture-demonstrations

8.15 pm

tions Dr Fairall and Professor Juritz will  
e as entertaining as it is educational. The  
I not be heavy."

re Mechanics, Light, Electricity, Heat and  
sics students are encouraged to attend this  
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10 Late Afternoon Lectures

5.30 pm

essor and Head of the Department of  
surersrand, will present this course of ten

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ape the presumed evils of their own day  
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number of very different utopias, some  
than benign dreams! There is the  
Republic, St. Augustine's *City of God*,  
the book which first popularised the  
a Greek root meaning "No-Place".

to allow such arrangements and it is the  
Receiver's policy to welcome enquiries  
from persons who have difficulty deter-  
mining their liability for GST.

Meanwhile, GST nets handsome returns.  
In the 11 months to the end of February,  
R363m was collected in Johannesburg.  
The Christmas shopping spree boosted  
January's figures to a bumper R43m, up  
R13m on average monthly revenue.



Fm 4/4/80

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# Much ado about something

Anything to do with fringe benefits these days seems fated to come in leaks and bounds. For the second time in little more than a year, the matter is being debated at a singularly inappropriate time.

We have just had massive tax cuts to reinforce the upward swing in the present economic growth cycle. Why detract from their efficacy by bashing away again at fringe benefits?

Why restrict the draft legislation on the whole question to the eyes of a privileged few as if there were something clandestine about it. Surely, if it must be debated now, it should be done so as widely as possible?

Why indeed are we discussing it at all when tax rates have been cut substantially and the thresholds raised? This reduces some of the motivation towards the conversion of remuneration into lightly taxed or tax free perks.

What is now abundantly clear is that the grand battle over the principle is lost, and that government will not be deflected from its stated intention to tax fringe benefits more systematically and extensively.

The time has come, therefore, to focus opposition on the details of the draft legislation, and to persuade Senator Horwood that next March is far too early a time to contemplate its introduction without detrimental economic effect.

## Moving the burden

Tax practitioners differ about the likely effect of the new measures. A major purpose of the legislation, emphasises Costa Divaris, a co-editor of *Businessman's Law*, is to transfer, substantially, the burden of administering the tax on fringe benefits to the employer from over-worked Receivers' offices. There will be an inescapable administrative cost, but Divaris perceives this as merely a marginal addition to the existing administrative cost of the PAYE system, rather than an unmanageable new burden. Indeed, he argues, there will, in some respects, be a lessening of existing administrative problems. This results from imposing a statutory set of rules on topics like car expenses, with the consequent elimination of numerous requests for rulings by Receivers on individual cases.

This view is not widely held, however. A large Johannesburg firm of tax practitioners fears that the additional burden on company bookkeepers will be most severe, while chartered accountants, too, will have to cope with a torrent of queries.

As far as the detail of the draft Bill goes, Divaris regards it as a "massive improvement" over the original propos-

als. But some problem areas remain. For example, there is no mention of any repeal of the existing exemption for civil servants. To the extent required, such a repeal will presumably have to be done in a separate amending Act or in the final version of this Bill.

Then, there is no logical reason why employees earning less than R12 000 a year should not be taxed at all on the rental value of free accommodation provided, while those earning between R12 000 and R16 000 are to be taxed only on a sliding scale.

In the case of subsidies to pay mortgage interest, any excess over 8% remains untaxed in terms of the proposals. This provision (at least in the private sector)



reflects a concession relative to the current position, which requires mortgage subsidies to be taxed in full.

According to the Johannesburg practitioner, the 8% rate is arbitrary. Rather, the rate should be determined as the lowest rate currently applicable to building society loans. The fixing of rental value of accommodation as 12.5% of basic remuneration up to R60 000 is also seen as arbitrary. Instead, property should be valued at municipal valuation or, in its absence, at cost of purchase or construction, and rental value imputed at the lowest building society rate.

Then, the use of the retail selling price for cars seems to be simplistic. What of the case where an employer has bought a used car? Then, what happens where there is a fleet discount price lower than the retail price to individuals? In the case

of financial leases, the cash value has to be recorded for gst purposes, and this figure should be taken for fringe tax calculations. There would still be the problem, though, of valuing cars obtained on a straight rental basis.

But an ominous and obscure area of the draft Bill concerns interest-free loans by private companies to shareholders — the definition of "employee" now includes, in relation to any company, any director of that company. Does this provision, asks Divaris, hit at the vast number of loans made by private companies to their shareholders (who are very often also their directors)? In the light of the large amounts committed in this way, and the concomitant size of the interest imputed, this would be a swingeing provision.

Divaris also points out that employees (in the ordinary sense) can do nothing about an existing interest-free loan through simple lack of the resources to repay it. But the phasing-in provisions should alleviate this burden.

The penalties for non-compliance to be imposed on employers could also be very severe, although the actual percentage has not been stipulated in the draft.

The economic implications of the heavier tax on fringe benefits will obviously be significant. It's inescapable that employees will do their best to shift the economic burden of the additional tax to their employers through demands for additional remuneration. To that extent, the effect of taxing fringe benefits will be inflationary.

One impression of the draft Bill is that it is now so complex and cumbersome — and could be so administratively expensive — that employers will simply pay the cash equivalent of perks in the future. Perhaps that is what the De Loor Committee hoped to achieve.

Nor is it easy to escape the impression that, having tried and failed adequately to tax fringe benefits in the past, and because of the complexity of the whole matter, government is now trying simply to heap the problem on to the shoulders of private enterprise.

Let it also not be forgotten that this whole system of fringe benefits grew up over decades with the full knowledge of government and that it applies in no small measure to civil servants. Any attempt to reverse that trend with any equity must be protracted indeed.

But surely the time to do so is when government needs more revenue, not less. The whole matter smacks more of dogma than it does of either reason or equity. Put it back up on your highest shelf, Mr Inland Revenue Secretary Van der Walt.



# Exaggerated euphoria

It is tempting to become slightly euphoric over recent statements by Mozambique's President Samora Machel on free enterprise and the economic realism being shown by Zimbabwean prime minister-elect Robert Mugabe. But a close examination indicates that, while the short-term prospects for Zimbabwe are good, the long-term portents might not be all that encouraging for the future of the free-enterprise system in both these countries.

There can be little doubt, for example, that Mugabe and his regime are still firmly committed to socialism, in spite of the pragmatism being shown at present. And the way they intend introducing this is by gradually transforming the capitalist system. In the words of a Zanu pamphlet: "One of the existing practical realities is the capitalist system which cannot be transformed overnight. While a socialist system will be introduced, private enterprise will have to continue until circumstances are right for social change."

US officials, too, have been quoted in the American press as coming away from long conversations with Mugabe convinced he is a true believer in Marxism-Leninism. They fear his moderation may be only temporary.

While this could be exaggeration and there can be little doubt that Mugabe is sincere, much that he is saying and doing seems tactical rather than a swing away from fundamental socialism. It seems likely, therefore, that he'll use the obvious benefits of capitalism gradually to try to entrench socialism. Because capitalism is so effective in creating wealth, it could, in effect, destroy itself as Mugabe tries to use this wealth to promote his socialist aims. By the time private enterprise wakes up to his strategy, it will be too late to do anything about it.

An additional factor that must be borne in mind is that, while Mugabe might want to continue his pragmatic policies indefinitely, he faces pressure from two ministers in crucial economic positions. Minister of Finance Enos Nkala is a confirmed leftist while Economic Affairs Minister Dr Bernard Chidzero, who has been an employee of the United Nations for a full 20 years, has already suggested that "workers' committees" run Zimbabwe's mines and that the economy be restructured to meet the people's "egalitarian demands." Were this not done, said Chidzero, the Mugabe government would be faced with a major crisis of expectations.

Grassroots pressures are also apparent in recent strikes in Rhodesia which have been interpreted as political as much as economic, arising out of demands for instant benefits now that a socialist black government is coming to power.

To Mugabe's east, Machel has also been sounding a little more pragmatic, but here

again there are no indications that he has taken a fundamental move away from socialism. He was highly critical of "inefficiency, stupidity and rudeness" in Mozambique and pledged a return to private enterprise — but only in small business operations.

