TAXATION

1975 -1977

HANSARD 2 Q. column 99 - 100

12 February 1975.

Taxation

24. Mr. L. F. WOOD asked the Minister of Finance:

(a) How many (i) Whites, (ii) Coloureds and (iii) Asiatics were eligible for income and/or provincial 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:

Provincial tax is no longer levied on persons or the incomes of persons. The following figures relate to persons assessed for normal income tax in respect of the 1973 tax year. Not all assessments for that year have yet been issued.

	(a)	(b)
	No. of Tax Payers Liable for Normal Income Tax	Amount Assessed
		R
Cape Province:		
(i) White	339 042	175 765 517
(ii) Coloured	77 572	7 133 298
(iii) Asiatic	3 228	998 891
Natal:		
(i) White	149 394	85 940 837
(ii) Coloured	5 804	731 978
(iii) Asiatic	36 707	5 933 768
O.F.S.:		
(i) White	82 111	41 471 505
(ii) Coloured	455	42 939
(iii) Asiatic	1	448
Transvaal:		
(i) White	605 117	386 943 085
(ii) Coloured	8 306	933 891
(iii) Asiatic	12 352	3 988 179

HANSARD 6 Q. column 467
14 March 1975.

Taxation

Taxation of Bantu

*1. Dr. F. VAN Z. SLABBERT asked the Minister of Bantu Administration and Development:

(a) What amounts were collected from Bantu in taxes under the Bantu Taxation Act in each financial year since 1970-'71 and (b) how many Bantu paid tax based on income in each of these years.

†The DEPUTY MINISTER OF BANTU DEVELOPMENT:

(a)	1970-'71	R14 929 755
	1971-'72	R16 538 984
	1972-'73	R18 243 709
	1973-'74	R25 277 680
(b)	1970-'71	1 386 568
	1971-'72	1 661 670
	1972-'73	1 817 785
	1973-'74	2 194 909

HANSARD 6 Q. column 495-496
14 March 1975.

Taxation

Repayment of loan levies

*38. Mr. R. J. LORIMER (for Mr. G. H. Waddell) asked the Minister of Finance:

(1) (a) How many tax-payers have not yet claimed repayment of loan levies paid during the period 1942 to 1945 and (b) what is the total amount unclaimed;

(2) whether a date has been determined from when unclaimed loan levies will be forfeited to the State; if so, (a) what is the date and (b) what steps have been taken to inform tax-payers.

The MINISTER OF FINANCE:

(1) (a) Approximately 100 000.

(b) R1 079 141.

(2) Yes.

(a) 31 October 1975.

(b) A notice was inserted in the *Government Gazette* on 7 March 1975 and on the same day a Press announcement was released through the medium of the Department of Information, in which attention was drawn to the provisions of section 4(1) of the Finance Act, 1974 (Act No. 84 of 1974) and persons involved requested to submit loan levy certificates in their possession to the Treasury for redemption.

Question.....................................
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Hansard 8 Q Columns 598
25 March 1975

(1) ~~128~~

(2) Taxation

Income tax from 1970-'71 to 1973-'74

*16. Mr. G. H. WADDELL asked the Minister of Finance:

(a) How many Whites, Asians and Coloureds, respectively, paid income tax in each financial year from 1970-'71 to 1973-'74 and (b) what was the total amount paid in each of these years by each group.

†The MINISTER OF FINANCE (Reply laid upon Table with leave of House):

The following figures relate to persons assessed for normal income tax and provincial personal and income taxes in respect of the 1971 tax year and for normal income tax in respect of the 1972, 1973 and 1974 tax years. Provincial taxes on income fell away as separate taxes with effect from the 1972 tax year, from which year they were consolidated in the normal income tax. Not all assessments for the 1973 and 1974 tax years have yet been issued.

	(a) No. of Tax Payers Liable for Normal Income Tax	(b) Amount Assessed R
1971 tax year		
Whites	1 226 453	491 545 521
Asians	67 934	6 891 819
Coloureds	134 993	6 053 349
1972 tax year		
Whites	1 172 814	653 598 440
Asians	49 265	9 599 078
Coloureds	85 381	7 649 626
1973 tax year		
Whites	1 180 354	694 903 675
Asians	52 599	11 057 171
Coloureds	92 805	8 905 187
1974 tax year		
Whites	1 056 817	621 106 398
Asians	47 390	8 637 138
Coloureds	99 427	11 142 097

HANSARD 10

Q. Columns 740-741

18/4/75

Taxation

Repayment of 1969 loan levy

*20. Mr. D. D. BAXTER asked the Minister of Finance:

What amount of the 1969 loan levy will be repaid to (a) diamond mining, (b) gold mining and (c) other companies during the current financial year.

The MINISTER OF TRANSPORT (for the Minister of Finance):

	Capital	Interest, calculated on the full term of seven years	Total
	R	R	R
(a)	1 403 920	491 372	1 895 292
(b)	4 169 535	1 459 337	5 628 872
(c)	14 005 320	4 901 862	18 907 182

HANSARD 10 Question Columns 741 – 742. 18/4/75

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Taxation

Loan levies

*21. Mr. G. N. OLDFIELD asked the Minister of Finance:

(1) (a) What is the present amount of the Loan Levy Account and (b) what is the amount of loan levies held in respect of (i) individual tax-payers and (ii) companies;

(2) what is the present rate of interest payable on loan levies;

(3) on what date is it expected that loan levis for the 1969 tax year will be repaid;

(4) whether consideration has been given to the earlier refunding of loan levies paid by elderly tax-payers in respect of tax years subsequent to 1969; if so, with what result; if not, why not.

The MINISTER OF TRANSPORT (for the Minister of Finance):

(1) (a) In respect of capital only: R416 932 284.

(b) (i) R148 196 651.

(ii) R268 735 633.

(2) 5%.

(3) The law requires me to determine in respect of each relevant year of assessment a date, not being later than the last day of February in the seventh calendar year commencing after the end of such year of assessment, after which the loan portion in respect of such year of assessment shall be repaid to the person by whom it was paid. This means that the date which I am required to determine in respect of the 1969 loan portion must not be later than 29 [illegible]

(4) Yes. The following measures have been introduced:

(a) The law was amended in 1972 for the purpose of authorizing the Secretary for Inland Revenue to repay the loan portion, before the date which I am required to determine, to any person who proves to his satisfaction that owing to old age, continued ill-health or infirmity or for any other reason, his financial circumstances are permanently reduced and that he will probably not be liable for normal tax in the future.

(b) In respect of the 1972 tax year, which was the last year for which individuals were liable for the payment of the loan portion, persons over the age of 65 years on the last day of that year were not liable for the payment of the loan portion if their incomes did not exceed R5 000.

These measures were adopted for the purpose of alleviating hardships. As the loan portion is an interest-bearing investment, it was not considered desirable to make premature refunds thereof merely on the grounds of age, for this would have deprived aged tax-payers of the benefit of a tax-free yield upon maturity of the loan portion.

Question...
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HANSARD. 13. Q. column. 903-
6 May 1975

Taxation

Income tax: Medical/dental expenses

The MINISTER OF FINANCE replied to Question *18, by Mr. G. H. Waddell.

Question:

Whether representations have been made to the Department of Inland Revenue in regard to the particulars of medical and dental expenses required to be furnished in returns of income for income tax purposes; if so, with what result.

†Reply:

Yes. Representations were made by the Federation of Medical Aid Schemes in regard to the furnishing of certificates to members specifying the medical, dental and hospital fees and the cost of prescription medicines paid by them during the tax year.

It was agreed that, for the 1975 tax year, unspecified certificates issued by medical aid schemes would be accepted as sufficient proof of payment by members for income tax purposes.

HANSARD 15 Q. ~~995-6~~ 995 - 996

20 May 1975.

Taxation

Certain donations deductible from taxable income

The MINISTER OF FINANCE replied to Question *29, by Mr. G. H. Waddell.

Question:

Whether consideration has recently been given to making donations (a) for educational purposes other than universities, colleges for advanced technical education and the National Study Loans and Bursaries Fund and (b) to registered welfare organizations, deductible from taxable income; if so, with what result; if not, why not.

Reply:

Yes. Careful consideration has been given to all representations in this regard which have been received from time to time, but it has not been found possible to accede to them.

Income tax is imposed in accordance with certain basic principles, one of which is that only expenditure incurred in the production of income qualifies for deduction in the determination of taxable income and that private expenses may not be so deducted. It is for this reason that donations are, in general, not tax deductible, however meritorious the purposes to which they are put may be.

Although these principles have been departed from to a limited extent on the recommendation of the Commission of Inquiry into Fiscal and Monetary Policy of South Africa, the departure was justified on the grounds that it would result in the attainment of a specific object. The Commission could, however, not recommend that the concession be extended to cover donations to charitable, ecclesiastical and other educational institutions.

A further departure from the principle mentioned before to make virtually all donations deductible for income tax purposes, would lead to requests that other types of private expenditure should also be made tax deductible which would be difficult to resist. These deductions if granted would contribute to the erosion of the tax base which would in turn frustrate attempts to keep tax rates as low as possible.

Having regard to the fact that donations to educational institutions and registered welfare organizations do not attract liability for donations tax and that bequests to them are not subject to estate duty, further fiscal relief beyond what has been the practice for many years in this context, is not regarded as justifiable.

It is, moreover, considered that it ought to be the pride of every citizen to contribute towards educational and welfare activities in his community without the expectation of the subsidization of his contributions by the State in the form of income tax concessions.

CAPITAL FOR TAX

Land profit top target

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By FLEUR DE VILLIERS

Sun Times 25/5/75

SOUTH AFRICANS may soon have to pay a capital gains tax. This means that profits made on, say, the sale of property, would become liable to taxation.

The controversial tax is being strongly recommended by a senior Government figure who has a powerful influence on the country's taxation structure, the Secretary for Inland Revenue, Mr W. G. Schickerling.

Dropping his bombshell at the annual congress of the Afrikaanse Handelsinstituut in Windhoek this week, Mr Schickerling said the lack of a capital gains tax in South Africa indicated a gap in its taxation system, and warned that he would work for its introduction.

Convinced

His experience in his department and what he had heard at the congress had merely convinced him that a capital gains tax — first recommended by the Franzsen Commission in 1965 — had become essential.

He admitted that he was not announcing accepted Government policy, but emphasised that he was entitled to make recommendations to the Minister of Finance.

While the introduction of the new tax would result in administrative problems for his department, he believed that "the game was worth the candle".

He said that there would be more clarity in South Africa's tax law about what constituted capital gain.

"Why should profits on land that was purchased less than two or three years previously, or on shares that had been held for less than one or two years, not be regarded as normal income and taxed in full?"

It would not be an easy task to introduce such a system, but the problem would henceforth enjoy the "undivided attention" of his department.

Mr Schickerling said that voices were constantly raised against the "so-called high rate of marginal taxation, over estate duty tariffs, for the increase of taxation allowances, and the reduction of sales duty.

"In the same breath they plead for an improved infrastructure and better social services and allowances, without recognising that the State needs a given amount annually to meet its current commitments and to improve and expand existing services."

No government imposed taxes purely for pleasure, he said.

Mr Schickerling was one of a number of Government representatives — including the Minister of Economic Affairs, Mr Chris Heunis, the Secretary for Commerce, Mr Joep Steyn, and members of the Prime Minister's Economic Advisory Council — to attend the three-day Handelsinstituut congress.

The meeting adopted a markedly verligte line in discussions on Black-White labour issues such as relations between Black and White workers and the optimum use of South Africa's labour resources.

Credibility

In his presidential address, Mr Chris Bisschoff pleaded for the immediate consolidation and independence of the homelands. Development aid could then be negotiated on an inter-state basis and would not be South Africa's sole responsibility.

This move would lend futher credibility to the policy of detente, Mr Bisschoff said, and would mean that the homelands policy would not stagnate in old patterns, but would be able to develop dynamically, keeping pace with new needs and circumstances.

Mr Jan Haak, the former Minister of Economic Affairs, succeeds Mr Bisschoff as president of the Handelsinstituut.

Sun Times (Bus Times) 15/6/75

When do domestics PAYE?

IN THESE days of increased household incomes, a growing awareness of the obligations of the employer of a domestic servant, increased expectations on the part of domestic servants, and heightened competition by employers for the services of an ever-increasing number of domestic servants — a cash wage of R480 a year to a domestic servant is not unusual.

Many domestic servants are paid more than R40 a month in metropolitan areas.

But a cash wage is not the sole determinant of liability for income tax or of the amount of PAYE deductions to be made.

Benefits in kind, such as free board and lodging, must also be included.

Thus even employers paying less than R40 a month in cash might be faced with the questions: Am I an employer for purposes of PAYE? Must I register as such? Must I deduct PAYE from my domestic servant's wages? Must I maintain all the PAYE records required by the Fourth Schedule to the Income Tax Act?

Extracted from Businessman's Law, published eight times a year from Box 2801, Cape Town, 8000.

Before attempting to answer these questions, let us dispose of a few subsidiary matters.

First, PAYE is not to be deducted from any amount paid to an African. There is an entirely different Act, applying to the taxation of Africans.

In addition, the homeland governments are laying down the foundations of future, separate, systems of taxation.

At present, whatever his other duties might be, the employer of a Black domestic servant need not register as an employer under the Fourth Schedule to the Income Tax Act.

Second, the value of benefits in kind given by an employer are valued for tax purposes at their value to the employee and not at their cost to the employer.

Since the domestic servant can normally obtain board and lodging at a lower cost than the amount spent by the employer to maintain his servant, the domestic servant's total wage (in cash and kind) for income tax purposes is usually less than the full cost to the employer of that wage.

Third, even if the domestic servant does earn more than R40 a month, it does not follow that he or she will be liable to income tax.

An unmarried domestic servant may earn at least R700 a year, or R58 a month, without incurring any liability for tax.

R700 is the amount of the primary abatement granted to unmarried taxpayers.

Similarly, a married domestic servant may earn at least R1 200 a year, or R100 a month, without incurring a liability for tax, provided the servant's spouse has no income.

An unmarried domestic servant wholly or mainly maintaining a child qualifying for abatement — for example, a child under the age of 18 years — is eligible for abatements totalling R1 700, equivalent to R142 a month tax free.

Nevertheless, the employer's obligation to register as an employer and to make deductions of PAYE does not in any way depend upon his employee's liability to tax, but is governed solely by the Fourth Schedule to the Income Tax Act.

Since an "employer" is someone who pays "remuneration," and since "remuneration" includes income payable to a domestic servant when that income is calculated at a rate exceeding R480 a year, in principle the employer has no choice but to register as an employer.

Clearly, it would cause hardship to domestic servants if PAYE is to be deducted from their wages in circumstances where it is likely that they are not liable to tax. Similarly, it would cause hardship to the employers of domestic servants in these circumstances to have to comply with the formalities of the Fourth Schedule.

The possibility of such hardship has in theory arisen because the Fourth Schedule has failed to keep pace with the gradual increase in the amount of income that may be earned by a taxpayer before becoming liable to tax.

The limit of R480, became effective in 1963. In practice, however, even if the employer of a domestic servant did register as an "employer" for purposes of PAYE, he would, under the latest Tax Deduction Tables be sending in nil PAYE returns each month if his male domestic servant is married and earns up to R100 a month, or his male or female domestic servant is unmarried with no children and earns up to R60 a month, or is unmarried with at least one child and earns up to R100 a month.

But the tables require a deduction to be made from the earnings of a married female domestic servant who earns more than R40 a month.

Is the employer who pays his domestic servant, other than a married female domestic servant, more than R40 a month compelled to comply with the formalities of the Fourth Schedule even though his servant is not liable for tax, or even though the tax deduction tables do not provide for any deduction from the particular remuneration he pays his servant?

Although Para 2 of the Fourth Schedule gives the Secretary the power to authorise an employer not to deduct PAYE from remuneration payable to an employee, it fails to give him authority to absolve a taxpayer who only technically is an "employer" from having to register as such.

But once the employer need not deduct PAYE, this is surely the most technical of technicalities.

Nevertheless, even though the Department of Inland Revenue generally adopts a most reasonable and practical approach such an action on the part of the employer would technically remain an infringement of the law.

Finally, what about the char? Thanks to a somewhat perplexing amendment to the Fourth Schedule last year, a charwoman would appear to be receiving remuneration provided that she is paid at a *rate* in excess of R480 a year (say, R2 a day), since she is subject to the control or supervision of any other person as to the manner in which (her) duties are performed . . . or as to (her) hours of work (or) the amounts . . . payable for (her) services consist of or include earnings . . . which are payable at regular daily, weekly monthly or other intervals.

Thus exactly the same considerations apply to a charwoman as to a regular domestic servant.

The simplest solution to the problem is for the legislature to increase the R480 limit. Let us hope that this forgotten corner of our Act will soon be swept clean.

Internal detente: Blacks to meet

6/8/75

Cape Times Correspondent

JOHANNESBURG. — Chief Lucas Mangope of Bophuthatswana is organizing a summit meeting of homeland leaders to carry the process of internal detente a step forward.

Chief Mangope confirmed yesterday that he had already secured agreement in principle to the meeting from homeland leaders and that it was now merely a matter of a final date and venue for the meeting.

The primary purpose of the meeting was to press for finality of some of the issues raised by homeland leaders at their two meetings with the Prime Minister, Mr Vorster, in March 1974 and January 1975

Union rights

Among the key issues which Chief Magope plans to raise with homeland leaders are:

- Trade union rights for urban Africans;
- Sharing national revenue between Black and White — and whether or not present allocation corresponded to the amount paid in taxes, direct and indirect, by Black and White citizens to the central Treasury;
- Discriminatory laws in South Africa, and when moves would be made to emulate the situation in South West Africa "where they are actually removing them";
- The humane application of influx laws.

Left open

The question of trade union rights was left open at the Cape Town meeting of homeland leaders with Mr Vorster—in the sense that the Prime Minister agreed, to quote the official communique: "to arrange for homeland leaders to meet with the Minister of Labour to discuss the matter again".

The word "again" was added because the trade unionism for Africans had been "fully discussed" in Parliament in 1974.