Senior economic researcher at the Africa Institute Theo Malan points out that a similar move was made by Tanzanian President Julius Nyerere — the father of African socialism — three years ago. Businesses like bakeries and butcheries were handed back to private enterprise because they were not being properly run, he explains. But there had been little change in economic policy since then. "One can expect the same with Machel," says Malan. "There is not going to be a big change from socialist principles to a free market economy. It is not even going to be a mixed economy. He is not going to denationalise the bigger industries, like cashew nuts and sugar."



Mozambique's Machel... not yet a convinced capitalist

And reports reaching Johannesburg this week indicate that Machel spoke primarily to impress representatives of 23 multinational industries who were in Mozambique at the time. They had been critical of inefficiency in his country and had demanded guarantees. Desperate for capital, Machel launched his five-hour tirade on inefficiency, asked for the return of Portuguese expatriates and pledged a return to free enterprise in small businesses.

Weighed against these negative long-term factors, however, are some positive short-term considerations. For one thing, Mugabe knows that he must retain the skills and the private capital of whites if he is to keep the country's economy on an even keel while he steers it in the direction of socialism. The way to keep the

whites is to retain private enterprise for long enough to gain their confidence.

Here, he has undoubtedly learnt from the Mozambique experience. Mugabe lived in exile in Mozambique where he was aware of the repercussions of the Portuguese exodus, the collapse of the country's economy and the long queues for food.

An additional positive factor is that Mugabe was not necessarily supported in the election for his socialist policies, but largely because he could end the war. Says Dr Masipula Sithole, a University of Rhodesia political scientist who is a brother of the Rev Ndabaningi Sithole: "Most Africans were not only sick and tired of the war, but were badly hurt by it. The prospect of more war was unbearable. And an end to the war became synonymous with a Zanu (PF) victory." He adds that voting was largely on ethnic lines, with Mugabe's support coming from the Shona areas. In terms of such a scenario, most of Mugabe's grassroots supporters simply want peace and prosperity.

There are, in addition, complicating factors that could have unpredictable effects on Mugabe. These include disputes in his party, the highly sensitive issue of a redistribution of land, inflation (expected to take off in the wake of massive injections of foreign capital) and the fact that Rhodesia is Africa's eighth richest country. The latter could catapult Mugabe into a position of influence in southern Africa rivaling that of Nyerere and Machel. This could lead to jealousies, could tempt Mugabe away from socialism or could turn him into a one-party-state dictator — the results are unpredictable.

The conclusion, then, is that in Zimbabwe Mugabe is unlikely to take a sudden leftward swing, but could seek to move cautiously and pragmatically along the road to socialism.

It will require great skills of statecraft to retain the confidence of the white business community while at the same time meeting the expectations of the black proletariat. The irony is that he must succeed in both these daunting tasks if the new state is to be prosperous and stable.

The challenge facing businessmen in the future Zimbabwe as well as South Africa is clear: to make private enterprise work so successfully that it satisfies the demands of the peasant people as well as those with the entrepreneurial skills Zimbabwe will need so much. And it must also enable Mugabe to resist the pressure he is going to face from the left. In Mozambique, too, businessmen can help to show that the return to free enterprise — on no matter how small a scale — proves the effectiveness of the system.

The fact that both Mugabe and Machel appear to recognise that free enterprise is the most efficient system for the creation of wealth and jobs is heartening. Let's hope they realise that it is the system which best serves the interests of the mass of ordinary people and the cause of personal liberty.

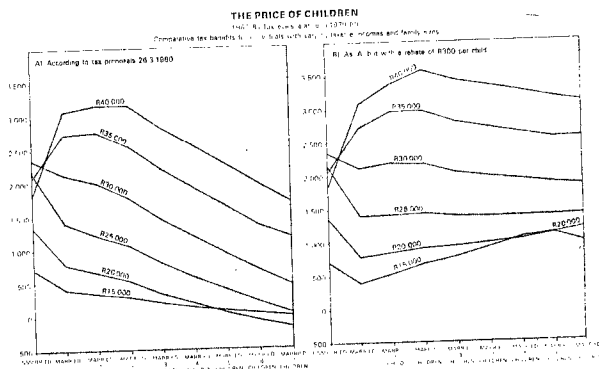


# INCOME TAX Down with children

The Budget brought about a major restructuring of income tax on individuals. An initial and superficial view of the proposals might have led many to believe that married men were to be favoured over bachelors.

Surprisingly, when the implications of the new tax structure on individuals are plotted out graphically, the opposite is generally the case. If certain fairly reasonable assumptions about medical expenses and insurance premiums are made, the effects of the Budget come out as displayed in the graphs. Over most executive income levels, the effect of marrying and producing children is steadily to reduce the tax benefit for the current year compared with last.

In fact, at an income of R15 000 a year, the man with six or seven children is actually worse off this year than last.



Financial Mail April 4 1960

This result flows from the abolition of the system of abatements and its replacement by a combination of rebates and deductions (F.M. March 26). So, there is a primary rebate of R120 for unmarried persons and R200 for married persons, with additional rebate of R100 per child. There is a rebate of 10% of insurance premiums paid with a maximum of R75.

Medical expenses are allowed a deduction under the new system to a maximum of R750 for unmarried and R1 000 for married persons. In the calculations illustrated by the graphs, medical expenses were assumed to be R450 for unmarried persons, R500 for married persons with no children or up to three children, and R600 with four or more children.

The shape of the graphs certainly seems to go against received official policy to encourage married life and the establishment of large families.



— Owen Horwood in his Budget Speech last week.

The accompanying table shows that Finance Minister Horwood was not just lapsing into self-congratulatory rhetoric when he wound up last week's Budget speech.

Structural changes in the tax programme mean that a basic single income tax rate is introduced for both married and unmarried taxpayers, and that there is a return to a system of tax rebates, as existed before government implemented the Franzsen Commission's proposals for a system of diminishing abatements in 1972.

According to the Ministry of Finance, it would require at least R238m of tax revenue (without any change to the marginal rates) to remove irritants caused by the system of diminishing abatements.

A further disadvantage of a system of income abatements is that it is not neutral: tax relief afforded by an income abatement is not the same for all taxpayers, but rises as income increases. Without a system of diminishing abatements (and to a limited extent, even with such a system), an increase in abatements has a multiplier effect which limits the degree of relief that can be allowed, particularly to those groups who need it.

This year's concessions should be seen as an adjunct to the process started in the 1979 Budget. In that year, the surcharge on individual income tax was removed; for the 1980 tax year, substantial adjustments were made to abatements, the rate of diminution of abatements, and to the marginal rates. This resulted in a total tax reduction, including loan levy, of R518m for the full year.

If the total 1979 reduction of R206m, and the expected 12-month concession of

## BUDGET *Fm 44/80* **What a (fiscal) drag**

In assessing the impact of the Budget on the economy, it is important to note that the tax concessions to a large extent represent adjustments needed to prevent the combination of inflation and a progressive tax system — the so-called fiscal drag — from increasing the real tax burden and thereby retarding economic growth. The Budget therefore promotes growth not through artificial stimulation but by freeing the economy from the chains of fiscal drag...

### YOU'RE BETTER OFF

	Income before tax		Income after tax		Increase			
					Before tax		After tax	
	1978	1981	1978	1981	Cash	%	Cash	%
	R	R	R	R	R		R	
Unmarried	1 200	1 680	1 140	1 663	480	40	523	45,88
	3 500	4 900	3 088	4 574	1 400	40	1 486	48,12
	8 000	11 200	6 388	9 880	3 200	40	3 492	55,10
Married	1 800	2 520	1 746	2 520	720	40	774	44,33
	3 000	4 200	2 796	4 064	1 200	40	1 268	45,35
	5 000	7 000	4 327	6 500	2 000	40	2 173	50,22
	7 000	9 800	6 170	9 032	2 800	40	2 862	46,39
	10 000	14 000	7 600	12 160	4 000	40	4 500	58,75
	12 000	16 800	9 696	14 380	4 800	40	4 684	48,31
	25 000	35 000	16 455	25 510	10 000	40	9 054	55,02
	30 000	42 000	18 000	28 900	12 000	40	10 900	60,56

Source: Department of Inland Revenue

R600m announced last week are added on, it means that the total burden on individuals has been reduced over the three-year period by R1 322m — to which must be added the loan levy concession of R238m, a total of R1 560m.

What does this mean in real terms? Accepting that income over the period 1978/1981 will have increased 40%, the before and after tax position is reflected in the accompanying table.



# Teachers set tax offices a problem

RDM 11/4/80

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Staff Reporter

ONE of the major problems for Inland Revenue offices in the countdown to the deadline for submitting income tax returns next month will again be the flood of extension applications from teachers in the Transvaal Education Department.

Teachers, who receive their tax certificates late, have to make individual applications for extensions beyond the May 13 deadline.

"But we can't complain — they've got their problems and

we've got ours," a spokesman for the Johannesburg revenue office said yesterday.

Revenue offices throughout the country opened special after-hours offices this week to assist the bewildered and confused — or more commonly those who wish to know what deductions they are entitled to — in filling out their tax returns.

Mr F C Booysens of the Johannesburg office warned the thousands of people who had changed their addresses since last year to get in touch with

the revenue office so they could be issued with their returns.

"We will impose penalties on those who come in late without applying for extensions," he said, "and if you've been late before, then the fine can be up to R1 000."

Other revenue offices will be a bit more lenient. Mr W Pienaar of the Roodepoort revenue office said late submissions would be tolerated up to a certain point past the deadline.

"We don't normally penalise late people, but I urge everyone to submit their forms as soon

as possible and apply for extensions if they cannot," he said.

The following local offices will be open from 4.30pm to 6.30pm for advice in the evenings: Johannesburg, Roodepoort, Randfontein, Krugersdorp, Springs and Vereeniging. The Germiston office will be open from 4.15pm to 6.15pm and the Pretoria office from 3.45pm to 6.15pm.

All offices except Vereeniging — which closes the service on May 14 — will offer the after-hours aid to the public until the end of May.



# Experts clash on capital gains tax

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**A SUGGESTION by a former Johannesburg Stock Exchange president that South Africa should have a capital gains tax has been sharply attacked by a Cape Town tax authority.**

Mr C. B. Freemanle said in the town this week that he would welcome a set capital gains tax as it would let people know where they stood.

He told an investment seminar sponsored by Joyce Cape Town he felt strongly about the matter. 'We now have no proper guide lines,' he said.

But Mr Costa Dvarris, co-editor of Businessman's Law, said the certainty Mr Freemanle wanted was 'a certainty of death.'

'A capital gains tax is anti-theta five enterpriser,' he said.

## Definition

Mr Freemanle said the problem with the law in this country was that there was no clear defini-

## By Mervyn Harris

tion as to when a capital gain became revenue.

It was up to the taxpayer to prove why tax should not be paid, rather than the other way round.

'It is well to remember that purchases of shares are acceptable to the Receiver of Revenue. But beware of saler's proviso, no matter how coincidentally profits.

'In spite of the fact that the law states the State to prove guilt, rather than the citizen prove innocence, people are now required to give evidence as to why they bought a share, what their intention was and why they sold the share.

## Fully taxable

'If they have earned a profit they will be asked why they should not pay tax on what the Receiver of Revenue will refer to as revenue which is fully taxable while they are trying to persuade him that it is a capital gain which is not taxable.

'A capital gains tax would let people know where they stand and against them to offset loss pending overseas where people have a right to live with such a tax and structure their affairs accordingly.'

Mr Freemanle said South Africa should have had a runway share market in 1969 if there had then been a capital gains tax.

## Lucrative

Possibly because the perks tax seems more lucrative, with the share market remaining at relatively high levels and these were not offering a good starting date for the introduction of a capital gains tax, attention was given in the Budget to the taxation of fringe benefits.

'In principle, I believe it is a good thing,' Mr Dvarris said, 'a taxpayer at present could at least show that an asset was a capital gain and was not subject to tax.

'The only way to solve the problem, suggesting Mr Freemanle, is the rule that all profits are taxable in full. What is the value of such certainty?'

'If you have a choice of paying 50 percent income tax or 10 percent capital gains tax, you would still be left with the problem of deciding whether it is capital or not.

'Unless a capital gains tax is introduced at the same rate as income tax, it solves nothing. But to introduce it will be disastrous.

'As someone involved in the stock exchange, Mr Freemanle should want to promote free enterprise. But a capital gains tax is a means to free enterprise,' he said.

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## Working wives

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AS LONG as the present system of joint taxation persists there is little hope that married women will offer helpful responses to the observations last week by the prime minister, Mr P W Botha. In a statement issued after a meeting of the economic advisory council the prime minister noted the inflationary consequences of the scarcity of skilled labour and the role that married women could play. They were, he said, probably the most under-utilized source of skilled labour in the Republic.

Why this is so is a burning issue among married women (to say nothing of their husbands) who, indisputably, have a role to play in the economy. Regrettably they are often kept on the sidelines because of

the harsh system of joint taxation. For a woman to work, particularly in the higher-paid categories where skilled services are most needed, imposes a heavy, and sometimes intolerable, financial burden on the husband. Matters all too often reach a point where he cannot afford to encourage his wife to enter the market place. There were concessions in the recent budget, it is true, but they were trifling and did nothing significant to improve the incentives. Married couples should be taxed as individuals, thus creating a climate where talented and highly skilled women can deploy their skills to their own, their husbands' and their country's advantage.

Frederik Rothmann Tomlinson is gebore op 21 Oktober 1908 te Swellendam. Hy behaal die graad B.Sc.(Agric.) in 1929 en sy M.Sc.(Agric.) in 1930 aan die Universiteit Stellenbosch. Vervolgens studeer hy aan die Universiteit van Cornell waar hy onder G.F. Warren en F.A. Pearson gewerk het en die graad Ph.D. in 1933 verwerf het. In 1937 verwerf hy die graad D.Sc.(Agric.) aan die Universiteit van Pretoria. In 1975 word die graad D.Sc.(Agric.) (honoris causa) deur die Universiteit van Pretoria aan hom toegeken. Vanaf 1934 doen hy agtereenvolgens diens as lektor in Landbou-ekonomie aan die Universiteit van Stellenbosch en ekonoom by die Afdeling Ekonomie en Marke, totdat hy in 1939 as professor in Landbou-ekonomie aan die Universiteit van Pretoria aangestel word. In 1955 word hy aangestel as Assistent-direkteur, Navorsing, van die Transvaalstreek, Departement Landbou. In 1957 word hy Direkteur van die Transvaalstreek, 'n pos waaraan hy tesame met 'n professoraat beklee het tot en met sy aftrede in 1973.

Frederik Rothmann Tomlinson was born on 21 October 1908 at Swellendam. He obtained the B.Sc.(Agric.) in 1929 and the M.Sc.(Agric.) in 1930 at the University of Stellenbosch. Proceeding to Cornell University, where he worked under G.F. Warren and F.A. Pearson, he gained his Ph.D. in 1933. In 1937 he was awarded the D.Sc.(Agric.) degree by the University of Pretoria, where the same degree (honoris causa) was conferred on him in 1975. From 1934 he was respectively lecturer at the University of Stellenbosch, and economist in the Division of Economics and Markets, until he was appointed Professor of Agricultural Economics at the University of Pretoria in 1939. In 1955 he became Assistant Director, Research, in the Transvaal Region, Department of Agriculture, and in 1957 Director of the Transvaal Region. In both these posts he retained his professorial position, until he retired in 1973.

Oor die periode van ongeveer 'n halwe eeu waarin Landbou-ekonomie as akademiese dissipline aan Suid-Afrikaanse universiteite gedoseer word, was stellig niemand anders so 'n belangrike rigtinggewer in akademiese denke in die vakrigting as Professor Tomlinson nie. Onder sy promotor-skap het 23 studente hul doktorsgrade voltooi in die vakgebied Landbou-ekonomie, Ekonomie en Agrariese Voorligting. Tien van sy oudstudente het later professorate beklee in Landbou-ekonomie, Ekonomie, Bedryfs-ekonomie en Agrariese Voorligting.

In the half century that Agricultural Economics has been taught as a separate discipline in South African universities, nobody has been more influential in academic thinking in the subject than Professor Tomlinson. Under his supervision 23 students completed doctors' degrees in Agricultural Economics, Economics, or Agrarian Extension. Ten of his former students have occupied chairs in Agricultural Economics, Economics, Business Economics and Agrarian Extension. Other past students hold high positions in the Public Service, in private firms and organizations concerned with agriculture, the national economy and business.