Two experts

At the March talks in Pretoria, "the Prime Minister proposed . . . to appoint an expert to be joined by an expert nominated by the homelands leaders, to investigate the allegation that the Bantu people in general and the homeland governments in particular are not getting a fair share of the services from taxes paid directly and indirectly by the Bantu".

134
304
200
206

Grappling with an inflationary economy in difficult times

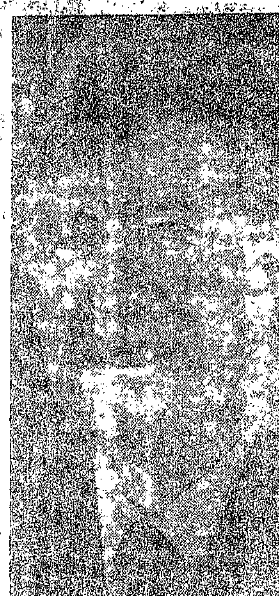
STAR 13/8/75

1) Capital
23
140A
306
5 375
6 252
7 260B
8

In the midst of a deep world recession, which is still encountering inflation, South Africa's economy continues to be strong.

But the country is not without problems. The most notable worry is an inflation rate of 14 percent, which is higher than most European countries and the United States.

South Africa's new Minister of Finance, SENATOR OWEN HORWOOD, entered office in an awkward period. Interviewed by Neil Behrmann at the Union Buildings in Pretoria, he answers questions frankly.



Question: How severe is the current recession in South Africa?

Answer: The real growth rate of South Africa is expected to be between three and four percent in 1975 compared with seven percent during the past two years. In several European countries, however, the growth rate is either zero or negative.

How much unemployment is there in the country?

The unemployment rate of Whites, Asians and Coloureds is 0,4 percent, but there are no reliable figures for Blacks. It would be useful, however, if we did examine methods to determine the extent of Black unemployment.

During the past few years, Government spending and the money supply increased at a rapid rate. Since these trends are highly inflationary, what policy will be pursued in the next year or two?

Government spending has grown at a slightly higher rate than gross domestic product. It is incorrect to say that an increase in Government spending or the money supply is necessarily inflationary. It depends on whether the economy is running at full capacity or how the spending is financed.

The South African economy is now operating below full capacity, so neither Government spending nor the money supply are having an immediate direct effect on inflation.

But I expect growth to accelerate shortly, so we will certainly have to see that neither Government spending nor the money supply rises rapidly during the next year or two.

What is the extent of public sector participation in the economy?

In 1974, consumption expenditure of the Government amounted to 12,6 percent of gross domestic product, and the gross domestic investment of public authorities to 8,4 percent.

In 1973 the public sector (central Government, provinces, South African Railways, etc) employed about 12 percent of the economy and are contributing towards inflation. **What steps is the Government planning to reconcile the needs of the producer with that of the consumer?**

One of the functions of the agricultural control boards is to achieve greater stability in the farming industry, which is subject to great fluctuations because of the weather and other vicissitudes.

In 1974 agricultural producers' prices rose by 11,4 percent, which is less than the consumer price index. The Government assists both producer and consumer by subsidising basic foodstuffs. The total amount budgetted for this purpose is R130m.

Will there be firmer action on inflation during the next 12 months?

There are signs that the rate of inflation is decreasing. But the position is not satisfactory and the Government is determined to take firm action. The latest Reserve Bank moves to control credit is one of these measures.

Others include efforts to improve productivity and persuasion to restrain increases in prices and wages.

If the Government finds it difficult to combat inflation, will indexing — linking of wages, interest rates, etc to the cost of living — will be introduced in some form or other?

Indexing is only a palliative and does not go to the root of inflation. I would not like to see it introduced generally.

If a high inflation rate were to continue for some time, we might have to consider some limited form of indexing. But at this stage I would be very cautious in applying such a policy.

Could not the Government introduce savings schemes linked to a cost of living index? These bonds would offset the erosion of savings, especially for the "little man."

Cost of living bonds are constantly under review, but no decision has yet been taken.

Inflation also creates inequities in the tax system. More and more money flows to the Treasury as wages and salaries are adjusted to meet inflation. Is it possible that South Africa will follow Canada and index taxation?

It is, of course, true that a progressive income tax produces a more than proportional increase of revenue during inflation. Other taxes — for example customs and excise duties — show an opposite tendency but I have

What are the prospects for gold?

The gold price has stood up very well in the face of Russian sales and the United States auction. Once the Russian sales are out of the way, I would expect the market to improve.

I doubt whether there will be any agreement on gold at the forthcoming IMF meetings, but I do not think that this will have an adverse effect.

What are the prospects for South Africa's balance of payments.

The situation should improve because of a decline in imports and an increase in exports as overseas economies recover next year.

An increase in the gold price is also likely to assist the balance of payments.

Has capital inflow to South Africa been retarded by current events in Southern Africa? If detente is a success how do you envisage a change to the situation?

Although there is much appreciation abroad for South Africa's policy of detente, current events in other parts of Southern Africa are causing some hesitation among investors in respect of investment in South Africa. Much foreign investment

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Wives may be taxed separately

The Argus Correspondent 28/8/75

PRETORIA. — The Minister of Economic Affairs, Mr J. C. Heunis, said yesterday his department was investigating separate tax for husband and wife.

If there was a case for ending joint taxation, it would be put to the Standing Commission on Income Tax, he told the National Party's Transvaal congress.

But it was possible that general income tax rates would have to be increased to compensate for the loss of earnings entailed.

Other points raised at the congress yesterday included:

- The Minister of Social Welfare and Pensions, Senator J. P. van der Spuy, said linking pensions to the cost-of-living index would 'ruin the economy.' It would lead to similar demands from salary-earners, he said.
- There were too many cars on South Africa's roads, Mr Heunis told the congress. Rejecting a call for fuel taxes to be cut, he said the country's traffic pattern showed a great deal of fuel was being wasted. South Africa had one car for every 14 people, compared with a world ratio of one car for every 114 people.
- Congress passed a motion of thanks to the Minister of Justice, Mr J. J. Kruger, for 'humanitarian and correct action' at the time of Bram Fischer's death, and for his active presence during the attack on the Israeli Consulate in Johannesburg.
- The Misister of Community Development, Mr A. H. du Plessis, said his department would act whenever it received complaints that Indian businesses were being run in White areas through White nominees. But it was often difficult to get proof, he said.

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Use of Coloured labour urged

STAR 3/9/75

The Deputy Minister of Bantu Development, Mr Raubenheimer, gave a hint last night that stricter regulations may be applied in the Western Cape to force employers to use Coloured instead of Black labour.

Many people, including Nationalists, claimed Coloured workers were no good," he said; "I say that approach must be pushed into the background. Stricter regulations should be made. People must stop themselves to help us in this whole process," Mr Raubenheimer added.

People were still asking for more concessions for Black labour on the excuse that Coloured labour was bad, he said. But the time had come for Coloured labourers to be better trained, and better paid once he was trained.

SYSTEM "EVIL"

Mr Raubenheimer said the migratory labour system was regarded as evil and should be removed. He appealed to farmers to train Coloureds and not to allow Blacks in the Western Cape.

Dealing earlier with bottlenecks in the resettlement of Blacks in the homelands, Mr Raubenheimer said the department's great problem was to get funds.

Black spots were being removed first because conditions were not controllable there. Blacks would be resettled in towns where hospitals, schools, business and other facilities would be provided.

AN IMPACT

Sada and Imbasa, which had made an impact on the world because it was said people were forced to go there, now had more people than had been provided for. There was a tremendous shortage of housing and the department was not getting enough money to catch up with the backlog.

People claimed that Blacks did not want to go to the homelands, but Mr Raubenheimer said he could give the assurance that if houses were provided (even without other facilities) Blacks would trek there in their hundreds of thousands.

Present system won't favour separate taxing of women – official

D.D. 11/11/75

PRETORIA — South Africa's tax system would have to be materially amended if married women were to gain from separate taxation, the secretary for inland revenue, Mr W. G. Schickerling, said here yesterday.

A survey done recently by the department he said indicated that more than 90 per cent of all working married couples would lose if they were taxed as individuals on unmarried rates.

"Only those couples in the high income bracket would gain if they were taxed separately."

Mr Schickerling said that 50,5 per cent of working married couples on the register earned less than R5 000 a year:

90,5 per cent less than R8 000 a year:

90,5 per cent less than R10 000 a year: and

97,3 per cent less than R16 000 a year.

It was only those in the R16 000 a year category who would benefit.

Mr Schickerling pointed out that if husband and wife were taxed separately they would lose the R750 deduction provided for in the present joint taxation system.

He added that the standing commission of inquiry into tax matters under the chairmanship of the Secretary for Finance, Mr G. Browne, was completing its report and recommendations on the taxation of married women. This report would be presented to the Minister of Finance before the end of the year.

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Equality: 'Whites must pay more tax'

Star 4/12/75

GRAHAMSTOWN — Whites must be prepared to make material sacrifices through voluntary taxation to bring about eventual racial equality in South Africa, Professor Hansi Pollak told the International Convention of Women here today.

Professor Pollak, a former head of the Department of Sociology and Social Work at the University of Natal, said she believed many Whites were prepared to make such sacrifices.

"I believe most Whites with a social conscience would happily pay an extra 10 percent income tax if this were earmarked for additional African, Coloured and Indian education and for the reduction in salary, wage and pension differentials," she said.

She would not happily pay extra if the major part of it were to be used — as it was today — for defence and the cost of providing, maintaining and administering discriminatory laws and services.

"We must consequently wage a dual campaign, firstly for the attainment of what we believe to be the priorities in national expenditure and secondly for the elimination of all disparities and discriminations."

The removal of discrimination in all areas could not be effected rapidly because the existing differences were too great. But a vigorous, unrelenting and sustained effort at their reduction could and should be pursued. The costs would be considerable.

She said action was required in two directions. The first and most important was to extend education, training and employment opportunities and housing. The second was to reduce existing disparities in salaries, wages, pensions and grants.

HANSARD 3 Q. column 184.

18 February 1975.

Sums collected from Bantu in taxes/levies

*40. Dr. E. L. FISHER (for Mr. R. M. Cadman) asked the Minister of Bantu Administration and Development:

(1) What sums were collected from Bantu in the Republic, including the Transkei, during the financial year 1973-'74 in (a) tax based on income, (b) fixed tax, (c) hospital levies, (d) general levies and (e) other forms of direct taxation;

(2) (a) what is the estimated sum that was collected from Bantu during the latest year for which figures are available in (i) regional levies, (ii) tribal levies and (iii) quitrents and (b) for what year are these figures given.

†The DEPUTY MINISTER OF BANTU DEVELOPMENT:

(1) (a) R17 889 845-00.

(b) R7 387 835-00.

(c) R59 924-00.

(d), (e) and

(2) Receipts are brought to account in the books of homeland governments and details are not available from my Department.

Taxation

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The inexcusable apartheid in tax

29/12/75 RDM

THE GOVERNMENT's failure to act to bring an end to racial discrimination in the tax laws is inexplicable — and inexcusable.

The issue, on which we have previously commented, arises again because the National African Federated Chamber of Commerce, Nafcoc, has reported that a request for changes in the law which it sent to the Department of Bantu Administration and Development last year has not drawn a reply. Perhaps the department is simply too embarrassed to say anything...

The discrimination applies in a range of ways:

- Africans must start paying income tax the moment their earnings are more than R360 a year, irrespective of their age or marital state. But others — Whites, Coloureds and Asians — only become due for tax when their income rises above R700 a year if unmarried (and R1 100 a year if they are over the age of 60).

For these other groups, the tax level steadily rises if they are married and have children: thus it's R700 for married people, R1 700 for married with one dependant, R2 800 for married with three dependants, and so on, with corresponding allowances for those aged more than 60.

- Every African male, once he turns 18, must pay the R3,50 a year poll tax — a "head" tax. Anyone who does not pay it is guilty of a criminal offence — and tens of thousands are indeed arrested and prosecuted under this each year.

This is specific to Africans and no one else.

- Other groups are allowed abatements as a matter of course. But Africans are denied them: no abatements for children and dependants, medical and dental expenses and life insurance premiums.

- African widows are singled out for special discrimination: they are treated as single people, however many children they might have. Non-African widows, on the other hand, are given married status — and, as a result, pay less tax.

- In urban areas, African householders pay a monthly compulsory levy towards the cost of building schools for their children.

- And finally, some of the Bantustan governments have introduced additional taxes which are payable by their citizens whether they reside in or outside the "homeland" areas.

Admittedly, in some instances the tax discrimination works in reverse and actually helps Africans. Thus husbands and wives are taxed separately and benefits of housing and rations are not taken into account. Also, curiously, as African incomes rise the tax system ensures that the better-off pay less than their White, Coloured and Asian counterparts.

But these few advantages — which are, incidentally, also indefensible — are completely outweighed by the fact that those who are the least well-off must pay tax on a greater scale than anyone else.

That is beyond justification. And when, in addition, it is taxation without representation, it is intolerable.

Senator Owen Horwood failed to remedy this disgraceful situation in his first Budget as Minister of Finance last April. With preparations now under way for the next Budget, he should be giving his attention to introducing a non-racial taxation system.

Apart from removing manifest injustices, it would help to lend some credibility to the Government's pledge about doing away with racial discrimination.

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Hans 1 27/1/76
Col 13

Hansard no 1
27 January 1976 col 13

Contribution to National Road Fund from sale of petrol

105. Mr. R. J. LORIMER asked the Minister of Transport:

What amount was contributed to the National Road Fund from the sale of petrol during the financial year 1974-'75.

The MINISTER OF TRANSPORT:

R93 290 195-34.

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Hansard 1 30th Jan 1976 col 35

Outstanding final income tax assessments

136. Mr. D. D. BAXTER asked the Minister of Finance:

What number of final income tax assessments remain to be issued to individuals in respect of (a) the tax year ended 28 February 1975 and (b) each prior tax year for which there are final assessments outstanding.

The MINISTER OF FINANCE:

(a) 467 650.

(b) The total number of final income tax assessments remaining to be issued to individuals in respect of all tax years prior to the tax year ended 28 February 1975 is 128 431. As statistics for arrear years are maintained in the aggregate, it is regretted that an analysis showing each year's outstandings separately cannot be given.

(1) Capital
(2 (306)

Rupert on burden of company tax

Cape Times 30/1/76

By PAUL DOLD
Financial Editor

THE return of the individual investor to the stock market is essential for the future of free enterprise, Dr Anton Rupert said in Cape Town yesterday.

"This fact should receive the attention of all free enterprise governments. Company taxation, for example, seems to have been raised to levels which make it less and less possible for new public companies to be formed.

"The result has been an extraordinary and now perhaps dangerous rise in the relationship of debt to equity and a general critical shortage of productive capital for industry as a whole and for banks in particular.

'ENORMOUS PRICE'

"The equity market itself and the bond market as well has paid an enormous price for inflation. A substantial degree of adjustment has already been completed and it is difficult to see still further declines in equities."

But until effective responses to inflation were developed the equity market could not fulfil its essential task of attracting risk capital. Instead of ready availability of risk capital for new assets there was speculation in property, antiques and objets d'art.

"For social and economic reasons it is important that new developments should take place and that new assets should be created. The taxation policy will determine whether this development will take place or whether the additional money will be absorbed by the purchase of existing properties and shares.

COMPANY TAX

"When company tax rises too high and depreciation allowances are not enough to counteract inflation, the risk of investing in new ventures becomes too great and the investor turns to investment opportunities which he regards as safe.

Dr Rupert, who was addressing the Graduate School of Business at UCT, said that several methods had been suggested as a solution and most pointed to state intervention such as attempted price control or a so-called incomes policy.

"Such control measures do not normally rectify matters — they merely postpone the day of reckoning."

CANADA

Commenting on Canada's experience with wage and price control Business Week said controls could not stop inflation while overstimulative Government policies continued to feed it.

A survey of United States business economists had shown that 89 percent opposed the imposition of any type of wage-price controls with some 75 percent favouring tax changes to encourage investment in new plant and equipment.

"Price control creates a temporary illusion of stability but the unavoidable volume of money and credit created throughout the world by monetary authorities breaks through this temporary entrenchment, prices rise dramatically and currencies depreciate.

"The present inflation is a fundamental threat. To end it will require co-operation between all the leading countries of the free world who must observe great care in applying corrective measures. All the brakes must not be jammed down at once or we shall go crashing through the windscreen of depression."

3/8

Hansard 2.

Amending of Bantu Taxation Act

*7. Mr. G. H. WADDELL asked the Minister of Bantu Administration and Development:

Whether consideration has been given to amending the Bantu Taxation Act in order to bring the bases of taxation into line with those applicable to other race groups; if so, with what result; if not, why not.

†The DEPUTY MINISTER OF BANTU ADMINISTRATION AND EDUCATION:

A commitee has been appointed to investigate the present Bantu tax structure in close collaboration with the homeland governments. The homeland governments have the sole legislative power to make laws in respect of direct Bantu taxation and any suggested change in the present Bantu tax structure as a result of the report and recommendations of the committee will have to be considered and if agreed to, adopted by the various homeland governments by means of legislation.

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RDM 5/2/76

5/2/76 RDM.

Capital gains tax hint

By BERNARDI WESSELS
Political Correspondent

THE ASSEMBLY. — The Government appears to be laying the foundation for introduction of a capital gains tax in South Africa, probably this year in the March 31 budget.

This emerged yesterday from a closer study of the apparently innocuous Financial Relations Amendment Bill, published and read for a first time in the Assembly last week.

Clause 10 of the Bill prohibits provinces from levying a tax on "companies or on the income, profits or gains of companies in respect of the year of assessment ending on June 30, 1957, or any subsequent year of assessment."

The Progressive Reform Party's finance spokesman, Mr Harry Schwarz, said the country was in a recession, therefore, from the Government's point of view, this was the ideal time to set a base for the tax.

In terms of the Bill, provinces will also be prohibited from levying a tax on the profits and gains of persons other than companies. Both provisions are new.

Mr Schwarz said that if the base year — it was 1965 in Britain — was also a boom period for the country, it would receive very little revenue from the tax if a recessionary period followed.

At present, South Africans are taxed on their incomes only and not on any gains they may make on their capital. This applies to both companies and individuals.