Tomlinson se navorsing het gelei tot velerlei publikasies: 18 wetenskaplike pamflette, 35 tydskrifartikels, bydraes tot vyf boeke, en velerlei ongepubliseerde referate, toesprake by boeredae sowel as populêre-wetenskaplike artikels. Hy het ook verdere belangrike bydraes tot die landbou-sektor gelever. Hy het gedien op elf Nasionale Kommissies, Interdepartementale Komitees en Departementale Komitees van Onderzoek. Hy het gedien as Voorsitter van agt hiervan. Onder hierdie was dié oor 'n Navorsingsbehoefte in die Hoëveld, oor verskeie besproeiingsnedsettings, oor kleinhoues, en oor die gebruik van landbougrond stellig die belangrikste.

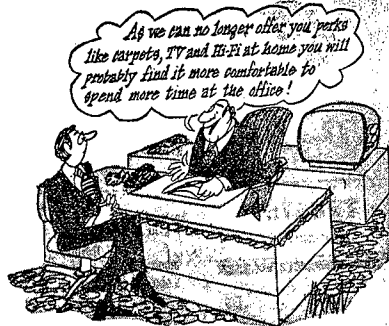
Tomlinson's research led to a number of publications: 18 scientific bulletins, 35 journal articles, contributions to 5 books and numerous unpublished papers, addresses at farmers' days, as well as popular scientific articles. He made further important contributions to the agricultural sector, having served on 11 National commissions, Interdepartmental and Departmental committees of enquiry. He was Chairman of eight of these. The more important were those on research needs in the Highveld, on irrigation settlements, small holdings and on the use of agricultural land.



# Assocom will hammer home 'fringe' plan

5 APR 15/4/80

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**By Stephen Suckley**  
One of the main topics up for debate at Assocom's 1980 regional congress at Krugersdorp next Thursday will be the proposed introduction of taxation on fringe benefits.

First of all, the threat of such a tax and then the announcement by Finance Minister, Owen Horwood that measures would be introduced from 1981 has caused much concern in the business world on the implementation of the tax.

At the congress, the Johannesburg Chamber will put forward its ideas on what form the tax should take, from the point of view of organised commerce.

These include that:

- Employees affected by the measures should continue to benefit from the latest tax concessions once the fringe benefit tax is introduced.

- The Chamber feels that the employee must only be taxed where a benefit is enjoyed and the benefit should be part of the salary package.

- As other safeguards

the Chamber proposes that the employee must only be taxed to the extent of the benefit and public and private sector employees be taxed on the same basis.

- So as not to be disruptive new proposals should be phased in wherever possible.

The congress will no doubt ask Assocom to present these guidelines to Government at the earliest opportunity.

## INADEQUATE

Other motions to be considered will be the inadequacy of the amount set aside for the development of black urban areas.

Recent Budget proposals provided R12m for this development but the congress considers that grants on loans on a much larger scale should be urgently provided.

The Krugersdorp chamber will call for more use to be made by members of in-service training centre facilities and to make use of tax concessions for training purposes.

The Department of Statistics comes under the spotlight in a motion from the Sandton chamber which urges the department to simplify its methods and finalise and issue statistics within six months of the closing date of the returns.



Organization and Coordination of Joint Production



# Record after-tax profits all round at Anglovaal

JOHANNESBURG.

Higher gold prices offset such factors as generally lower tonnage and grades, and consequently there were record after-tax profits at all Anglovaal's gold mines in the March quarter.

Hartbeestfontein's figure was more than R15m higher at a record R48 840 000, ETC's figure was at a new high of R3 801 000 (December quarter R1 959 000) and Lorraine R56 000 (10 tax).

Ore milled at Harties was fractionally lower, while ETC following a 5,38m tonnage drawn from the mines than.

Although Lorraine's tonnage rose by a further 30 000 tons, a fire in the No 3 shaft area decreased the amount milled from underground. This was made up by low-grade material drawn from a surface dump and the average value was fractionally lower, while Harties' grade was unchanged.

The improved tonnage milled was responsible for decreased unit costs at Lorraine, but these were higher at ETC because of the decreased mill throughput and at Harties because of several factors, including an increase of labour.

Nevertheless, working profit

from gold rose by R2,7m at ETC, R46,3m at Harties and by almost R4,2m at Lorraine. After deducting for other subsidiary higher for ETC and Harties, all mines reflected record profits.

The mill throughput of the copper-zinc producer, Preisha, was adversely affected by the breakdown of a rod mill motor, but total dispatches were some 7 000 tons higher.

This, combined with the receipt of agatestones on earlier shipments and higher gold and silver prices, led to a R5m jump in operating profit, while net profit was a similar amount higher at R9 000 000.

Although Consolidated Marchison, the antimony producer, reported a decreased tonnage milled, production was little changed.

However, sales - which vary quarterly - were almost 1 000 tonnes down and the operating profit was R223 000 below the December quarter's figure.

Costs were some R120 000 higher because of the lower mill throughput and, combined with lower sales revenue, brought about a decreased after-tax profit.

In terms of the recent budget proposals, the mines are no longer providing for state loan levels.

Other points from the quarters include:

## Gold mining quarterlies

Hartbeestfontein:

Mill throughput was little changed at 217 000 (218 000) tons, grade was unchanged 11,2 g/t and unit revenue rose to R194,22 (R192,39) a ton as a result of the sharply higher gold prices received.

This more than offset costs but rose to R4,74 (R4,74) a ton because of extra working profit from the rise in gold prices.

Uranium-oxide production was little changed, although profit from sales of this material, pyrite and sulphuric acid decreased to R3 893 000 (R10 138 000) as a result of a fall in the price of uranium-oxide.

After adding non-mining income and deducting prospecting costs and taxation - the latter was a ton up at R2,72 (R2,72) a ton - there was a pre-tax profit of R15 751 000 (R17 442 000). Taxation and State's share of profit added R2 653 000 to the final profit, at a record R18 404 000 (R20 095 000).

Capital expenditure was R4 691 000 (R4 629 000). Development values for both gold and uranium-oxide were lower - R38 171 000 (R41 210 000) (2,56 cm/g/t respectively).

ETC

A decrease in the tonnage drawn from the 51 mines in the quarter meant a 300 ton to 800 tons to the two pits also decreased fractionally to 62,6 g/t.

Although costs were R2,45 a ton higher at R4,74 (R4,74) a ton because of extra working profit from the rise in gold prices, this was more than offset by the higher gold prices, with unit revenue rising to R195,25 (R192,39) a ton there was a profit of R18,39 (R18,14) a ton resulting in a working profit of R5 850 000 (R1 250 000).

After adding non-mining income and deducting prospecting costs and taxation - the latter was a ton up at R2,72 (R2,72) a ton - there was a pre-tax profit of R3 301 000 (R1 959 000).

Lorraine:

The programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground, has now been completed. The dumps are now being treated, and the dumps are now being treated, and the dumps are now being treated.

The programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground, has now been completed. The dumps are now being treated, and the dumps are now being treated, and the dumps are now being treated.

which an insurance claim has been lodged.

The net result was that mill throughput was increased by 20 000 to 432 000 (412 000) tons, the grade dropped to 3,1 (3,6) g/t.

The increased tonnage caused unit costs to decline to R34,79 (R36,0) a ton, combined with higher gold prices received, this led to a profit of R18,53 (R18,2) a ton.

Working profit from gold was therefore R4 744 000 higher at R15 824 000 (R11 080 000) and income of R145 000 (R126 000) and deducting a R17 000 (R15 000) profit on uranium and pyrite sales, the profit rose to a record R5 690 000 (R3 759 000).

Average development results were down because of poorer values from the "B" reef, which is very variable. Overall, 62,6 (61,4) g/t sampled yielding an average channel width of 64 cm (58 cm), was equivalent to 356 (385) cm g/t.

Outstanding capital commitments on March 31 totalled R10 827 000 (R885 000), the increase being brought about by two-year contracts placed for sinking and equipping the Number 1 (B) shaft system. The programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground, has now been completed. The dumps are now being treated, and the dumps are now being treated, and the dumps are now being treated.

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25 469 (27 822) tons of copper concentrates and 25 627 (30 000) tons of zinc concentrates. However, copper dispatches increased to 30 355 (20 225) tons, while zinc dispatches were slightly lower at 27 021 (28 883) tons.

These sales - combined with the receipt of agatestones on earlier shipments and higher prices received for gold and silver - resulted in a R5m jump in operating profit at R15 824 000 (R11 080 000).

Non-mining income and interest on investments added R145 000 (R126 000) to the profit, while a R17 000 (R15 000) loss on uranium and pyrite sales, the profit rose to a record R5 690 000 (R3 759 000).

Consolidated Marchison  
Ore milled totalled 133 800 (139 800) tons and yielded 200 (194) g/t. The average grade of concentrates and co's, which vary quarterly, decreased to 4,75 (5 689) tons.

This led to revenue of R4 467 000 (R3 300 000), but working costs were also higher at R3 922 000 (R3 750 000). Improved gold prices brought about by two-year contracts placed for sinking and equipping the Number 1 (B) shaft system. The programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground, has now been completed. The dumps are now being treated, and the dumps are now being treated, and the dumps are now being treated.

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3:20

THE Afrikaanse Handelsinstituut will emphasise in its final submission to the standing commission on taxation that only the State President should escape fringe benefit taxation.

In his Budget speech, the Minister of Finance, Senator Owen Horwood, announced that the tax would only be introduced in the 1981/82 tax year.

A draft Bill drawn up by the commission has been circulated to Assocom, the Federated Chamber of Industries, the AHI and other organisations for "final" reaction to the provisions in the draft.

Reactions have to be submitted to the commission before the end of the month.

An AHI spokesman said in Pretoria yesterday that everyone must be drawn into the net.

The insistence on the ruthless application of the "no discrimination" principle reflects the fear of many taxpayers that the Prime Minister, Cabinet Ministers, Deputy Ministers, MPs, Provincial Councillors and other individuals in public life, including top public servants — and even judges with their new R3 000 tax free allowance — will worm out of paying the tax.

The AHI spokesman said the institute also disagreed strongly with the provision in the draft legislation that those earning R12 000 a year or less should escape the tax.

"Our view is that no matter what a man or woman earns if they receive benefits they must be taxed."

This, the spokesman said, might mean a restructuring of salaries.

If this was necessary, then it must be done, he added.

The application of the tax with complete impartiality, irrespective of rank or position, is also likely to be emphasised by Assocom and the Federated Chamber of Industries.

A revised budget (If you think as far as possible to the showing which job you (as a) explaining your guiding principle would last 12 months; no cost to be offered.

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# Separate taxation for women urged

Parliamentary Staff

MRS HELEN SUZMAN (PFP, Houghton) made a strong plea in Parliament yesterday for the separate taxation of working, married women.

Speaking in the Assembly during the second reading debate on the Budget Mrs Suzman told the Minister of Finance, Senator O P F Horwood, that women found it 'ridiculous' not to have separate tax identity.

'More and more women are entering highly-paid occupations. They have no tax privacy, but their husbands do,' she said.

Mrs Suzman said no in-depth studies had been done on the potential fiscal loss of introducing separate taxation for working, married women.

## FISCAL POLICY

'Other countries have an interest in the fiscal policy, yet they have separate taxation for married women,' Mrs Suzman said.

She said Canada and the United States had separate tax systems and the United Kingdom was presently examining a whole new system of taxes.

Dealing with a Government argument that it was unfair for single breadwinner families to be taxed at a higher level than families where there



Mrs Helen Suzman

were two breadwinners in the family Mrs Suzman said: 'The answer is very simple.

'There are two people in the latter family who are contributing to the gross national product and they therefore deserve some additional reward.

'So I simply say to the honourable Minister that he should remember that although a woman's advice has little value, he who won't take it is a fool.'

'That is a Servantes quotation from Don Quixote,' Mrs Suzman said.



**Financial Reporter**  
**THE** chairman of Protea Holdings, Mr Fred Beard, is convinced that the fringe benefits tax will not be implemented.

And the reason which he gave the national conference of the Institute of Cost and Management Accountants in Cape Town yesterday was that he refused to believe that Parliament would agree "to the housing benefits of public servants (including their own) being taxed".

Nor could he believe that members of Parliament would agree to their not inconsiderable fringe benefits being taxed.

Mr Beard said that organised commerce and industry used the wrong tactics when they objected to the proposed fringe benefits legislation. He agreed with the Minister of Finance that a large body of taxpayers

were unfairly treated when business executives were allowed to have a fairly large proportion of their total emoluments — fringe benefits in cash and kind — escape the tax net.

He hoped that in their latest comments on the proposed legislation organised commerce and industry "were wise enough to accept the taxing of fringe benefits and that they made it crystal clear that it must apply to every taxpayer, including cabinet ministers and members of Parliament".

Citing Dr A Wassenaar's warning that the Government was trying to divide the body of

taxpayers into a public section and a private section, Mr Beard reminded his audience that section 61 of the Finance Act exempted public servants from being taxed on housing benefits.

"The De Loor Commission regards this exemption as 'untenable' which means indefensible," said Mr Beard, "and they recommended that section 61 be repealed, with existing housing benefits being phased out over the next few years."

But Mr Beard does not believe this. He is convinced that the legislation will be dropped because it would hit the public

service as well as parliamentarians.

Discussing the proposed introduction of a capital gains tax, Mr Beard said that in Britain it cost more to administer the tax than the amount collected. In Canada a commission established in 1975 that the system there was costly to administer, too complex and a disincentive to business investment.

Mr Beard declared that a capital gains tax was essentially a socialistic concept and that the very cornerstone of the free enterprise system was the profit motive.

# Why Parliament won't tax perks

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A revised budget (if you think revisions are called for), adhering as far as possible to the same order as that used for the data above, showing which job you (as a director) prefer, with short notes explaining your guiding principles and any calculations. Both jobs would last 12 months; no other jobs are being done or are likely to be offered.

Required:

- (b) Manual labour is hired locally from week to week.
- (d) All the plant needed for Southampton has been owned for some years. £1,60000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.
- (f) Office and general expenses amount to about £1,800 every year.



# Perks tax must be 'scrupulously impartial' call

By GERALD BREWSTER  
Federal Express

ORGANISED commerce and industry want the non-discrimination principle in the application of the perks tax imposed with scrupulous impartiality, according to spokesmen.

In its final submission to the Standing Committee on Legislation, the All-Industry Workers' Institute (AWI) has stressed that only the State President should accept the law.

In his Budget speech, the Minister of Finance, Mr. Hendrik Verwoerd, indicated the perks tax would only be introduced in the 1970-71 year.

A draft Bill drawn up by the commission has been circulated to Assecom, the AWI, the Federated Chamber of Industries and other organisations for final reaction to the draft.

An AWI spokesman said everyone must be drawn into the net in the public as well as the private sector.

Other sources said the insistence on the ruthless application of the "no discrimination" principle reflected the fear of many taxpayers that the Prime

Minister and members of his Cabinet, others in public life, including top public servants, and even judges with their £12,000 tax-free allowance will be allowed to worm out of paying the tax.

The AWI spokesman said the institute disagreed strongly with the premise in the draft that those earning R12,000 a year or less should escape the tax.

The Federated Chamber of Industries strongly supports the non-discrimination principle, and believes there should be no exemptions and no special concessions.

An AWI spokesman said assurance had been given that the tax would be applied without fear of favour.

If it was not then an angry reaction could be expected from taxpayers.

The secretary of Assecom's taxation committee, Mr. Alan Lighton, said it expected a scrupulous application of the non-discrimination principle.

This was a basically vital factor in Assecom's submission to the tax commission.

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It seems worthwhile to briefly consider the institution of deposit insurance in the present context. From the point of view of the depositor, deposit insurance makes all deposits equally attractive, independent of the bank's insolvency risk, and it thus removes the necessity of a risk premium in the deposit.

## Deposit Insurance

otherwise, corner solutions would be obtained. 28)

$$C_{DD} + S_{DD} > 0 \quad (24)$$

That is, the bank will expand its deposit production up to the point where the "marginal cost" of producing deposits ( $= C_{DD} + S_{DD}$ ) equals the corresponding "marginal revenue" ( $= p - t$ ). An interior optimum, of course, also requires that the two functions intersect each other from the right side, i.e.