The measure is likely to be highly controversial and Mr Schwarz indicated that his party would oppose

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Hansard 3

For written reply:

Income/provincial tax

22. Mr. L. F. WOOD asked the Minister of Finance:

(a) How many (i) Whites, (ii) Coloureds and (iii) Asiatics were eligible for income and/or provincial 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 imposition of provincial tax on persons or the incomes of persons was discontinued with effect from the 1972 tax year.

The following figures relate to persons assessed for normal income tax in respect of the 1974 tax year. Not all assessments for that year have yet been issued.

	(a) No. of Tax Payers Liable for Normal Income Tax	(b) Amount Assessed R
Cape Province		
(i) White	324 705	172 784 339
(ii) Coloured	88 138	9 519 273
(iii) Asiatic	2 920	781 536
Natal		
(i) White	137 525	85 437 833
(ii) Coloured	5 939	867 589
(iii) Asiatic	36 615	6 306 492
O.F.S.		
(i) White	80 085	45 821 768
(ii) Coloured	590	54 644
(iii) Asiatic	1	148
Transvaal		
(i) White	563 440	383 169 664
(ii) Coloured	8 958	1 218 187
(iii) Asiatic	11 576	3 628 272

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Hansard 2 col 100 5/2/76

Tax of Bantu

212. Mr. N. J. J. OLIVIER asked the Minister of Bantu Administration and Development:

What sums were collected from Bantu in the Republic, including the areas of the Homeland governments, in (a) tax based on income, (b) fixed tax and (c) hospital levies during the financial year 1974-'75.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a) R28 272 618-00.

(b) R7 651 929-00.

(c) R62 033-00.

RDM 4/2/76

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African taxes probed

RDM 4/2/76

THE ASSEMBLY. — The Government has appointed a committee of inquiry to examine whether Africans should pay the same taxes as other race groups in South Africa.

But, the Minister of Bantu Administration and Development, Mr M. C. Botha, pointed out yesterday, homeland governments had responsibility for direct taxation of Africans and would have to approve any changes. He was replying to a question by Mr Gordon Waddell (PRP, Johannesburg North).

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12/2/76 Hansard 3 col 211

Tax/lease revenue from gold mines

303. Mr. H. MILLER asked the Minister of Finance:

(a) What is the estimated tax and lease revenue from the gold mines for the fiscal year 1975-'76 and (b) what amount had been received by the Exchequer up to 31 December 1975.

The MINISTER OF FINANCE:

(a)	Tax	R643 000 000
	Lease revenue	216 000 000
	Total	R859 000 000
(b)	Tax	R358 814 349
	Lease revenue	154 904 888
	Total	R513 719 237

27/2/76 DD

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Stock Exchange plea for tax reduction

JOHANNESBURG — The president of the Johannesburg Stock Exchange, Mr Eric McKie, has made "an earnest appeal" to the Minister of Finance to make tax changes to stimulate turnover on the Johannesburg Stock Exchange.

Mr McKie, who was addressing a conference of the Investment Analysts Society, pointed out that in 1975 the value of shares purchased on the stock exchange was R776 million, compared with R1 564 million in the previous year.

"Temporary declines in volume are a recurrent phenomenon in any share market," he said. "We must recognise, however, that a prolonged decline could eventually damage the strength and even the viability of our market.

"This, in turn, could have serious long-term implications for the ability of private and institutional investors to deal readily and at realistic prices in securities; ultimately it would gravely impair South Africa's ability to mobilise capital."

Mr McKie said one of the influences that had "seriously impeded the functioning of our market" and had resulted in an increasing volume of business by-passing the stock exchange, was the Marketable Securities Tax.

This levied one per cent on both the buying and the selling leg of all transactions effected through the stock exchange. In contrast, transactions effected outside the stock exchange were subject only to a stamp duty of one per cent.

"Our Marketable Securities Tax is the highest in the world," and accentuated the problem of uncontrolled dealings done outside the market.

Accordingly, said Mr McKie, "I would like to make an earnest appeal to the Minister that:

"1 — The Marketable Securities Tax on the selling leg of a transaction be abolished, or that the tax be restored to its former level of one half of one per cent on both the buying and selling leg;

"2 — The stamp duty be raised from one per cent to 2½ per cent on the registration of shares in a listed company where the transaction has by-passed the stock exchange."

If this recommendation was accepted, he felt confident overseas and local investment through the stock exchange would be stimulated. — SAPA.

ST. 29/2/76

Mulder reveals plan for the public service

DR BLACKS

By NICHOLAS VAN OUDTSHOORN

THE GOVERNMENT has plans to drop pay discrimination against Blacks working in the public service.

The scheme will mean equal pay for equal work for all South Africa's 400 000 State employees.

In an interview this week the Minister of the Interior, Dr Connie Mulder said a top-level investigation had revealed that the immediate extra cost of the scheme would be about R95-million.

Dr Mulder said that if the Cabinet gave the go-ahead, public servants of all races would be paid according to specific notches laid down in one key salary scale.

The scale would start at the level of the lowest paid unskilled workers and rise to that of the highest paid officials, such as secretaries of Government departments.

There would be minimum and maximum salary levels for each grade. When the maximum was reached, the employee would move on to the next grade.

Annual increments in each grade would vary, and increase as the grades progressed.

Dr Mulder said: "Each employee will have to be phased into the grade for which he is qualified. There will be one salary scale for the whole public service. It will not be influenced in any way by [illegible]

(1) ~~62 A~~
(2) ~~252~~
(3) ~~334~~
(4) 306

Three price and tax shocks on way

1/3/76 NM.

Mercury Correspondent

PRETORIA — South Africans can brace themselves for three successive shocks this month — higher rail tariffs, selective increases in post office charges and higher taxation.

The combined effect will be to inflame the country's double digit inflation rate and depress further the living standards of wage and salary earners.

The first shock will come from the Minister of Transport, Mr. S. L. Muller, when he introduces his Railway Budget in the Assembly on Wednesday.

Not only has he to compensate for a deficit for the current financial year which may reach R50 million but he is faced with serious staff unrest and work - to - rule threats if he fails to make provision for increased earnings for 114 000 White and 120 000 Black railway workers.

Then in two weeks' time the second shock.

The Minister of Posts and Telegraphs, Senator van der Spuy, in his first Budget is also expected to announce increases in some Post Office charges.

The postal services were expected to run at a loss of R14 - million for the 1975-76 financial year. Revenue from other P.O. services, however, may decrease this loss.

And on March 31, the Minister of Finance, Senator Owen Horwood tables his 1976-77 Budget in the Assembly.

Opposition financial spokesmen, including the Progref's Mr. Harry Schwarz and the U.P.'s Dr. Gideon Jacobs, have warned that increased direct and indirect taxation is virtually certain.

Defence spending is expected to escalate to somewhere near to R1 400 million, and funds will also have to be found for pay hikes for the nearly 500 000 Black and White State and provincial department workers, including police, prisons and SADF personnel.

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~~265~~

~~263~~

~~246~~

TYPE OF FARM EMPLOYEE - DOMESTIC RACE - COLOURED YEAR - 1972/73

AVERAGE MONTHLY KIND WAGE FOR ALL ECONOMIC REGIONS = R 4.69

DEVIATIONS FROM AVERAGE MONTHLY KIND WAGE BY ECONOMIC REGION

EC REGION	1	2	3	4	5	6	7	8	9	10	11	12
DEVIATION	.23	1.17	-.02	4.74	-.95	-.50	-1.07	-1.74	-2.05	-2.02	1.00	-.63
EC REGION	13	14	15	16	17	18	19	20	21	22	23	24
DEVIATION	-.62	-.26	.37	-1.07	-1.03	-2.05	1.06	1.26	-.57	-.94	1.97	.31
EC REGION	25	26	27	28	[illegible]	[illegible]	[illegible]	32	33	34	35	36
DEVIATION	.00	.00	-2.55	1.97	[illegible]	[illegible]	[illegible]	-2.19	.00	-2.19	1.56	2.39
EC REGION	37	38	39	40	[illegible]	[illegible]	[illegible]	44	45	46	47	48
DEVIATION	2.36	.31	-1.61	1.63	[illegible]	[illegible]	[illegible]	.00	-1.50	.03	-3.25	-2.77
EC REGION	49	50	51	52	[illegible]	[illegible]	[illegible]	56	57	58	59	60
DEVIATION	-3.24	.00	11.97	-4.38	[illegible]	[illegible]	[illegible]	-.26	.00	-1.12	11.83	.00

Bantu tax structure

429. Mr. G. H. WADDELL asked the Minister of Bantu Administration and Development:

What are the names of the members of the committee appointed to investigate the present Bantu tax structure in collaboration in the Homeland Governments.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

It is a departmental committee at present composed of Messrs. C. J. Swart, B. J. Marais and J. M. Pieterse, all three officials appointed as incumbents of certain posts and who may be replaced as and when other candidates may be appointed to the posts concerned.

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Hansard 6 col 425 2/3/76

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Hansard 10
Col 681
29/3/76

Amount which accrued to Consolidated Revenue Fund

606. Mr. L. G. MURRAY asked the Minister of Finance:

What was the total amount which accrued to the Consolidated Revenue Fund in respect of (a) customs and (b) excise on (i) motor vehicles, (ii) motor spares and accessories, (iii) motor tyres and tubes and (iv) petrol and oil during the financial year 1974-'75.

The MINISTER OF FINANCE:

(a) Customs Duty

(i) R15 425 742.

(ii) R22 496 733.

(iii) R1 355 569.

(iv) R3 689 165 (payments to the National Road Fund are not included).

(b) Excise Duty

(i) R32 970 341.

(ii) Nil (no excise duty payable).

(iii) Nil (no excise duty payable).

(iv) R78 003 996 (payments to the National Road Fund are not included).

Notes:

(1) As far as the answer to paragraphs (a)(i) and (ii) is concerned, it should be noted that on 1 January 1975 the tariff headings in respect of motor vehicles, motor spares and accessories were drastically changed with the effect that figures for 1975 cannot be reconciled with those for 1974. Figures for the calendar year 1974 are consequently furnished.

(2) The customs duties against (a)(iii) represent totals for all tyres and tubes imported—separate figures in respect of motor tyres and tubes are not available.

Taxation

Cape Times 2/4/76

Tax inquiry negative

HELEN SUZMAN MP comments on the inquiry into the taxation of married women.

COMMENTING on the report on the inquiry into the taxation of the income of married women, tabled by Senator Horwood on Wednesday afternoon, Mrs Helen Suzman, MP, said:

"Thousands of married women who are earning incomes and thousands who aspire to earn will be disappointed by this report because of its negative attitude.

"While it is entirely correct to say that a general revision of the tax rate and especially of the high marginal rate of tax would probably result in a fairer system of taxation rather than taxing working wives separately, such a conclusion is of no help whatever since the Budget proposals do not contain any such favourable revision — quite the contrary: The burden is increased.

"Some of the conclusions reached by the Standing Commission on Taxation are surprising to say the least — e.g. the Commission 'regards it as significant that even in the R15 000 to R20 000 income category, where the need to work is manifestly less pressing, no less than 34,7 percent of married women are economically active'. This is putting the cart before the horse (or mare) in no uncertain terms — surely the income has reached the high level just *because* the wives are working.

"The Commission considers it inequitable that separate taxation of spouses could result in single breadwinner families paying comparatively higher taxes. Surely the fact that both spouses are contributing to the GNP should entitle the two-breadwinner family to some additional reward? Moreover the same argument could be but is not applied to families with working sons or daughters.

"The Commission appears to doubt that the present system of taxation inhibits married women from entering the labour market. It admits how-

Mrs Helen Suzman MP

ever, that this point is debatable since no specific study has been undertaken in South Africa to determine the effect of taxation in this regard.

"It also doubts whether any additional income and therefore tax which would result from additional married women entrants to the labour market would offset any loss to the fiscus from the abandonment of the existing joint taxation system, because it says a relatively high proportion of married women is already economically active.

"In support of this assertion it states that according to the 1974 income tax returns, both spouses were economically active in 34,4 percent of married households. In fact this is a low percentage in comparison with other countries, and it is especially low when one considers the favourable position in South Africa regarding available domestic help."

There is a ray of hope in all this:

The Minister said in his budget speech that he is still considering the Commission's report. It is to be hoped that some relief will yet be forthcoming to working wives from his reflections on this thorny subject — the present allowable deduction of R750 p.a. from the wife's earned income is hopelessly unrealistic.

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UNDISTRIBUTED PROFITS

A blunder

F.M. 9/4/76

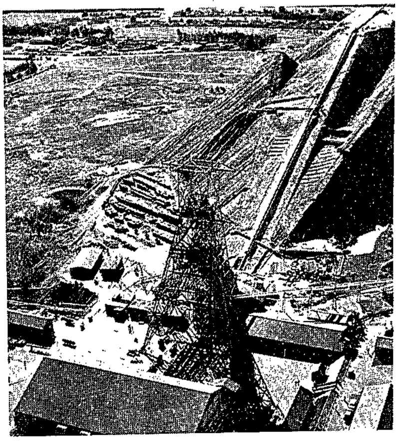
Taxation

The unfortunate ~~aspect of~~ Senator Horwood's increase in the rate of undistributed profits tax (UPT) from 25% to 33,3% is that it tars private and public financial companies with the same brush. The need is, with higher individual tax rates, to maintain UPT as a deterrent against individuals using financial companies (deriving their income from dividends) for tax avoidance.

But there is a world of difference between the private and public company. The former can be an "easy vehicle" for tax avoidance, as Horwood expressed it, and was his particular concern; the latter should be allowed themselves freely to decide on prudent levels of income retention against broad shareholder demands for payouts, remembering that their investment rating will suffer if dividends are unreasonably withheld. The general application of UPT to both creates complications, particularly for the mining houses.

Operating companies, through the effective increase in the company rate to 49%, have been taxed out of the UPT arena. Financial companies only remain in it. As John Morris, UCT Professor of Tax, contends (*FM* April 2), it is disappointing that no concessions have been made to the public company. This call is echoed by the Chamber of Mines' legal adviser, Peter Bosman: "The industry is organised so that a substantial portion of exploration costs is financed from retained dividends, and we have always maintained that this should be permitted without fiscal penalty".

Horwood has done exactly what the mining houses, for one, have lobbied strongly against. It is patently intolerable for a public company to incur UPT, so forcing distribution to shareholders of



Upping UPT won't help to sink shafts

income which might be required for further genuine corporate development. UPT is an arbitrary level at which the State, not management, considers profit retention to be excessive.

The mines are a special case. Because their lives are limited, dividends received from them must to some extent be regarded as capital repayment — to be reinvested so that the capital remains intact.

Mining financial companies perpetuate themselves in this way. They retain dividends received from established mines to search for and finance new ones. This is essential to mining investment. If dividend distribution is imprudent or income is taxed away, from where will come enough finance for fresh exploration?

The purpose in continuing to link private and public companies for UPT purposes just doesn't add up. Hopefully Horwood will accept the need for a suitable amendment in the Finance Bill.

(1) Taxation.
(2) ~~124~~

Differential rates 'spread the burden'

CAPE TIMES 10/4/76

A SYSTEM of differential rates could save the man in the street from being taxed out of existence, the Leader of the Opposition in the Provincial Council and a Cape Town city councillor, Mr Cyril Brett, said yesterday.

He was commenting on the broad hint by Mr Harry Gie, Provincial Secretary, that legislation on differential rates might be introduced in the Provincial Council next month.

The new system, if approved, is likely to mean that commercial properties will be taxed at a higher rate than private residential property.

"This is something we've been asking for for years," Mr Brett said yesterday. "The present system in which properties in Adderley Street and Muizenberg are taxed at the same rate is ridiculous."

The main advantage of a differential rating system was that it spread the burden of municipal taxes more evenly.

AMENITIES

He said that many people who lived in the surrounding towns and the Divisional Council areas contributed nothing to Cape Town although they worked in the city and used the amenities.

A higher rate on commercial properties would be passed on to customers, but this indirect contribution would be spread evenly and in this way people from places like Parow, Fish Hoek and wealthy areas like Constantia would contribute a fairer share.

People who rented flats might find their rents rising slightly and in this way they would also contribute more in indirect payments to the council.

Other suggestions by Mr Gie to increase the income of local authorities were also welcomed.

A City Treasury official said that if full rates were paid on all State and Provincial property the annual payment to the city would be about R6m a year.

RAND Daily Mail
MONDAY, April 19, 1976

306

Indefensible apartheid in tax

THE AUSTERITY imposed by the Budget has drawn so much attention that an important act of omission by Finance Minister Owen Horwood has not gained the public interest it deserves. And that is the Government's failure, once again, to eliminate the discrimination in taxation to which Africans are subjected.

Of course the entire system of the taxing of Africans — and Coloureds and Indians also, for that matter — is inherently defective. It flies in the face of the political principle of "no taxation without representation". A timely reminder of the force of this is offered just at the moment with the United States celebrating its Bicentennial: it was Britain's non-adherence to the tenet which 200 years ago pushed the colonists into revolution.

In South Africa, not only is there taxation without representation, but there is in addition a positive singling out of Africans for heavier taxation than other racial groups. Even more incredibly, this discrimination bears down hardest on the lower-paid: as African incomes rise, the burden lessens and the better-off are more lightly treated than comparable Whites. Coloureds and Indians.

The details

The details of the discrimination should be noted:

- Africans start to pay income tax when their earnings rise above R360 a year. This applies whatever their age or the size of their family. On the other hand, White, Coloured and Indian unmarried people only start to pay tax when their income reaches R700 a year (and R1 100 a year for those aged over 60); for a married man with three children, taxation starts at an income level of R2 800 a year (R3 200 for those over 60).
- All African men pay a "head" tax of R2,50 a year. Failure to pay can, and does, lead to summary arrest and prosecution.
- Africans are denied the deductions allowed to other groups as a matter of course: abatements for children and dependants, medical and dental expenses and life insurance premiums.
- African widows are treated as single people without regard to whether they might have children to support. Widows of other groups are granted married status and thus pay less tax.
- African householders in urban areas pay a compulsory monthly levy towards the cost of building schools for their children.

Objectionable

It is all thoroughly objectionable and totally indefensible. There cannot be the slightest justification for this apartheid in taxation. Yet the Government has not moved to scrap it.