## BUSINESS

# Taxman's scoop from Anglo mines

STAR 18/4/80 320 74

By Stephen Suckley

Sparkling results from producers in the Anglo American group have indeed made the March quarter another golden period for the gold mines of South Africa.

The quarter throughout has featured lower tonnages milled, declining yields and in most cases lower gold produced and higher working costs. Yet, in many cases, record profits due to the favourable gold price.

And certainly the 12 mines in the Anglo group have been no exception.

Taking a look at the six mines comprising the Free State operations shows that the average gold price in the last quarter was 631 dollars an ounce, up from 408 dollars in the previous quarter — an increase of 55 percent.

Thus, revenues were lifted to R521.3m, an increase of 40.7 percent and this was achieved in the face of a drop in gold production of nearly two percent from the 34 066 kg achieved in the December quarter.

## PROFIT

Grade was reduced at five of the mines while overall workings costs rose by 6.9 percent to R132.2m.

Profit before tax showed an extremely healthy 56.7 percent increase to R403.5m.

There is no doubt that this quarter has seen a swelling of the State's coffers from tax and lease considerations and a big slice of the action has come from the Anglo group.

And when one sees the enormous amount of R224m in tax, an increase of 60.7 percent over the previous three months, it is easy to see why the gold mining chiefs were

disappointed with the lack of tax concessions for them in the recent Budget.

This mammoth tax charge left taxed profit for the six mines at R184.2m.

With the bonanza given by the gold price over the last few quarters most producers in the industry have opted for higher capital expenditures.

In Anglo's case during the first quarter of the year capital expenditure rose by 10.2 percent to R55.8m.

A brief look at the individual mines and operations of the Free State contributors shows that:

○ The tonnage of slimes treated at the Joint Metallurgical Scheme was substantially higher at 1 173 000 tons compared with 638 000 tons previously.

This was due to the extension to the plant which was put into commission and operated at rated capacity.

Both uranium oxide and gold production were higher but total profit for the quarter was only R1.8m higher at R10.8m reflecting the lower level of uranium sales.

○ Free State Geduld was the only mine to increase its gold production (from 8 899 kgs to 8 963) but workings costs per ton milled increased by nearly R2 a ton milled to R39.42. Taxed profit rose from R33.8m to R49.4m.

○ President Brand the most profitable of the Free State producers in the Anglo camp also increased gold production marginally on lower tons milled but a higher yield. Price received on gold sales was a healthy 632 dollars an ounce.

Profit from gold operations rose from R57.4m to R94.2m. After sundry expenditure and profits

Record interim dividends have been declared by five of the Free State gold mines administered by Anglo American Corporation and are payable to shareholders registered on May 2, 1980.

The dividends declared, with a comparison of previous interims and finals, are:

	1980		1979		1978
	Interim	Final	Interim	Final	Interim
Free State					
Geduld	475c	235c	185c	185c	130c
President					
Brand	320c	180c	115c	85c	65c
President					
Steyn	280c	117.5c	65c	50c	30c
Welkom	130c	67.5c	42.5c	40c	25c
Western					
Holdings	675c	375c	270c	225c	190c

from the joint metallurgical scheme pre-tax profit shot up from R58.1m to R94.7m. The tax man's bite was felt and after his slice net profit was R47m against R32.7m.

## ○ PRESIDENT

STEYN'S tonnage milled, yield and gold production were all lower, but due to the soaring gold price (the company received 628 dollars an ounce for its sales) at the end of the day taxed profit was lifted from R22.7m to R32m.

Production at the mine was significantly affected during the quarter by a breakdown in the power supply from Escom. The mine was also dogged by a seismic disturbance in February which affected

production from the No 2 shaft.

○ At Free State Saaiplaas taxed profit rose from R5m to R7.9m. Production at this mine during the quarter was also affected by disruptions in the Escom supply while the much lower grade (2.81 g/t compared with 3.49 in the previous quarter) was due to the milling of low grade surface rock dump.

○ Western Holdings, the other lucrative Free State Anglo mine notched up a taxed profit of R35.7m which was up over R15m on the previous three months. On a profit of R94.6m the State took a grand slam R58.9m, up from R39.3m.



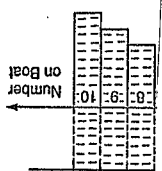
# Forget the fringe tax —chairman

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By Jean Moon

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"I refuse to believe that Parliament will agree to the housing benefits of public servants (including their own), being taxed — nor can I believe Parliament will agree to their other, not inconsiderable fringe benefits being taxed also."

This is the opinion of Mr Fred Beard, chairman of Protea Holdings, speaking at the National Conference of the Institute of Cost and Management Accountants in Cape Town yesterday.

"This will be the last we hear of the taxing of fringe benefits," he added.

## APPLIES TO ALL

On capital gains tax, Mr Beard believes proposals should be "thrown out without more ado." The system of imposing such a tax in Canada and the UK have proved more costly to administer than the amount received.

He finds capital gains tax essentially socialistic in its concept.

"The Government should assist all South Africans to acquire personal wealth and keep it — not penalise them for their acquisitiveness," said Mr Beard.

He sincerely hopes that organised commerce and industry is wise enough, when given the opportunity to make their ideas on fringe benefit taxation, make it crystal clear that it must apply to every taxpayer, including Cabinet Ministers and Members of Parliament.

"The Minister of Finance is quite right when he claims that the large body of self employed and other taxpayers are being unfairly treated when executives in commerce and industry are allowed to have a fairly large proportion of their total emoluments (in cash and kind) escape the tax net.

"Senator Horwood — and rightly so — regards the position indefensible.

"Dare I suggest that the bureaucrats in his department derive some sadistic satisfaction for making the tax net as wide as possible," added Mr Beard.

Already section 61 of the Finance Act exempts public servants from being taxed on housing benefits.

The De Laor Commission has recommended that section 61 be repealed with existing housing benefits being phased out over the next few years.

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# Top men bear biggest part of tax burden

By Jean Moon

South Africa's top men shoulder nearly one fifth of the country's tax burden.

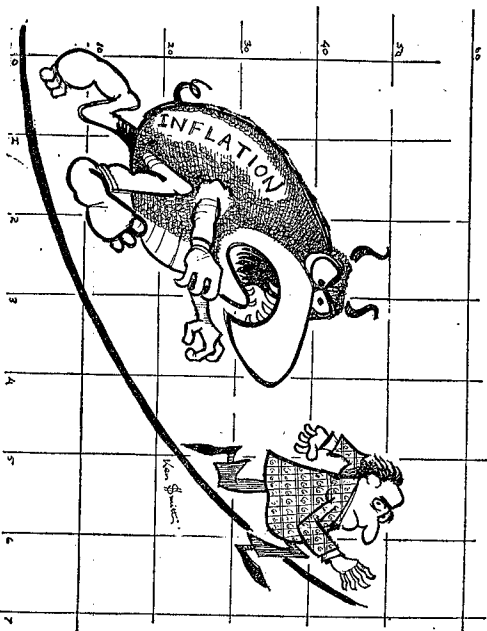
Fewer than 25 000 taxpayers, or about 1.8 percent of the total, who earned more than R25 000 a year last year paid 18 percent of the total personal tax bill of about R2 000m, which accounts for about R360m.

Bill Glasgow, an international compensation specialist who is at present in South Africa to assist the PSA group, the largest remuneration and salary survey company in the country, has come up with some staggering statistics.

## REDUCTION

Through the Budget provided relief to top taxpayers, Mr Glasgow estimates that 1.5 percent of top taxpayers will now have to pay 21 percent of the total personal tax bill of about R1 400m or R300m.

Senator Horwood may have reduced personal taxes by R600m but it benefited top taxpayers



only to the extent of R60m or 10 percent of the total. "If the fringe benefits tax is brought in next year, top salary earners can expect their proportion of the total personal tax bill to rise slightly — from between 25 and 30 percent," said Mr Glasgow. While the married person, with two children, 23 percent — at the other

end of the scale a top executive earning R50 000 has had his tax slashed from R15 350 to R15 350, which is a 17 percent reduction.

## PRESSURE

"Not only will we be unable to attract top executives but the pressure at the top is increasing all the time, with the quality of life being eroded.

"In absolute terms they are no better off than they were in 1972," he said.