The Parliamentary Opposition had the opportunity during the Budget debate of raising the issue but failed to do so. This week will perhaps again be an opportune time because the Prime Minister's Vote is to come before the Assembly and the indications are that racial discrimination will feature in it.

In this context it is worth recalling the exact words used by Ambassador Pik Botha in his celebrated United Nations speech 18 months ago . . .

"My Government does not condone discrimination purely on the grounds of race or colour. Discrimination based solely on the colour of a man's skin cannot be defended. And we shall do everything in our power to move away from discrimination based on race or colour."

Quite apart from other aspects of South African existence, these words make tax apartheid inconceivable. Yet it is with us.

(1) 306
(2) 281

Fines for not taxing servants

28/4/76
STAR

Pretoria Bureau

Many housewives are unwittingly contravening the Bantu Taxation Act and are liable to heavy fines.

Pretoria householders and firms this week received reminders about taxation together with their water and light accounts.

A Department of Bantu Administration spokesman said today that the reminders were sent out to determine how many people were contravening the law.

"Anyone who employs a Black man or woman and who pays them more than R6,91 a week or R30 a month must register themselves as an employer," the spokesman said.

DEDUCT

"People who employ Blacks and pay them more than the prescribed wages must deduct tax monthly. Failing to do this makes an employer liable to a fine of R400 or to imprisonment for a period of six months, or to both."

The spokesman said the tax rate of a monthly wage of between R30 to R40, for example, was 10 c. Tax rates on higher wages increased on a sliding scale.

Deduction tables and full particulars are contained in a brochure which are given to employers on registration.

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Hansard 3 col 163
10/2/76

Income tax of individuals/mining companies

231. Mr. D. D. BAXTER asked the Minister of Finance:

(1) What amounts of income tax have been collected from (a) individuals, (b) gold mining companies operating (i) mines other than post-1966 gold mines and (ii) post-1966 gold mines, (c) diamond mining companies, (d) mining companies other than gold, diamond or natural oil mining companies and (f) other companies, in the financial year 1975-'76;

(2) what were the comparable figures for the financial year 1974-'75.

The MINISTER OF FINANCE:

The following particulars which have been compiled as at 30 November 1975 for the first eight months of the financial year 1975-'76 are based upon the latest available information. The comparable figures for the 1974-'75 financial year reflect the position as at 30 November 1974.

	(1) First eight months of financial year 1975-'76	(2) First eight months of financial year 1974-'75
	R	R
(a) Individuals	775 850 000	638 490 000
(b) Gold mining companies operating—		
(i) mines other than post-1966 gold mines	340 065 000	403 701 000
(ii) post-1966 gold mines	—	—
(c) Diamond mining companies	462 000	20 783 000
(d) Mining companies other than gold, diamond or natural oil mining companies	24 885 000	29 940 000
(f) Other companies	868 595 000	682 366 000
Interest	2 064 000	1 853 000
Total	2 011 921 000	1 777 133 000

(1) 133
(2) 306

Limit to what tax can do to prop economy

STAR 5/5/76.

CAPE TOWN — There is a limit to how far the tax system can be used to promote social and economic objectives, says the Secretary for Inland Revenue, Mr W van der Walt.

He was speaking during the executive council meeting of the Federated Chamber of Industries here yesterday.

Replying to suggestions from industrialists that tax rebates and allowances should be used to promote industrial investment, exports and improve the cash flow position of manufacturing companies, Mr van der Walt said the ideal was to work back towards lower basic tax scales.

The erosion of the revenue base was a danger which had to be countered since the primary objective of the tax system was to secure funds for the running of the State.

Qouting one of his predecessors, the Secretary for Inland Revenue quipped: "Once economists get a toe-hold in the Income Tax Act, it grows like Topsy."

● Mr Stanley Shlagman, executive director of the Textile Federation, called for a differential investment incentive allowance to promote the use of locally produced capital equipment for industry. He also suggested a set-off of capital expenditure against the loan levies payable by industry to help industry to finance its investment. The effect of this would be recouped by increased taxed profits, he said.

● A promise that the Government will look into rail rates situation was made by the Secretary for Industries, Mr P H Theron.

He was replying to a request for the establishment of a board to review railway rates. It was argued that continual increases in railway rates was cramping industrial development in the Western Cape.

Mr Theron said a case could be made for studying the rail rates situation. "We will have to find a solution if tariffs become impossible."

● Industry is to establish a working committee to investigate opportunities for further import replacement in South Africa with the objective of reducing reliance on foreign sources of supply.

● Mr Ronald Freakes, director of the Natal Chamber of Industries, drew attention to rising unemployment levels and a "smouldering external situation," and recommended that the maintenance of economic activity must now be elevated on the list of priorities.

● The objective must be growth without inflation, said Dr S J P Smit, chairman of the Central Economic Affairs Committee. Industry must give more attention to internal sources of expansion, including growth in the local market, innovation, capital formation and more efficient resource use.

● A third phase of the export promotion programme is now urgently required, FCI export trade committee chairman Mr H Shield said.

Boosting exports is as great a problem as holding back inflation. An imaginative programme to exploit export opportunities is needed.—Sapa-Reuter, Own Correspondent.

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22pc shock tax rise on the way

STAR. 4/6/76

Harold Fridjhon

Taxes will rise, in many cases by more than 22 percent, after July 1 when the PAYE deductions reflecting the tax changes of the last Budget come into effect.

What you will pay

This table shows in bold type the monthly Paye deductions which will come into effect on July 1 compared with the present scale in parentheses. The symbols are: M = married, M1 = married with one child, M2 = married with two children, and M3 = married with three children. S = single without dependants. To estimate weekly deductions, divide the monthly tax rate by 4,3.

Month pay	M	M1	M2	M3	S
R200	**8,96**	**5,06**	**1,31**	—	**21,33**
	(8,96)	(5,06)	(1,31)	—	(10,75)
R300	**24,13**	**18,79**	**10,63**	**5,81**	**37,56**
	(19,88)	(15,46)	(10,63)	(5,81)	(22,98)
R400	**37,52**	**31,60**	**26,21**	**19,88**	**55,48**
	(30,85)	(26,02)	(21,63)	(16,38)	(36,38)
R500	**54,77**	**48,44**	**42,05**	**35,05**	**82,15**
	(45,11)	(39,86)	(34,63)	(28,88)	(57,48)
R600	**77,04**	**68,69**	**61,27**	**52,76**	**115,67**
	(63,45)	(56,61)	(50,44)	(43,42)	(83,17)
R700	**103,32**	**93,74**	**84,49**	**74,32**	**155,89**
	(85,07)	(77,24)	(69,57)	(61,15)	(114,15)
R800	**134,22**	**122,98**	**112,32**	**100,25**	**193,63**
	(110,55)	(101,23)	(92,48)	(82,59)	(149,31)
R900	**169,41**	**156,66**	**144,53**	**130,45**	**233,50**
	(139,50)	(129,00)	(119,03)	(107,45)	(188,19)
R1 000	**203,29**	**194,83**	**181,00**	**165,30**	**276,38**
	(167,38)	(160,41)	(149,08)	(136,13)	(227,63)
R1 100	**239,29**	**237,14**	**222,04**	**204,21**	**322,54**
	(197,04)	(195,31)	(182,88)	(168,21)	(265,33)
R1 200	**278,33**	**278,33**	**267,22**	**247,98**	**371,83**
	(229,25)	(229,25)	(220,06)	(204,23)	(306,25)
R1 300	**320,38**	**320,38**	**317,27**	**295,79**	**424,04**
	(263,79)	(263,79)	(261,27)	(243,62)	(349,21)
R1 400	**365,33**	**365,33**	**365,33**	**348,2[illegible]**	**479,25**
	(300,83)	(300,83)	(300,83)	(286,78)	(394,67)
R1 500	**413,29**	**413,29**	**413,29**	**405,02**	**537,38**
	(340,38)	(340,38)	(340,38)	(333,52)	(442,54)
R1 750	**514,83**	**514,83**	**514,83**	**514,38**	**655,67**
	(450,50)	(450,50)	(450,50)	(450,50)	(573,67)
R2 000	**658,67**	**658,67**	**658,67**	**658,67**	**823,50**
	(576,34)	(576,34)	(576,34)	(576,34)	(720,50)

And there is a further threat of another savings levy later this year.

The Minister of Finance has the power to impose another levy without prior parliamentary authority.

And the man in the street will have to pay.

● **Real Income: Whites lose, Blacks gain — Page 5; and "All signs point to a grim year." — Page 22.**

In addition to the 10 percent surcharge and the 10 percent savings levy the additional payments which should have been made in March, April, May and June have been added to the monthly deductions for the remaining months of the tax year.

Taxpayers will, in effect, be paying more than they should so that their tax bills will be square by the end of the fiscal year — February 28, 1977.

The new tax will mean that a married man without children earning R500 a month whose previous tax was R45,11 will now pay R54,77 a month.

Earning R600 (with two children) his tax will go up by R11 to R61,27 a month.

HARDEST HIT

The man in the R1 000 a month bracket with two children faces an increase of R32 a month to R181 a month.

The higher taxes will come as a shock to most people who have blithely ignored the Budget implications during the past two and a half months.

In many cases their effective incomes had been shrunk by about 4 percent from March 1 of this year — quite apart from the shrinkage brought about by inflation.

SAVINGS

Many people have been trying to balance budgets by drawing on savings. Now, with reduced take-home pay, thousands are going to get deeper into debt.

The reduction in personal incomes will hti all sectors of business very hard and it is feared that the insolvency rate could move upwards.

(306)

ARGUS 4/6/76

The Argus Correspondent

JOHANNESBURG. — Taxes will rise, in many cases by more than 22 percent, after July 1 when the PAYE deductions reflecting the tax changes of the last Budget come into effect.

In addition to the 10 percent surcharge and the 10 percent savings levy the additional payments which should have been made in March, April, May and June have been added to the monthly deductions for the remaining months of the tax year.

What you'll pay

THE following tax table shows the new monthly tax deductions with previous deductions below in brackets for the following categories: married, married one child, married two children, married three children, single persons no dependants.

Monthly pay	M	M1	M2	M3	S
R200	8,96	5,06	1,31	—	21,33
	(8,96)	(5,06)	(1,31)		(10,05)
R300	24,13	18,79	10,63	5,81	37,56
	(19,88)	(15,46)	(10,63)	(5,01)	(22,98)
R400	37,52	31,60	26,21	19,08	55,48
	(30,85)	(26,02)	(21,63)	(16,38)	(36,38)
R500	54,77	48,44	42,05	35,05	82,15
	(45,11)	(39,86)	(34,63)	(28,88)	(57,48)
R600	77,04	68,69	61,27	52,06	115,67
	(63,45)	(56,61)	(50,44)	(43,42)	(83,17)
R700	103,32	93,74	84,49	74,32	155,09
	(85,07)	(77,24)	(69,57)	(61,15)	(114,15)
R800	134,22	122,98	112,32	100,25	193,63
	(110,55)	(101,23)	(92,48)	(82,59)	(149,31)
R900	169,41	156,66	144,53	130,45	233,50
	(139,50)	(129,00)	(119,03)	(107,45)	(188,19)
R1 000 ..	203,29	194,83	181,00	165,30	276,38
	(167,38)	(160,41)	(149,08)	(136,13)	(227,63)
R1 100 ..	239,29	237,14	222,04	204,21	322,54
	(197,04)	(195,31)	(182,08)	(168,21)	(265,33)
R1 200 ..	278,33	278,35	267,22	247,98	371,30
	(229,25)	(229,25)	(220,06)	(204,23)	(306,25)
R1 300 ..	320,38	320,38	317,27	295,29	424,04
	(263,79)	(263,79)	(261,27)	(243,62)	(349,21)
R1 400 ..	365,33	365,35	365,33	348,29	479,25
	(300,83)	(300,83)	(300,03)	(286,09)	(394,67)
R1 500 ..	413,29	413,29	413,29	405,02	537,38
	(340,38)	(340,38)	(340,38)	(333,52)	(442,54)
R1 750 ..	514,83	514,83	514,83	514,30	655,67
	(450,50)	(450,50)	(450,50)	(450,50)	(573,67)
R2 000 ..	658,67	658,67	658,67	658,67	823,50
	(576,34)	(576,34)	(576,34)	(576,34)	(720,50)

Taxpayers will, in effect, be paying more than they should so that their tax bills will be square by the end of the fiscal year February 28 1977.

The new tax will mean that a married man without children earning R500 a month, whose previous tax was R45,11, will now pay R54,77 a month.

The family man earning R600 a month and who has two children will find that his tax bill will go up by R11 to R61,27 a month.

Increase

In the higher income groups the man in the R1 000-a-month bracket with two children faces an increase of R32 a month to R181 a month.

A typist earning R300 a month who previously paid R22,98 tax a month will face deductions more than 50 percent higher at R37,56.

And those single people without dependants earning R400 a month will pay R29 a month more at R55,48.

The higher taxes will come as a shock to most people who have blithely ignored the Budget's increased taxation during the past 2½ months.

Limits

They have been spending up to the limits of their incomes, buying television sets, taking on new hire purchase and other commitments without realising that in many cases their effective incomes had been shrunk by about 4 percent from March 1 of this year — quite apart from the shrinkage brought about by inflation.

Without these higher tax deductions many people have been trying to balance budgets by drawing on savings.

Now, with reduced take-home pay, thousands are going to get deeper into debt. Or they will have to reduce their standards of living, cutting back on motorcars and other luxuries which have come to be regarded as necessities.

~~316~~
3/18

Workers warned on new tax rate

RDM 23/6/76

Industrial Editor

IT IS possible that the public is not yet fully aware of the severe impact the new PAYE tables will have on their take-home pay when they are implemented from July 1.

Aggravating the effects of higher income tax is that the taxes will be recovered over eight months instead of the normal 12 months of the financial year starting on March 1 last.

Because of this probable lack of awareness, the Association of Chambers of Commerce (Assocom) has advised businessmen to give their staff adequate warning that the new tax tables will be implemented next month.

Assocom's executive director, Mr Raymond Parsons, says that by alerting staff that their tax deductions will, in some cases, be considerably higher than may be generally realised employees will be able to make the necessary adjustments to their household budgets in advance.

These comparisons should give some idea of the effects of the new PAYE deductions. Figures in brackets reflect the previous year's deductions.

Single person earning R300 a month, the deduction is R37,56 (R30,90) salary of R600, deduction R115,67 (R95,26) R800, deduction R193,63 (R159,46); R1 000, deduction R276,38 (R227,63).

Married (two children): R400 a month, deduction R26,21 (R21,63); R600, deduction R61,27 (R50,44); R800, deduction R112,32 (R92,48); R1 000, deduction R181 (R149,08).

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Shock PAYE rises start tomorrow

30/6/76 STAR

John Patten,
Political Correspondent

Civil servants face one shock, and private sector workers a bigger one, from tomorrow when pay-as-you-earn tax increases take effect for the present financial year.

There were predictions today from the Opposition side that the new PAYE deduction rates would place consumer spending further in the doldrums, making prospects for the country's economic activity in the immediate future still more grim.

For civil servants, who have waited two years for a pay increase, the shock is that the State will pay them 10 percent more from July with one hand, and then take most of it away with the other in higher PAYE deductions.

But civil servant's pay hikes will at least act as a buffer to the impact of PAYE deductions. Private sector income earners face a toughter economic future without any such economic shield.

The United Party's chief spokesman on finance, Mr David Baxter said today: "I think wage earners are going to have a horrible shock when they get their pay packets in July.

Probably a greater effect would be the psychological effect on wage earners of the additional deductions when they saw what the increased taxation was doing to their earnings, Mr Baxter added.

Previously published figures show taxes will rise in many cases by more than 22 percent from tomorrow as a result of the adjusted PAYE scales.

Examples given show a married man without children earning R500 a month will pay R54,77 from July — an increase of R11,66.

A man with a wife and two children, earlier R600 two children, earning R600 a month, will pay R61,27 — also a rise of about R11. Single people will be hardest hit. A single wage-earner without dependents earning R400 a month will now pay R55,48 — a rise of R29 on what he has been paying.

(1) 117
(2) 318

Revise Land Act plea

9/9/76 DD

BLOEMFONTEIN — The Chief Minister of QwaQwa, Chief T. K. Mopeli, yesterday asked the Free State National Party congress to consider revising the homelands policy and the 1936 Land Act to ensure a viable homeland for the South Sotho.

In the first telegram of goodwill to a National Party congress from a homeland leader, Chief Mopeli also said meaningful concessions to urban blacks would enable them to associate themselves with South Africa's defence effort.

The telegram sent in Afrikaans, read:

"Good wishes from the QwaQwa Government.

"The difficult times in which we live demand vision and courageous action by your Government to see in time and to eliminate points of friction in our multinational community.

"It is our conviction that racial peace and harmony can only be achieved if the homelands policy and the 1936 Act are thoroughly revised and adapted so the South Sotho can have a viable homeland.

"Meaningful concessions to make more pleasant the life of the urban Bantu will enable him to associate himself fully with the defence action of the country."

Addressing the congress yesterday, the Minister of Bantu Administration and Development, Mr M. C. Botha, appealed to employers to deduct income tax from their black employees' wages, as millions of rands went unpaid every year.

Mr Botha said that, apart from the R2,50 poll tax each black male had to pay, all blacks earning over R360 a year were liable for income tax. The law enabled employers to deduct income tax payments from wages.

"I appeal to all, from farmers to every housewife, to make use of this method of tax payment deduction," he said.

Tax paid by blacks in the 1970-71 financial year had totalled R14,5 million. By the 1975-76 year this had increased to about R50 million.

Mr Botha also said workers from independent former homelands would be given priority in South Africa above migrant labourers from other independent black states.

The position with workers from present homelands after independence would remain basically the same, except that travel and identity documents would be provided by the new government.

Other items raised were:

The Government would continue to prevent large-scale and commercialised Sunday sport which hindered the work of the churches, the Minister of Justice, Mr Kruger, said.

Replying to a resolution that all organised sport be prohibited on Sundays, Mr Kruger said some things would be allowed and others not.

An urgent revision of teachers' salary structures was being undertaken, the Minister of National Education, Dr Koornhof, said.

The report would soon be available to him and to Dr Mulder, head of the Civil Service Commission, and after a decision by the cabinet an announcement would be made as soon as possible.

The Minister of Coloured Relations, Mr H. Smit, called on private organisations, petrol companies and hotels to establish more travel and overnight facilities for Coloureds. SAPA.

Working wives want out as taxman takes his toll

AFTER 27 years of marriage Helena and Martin Weilbach, of Vanderbijlpark, are still deeply in love. But now these very religious grandparents have decided to get divorced.

And the co-respondent in their divorce action will be South Africa's taxman.

Martin, 52, a moulder, and Helena, 48, a private secretary, say they can no longer afford to be taxed on their joint income. They have decided to split up because of the friction between them at the end of each financial year.

"Martin is the sweetest thing on earth," says Helena. Her husband, a former member of the Nederduitse Gereformeerde Kerk Raad in Vanderbijlpark, says: "I'm still as happy as a newly-wed.

"But I can't take these 'love letters' from the Receiver any longer. We have started having arguments about the extra tax we have to pay because Helena works. The only route we can take to separate taxation is through the divorce courts."

They have already told their solicitor to start divorce proceedings.

The Weilbachs are not alone in contemplating this drastic step.

Hundreds of couples in South Africa have discussed divorce as a means of cutting their tax bills, according to their comments on a petition circulated in Johannesburg last week by the tax reform group Action '75.

Mrs Sylvia Gon, assistant to the secretary general of Tucsa, signed the petition. "My husband and I have talked about divorce.

"We both resent and object to the fact that I take home only 28c out of every R1 I earn. I love my work, but it's ridiculous."

The tax system is not only encouraging divorce, it's discouraging marriage.

• The taxman has come between happily married Helena and Martin Weilbach. This week they sealed their decision to divorce with a kiss. **Picture: DOUG LEE**

By ERICA RUDDEN

Another signatory to the petition, Miss P. Wright of Craighall Park, wrote: "If I married my boyfriend now we would pay R3 000 for the privilege".

Mrs Weilbach says she cannot give up work and stay at home. She has had a cataract operation and on doctor's orders is not allowed to sew or knit. She has a plastic aorta and has suffered a thrombosis in the leg.

Because of her health the Weilbachs are no longer regular churchgoers. "But we have a little religious service at home every night and read the Bible.

"The idea of divorce goes completely against my religion, but I have prayed to God about it and my conscience is at peace. The man in the street may throw stones at us, but I know He will not. Martin and I have a fantastic marriage and we came to this decision together."

Mrs Weilbach said they could exist on her husband's wages alone. "But, we couldn't really live — and why should we drop our standard of living? Martin already does more overtime work than is good for a man his age."

Last week she received a letter from the Minister of Finance, Senator Owen Horwood — in answer to letters she wrote to him and the Prime Minister two months ago.

"It made my blood boil. He treated me like a juvenile." Senator Horwood spent most of the letter explaining the Paye system. He concluded that, had the Weilbachs been taxed separately, they would have saved only 1,21% of their total income. "He didn't mention we would have saved more than 40% of our tax bill," Mrs Weilbach said.

She was also incensed at being referred to as a second source of income by the Minister. "My husband and I are both individuals with our own incomes," she said.

For years a staunch Nationalist — "my brother was in Koffiefontein with Mr Vorster" — Mrs Weilbach says Senator Horwood's letter has undermined her confidence in the Government.

Her husband says they are determined to "shake the Government up. We hope the step we are taking will snowball so the Government will have to change the tax system".

They are both in full agreement with the tax petition circulated by Action '75.

It appeals for all South African income earners, irrespective of marital status or sex, to be taxed separately on their earnings. It also asks for new deductions for dependants, who can be wives and husbands, on one new scale applicable to all income earners.

ROCK CONCERT

Rabbitt: They rule, okay!

RABBITT, one of the most exciting young rock bands in the world took the stage at the Colosseum in Johannesburg this week for their first major concert in their own country.

Professionalism was the key, beyond the sensational style and glamour. From the dramatic impact of their opening, they rocketed into Duncan Faure's "Hard Ride". The barrage of screams which was to carry through to the final curtain ricocheted from the circle to the dolly-army who flocked to the front of the stage.

The best of their album material, filled out with an acknowledgement to Led Zeppelin, switched from rock to ballad without countdowns, hesitation or commentary.

Superb

The stage management, lighting and sound was superb — plotted precisely to complement the band and the string sec-

Night Times
Edited by Len Ashton

construction of Neil Cloud's drum solo — visually sensational with the flashing bulbs built into his kit — launched from a pulsating bass platform into a study of pace and timing with both hands.

Rabin's solo was a tribute to his guitar-guru, John McLaughlin — a stunning example of power and structural interpretation beyond the reach of all but the cream of the world's pure-rock guitarists. Using complex time changes and the full range of electronic effects from his guitar, this solo was massive arrogance . . . until he was joined by Neil, when the two swapped phrases of glittering intricacy and understand-

centre-stage command. He is the visual force who feeds against Rabin's rock and Faure's bopping steps, the quietly-intelligent muscle weaving beside Cloud's drums' patterns.

The band was nervous on the opening; it showed in the harmonies and their playing — fingers were stiff, muscles contracted. The music was tight, but the confidence of "letting it all out" was shaky.

Triumph

When Trevor changed his chords on "Something's Going Wrong With My Baby" — cutting the curlicues down to hard, driving rock — it was the moment of birth for a live performance.

The Rabbitt concert th-

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778 3/8

SALDRU FARM LABOUR CONFERENCE

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High taxes stop women working

Labour Reporter

An enormous and essential source of labour was lost to the country because the tax system made it unprofitable for certain categories of married women to work, the Postal and Telegraph Association says in its official journal.

Everyone realised that money was needed to fill the Treasury's coffers, said the editorial.

"But why should good manpower be forfeited when other ways and means can be found to replace the loss.

"How many well-trained, talented women are sitting at home with folded hands, or occupying themselves with trifles?"

A review of the income tax system had become essential. The association had pleaded for this for nearly a decade, but encountered a blank refusal so far.

Promises were made to be kept. The Minister of Finance had promised to investigate this matter, the editorial said.

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FIN. MAIL 28/1/77

TAX PAYMENTS

Manna from heaven? 3/8

Abracadabra . . . taxes are down. Sadly though, it is only sleight of hand. From March, most monthly PAYE tax payments will be a few rand lower.

Last year Finance Minister Owen Horwood increased taxes as of March 1. However, revised PAYE tax deduction tables only became operative from July 1. The entire additional tax burden thus had to be paid over eight months. Now (unless the coming Budget increases taxes), it can be spread over the whole year, with lower monthly payments. Some examples reveal the conjuring trick.

As of March 1 1976, a married man with two children, earning an annual taxable income of R9 600, paid a yearly tax of R1 269. PAYE deductions, calculated on a monthly basis, should equal R105,73. This is what he will pay from March 1 1977. However, since tax deductions were upped in July, he has been paying R112,32 monthly. So, from March, the Receiver of Revenue will take R6,59 less from his monthly cheque.

Similarly, the single employee with a taxable income of R350 monthly will pay R43,63; R2,66 lower than at present. And the married executive (with no children) earning R1 500 monthly, will "save" R24,25 per month.

But total tax payments for the year beginning March 1 1977 will tot up to exactly the same as last year — unless Horwood surprises everyone and offers real tax relief in his Budget.

Hansard 1 col 29 28/1/77

Loan Levies Account X

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*19. Mr. S. A. VAN DEN HEEVER asked the Minister of Finance:

What is the amount which is held in the Loan Levies Account at present and which is not due to be repaid during 1977.

The MINISTER OF FINANCE:

R499 323 644.

3/8

MRS SWANEPOEL
. . . "too much"

MR McGLASHAN
. . . "I object"

MRS PEACOCK
. . . "unfair"

MISS KUMALO
. . . "people unemployed"

MR SIKWEBU
. . . "more schools"

Pictures: DOUG PITHEY

29/1/77 Kem

Those Buicks drive taxpayers mad

By SHEILA WING

JOHANNESBURG taxpayers are disgusted at the Government's latest extravagance — five luxury American cars for the "rich rajahs of South African politics."

The Minister of Transport, Mr Louwrens Muller, told in Parliament this week that the Buicks, costing a total of R46 377, were ordered last year for himself and four other Cabinet Ministers.

Progressive-Reform Party MP, Mr Dave Dalling (Sandton), said it was disgraceful for so much money to be spent on the political rajahs.

He was supported by people asked for their opinion in the street yesterday. All felt that the Ministers could make do with smaller cars.

"I'm paying and I object," said Mr Trevor McGlashan, 30, of Braamfontein.

"There's no need to import expensive cars. With the motor industry in its present straits, it's the most unpatriotic thing the Government could have done."

"We're fighting inflation — they should do the same," said a clerk, Mrs D. Potgieter, of Kenilworth.

Computer consultant, Mr L. Kliplin, agreed: "The Government should be setting an example by cutting costs."

Manufacturer's representative, Mr Peter Thomson, of Rosebank, felt that the Government was being very extravagant when the country was in economic difficulty and thousands were unemployed. "We're told to tighten our belts but it looks as if the Government is doing nothing about the financial crisis."

Student, Mr Zandi Sikwebu, 28, said: "It's bad. There isn't any need for expensive cars. What we do need is more schools, but the Government says it has no money."

Mrs Judy Peacock, a photographer from Melville, said: "My feelings about this are very violent and aggressive.

"The Government is being unfair. The anti-inflation campaign was directed at the consumer but it seems that the Government is the major spending force."

Soweto student, Miss Ponkie Kumalo, 18, said: "It's too much to spend on cars. Right now there are people who are unemployed."

In Pretoria, the president of the Artisan Staff Association, Mr Jimmy Zurich, said he agreed with Professor Chris Barnard that politics was the highest paid unskilled job in the country, writes Gerald Reilly.

Mr Zurich said that the 18 Ministers, including the Prime Minister, cost taxpayers more than R500 000 a year. The deputy Ministers added another R120 000 to the bill.

They were given large houses in Pretoria and Cape Town at nominal rents and they travelled free.

"It's about time the voters brought these people back to reality," Mr Zurich said. "There are too many political parasites in South Africa."

QUANGO

by
MARTIN
CREAMER

The word that means Jobs for the Boys ...and higher taxes for the taxpayers

30/1/77 S 1

THE power of patronage —jobs for the boys—is flourishing in South Africa.

Men and women — many of them with records of faithful party service —are climbing on a Pretoria gravy train to a degree that few have noticed, say experts in public administration.

The jobs — and there are hundreds of them — are in the grey world of Quasi Autonomous National Government Organisation — Quango for short.

They come in the form of public corporations, statutory boards, control boards, councils and advisory bodies.

Exactly how many there are and how much they cost the taxpayer is anybody's guess. But look up the Government Gazette and you will find another is either being set up or taking on new members.

Mr Theo Gerdener, former Minister of the Interior, thinks there are about 600. A lecturer in public administration at a South African university says there could even be 1 000.

Silence

Cabinet Ministers and Provincial Administrators collectively have hundreds of jobs in their gift. Only they know the exact number.

And they are not saying.

The Sunday Times this week put questions to Cabinet Ministers in charge of 23 aspects of government.

We wanted to know:

- The names of the statutory boards, corporations and advisory bodies attached to their Ministries.
- The names of their chairmen, members and salaried staff.
- Their annual pay, and whether it was taxed.
- Whether the positions were advertised, if so, where, and if not, why?
- The annual cost of keeping the boards in existence.

From replies received at the time of going to press, Cabinet Ministers are not prepared to give that sort of information.

The Ministry of Economic Affairs wrote: "I wish to inform you that the Honourable J. C. Heunis, Minister of Economic Affairs, is not prepared to supply the information as requested by you."

From the Ministry of Bantu Administration and Development: "All the bodies you refer to are autonomous. All the desired information is not available in the form asked and cannot be readily obtained and supplied."

From the Ministry of Social Welfare and Pensions: "As this information is available from official documents, your request cannot be acceded to."

A professor of public administration told me: "The pattern is always the same. Direct Ministerial or State President appointment to the positions, which are not advertised. In this way there cannot be competition or merit appointments.

"The situation gives politicians a glorious opportunity to reward allies or party hacks at the taxpayers' expense.

"But this is a fault of power politics. I am sure that if the Opposition got in tomorrow it would do the same."

Agriculture's 22 control boards have come in for a hammering in recent months. But these form only part of our colossal statutory organisation.

It is hard to believe the country would not be better off without some of them. In the case of the Immigration Selection Board, for example, the country would save R3 630 a year for each member it disposed of.

Nor do State corporations advertise jobs for general managers and managing directors, who earn enormous salaries.

"It's as though the age of government reform had never been," a public administration expert told me.

"The shareholding of these corporations is in the hands of the State and they should therefore be answerable in all matters to Parliament.

Useless

"But the reports they render to Parliament are useless for control purposes. They don't give salaries, directors' emoluments, or budgets."

A former United Party MP, Mr Mike Mitchell, calls for control of State corporations in published extracts of a book soon to be published. He says that when Opposition MPs question Ministers on their affairs they are given non answers.

Mr Mitchell quotes Senator Horwood, then Minister of Economic Affairs, as saying in 1974: "I could no more prescribe to the board of Iscor . . . than I could prescribe to the man on the moon."

In a recent speech, the chairman of Anglo American, Mr Harry Oppenheimer, referred to expenditure by the public corporations thus: "It is said that expenditure of this sort is not in the hands of the Government but in the hands of companies formed by the Government which are supposed to act in a normal, private business sort of way.

The facts

"In practice, such companies are relieved of the normal constraints which apply to private business people.

"Because they are companies not directly run by the Government, they are also free of the parliamentary restraints which would arise if their activities were debated fully, clearly and deeply in Parliament."

With 25 State corporations, 22 agricultural control boards, 29 prison boards and who knows how many other boards, Quango jobs must be in plentiful supply.

Who, in these hard-pressed times, could resist the status of extra office and the pay that goes with it?

The lid needs to be blown completely off the Quango quagmire. The taxpayer must be told how much they cost, whether they are all needed, who gets on them, and whether those on them are really qualified to be there.

A system of open, accountable appointment would not be a bad idea for a start.

WILLIE'S RETIREMENT

MR W. A. (WILLIE) MAREE has become dedicated to public service since retiring as Minister of Community Development, Public Works and Social Welfare and Pensions in 1968.

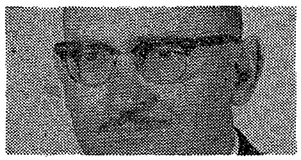
Officially he left the Cabinet on grounds of ill health. Yet he has become a busy man since then.

Mr Maree receives a comfortable Cabinet Minister's pension, but he is also chairman of the Electricity Control Board (about R1 300 a year), a member of the SABC Board of Control (about R2 400 a year), and a member of the Immigrant Selection Board (R3 600 a year).

He told me he is no longer engaged in property development but concentrates on his board duties and does a little farming.

"It is difficult to find suitable people with time available to sit on these boards," he said.

Asked if any of the positions were ever advertised, Mr Maree said, "No, they are never advertised. The appointments are made by the State President."



MR WILLIE MAREE
With the Quango

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By direction of Dr. the Honourable C.P. Mulder,
Minister of Information, I wish to inform you
that he has no comment on the matter put forward
in your telex JH29 of 20 January 1977.
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This was how Dr Mulder reacted.

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WITH REFERENCE TO YOUR TELEX DATED 20 JANURRY 1977, I WISH TO
INFORM YOU THAT THE HONOURABLE J.C. HEUNIS, MINISTER OF ECONOMIC
AFFAIRS, IS NOT PREPARED TO SUPPLY THE INFORMATION AS REQUESTED
BY YOU.
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Another "no" — from the Ministry of Economic Affairs.

Hansard 2 col 73 1/2/77

(318)

Income/provincial tax

19. Mr. L. F. WOOD asked the Minister of Finance:

(a) How many (i) Whites, (ii) Coloureds and (iii) Asiatics were eligible for income and/or provincial 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 imposition of provincial tax on persons or the incomes of persons was discontinued with effect from the 1972 tax year.

The following figures relate to persons assessed for normal income tax in respect of the 1975 tax year. Not all assessments for that year have yet been issued.

	(a) Number of Taxpayers Liable for Normal Income Tax	(b) Amount Assessed R
CAPE PROVINCE		
(i) White	322 348	224 032 117
(ii) Coloured ..	91 718	11 251 332
(iii) Asiatic	3 699	1 346 765
NATAL		
(i) White	153 185	117 767 686
(ii) Coloured ..	6 789	1 181 817
(iii) Asiatic	47 747	10 156 487
O.F.S.		
(i) White	73 350	58 176 777
(ii) Coloured ..	648	62 505
(iii) Asiatic	1	236
TRANSVAAL		
(i) White	591 992	523 802 192
(ii) Coloured ..	12 403	1 819 418
(iii) Asiatic	12 913	5 456 166

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Hansard 2 col 94 1/2/77

Loan levy

233. Mr. T. ARONSON asked the Minister of Finance:

What is the amount of the loan levy expected to be repaid during 1977 to (a) public companies, (b) private companies and (c) private persons.

The MINISTER OF FINANCE:

(a) and (b):	Loan levy	R18 550 094
	Interest	6 492 532
(c)	: Loan levy	9 949 305
	Interest	3 482 256

No analysis of the statistics relating to companies as between public companies and private companies is available.

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Little hope of separate tax

2/2/7

TAXATION
Gerald Reilly

JOINT TAXATION of married couples is likely to continue in spite of claims that the system is keeping highly qualified women workers at home.

The government's reluctance to change the system was reinforced by a report last year of an inquiry made by the Department of Inland Revenue of cooperation with the standing taxation committee into the effects of taxing working wives separately.

The inquiry produced convincing evidence that it was only when the combined income exceeded R15 000 a year that any real benefit accrued.

The commission found no evidence that the system of aggregation of incomes was a significant deterrent to married women working as it had been made out to be by women's organisations and other bodies.

It was found too that the percentage of economically active married women was reasonably high and it was doubted whether additional tax incentives and relief would affect the numbers significantly.

What was significant, however, was that even in the R15 001 to R20 000 income category, where the need to work was far less pressing no less than 34,7 per cent of married women worked. And even in the income categories above R20 000 the number of working wives was relatively high.