In 1972, the take-home pay from a salary of R18 000 was R14 380, but in the current year the take-home pay from a salary of R47 250 is R35 400. In terms of 1972 standards he receives an equivalent of only R13 960.

If perks of R1 500 were to be taxed, an executive on a salary of R20 000 would be right back where he was last year.

On a R30 000 salary with R3 750 fringe benefits, and on a R40 000 salary with R4 000 fringe benefits, the executive would be back to square one.

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# Perks tax 'imperative'

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Own Correspondent

**PORT ELIZABETH** — Employers would have adequate time to make adjustments to salaries before taxation of fringe benefits came into operation next year, the Deputy Minister of Finance, Mr P T C du Plessis, said in Port Elizabeth yesterday.

The Government's decision to go ahead with taxation of fringe benefits should be welcomed by the business fraternity, he told the Midland Chamber of Industries.

"For the first time there will now be certainty in this field and employer and employee will now know precisely what the tax position on these benefits is."

The measures had not only become a necessity due to increasing abuse and misuse, but from an equity point it had become imperative to try to rectify distortions which had become increasingly glaring.

The aim should be to face the problem and try to correct it gradually and with compassion in order not to "rock the boat."

"It would still be advantageous for an employee to enjoy most fringe benefits because he is not fully taxed on his housing or other benefits."

He doubted that taxation of fringe benefits would have serious repercussions for the luxury car market. But it was a matter that would be kept under close surveillance.

Naamsa and the Federation Chamber of Industries were looking into the problem, but it should be seen against a far more serious hurdle the luxury car market overcame with the substantial increase in the price of petrol.

"Luxury cars will always be in demand. There is a certain sector of the market always willing and able to afford them."

The De Waal panel had almost completed its re-



Dr P T C du Plessis ... "abuse and misuse."

commendations on the promotion of small businesses.

"As in the past the State would like to receive the comments and recommendations of the private sector. The manner in which funds could be applied optimally for the promotion of small businesses was once again a case where dialogue could be fruitful and to the benefit of the state and private sector," he said.

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The so-called owners of the firm borrow or hire

Risk Allocation by  
Contracts within a Firm: Wage  
and Employment Security

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(to be copied from the heading on the Examination Paper)

**WARNING**

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.
1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

### Vervaardig in Suid-Afrika



# Tax cuts, <sup>Argus 25/4/80</sup> <sup>(320)</sup> upturn boost retail sales

Financial Editor

**TAX CUTS** and the upturn in the economy are putting more money in people's pockets, making this a bumper year for the retail trade so far.

Preliminary sales figures prepared by the Department of Statistics shows that retailers' turnovers rose just under 18 percent in the first three months of this year to R3 254.6 million.

Even more significant is that after the effects of inflation have been taken into account there was a real increase in retail sales of 3.8 percent.

This is the first time since 1976 that there has been an increase in the physical volume of sales in the first quarter.

## MORE-CONFIDENT

Retailers report that consumers are far more confident and are again willing to spend more freely. They attribute this to the tax cuts, which have resulted in most people having at least a little extra purchasing power, and to the expanding economy, which has made people feel that better times are ahead.

Retail sales, after rising 10.3 percent last year, increased by 18 percent in January, 20.9 percent in February and 15.2 percent in March. Sales this month are expected to rise by around 20 percent.

In real terms retail sales fell last year by 1.4 percent, but rose 4.0 percent in January, 6.3 percent in February and 1.2 percent in March. Expectations are they will show a seven percent rise this month.

## HIGHER DEMAND

This increase in the physical volume of goods sold and the expectation that the trend will continue is good news for the Government.

For it means that manufacturers will have to increase production to meet the higher demand and probably have to increase the size of their labour forces.

Other figures issued by the Department of Statistics show that employment in the retail trade rose by 3.1 percent last year from 365 600 to 377 000, while the salary and wage bill rose by 17.1 percent.

## WHITES IN TRADE

The number of whites in the trade increased by 5 900 to 142 700 and the number of coloured people by 1 300 to 48 400. Asians by 100 to 19 600 and blacks by 4 100 to 42 000.

as an act of clemency or  
through international in-  
tervention there is no es-  
cape for them.  
The decree under which  
they are accused makes it  
an offence punishable by  
life imprisonment or  
death merely to have been  
a member of the former





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PRETORIA, 25 APRIL 1980

[No. 6966

**GOVERNMENT NOTICES**

**DEPARTMENT OF CO-OPERATION AND  
DEVELOPMENT**

No. 914

25 April 1980

**BLACK TAXATION.—DEDUCTION  
TABLES**

Under and by virtue of the powers vested in me by sections 25 (2) and 32 (3) of the Black Taxation Act, 1969 (Act 92 of 1969), I, Rudolph Johannes Raath, Secretary for Co-operation and Development, hereby give notice that deduction tables applicable to all classes of employees and tables for determining the amount of provisional tax to be paid by provisional taxpayers generally, which I have prescribed in terms of sections 25 (1) and 32 (2), respectively, of the said Act, shall come into force on 1 May 1980, and I hereby withdraw Government Notice R. 839 of 1979 with effect from 1 May 1980.

R. J. RAATH, Secretary for Co-operation and Development.

*Note.*—The deduction tables are obtainable on request from Receivers (Commissioners/Magistrates) of Black Tax.

**GOEWERMENSKENNISGEWINGS**

**DEPARTEMENT VAN SAMEWERKING EN  
ONTWIKKELING**

No. 914

25 April 1980

**SWART BELASTING.—AFTREKKINGS-  
TABELLE**

Kragtens die bevoegdheid my verleen by artikels 25 (2) en 32 (3) van die Wet op Swart Belasting, 1969 (Wet 92 van 1969), gee ek, Rudolph Johannes Raath, Sekretaris van Samewerking en Ontwikkeling, hierby kennis dat aftrekkingstabelle wat vir alle kategorieë van werknemers geld en tabelle vir die bepaling van die bedrag van voorlopige belasting wat deur voorlopige belastingpligtiges in die algemeen betaal moet word en wat ek ooreenkomstig artikels 25 (1) en 32 (2) onderskeidelik, van genoemde Wet, voorgeskryf het, op 1 Mei 1980 in werking tree en trek ek hierby Goewermenskennisgewing R. 839 van 1979 in met ingang vanaf 1 Mei 1980.

R. J. RAATH, Sekretaris van Samewerking en Ontwikkeling.

*Opmerking.*—Die aftrekkingstabelle is op aanvraag verkrygbaar van Ontvangers (Kommissaris/Land-droste) van Swart Belasting.



## OWN BOOK

(on Paper)



# Byvoordele in nuwe ophef

RAPPORT 27/4/80

Deur ALPHONS DU TOIT

**DIT lyk of die Departement van finansies se huidige turksy — die voorgestelde belasting op byvoordele — in 'n heftige polemieks kan ontwikkel. Die saak behoort dus sagkens gehanteer te word.**

Assocom se stelling dat die voorgestelde belasting uiters inflasionisties gaan wees, tensy belasting in die algemeen in die begroting van 1981 verder verlaag word, is deur mnr. Mickey Van der Walt, kommissaris van Binnelandse Inkomste, summier verwerp.

In opdrag van mnr. Van der Walt, het mnr. Raymond Parsons, uitvoerende hoofbeampte van Assocom, die volgende boodskap op Assocom se streekkongres op Krugersdorp voorgelees:

„Ek stem nie saam met die stelling dat die voorstelle uiters inflasionisties gaan wees nie. Hierdie stelling is oorbeklemt en moet bevestig word. Ons moet weet hoeveel werkers betrokke is en presies hoeveel loondruk 'n regstreekse gevolg gaan wees. Die sogenaamde uiters inflasionistiese uitwerking (van die voorstelle) moet beslis nog gestaaf word.”

Ondanks mnr. Van der Walt se boodskap het die streekkongres van Assocom eenparig besluit dat dié konsepwetsontwerp, ná die tweede lesing in die Parlement, aan 'n gekose komitee voorgelê moet word en dat verdere belastingverlaging in die Begroting van 1981 bevat moet word „om die uitwerking van die belasting op byvoordele teen te werk”.

Mnr. Parsons wou nie kommentaar op mnr. Van der Walt se boodskap lewer nie. Assocom het aanvanklik aan mnr. Van der Walt gesê dat hy die basiese konsep aanvaar dat alle soorte vergoeding belas moet word. Assocom het ook daarop aange-

dring dat werknemers in sowel die openbare as die private sektore op 'n gelyke grondslag behandel word.