Tax records show that the number of economically active women in Cape Town is 37,3 per cent, in Pretoria 40,5 per cent, in Johannesburg 37,6, Witrand 38,4 per cent, Durban 31,4 per cent, Port Elizabeth 31,3 per cent, Bloemfontein 35 per cent and East London 32,6 per cent.

So, the taxmen argue, it is pretty obvious that the present joint taxation system is not a big discouraging factor to married women working.

In fact the commission suspected that where job opportunities existed for married women it appeared that very nearly the optimum number employable married women were actually working.

Another factor which weighed with the commission was the additional work burden on the department of Inland Revenue if separate taxation were introduced.

According to the report it could well be the last straw for an already overstrained tax gathering machine.

Figures provided by the Department in Pretoria show that up to a joint income of R9 000 married taxpayers would pay more if taxed separately. At R10 000 there would be a marginal gain of R11.

The department points out too, that 81,217 per cent of married taxpayers have incomes of R10 000 or less.

The figures show a gain of R535 at the joint R15 000 level where the wife earns R15 000 and the husband R15 000 the gain is a solid R2 460. The bigger the husband's contribution to the joint income, however, the smaller is the benefit.

Drop in monthly taxes

3/3/77 SR

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Taxes for most categories of workers are to go down next month.

The move follows the Government budgetary decision last year to implement a higher annual tax rate to be paid over the last nine months of the current financial year but, for the forthcoming financial year, beginning March 1, tax rates will decrease. This is because the new rates will be spread over 12 months.

Among those to benefit most will be earners covered by the single code.

Examples of the new rates, with currently paid taxes in parentheses, are:

R250 a month: married with two children, R5,81 (R5,81), single R27,56 (R29,23).

R500 a month: married with two children R39,63 (R42,05), single R77,32 (R82,15).

R750 a month: married with two children R92,20 (R97,95), single R164,25 (R174,50).

R1 000 a month: married with two children R170,33 (R181), single R260,13 (R276,38).

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The Star Tuesday Fe

Nyerere's 'border madness'

Henry Reuter,
The Star's Africa
News Service

LUNGA LUNGA — The bush for miles around this isolated border post, where the Tanzanian dirt road runs into Kenya tarmac, is alive with weary Kenyans seeking to beat Tanzania's border closure.

Some have walked more than 80 km carrying their belongings, through some of the hottest, most humid areas of Africa to avoid Tanzanian border guards armed with automatic weapons.

When I drove my car through the post last night, with a special permit from the regional police commander, it was the first vehicle to be allowed through since midnight last Thursday.

Customs and immigration officials there were sympathetic, apologetic and puzzled by what some of them are calling "Nyerere madness."

This was the fifth day Dr Nyerere had clamped his so far unannounced ban on road traffic between the two countries, reportedly in retaliation for Kenya's refusal to continue to finance East African Airways and its decision to launch its own Kenya Airlines.

Kenyans who elude the guards are being welcomed and congratulated by Kenya's border post, five km down the road from Tanzania's

ULTY OF COMMERCE

HELOR OF BUSINESS SCIENCE

ATION RESULTS 1976

s have completed the requirements for the

Special Field	Class
Business Finance	2/2
Actuarial Science	2/1
Marketing	2/2
Business Finance	2/2
Business Finance	3
Personnel Management	2/2
Economics	2/2
Law (B.Bus.Sc./Ll.B.)	2/2
Law (B.Bus.Sc./Ll.B.)	2/1
Personnel Management	3
Actuarial Science	1
Law	3
Business Finance	3
Marketing	2/2
Personnel Management	3
Business Finance	2/2
Business Finance	3
Business Finance	2/2
Business Finance	3
Law (B.Bus.Sc./Ll.B.)	2/2
Actuarial Science	1
Business Finance	2/2
Actuarial Science	1
Personnel Management	3
Marketing	2/2
Personnel Management	3
Law (B.Bus.Sc./Ll.R.)	2/1
Business Finance	2/1

to complete degree:

Drummond, J.R.	Actuarial Science I (R) Actuarial Science II (R)
Dunn, M.P.W.	Accounting B Business Finance Communication Costing (Management Acctg) I Taxation & Estate Duty II
Elkin, B.	Sake Afrikaans Communication Introduction to Computing (R)

'Higher tax will depress economy'

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8/2/77

Mr Hymie Berman, Sandton's new mayor. He will be inducted on March 28.

Johannesburg businessmen expressed the fear today that the increase in excise duties and sales tax announced yesterday would have an adverse affect on South Africa's economy.

In a surprise announcement in Parliament yesterday the Minister of Finance, Senator Horwood, said sales tax would rise by 25 percent and excise duties on beer, wines, spirits and cigarettes would also go up.

The announcement was made three weeks before Budget Day to prevent stockpiling and subsequent loss of revenue for the Treasury.

Manufacturers and retailers said they feared consumer resistance which would lead to a drop in productivity and increase in unemployment.

Mr Raymond Parsons, executive director of the Association of Chambers of Commerce, said the increases would have an impact on profits, prices and growth "in the months ahead and the standard of living will inevitably fall."

He felt they would probably accelerate unemployment and closing down of businesses.

This indirect taxation was the "lesser of the two evils," he said.

TARIFFS

It was preferable to direct taxation which was already inhibiting productivity.

He added that the increase in taxation and administered prices (railway and electricity tariffs) "strongly underscore the need to strictly discipline public sector spending" and attract more foreign capital to South Africa to lessen the burden on the South African taxpayer and consumer.

Mr J E van Huyssteen, director of the Motor Industries' Federation, said he was "shocked and disgusted" about the increases as the industry "is already in a bad position as a result of the economic recession."

He predicted a spending spree on existing stocks of cars for the next month.

The increase in sales tax would add about R450 to big cars such as Mercedes Benz and about R50 to smaller cars like the Volkswagen Beetle ...

Added to this was the announcement by at least two car manufacturers that unavoidable manufacturing price hikes were also in the offing.

Mr Roger Corfield, managing director of a photographic and electrical appliance firm, said the increases would depress the markets.

Hansard 3 Q cols 214-215 8/2/77

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Tax/lease revenue from mining industry

179 Mr. G. H. WADDELL asked the Minister of Finance:

(1) (a) What was the total amount received from the mining industry in tax and lease revenue for the financial year 1975-'76 and (b) what is the estimate for the financial year 1976-'77;

(2) what amount of such revenue had been received by the Exchequer up to (a) 30 September 1976 and (b) 31 December 1976.

The MINISTER OF FINANCE:

(1) (a) R715 788 630.

(b) This information has already been published—please refer to Estimate of Revenue (Second and Final Print)—RP. 4—1976.

(2) (a) R246 341 830.

(b) R375 409 858.

Hansard 3 Q col 269
11/2/77

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Bantu tax structure

*5. Mr. G. H. WADDELL asked the Minister of Bantu Administration and Development:

Whether the committee appointed to investigate the present Bantu tax structure has completed its investigation; if not, when is it expected that the investigation will be completed.

The DEPUTY MINISTER OF BANTU ADMINISTRATION AND EDUCATION:

Yes. The report is now being studied with a view to further action.

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PRP ATTACK ON BLACK TAXATION

ARGUS 8/6/76

The Argus Political Staff

THE collection of small amounts from Black taxpayers in terms of the Bantu Taxation Act came under fire yesterday from the chief finance spokesman of the Progressive Reform Party, Mr Harry Schwarz.

Analysing the reply to questions he put to the Minister of Bantu Administration and Development, Mr M. C. Botha on the number of Black taxpayers falling under the Act and how much they paid each year, Mr Schwarz concluded: "It seems as if the amount collected at the lower levels does not warrant the expense to the national economy."

He said it was quite clear that a large amount of the tax collected involved very small amounts of money. This would involve tremendous administrative work for employers and would also involve the State.

Mr Botha said statistics for the 1975—76 financial year were not yet available, but his figures for the previous year showed employers paid an average amount of R316,85 for every employee registered in terms of the Bantu Taxation Act.

The statistics supplied showed a steady increase in the number of Blacks registered under the Act from 66 610 in 1971—72 to 87 546 in the year to March last year.

But the tax collected more than trebled from R8,7-million in 1971—72 to R27,7-million last year. In effect, the increase in tax collected means the average collected from employers for each Black worker rose from R130,83 to R316,85 a year over the period.

Hansard 3 Q cols 260-261
10/2/77

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Bantu Taxation Act

328\. Dr. F. VAN Z. SLABBERT asked the Minister of Bantu Administration and Development:

(a) What amounts in taxes were collected from Blacks in terms of the Bantu Taxation Act in the financial years 1974-'75 and 1975-76, respectively, and (b) how many Blacks paid tax based on income in each of these years.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a)	1974-'75	R35 924 547
	1975-'76	R49 749 742
(b)	1974-'75	R 2 424 142
	1975-'76	R 2 578 335

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African taxes top R49 m

KDM 11/2/77

THE ASSEMBLY. — Africans paid R49 749 742 in taxes in terms of the Bantu Tax Act during 1975-76, but only 2 578 335 paid taxes based on their incomes, according to the Minister of Bantu Administration and Development, Mr M. C. Botha.

Answering a question by the Progressive Reform Party's Dr Frederik van Zyl Slabbert, the Minister added that equivalent figures for the 1974-1975 tax year were R35 924 547 and 2 424 142.

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hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.

J. A. VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*, jg. 7, nr. 1, 1967, pp. 328–342.

J. DU P. SCHOLTZ, *Taalhist. opstelle*, pp. 162–168.

J. L. PAUWELS, „De volgorde van verbogen verbale vormen in het Nederlands", in *Dietse studies*, pp. 105–110.

9.5 Slotopmerkings

In hierdie beknopte oorsig van die wording van die Afrikaanse taal ...

Carlcor tax helps boost earnings

15/2/77

Carlton Paper Corporation today announced earnings of 28,5 cents a share in the year ended December. This was 26 percent up on the 1975 figure, and topped the previous record — set in 1974 — by 20 percent.

Part of the boost came from tax allowances on a R10-m expansion which was completed at Carlcor's Enstra plant, near Springs, during the year.

In recognition of the once-off nature of the tax allowances and the continuing need to conserve cash, the final dividend is being pegged at 7 cents to make an unchanged total of 11 c for the year.

Audited figures issued show the effect on profit margins of Carlcor's decision to hold down prices rather than simply pass on higher costs. A drive for efficiency, coupled with the introduction of modern equipment was able to balance only part of the cost increases.

The result was that sales rose by 18 percent to a record R49,8m, while operating profits showed a 14 percent gain to R6,98-m.

Holding the divid... total improved the c... from 2,1 times to ... times and enabled R2,... of the profits to be ... tained for further inv... ment and the repaym... of loans.

... faktor vir die wording van Afrikaans verantwoordelik was nie, maar dat die Afrikaanse taal die produk is van baie eksterne en interne faktore. Besonder belangrik was die dialektiese skakerings van 17de-eeuse Nederlands; soos uit die oorsig blyk, is die meeste „kenmerke" van Afrikaans voortsettings van die een of ander dialekvorm of tendensie in 'n dialek wat in Nederland self deur beskawingsfaktore teëgewerk is of verdwyn het. Daarnaas het die invloed van die talle vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer ~~en~~ vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon in hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s. sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die *Frans-teorie* voorstaan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C. Hesseling het die teorie in 1897 al weerlê. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het; hy dink aan die een kant aan Duitse in... aan die ander ... was hy die eerste wat in 1891, op grond van ...gees en Maleis-Portugees, op moontlike kreo...ans die aandag gevestig het. D. C. Hesseling ...en 1899 verder gevoer, veral in sy beroemde ...1899) waarin hy sy *Maleis-Portugees-teorie* ...lling met die vorige teorieë was Hesseling s'n ...etenskaplik verantwoord was. Volgens Hesse...ie eerste dertig jaar van die volksplanting 'n ... aan die Kaap plaasgevind het, nl. 'n botsing ...ederlands van die vryburgers, soldate en amp... ... taal van die Oosterse slawe wat Maleis en 'n vorm van gebroke Portugees gepraat het, of 'n vermenging van albei („Maleis-Portugees"). In 1658 en daarna het 'n groot aantal slawe wat gebroke Portugees gepraat het, Kaap toe gekom; dit sou volgens Hesseling 'n skielike kommunikasieprobleem veroorsaak het wat tot 'n vinnige verandering van Nederlands gelei het. Die resultaat was 'n sterk vereenvoudigde taal met 'n reduksie in sy grammatika. Wanneer 'n kultuurtaal in 'n bepaalde kontaksituasie deur 'n botsing met 'n sosiaal laerstaande taal binne 'n kort tydperk 'n drastiese reduksie, struktuurverandering en vereenvoudiging ondergaan, praat 'n mens van kreolisering. Hesseling moet egter self erken dat die tipiese kenmerke van kreolisering in Afrikaans ontbreek, daarom kom hy tot die konklusie dat Afrikaans beskou moet word as Nederlands wat halfpad bly staan het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

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R282 m taxes outstanding

18/8/77

CAPE TOWN — The Minister of Finance, Sen Horwood, said yesterday R282 110 857 had still to be collected in taxes for the financial year 1975-76, but only half of this was overdue.

Questioned by Mr Boet Van den Heever (IUP, King William's Town), he said in the tax years 1974 to 1976, 616 441 individuals and 135 690 companies had not yet been assessed. — PC.

3/8

Employee taxation tables available

Pretoria Bureau

The employees' tax deduction tables which come into force on March 1 can be obtained by registered employers from the offices of Receivers of Revenue, according to a notice in the latest Government Gazette.

Other matters gazetted included:

- The transfer books of local registered stock, 4,75 percent 1977 and 5,875 percent 1982, of internal registered stock, 8,5 percent 1997, 5,5 percent 1977, 9,5 percent 1995 and 10 percent 2000, and of 5 percent Cape of Good Hope colonial stock will be closed from March 15 to April 15.
- Amendments to the wage determination for the clothing industry in certain areas have been proposed. Objections must be lodged with the Secretary for Labour by March 16.
- The Wage Board will hear oral representations affecting the wage clause for the liquor manufacturing industry in certain areas in Cape Town on March 17.
- Amendments to the wage determination for the coal trade in certain areas come into effect on February 28.

HAIRDRESSING

- Amended conditions of apprenticeship for the Pretoria hairdressing industry come into immediate effect.
- Amendments to the agreement for the sugar manufacturing and refining industry for Natal come into effect on February 28.
- Amendments to the main agreement, and to the sick benefit, pension and medical aid fund agreement for the electrical contracting industry in the Transvaal come into effect on February 28.
- The Wage Board has been asked to submit recommendations affecting black workers in the dairy trade in the Witwatersrand and Pretoria areas.

CUSTOMS

- The customs and excise schedules affecting magnesium trisilicate, salicylic acid, methyl salicylate and acetylsalicylic and wire insulated with artificial plastic materials, and foam plastic suitable for covering floors, walls and table tops have been amended.
- Regulations governing mineral hydrocarbons in foodstuffs, among them bread, chewing gum, dried fruit, jelly preparations and cheese rind, are published.
- The main agreemer for the dental mechan cian occupation in Sout Africa has been amendec and comes into effect or February 28.

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Black man's tax burden

RDM 6/3/77

By SUZANNE VOS

INCOME tax for whites and Africans might be separate — but it is far from equal.

The common belief that blacks are better off than white, coloured and Indian taxpayers has been attacked as a "myth" after investigations into South Africa's tax structure.

Few whites are aware, for instance, that African wage earners receive no annual tax abatement for being married or having children or dependants.

Take, for instance, John Smith, and Pius Zondi.

John Smith is a white clerk, married with three children. He earns R6 000 a year. He thinks he pays more tax than Pius Zondi, an insurance representative with three children who also earns R6 000 a year.

Both pay R360 a year into a company pension fund, R400 into a retirement annuity fund and a total of R700 for other insurance and medical aid. They also give R50 a month to help support their elderly mothers.

After all these deductions, John Smith pays R193,20 tax a year and Pius Zondi pays R301,91.

No tax abatements

There is a further inequality: John Smith receives free education for his children. Pius Zondi pays a big sum each year for school books.

The white-black tax anomaly was highlighted this week by members of the Durban group of the Women for Peaceful Change movement. They urged the Sunday Times to investigate it.

Some of the facts that came to light:

- Whites are entitled to a yearly tax abatement of R1 200 if they are married and R700 if they are single. For Africans there is no difference between married and single and no abatements are given—irrespective of income.
- Whites receive an abatement of R500 each for their first two children and R600 each for subsequent children. Africans receive none—irrespective of income.
- Whites can claim an abatement for a partial dependant (R100 each) and up to R250 for someone who is wholly dependent. Africans cannot.
- If a white taxpayer is over 60 he can receive an abatement of R700. It is not paid to Africans.
- Whites can claim for medical and dental expenses. Africans cannot.

Homeland taxes

The Sunday Times also learnt that a married white, coloured or Indian man with four dependant children does not make PAYE contributions until his annual income reaches R3 151, when the rate is R2 a year.

An African, irrespective of the number of his dependants, pays tax from R360 a year, the rate being R1,20 a year. At R3 151 he pays R65,52 a year. He also pays R2,50 general tax a year and various homeland taxes.

White, Indian and coloured taxation is administered by the Receiver of Inland Revenue, African tax by the Department of Bantu Administration.

The Durban Bantu Affairs Commissioner, Mr R. F. W. Riebeling, told me the two tax systems were based on entirely different formulas.

"You don't get an overall picture by comparing individual cases. Africans pay a general tax per head and then, depending on their income, they really pay in addition to the basic general tax.

"If it were all averaged out there would be no significant difference between white and black

Benefits for whites are much higher

Sunday Times Reporter

PENSION increases announced by the Minister of Finance, Senator Horwood, when he presented his last Budget give whites a maximum of R72, a month, coloureds and Indians R38,50 and Africans R18,50.

Of those eligible, 92 per cent of whites, 77 per cent of coloureds and Indians and only 34 per cent of Africans drew this benefit.

Members of the Women for Peaceful Change movement are calling for an urgent investigation into the procedure regarding Black applications for grants.