Assocom is egter van mening dat, indien die huidige voorstelle geïmplementeer word, dit die voordele van die Begroting van 1980 vir sekere belastingbetalers gaan neutraliseer en dat loondruk-inflasie vererger gaan word.

Iemand wat wel bereid was om kommentaar op mnr. Van der Walt se boodskap te lewer, was mnr. Bill Glasgow, internasionale deskundige op die gebied van vergoeding.

Hy het aan Sake-Rapport gesê: „Ek stem volkome saam met Assocom se stellings. Dit lyk baie vir my of die betrokke owerhede 'n heksejag op tou wil sit — en dit ter wille van 'n geraamde totale belastinginkomste van tussen R40 miljoen en R60 miljoen.

„So-lies word nie in 'n kapitalistiese samelewing verwag nie. Dit hoort veel eerder agter die ystergordyn. Wat my eintlik dronkslaan, is dat mnr. Van der Walt Assocom se stelling summier kan verwerp bloot omdat die aantal werknemers wat betrokke sal wees, onbekend is.

„Hoe op aarde is die konsep-wetsontwerp ooit sonder die nodige inligting behoorlik opgestel. Dit blyk asof iemand nie sy huiswerk gedoen het nie.

Mnr. John Cole van die P-E Konsultgroep is veral bekommerd oor die totale omvang van die voorgestelde belasting. „Sluit dit almal in, van sowel die openbare as die private

sektor?” wou hy weet. „Sal die byvoordele van lede van die kabinet en van die Volksraad ook belas word? Indien nie, sal die hele ding 'n klug word.”

Mnr. Johan Benade, hoofsekretaris van die Federale Raad van die sewe vakbonde van die SAS, glo ook dat die voorgestelde belasting op byvoordele niks meer as 'n heksejag sal wees nie.

„Wat spoorwerkers betref, is hul byvoordele feitlik tot behuising- en reisvoordele beperk. Maar dié voordele bestaan al jare. Spoorwerkers beskou hulle eintlik as geboorteregte.

„Myns insiens is die kool die sous nie werd nie. Dit kan vele gewoonlik eerlike mense dwing om te probeer verneuk. Die vakbonde wat ek verteenwoordig is sterk gekant teen die hele ding. Ons is gekant teen die instelling van belasting op byvoordele...”

Die Afrikaanse Handelsinstituut steun nie Assocom se stelling dat die voorgestelde nuwe belasting noodwendig loondruk-inflasie tot gevolg gaan hê nie.

Dr. Pieter Viljoen, hoof-ekonom van die AHI, het aan Sake-Rapport gesê sy organisasie het geen beginselbesware teen die belasting van byvoordele verbonde aan diens nie. „Die AHI het Donderdag samesprekings met mnr. Mickey Van der Walt gevoer,” sê dr. Viljoen. „Die AHI het hom die reg voorbehou om vertoë oor sommige sake aan die owerheid te rig. Hierdie voorbehoud is gemaak omdat die AHI sterk voel dat, indien hierdie belasting ingevoer word, alle persone (van sowel die private as die openbare

sektore) op 'n gelyke basis behandel moet word.”

Dr. Colin Cameron, president van die Vereniging van Staatsamptenare, sê die gemiddelde werknemer van die Staat nie in 'n groot mate by die voorgestelde belasting betrek word nie.

„Daar is min wat vir weelderige groot motors kwalifiseer,” het hy gesê. Die enigste gebied wat staatsamptenare op groot skaal betrek is behuising. In beginsel gaan ons saam met die belasting op byvoordele, maar die meeste staatsamptenare beskou nie die toegewings ten opsigte van behuising as 'n werklike byvoordeel nie. Indien dit belas sou word, sal daar groot ontevredenheid wees. En dit geld ook vir reiskonsessies waarvoor staatsamptenare in aanmerking kom.

Onmin neem vinnig toe



# Businessmen hit back at perks tax

SUN TRIB (FIN)  
27/4/80

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Finance Reporter

**BUSINESSMEN** are not taking the latest perks tax proposals lying down.

Assocom has picked holes in many of the proposals in the draft Bill that has been circulated to organised commerce and industry for comment. Assocom has now called for the draft Bill to be referred to a Select Committee after the second reading debate in Parliament.

This will allow the contentious proposals to be aired fully by MPs many of whom have a personal interest in the issue. The committee may recommend that the proposals be accepted or that the Bill be returned to the drawing board.

The main objection from the commercial sector is that the tax concessions granted in the last Budget will be more than wiped out if the proposals in their present form are brought into force at the beginning of the next tax year.

There is also a strong fear that the taxation of perks in the public sector and on the mines will lead to demands for much higher wages and this in turn will push inflation even higher.

Assocom, at the regional congress of the Transvaal chambers of commerce in Krugersdorp this week, has also called for more tax concession in the 1981 Budget to offset the impact of fringe benefit tax.

The resolution passed at the congress recognises that non-cash benefits are taxable but it also warns that the proposals as they stand, will neutralise the effects of recent tax cuts for some groups of taxpayers and will aggravate wage-push inflation at a crucial stage of the economic upswing.

One of the delegates expressed the fear that the persuasive Secretary for Inland Revenue Mickey van der Walt, may be able to push the present Bill through and that is why the delaying tactic of a select committee is being favoured by commerce.

A memorandum by Assocom points out that the Minister of Finance, Senator Owen Horwood, does not intend that the perks tax should increase the total tax burden.

Several modifications to the proposals have been made. Assocom says the distance of 10 000 kilometres for private use of company cars is still far too high and should be substantially reduced. The onus to prove a lesser distance will dissuade most people from submitting their cases for review. The assumed distance for private use should be only 6 000 kilometres, says Assocom.

Senior employees sometimes have to drive vehicles that fit in with their status and not necessarily cars which they would choose themselves. Commercial travellers in country areas are usually given large cars. Special provision should be made in these special circumstances. Criticism is also made of the proposed table of motoring costs and Assocom feels an intermediate category should be introduced between R7 000 and R12 000.

Assocom has also picked holes in proposals to tax executive dining rooms, subsidised accommodation, entertainment allowances, bursaries, company loans, donations or special sales.



# Taxpayer exhausted — Louw

Argus 28/4/80

320

## Provincial Reporter

MUNICIPALITIES should receive a share of the general sales tax or other Government revenue to provide the basic services needed by the community, the Administrator of the Cape, Mr. Gene Louw, said in an interview in Cape Town.

Mr. Louw said the taxpayer's ability to pay ever-increasing property rates and fees for services such as sewerage and

water connections was exhausted.

The inability of local authorities to tap other sources of revenue to meet the demands for basic facilities and services had led to an urgent situation, one 'which is deteriorating into a crisis', he said.

'My sympathies lie both with local authorities in the Cape, who are struggling to meet the demands on them, and the ratepayers who in many instances are already paying intolerably high rates and service charges,' Mr. Louw said.

## NEW DEAL

'What we need is a new deal' in financing local authorities.

'I believe that some amount collected by the State from the general public by way of GST, income tax or even other sources of revenue, such as gold, should come back to municipalities.'

'This would not be a direct payment to local authorities by the State, but should be channelled back to local government through the existing channels, by way of a subsidy to the Provincial Administration for this purpose.'

Mr. Louw said he was sympathetic to the appeal of local authorities for exemption from GST on the grounds that this was depleting their incomes. On the other hand it would set a precedent which was perhaps undesirable.

Mr. Louw said the situation had become serious because the salaries and wages of few people had risen to the same extent as inflation.

Faced with decreased purchasing power, the householder was expected to meet ever-rising rates and services charges, with serious consequences.

Pensioners who had contributed to the community all their lives, and provided themselves with housing in their old age, were being forced from their homes.

## PENALTY

Young people who bought land with the intention of saving to build a house found themselves paying a penalty, militating against their ability to provide their own housing.

A man who kept his home in good condition and improved it found himself subject to the penalty of increased property rates, while the man, who neglected his home or carried out no improvements was not subject to increased tax.

Mr. Louw said he welcomed signs in some municipalities of a move towards a site valuation rather than an additional valuation on homes and improvements.