They say old women have to uncover their heads so that officials can satisfy themselves that the applicant's hair is grey.

Some people have to wait six months or more before receiving benefits.

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Now good news ... income tax unlikely to rise

13/3/77

Political Correspondent

INCREASES in direct taxation in the Budget are unlikely, say informed sources, despite a deficit estimated at R1 750-million.

These sources predict that the Minister of Finance, Senator Owen Horwood, has framed a deficit Budget with no increase in direct taxation.

Which will be a relief to South Africans still reeling from the sustained body blows of increases in excise and sales duty and rail, air and pipeline tariffs.

An increase in the savings levy is not ruled out, though.

It is said that at least part of the massive deficit will be met by pumping money into the economy via the printing press.

The effect, while inflationary, could temporarily help South Africa out of the depths of the present slump.

This week Mr Harry Schwarz, finance spokesman for the Progressive-Reform Party, said the estimated R1 750-million deficit could be much greater if Gov... increased ...nt spending ... sent rate of in...

With defence ... the pre... liable to soar to ... million, the deficit ...ing... ly to be higher.

This week's increase in sales duty will bring only an estimated R144-million in extra revenue.

Economists have warned that by making so many commodities prohibitive the Government could suffer a drop in revenue despite the increases.

The rest could be made up by an increase in the savings levy, short-term loans from local banks and the Stabilisation Fund and the printing press.

The Government could also try to finance the deficit through the Public Debt Commissioners and overseas loans.

At the moment South Africa's national debt is estimated to be mounting by R6-million a day.

Overseas loan and investment capital for South Africa has virtually dried up.

The only overseas funds still available are restricted to trade or short-term and expensive loans.

46. A buffer stock scheme which aims to stabilise prices -

1. Can never be self financing.
2. Costs the government nothing because it buys or sells stocks at the same price.
3. Stabilises incomes as well.
4. Both 1. and 2. above.
5. Can never work because one cannot control the weather.

47. According to Edwin P. Reubens' article in Challenge the world food shortage is due primarily to -

1. The failure in 1972 to find many anchovies off the Peruvian coast.
2. World economic growth and the high income elasticity of demand for meat.
3. The burning of surplus crops.
4. World population growth outstripping food supplies.
5. Deliberate cutbacks by major producers in the output of wheat.

48. The primary cause of oscillating migration in the South African economy is that

1. Black workers like it that way.
2. Employers do not need labour right through the year.
3. The economy is expanding.
4. The pursuit of two goals, viz. (a) Economic growth, (b) Creation of independent Bantustans in which all South African Blacks must be citizens.
5. It happens everywhere else.

49. In a simple two country world trading a simple homogeneous commodity, the effect of a tariff imposed by the importing country would be to :

1. Benefit producers in th
2. Harm both producers ...ting country.
3. Benefit both produc... ...porting country.
4. Benefit both produc... ...nporting country.
5. Increase exports.

50. If you won't have to gi... ...get a particular thing, then i...

1. Zero.
2. Not measurable.
3. Variable.
4. Infinite.
5. None of the above.

Hansard 8 Q cols 675-676 18/3/77

3 18

Bantu: Tax/hospital levies

636 Mrs. H. SUZMAN asked the Minister of Bantu Administration and Development:

What amounts were collected from Blacks during the financial year 1975-'76 by way of (a) tax based on income, (b) fixed tax and (c) hospital levies.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a) R39 741 804.

(b) R10 007 938.

(c) R70 750.

Hansard 6 Q col 533 3/3/77

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Bantu: Fixed tax/hospital levies

549) Mr. R. M. CADMAN asked the Minister of Bantu Administration and Development:

What amount in (a) fixed tax and (b) hospital levies was collected from Bantu in the Republic including areas under homeland governments during the financial year 1974-'75.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a) R7 615 929.

(b) R62 033.

(1) Robinson Chamberlain

(2) No general theory
Too many variables

Africans paid R50m tax

RDM 14/3/77

(318)

Political Correspondent

THE ASSEMBLY. — Africans paid just under R50-million tax to the Government during the 1975/6 financial year.

They paid R39,7-million in income tax, R10-million in fixed tax and R70 750 in hospital levies, a total of R49 820 492.

This was disclosed by the Minister of Bantu Administration and Development, Mr M. C. Botha, in the House of Assembly yesterday in reply to a question by Mrs Helen Suzman (PRP, Houghton).

The great tax grab

Sun Times 13/3/77

At R6 000m, it is three times bigger than it was six short years ago

SOUTH Africans are paying three times more tax than they were six years ago.

The taxman's grand total take has jumped from R2 001-million in 1970/71 to the estimated R6 052-million of 1975/76.

The individual taxpayer contributes a quarter of the total — two per cent up on six years ago. In cash terms, individual taxpayers are yielding 3½ times the 1970/71 figure.

Population growth

This is the deflating news as South Africa enters its fifth year of double-figure inflation.

It comes in a week when the Government finally buried its anti-inflation manifesto, giving birth itself to a new bout of dreaded price rises by pushing up rail tariffs and sales tax, plus ditching the home-ownership subsidy.

On the one hand, the Government is triggering price rises; on the other it is cutting back drastically on expenditure.

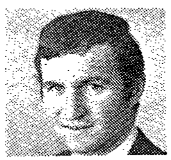
Put the two together, say economists, and the by-product is unemployment.

It occurs by simple arithmetic. South Africa's population is growing 2 to 3 per cent a year, whereas the growth rate last year was one per cent.

Economists boil the alternatives down to two — greater unemployment or greater inflation. Many feel that the inflation monster should be killed at all costs, even if unemployment rises.

Others believe in avoiding excessive unemployment by a gradual cutback in Government expenditure.

Some economists see the Government's action this week as a contradiction. Not only is it creating unemployment by slowing down the growth rate, they say, but it is now generating increased prices.



MARTIN CREAMER

Others argue, however, that unemployment and the fear of losing jobs will curb wage demands — a dominant factor in past inflation.

None sees a substantial improvement in economic conditions this year, although some predict a slight upturn in the second half of the year.

What are the reasons for South Africans becoming poorer and poorer?

A Barclays Bank economist, Dr Johan Cloete, points to higher defence spending, a low rate of productivity in the last five years, the effect of the overseas recession on export earnings, dearer oil imports, and unfavourable political conditions slowing down investment.

He believed the Government was right in taking steps to deflate the economy, but it should have been done more slowly.

"When you deflate, you should not overdo it. I believe the Government has been overdoing it," he said.

Greater unemployment was worse than greater inflation.

Dr Cloete is fearful of deep recessions because of the difficulty of getting out of them.

He backs an incomes policy in which prices and wages are frozen.

Another economist, Professor Johan van Zyl, of the University of Pretoria, sees inflation as a greater threat that unemployment.

"It is an awful situation for any government to be in."

At this stage, the Government could not afford to stimulate the economy without causing imports to mount, balance of payments problems and possible devaluation of the rand.

Guns or butter

His solution for black unemployment was a house-building programme.

He foresaw a possibility of the Government mildly stimulating hard-hit sectors of the economy in this year's Budget.

Other economists point to the huge strain imposed by the country's defence commitments.

"You can't have guns and butter," is a popular opinion.

Heavy taxes, coupled with a recession and inflation, make for heavy living.

It has been estimated that the main tax burden falls on about 10 per cent of the economically active population.

Tax tables have not been adjusted for inflation, and South Africans are finding themselves being pushed into high tax brackets as salaries rise.

In 1970/71, revenue from customs and excise duty and sales tax amounted to 34 per cent of the total tax intake.

In 1975/76 it dropped to 20 per cent and the burden on the individual taxpayer intensified.

Aggravating the situation is South Africa's enormous army of public servants.

With the spectre of unemployment looming large, the outlook for high company profits poor, a war on the borders and capital outflows from the country, the growing tax burden on the individual looks more like intensifying than letting up.

Heavy taxes, plus a recession and inflation, make for heavy living

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Taxpayers get windfall

Your latest salary cheque or weekly wage should have brought a little "bonus" in reduced tax deductions.

And because the Budget included no personal tax increases, this "bonus" should last until at least June next year.

The reason? Last year's tax was deducted over eight months, and so the tax deductions were higher than they would have been over 12 months.

Now the tax deductions revert to a 12-month cycle — and everyone will be taking home more cash.

The following table shows the new PAYE rates with the previous rates in brackets:

Monthly Salary	Married		Married One child		Married Two children		Single	
R300	R22,71	(R24,13)	R17,71	(R18,79)	R10,63	(R10,63)	R35,31	(R37,56)
R500	R51,61	(R54,77)	R54,61	(R48,44)	R39,63	(R42,05)	R77,32	(R82,15)
R750	R111,32	(R118,32)	R101,32	(R107,65)	R92,20	(R97,95)	R164,25	(R174,50)
R1000	R191,29	(R203,29)	R183,33	(R194,83)	R170,33	(R181,00)	R260,13	(R276,38)
R1250	R281,17	(R298,75)	R281,17	(R298,75)	R274,59	(R291,76)	R374,00	(R397,33)
R1500	R389,04	(R413,29)	R389,04	(R413,29)	R389,04	(R413,29)	R505,79	(R537,38)

Fin Mail 1/4/77

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Import tax: a mixed blessing

The "temporary" introduction of a 15% tax on selected imported items will effectively kill two birds with one stone. It will not only raise an anticipated R400m for the Exchequer, but will also boost the trend to greater self-sufficiency in manufactured goods.

Whether or not individual industries regard the tax as a boon or a bane must depend on their ability to adapt. For example, imported items specifically excluded from the tax include: all petroleum products, those items bound under Gatt agreements, and purchases made by government departments.

Clearly, for those whose imports are bound by Gatt it's business as usual. For others, such as the textile producers who

Shlagman . . . bully for textiles

can, in part anyway, turn to import replacements, the move could well be a fillip for local industry.

For the rest, such as computer suppliers, some clothing manufacturers and selected machine tool importers, there will be little alternative but to pass the 15% on to the consumer.

However, it's the *FM*'s guess that around R2 500m worth (a year) of goods will be excluded from the 15% tax applied on customs duty values.

On the other hand, reaction overseas is generally one of pique. Not so much at the measures themselves but in the way they were announced. For example, at the time of going to press IMF top brass did not "officially" know of the surcharge, although Ambassador Joep de Loor was meeting them on the afternoon

Cronje . . . stimulating recovery

of the Budget speech.

As things are IMF officials are feeling a shade put out especially since the IMF team was in SA recently for a three-week session of top level meetings. An off-the record intimation of an impending import surcharge would, it's being suggested, not have been out of place.

One IMF official, who confesses to being "a bit burned" at the way things were handled, nevertheless estimates that around $450m worth of US exports will be affected. That is, those items not covered by the Gatt agreement.

Meantime, on the home front, the 15% tax has met a mixed reception. FCI president John Cronje tells the *FM* that: "Although inflationary in the short-term, industry must view the imposition of a non-repayable import surcharge, together with the yet to be announced measures to stimulate exports, as important in stimulating the rate of economic recovery."

The Chamber, though, adds the rider that it's "concerned at the effect of large-scale switching of financial resources from the private to the public sector in conjunction with a freeze in the ceilings on private borrowings".

Similarly, the Textile Federation's Stanley Shlagman is broadly in favour of the surcharge. He argues that the higher cost of imported fabrics will give the industry a chance to show its muscle on import replacement.

Right now, the importation of textile fabrics is running at around R120m a year and probably means that the industry will, through the tax, be contributing a further R18m-R20m to the Exchequer.

Barlow's TV MD Derek Cooper says it will mean that local products will become increasingly competitive with imported goods. More important, he adds, it should stimulate productivity and stabilise the current employment situation.

"It was a good Budget," maintains Colin Hepworth, chairman and MD of Associated Engineering. Not least because "there's enormous spare capacity in industry today and the surcharge will have the effect of taking up the slack."

Many are relieved that the hard-pressed motor industry has been saved a further clobbering. Not least Castrol MD Gordon Bond and Motor Industries' Federation director Jannie van Huyssteen.

As far as the MIF is concerned it sees no immediate effect on the price either of cars or light commercials. There may, though, Van Huyssteen points out, be some hassles with heavy commercials and some selected imported motor car components.

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sition in regard to the

l' children on white-owned

IVING IN RURAL 'WHITE'
IOOLS IN 1975, By

Primary School pupils as a percentage of population aged 5-14 years
48,9
24,1
54,9
85,9
45,3
61,6

Riversdale, Swellendam.

continued/

Sales tax could raise tempers

318

11/12/84

The cashier rang up the amount the customer owed for the goods the man had bought. Then she calculated the amount of tax he owed, and added this to his total. The customer took one look at it and spluttered.

Senator Horwood plans eventually to introduce a point-of-sales tax. TOM DUFF describes the reaction to this tax in the US.

The scene: A supermarket in Boston, Massachusetts, where a customer was being reminded that a tax imposed at the point of sale can hurt.

Standing in a long queue leading up to the check-out point, I had a good view of the grumbling which took place as some customers — especially those who were not wealthy — made it obvious that they did not like the tax.

Their reaction, however, was very mild compared to that of some New Yorkers a few years ago when a very high point-of-sale tax was introduced. Long lines of fist-waving customers argued with harrassed supermarket employees.

The Minister of Finance, Senator Horwood, has not given many details about his planned new sales tax which is to be imposed at point of sale. Therefore, much of what has happened in some countries where such a tax has been introduced, may not apply.

He has said that it would be imposed at a low, uniform rate.

However, it is a tax which can politicise people. They become acutely aware of the fact that they are paying a tax. It is not a hidden surcharge of which they don't know, like a tax imposed on a manufacturer. It is there for the customer to see, to pay and to grumble about.

"That will be nine dollars and 50 cents, plus tax," said the cashier in the Boston supermarket to the woman in front of me. How will South Africans react to this — especially the illiterate?

Such taxes have been introduced in Europe and the economically hard-pressed north-eastern states in the US. Legislators in several other parts of the US have tried to avoid introducing them for several reasons:

- As mentioned above, it is a highly visible tax which can anger people. Shoppers are already displeased when they see how much their purchases are going to cost them. An extra amount in tax added to this can make tempers flare.
- It is not what economists would call a progressive tax: It hits rich and poor equally. Not like a progressive tax where the rich pay more.
- It can be an expensive tax to administer. Large concerns may have to employ extra staff to man check-out points because calculating the tax takes time.

Obviously, how South Africa reacts to the new tax depends on how high it is — and the manner in which it is introduced.

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African tax discrimination condemned

Parliamentary Staff

HOUSE OF ASSEMBLY. – The Government came under heavy fire yesterday for not eliminating the discriminatory tax system imposed on all Africans in South Africa.

Both Mr David Baxter (UP Constantia) and Mrs Helen Suzman (PRP Houghton) condemned the system and said there was no justification for it whatsoever.

Besides paying poll tax, Africans start paying taxes at the very low earnings level of R360 and are allowed none of the rebate privileges that whites, coloured people and Indians get.

Mrs Suzman said that those who could not pay should not have to pay and those who could pay should pay at the same rates as coloured people whites and Indians.

Mr Baxter said the system remained a "horrible blot" on South Africa's tax structure

TABLE NO. 8

PROPORTION OF PRIMARY SCHOC
1974

Type of School	
Farm	
Government	
Community	

Source: R.P. 45/1975

The proportions given in Table No. ... ect
initial enrolment and not success... school
year. On the other hand, there ... proportions
for farm schools as approximately ... who reach
the ... at other
ins...
What ...
of ... proportion
pro... . The
of ... estimate
to ... child
tho... uld reflect
con... B.E.D.
... ce of the time required to ensure that
a r... occur, particularly in a non-urban
env... tween farm schools and other primary
sch... ase.

The ... ve is confirmed by the numbers shown in
Tab...

SALES TAX FIN. MAIL 8/4/77 3/8

Over the counter

A sales tax to be collected by retailers seems simple enough. All that has to be lone, some people aver, is to levy, say, a percentage on retail turnover and collect t every three months. But it isn't that easy.

Finance Minister Owen Horwood announced in the Budget that the government had agreed in principle to a sales ax which would be levied at a low uniform rate on the widest possible basis. Now the huge task of finalising the letails of the new scheme has begun and because of the complexities involved it vill be a year or more before we will all e paying sales tax at the till.

At the moment sales tax, which varies between 8% and 33% (there are six different rates) is collected from some 6 000 nanufacturers and importers, while a urnover tax at retail level would push the number of collection points to 150 000 or nore. Thus a new army of government officials — an additional 400 has been nentioned — will be needed to police and administer the new system.

In the 1976-77 financial year sales tax vas estimated to yield R289m and retail ales for last year, according to the Department of Statistics, totalled R10 652m. On this basis, for government o make the same sum, a turnover tax of 2,7% will be needed. For this reason the turnover tax, when it comes, is expected to be around 3% even though Horwood has indicated that the existing sales tax at manufacturing level may still be continued on some articles, presumably luxury goods.

If services such as those provided by garage workshops, hotels and insurance companies are also to be taxed, of course, the percentage could be less.

Government thinking at the moment is mainly directed at a turnover tax on all goods sold to an end user who does not intend to resell them. The *FM* understands that professional services such as those provided by attorneys, doctors and architects will definitely not be taxed but there may well be a tax on other types of service.

The system would work something like this. If the tax is 3% this would be added to the buyer's total bill before he pays. Inevitably it will mean a lot more work for shop-keepers and rounding off will have to be done when fractions of a cent are involved. But whether the customer or the tax man will lose on this remains to be seen.

The numerous price-controlled articles could create further complications with arguments over whether or not these items should be increased by the addition of a turnover tax. In addition any new system must ensure that manufacturers are not taxed on components they use in their end product. People like wholesalers, who often sell both to the public and retailers, will create additional problems because they will only have to collect on what they sell to the public.

But whatever the mechanics of the new system are, one thing is pretty certain, and that is that in a year or two we will be paying a tax on just about everything we buy, including food. And on some luxury items we might even be taxed twice — once at the manufacturing level and once at the retail end.

FIN. MAIL 8/4/77

3/8

CO-OPS

Hardly taxing

The long-awaited taxation of co-ops may satisfy some people, but anyone who believes that this is going to produce great results is in for disillusionment.

The arrangements announced by Senator Horwood are the same as he outlined last August: they come into effect for tax years beginning on or after April 1 1977. The normal rules for the determination of taxable income of ordinary companies will be applicable to agricultural co operatives, but having regard to the particular operational circumstances of these co-operatives, the following adjustments will be made:

- Surpluses of an agricultural co operative which are declared, in whatever form except dividends, to members within six months of the close of the financial year, will be allowed as a deduction for tax purposes. As at present, the distribution will, on allocation, be taxable in the hands of the recipients;
- As in the case of industrial undertakings in prescribed circumstances, co-operatives will be granting a building investment allowance and an annual allowance in respect of factory buildings and buildings used for the storage of the agricultural products of producers;
- As a bridging measure, agricultural co-operatives, in determining their taxable income, will be permitted, for the first 10 tax years, to deduct repayments of loans which the Secretary of Inland Revenue is satisfied were raised to provide facilities for the storage or primary processing of the product of their members.

Horwood says that no additional revenue from this source is expected during the 1977/78 financial year. He might have added that there will be precious little in future years either.

It may make things a little more difficult for the co-ops, but as SAAU director Chris Cilliers puts it, co ops are not there to make profits. If they do, it is because they have either given the farmer too little for his product, or charged too much for what he buys from them. Both can be adjusted by paying more in the first instance, or charging less in the second.

The latter could lead to some dislocation of prices *vis-a-vis* private enterprise. But thus far the policy has been that farm requisites must be sold at ruling prices.

It would be difficult, Cilliers concedes, for primary co ops to work on a deficit, because at the end of the year they would have to collect any balance due from thousands of members. But the large central co-ops (those which only deal with other co ops) he says, could manage without a profit.

Alternatively, all the primary co-ops have to do to avoid paying tax is to ensure that their "surpluses" are "declared" to members within six months. (This may not suit high tax-bracket members, however.)

Various other important matters arising from the Steenkamp Report, such as financing and licensing, are still under discussion. Comments Horwood: "Good progress continues to be made". About time too.

On the vexed question of cheap Land Bank finance to which the co-ops have access, the *FM* understands that agreement has been reached in principle that there will be two rates of interest: one "privileged" and the ordinary market rate for certain purposes. But this has not been announced yet.

TABLE NO. 8

PROPORTION OF PRIMARY SCHOOL PUPILS IN HIGHER GRADES IN 1974

Percentage in Std. 2+	Percentage in Std. 4+
27,9	8,6
48,6	31,2
48,8	26,9

are inflated since they reflect completion of the relevant school be some distortion of the proportions

TABLE NO. 8

PROPORTION OF PRIMARY SCHOOL PUPILS IN HIGHER GRADES IN 1974

Type of School	Percentage in Std. 2+	Percentage in Std. 4+
Farm	27,9	8,6
Government	48,6	31,2
Community	48,8	26,9

Source: R.P. 45/1975

The proportions given in Table No. 8 are inflated since they reflect initial enrolment a … f the relevant school year. On the othe … ortion of the proportions for farm schools as … f such pupils who reach the end of their pr … heir education at other institutions.

What Table No. 8 is … estimate of the proportion of children in 197… vel of literacy. The proportion of thos … an old Unesco estimate of the minimum per … necessary for a child to retain permanen … n in Std. 6 would reflect those who had six … vel which the B.E.D. considers a more a … equired to ensure that a return to illite … rly in a non-urban environment. The … ls and other primary schools is startli…

The alarming tren … by the numbers shown in Table No. 9 below

FIN MAIL 8/4/77

3/8

Tax blow to

A first class row is brewing up between government and a cross-section of national employer bodies over the 15% *ad valorem* duty on non-GATT imports.

The problem area is in exports. Many SA exporters first import raw materials, manufacture then re-export — and thus claim duty rebate on the imported materials.

The new 15% tax has effectively put a stop to that. From now on exporters will pay normal duties *plus* the *ad valorem* surcharge. That could mean the cost of manufacturing goods for export will rise dramatically, ironically in the year of the Republic's great drive for exports.

FM sources say that the private sector Export Advisory Committee (which represents a cross-section of exporters, Assocom, the Handelsinstituut, Seifsa and the Chamber of Mines, plus regional committees) has contacted Joep Steyn, Secretary for Commerce. The organisation has told him, in so many words: "Someone, somewhere, has made one hell of a mistake."

Steyn's replies, the *FM*'s told, have been far from encouraging.

The National Clothing Federation is deeply concerned. Says Director Frank Whitaker: "Most of the raw materials we use for exports are imported. I think the clothing industry's export drive will be seriously damaged." He estimates that the cost of producing for export will shoot up — by at least 7,5%.

The South African Foreign Trade Organisation (Safto) has been inundated with telephone calls from its 650 members since the budget speech. A detailed memorandum is being prepared and Safto's plea will be: "Think again Mr Horwood."

F/M. MAIL 15/4/77 3/18

What a bind

Seldom has anything meant so much to so many while being understood so little by so few as the Budget's 15% *ad valorem* import duty on non-GATT bound items. But there are a few rays of light:

For one, Joep Steyn, Secretary for Commerce, says that whether the duty will be levied on raw materials to be used for re-export (*FM* last week) is under consideration. That should raise the hearts of those exporters who feel very strongly that the non-refundable duty will damage exports, especially the clothing sector which is trying hard to enter the potentially lucrative markets of Canada, US and Europe.

A wonderful world

There's little joy for manufacturers of goods for the local market, though this should urge many erstwhile importers of raw materials to look around for locally produced substitutes. But if nothing else, the 15% surcharge shows up the weird and wonderful vagaries of GATT agreements.

The 15% levy will apply to books, but not to postcards and greeting cards. Neither will it be levied on catalogues, price lists and trade publications of firms or persons having no established place of business in the Republic — and presumably their aim is to sell more goods to SA.

The duty will hit kraft papers but not fine coated and uncoated papers. Importers of machine tools will largely escape the 15% but will find that cutting parts used with the equipment are liable.

Paraffin wax slides by, but scale and slack wax stick fast. Sugar imports will be charged 15% but excluded are molasses, lactose, syrup and sugar confectionary. Semi-conductors are subject to duty, but radio, radar and TV valves aren't; neither are non-mechanical saws, toilet soap, perfume or incense sticks and papers.

It all emphasises the problems with GATT agreements. Many concessions were made in the post-war period when SA was basically an agricultural and raw materials exporter without the industrial strength to press for beneficial returns, and as a gesture in the interests of European post-war reconstruction. (How the tables have turned!)

One pharmaceutical company sees the move as something that will throttle SA subsidiaries who, finding it difficult to get working capital locally, are allowed low transfer (import) prices in comparison with overseas current domestic values.

The argument goes that if the UK domestic price (CDV) is ~~R5~~, and the fob price for SA half that (R2,50) surcharge of 15% is levied on CDV (which yields the higher duty) adding 75c and effectively raising the SA cost to R3,25 from R2,50. That, claims one pharmaceutical company, is an increase of 30% to the SA company which will want to pass the rise on to the consumer.

Some companies feel that the 15% *ad valorem* surcharge is an attempt to replace the 20% import deposit scheme, which ended after six months and is currently being repaid to importers. The reckoning in many areas is that the surcharge will not raise the needed R400m or really stimulate local manufacture.

And what about the ripple price rise effect? Wearing his price controller's hat, Steyn says that "local manufacturers of goods subject to price control who use raw materials to which the surcharge is applicable, will have to apply for permission to raise their prices".

Looks like there's an awful lot of paperwork heading the way of SA industries who fall under that category. And for the rest? The only solution seems to be "grin and bear it".

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Ibid, March 1959, pp.99-100: 'Nuwe

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RAND
Daily Mail
ANPA WORLD PRESS AWARD 1966

WEDNESDAY
April 20, 1977

One worse than Lincoln's tyranny

TAXATION without representation is bad enough, but what makes it infinitely worse in South Africa is that the tax system is actually loaded against the unrepresented Blacks. As Mr Harry Schwarz has noted, it operates to the detriment of Africans at lower-income levels — although it benefits those at the higher levels.

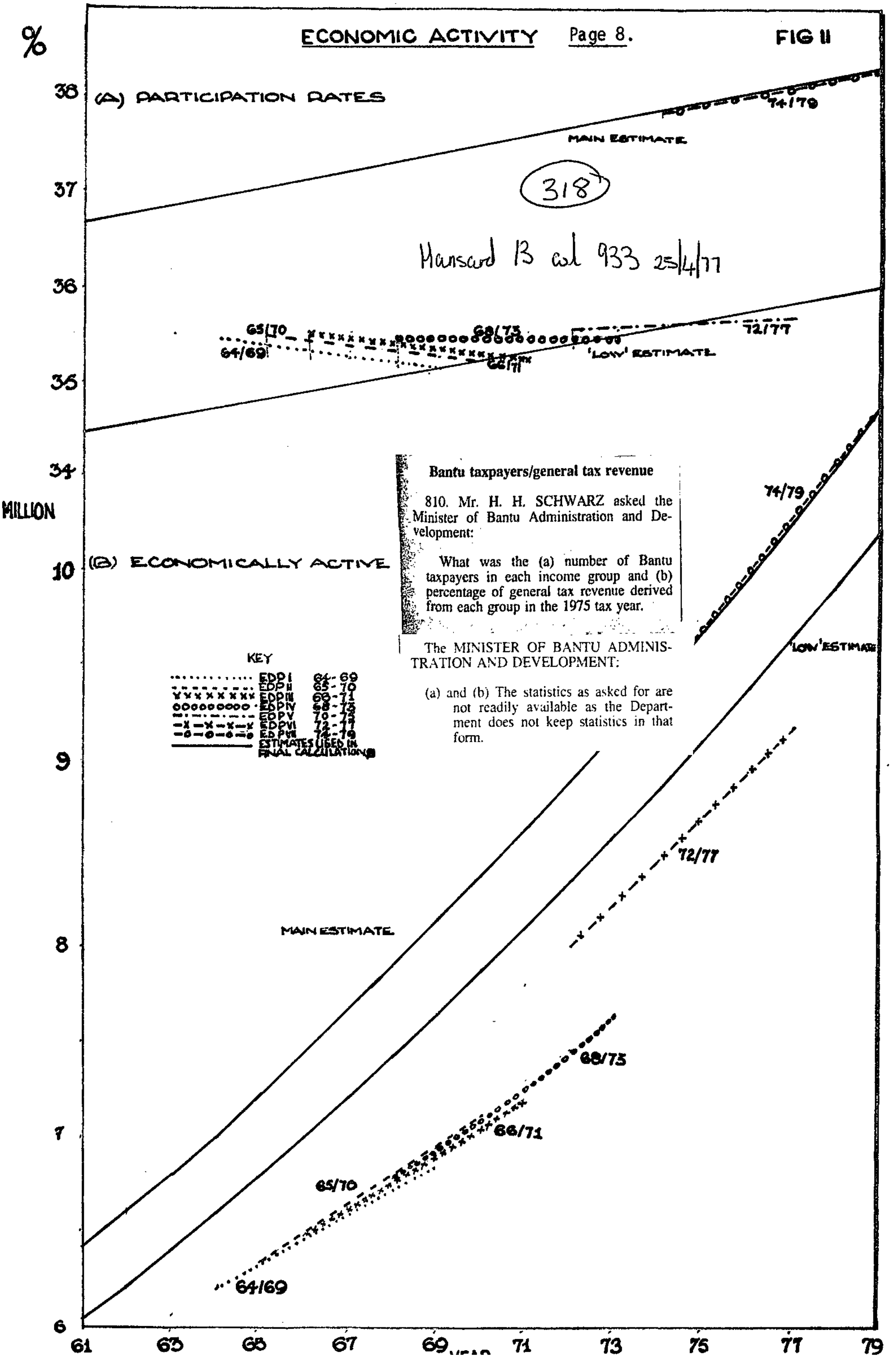
This results in the bizarre situation whereby the most poorly paid of people pay higher taxation simply because of their skin colour. A handful of well-off Africans benefit from the discrimination in reverse.

In practice, Whites (and Coloureds and Indians too) who are unmarried start to pay income tax only when their earnings rise above R700 a year, and R1 100 if they are over 60 years old. If they are married, tax starts at R1 200 a year; for those with four children, at R3 000 a year.

But Africans start paying when their income is R360 a year — whatever their age, marital status or number of children.

Additionally, all African men are liable for a "head" tax of R2,50 a year — and face jailing if they do not pay. Africans are denied the abatements for children and dependants, medical expenses and life insurance premiums granted to others as a matter of course. And African widows are treated as single people, however many children they have, whereas widows of other groups pay less tax because they are allowed married status.

It is a thoroughly objectionable and unjustifiable situation. Yet it is maintained from year to year, through one Budget after the other, and despite the pious declarations from the Prime Minister and the Foreign Minister about their intention to rid South Africa of racial discrimination.



318

Hansard 13 col 933 25/4/77

Bantu taxpayers/general tax revenue

810. Mr. H. H. SCHWARZ asked the Minister of Bantu Administration and Development:

What was the (a) number of Bantu taxpayers in each income group and (b) percentage of general tax revenue derived from each group in the 1975 tax year.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a) and (b) The statistics as asked for are not readily available as the Department does not keep statistics in that form.

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THE ARGUS, WEDNESDAY APRIL 27 1977

FINANCE

'Simple' tax on turnover planned

THE new turnover tax due to be introduced next year will be broad-based, low rated and a single rate, the Secretary for Inland Revenue, Mr W. J. H. van der Walt, said in Cape Town yesterday.

He told the executive committee meeting of the Federated Chamber of Industries, that the new tax would be a simple one with no cascade or escalation effects.

It would be a tax on transactions and not on commodities, and would be similar to the one in use in the United States.

A major problem, said Mr van der Walt, was to define 'retail,' because goods could be sold at the factory level, at the wholesale level or at the retail level. In the final analysis, however, the tax would fall on 'goods not intended for resale' to any one else, he said.

All vendors would be registered or licensed, said Mr van der Walt, as there would be no tax on purchases as is the case at present with purchase tax.

There would be a need to 'police' the system, said Mr van der Walt. In America, where a simple purchase tax system operated effectively, it had been shown that tax inspectors could help small shop owners — the 'momma and poppa shops' — to keep records and master the system.

Referring to suggestions that the Government should consider introducing a value-added tax (VAT), he said the idea that this tax has no escalation effects is a fallacy.

Mr S. Schlagman, acting chairman of the FCI's tariff committee, said the replacement of the sales tax by the turnover tax would save the public between R80-million and R100-million a year in administration costs.

There would be a 'tax holiday' before the turnover tax was imposed to enable goods bearing sales tax to be sold off. However, it was likely that the sales tax would be retained on certain goods falling in the sumptuary class.

318

19/5/77
NM

Africans paid R50m tax

Parliamentary Correspondent

CAPE TOWN — Africans paid just under R50 million tax to the South African Goverment during the 1975/6 financial year said the Minister of Bantu Administration and Development, Mr. M. C. Botha, in the House of Assembly yesterday.

1. Hansard 16 cols 1113-1114 16/5/77

S. A.

318

MONDAY, 16 MAY 1977

† Indicates translated version.

For written reply:

Individual taxpayers

885. Dr. F. VAN Z. SLABBERT asked the Minister of Finance:

What percentage of individual taxpayers in each income category as at 28 February 1977 was (a) White, (b) Coloured and (c) Asian.

The MINISTER OF FINANCE:

Income Category R	(a) White %	(b) Coloured %	(c) Asian %
Loss	98,28	0,78	0,94
1– 999	69,36	21,42	9,22
1 000– 1 999	56,58	30,07	13,35
2 000– 2 999	71,31	18,55	10,14
3 000– 3 999	80,82	11,86	7,32
4 000– 4 999	89,27	6,75	3,98
5 000– 5 999	94,15	3,65	2,20
6 000– 6 999	96,79	1,83	1,38
7 000– 7 999	97,84	1,08	1,08
8 000– 8 999	98,40	0,68	0,92
9 000– 9 999	98,56	0,45	0,99
10 000– 11 999	98,61	0,33	1,06
12 000– 13 999	98,34	0,25	1,41
14 000– 15 999	98,16	0,20	1,64
16 000– 17 999	97,95	0,22	1,83
18 000– 19 999	97,93	0,12	1,95
20 000– 29 999	98,14	0,16	1,70
30 000– 39 999	99,14	0,02	0,84
40 000– 49 999	99,53	—	0,47
50 000– 79 999	99,62	—	0,38
80 000– 99 999	99,44	—	0,56
100 000–149 999	100,00	—	—
150 000 and over	100,00	—	—

recorded a ble ment the for and for the chanism

In ... way ... uld attract funds that could be channeled into ~~test~~ investment.
It can be shown (see 4) that such competition will lead to the efficient allocation of capital and will encourage the public to make the socially optimum use of the payment mechanism.
Controls instituted by the Authorities are attempts to manipulate banking institutions so as to facilitate monetary management.
The following will be an outline of some of the controls imposed on the South African Banking industry, their rationale and some implications.

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NATAL MERCURY

2/6/77 318

SALES DUTY 'DECEIT' EARNS FINE

Court Reporter

PEOPLE who deceived the Treasury imposed an additional burden on honest members of society, a Durban Judge said yesterday in fining a company director R5 150 for contravening the Customs and Excise Act.

The Treasury was wrongly considered fair game for such deceptions, Mr. Acting Justice Friedman said in sentencing Abbas Essop Khan (41).

Khan, a former director of Victory Upholsterers (Pty.) Ltd., was convicted on five counts of contravening the Act and was sentenced to pay a fine of R5 150 or serve 32 months' imprisonment. A further 30 months was conditionally suspended for three years.

Charges against a co-director, Mr. Ganes Naidoo, were withdrawn by the State.

The State alleged that between August, 1971, and July, 1972, Khan handed incorrect sales duty accounts to the Department of Customs and Excise.

The deficit in sales duty that should have been paid to the department in that period amounted to R63 332. About R19 800 of this was still outstanding.

Mr. Acting Justice Friedman said the Court took a serious view of dishonest attempts to deprive the Treasury of its "just desserts."

He accepted that Khan had committed the contraventions in an attempt to avoid liquidation of Victory Upholsterers which was in financial difficulties.

He was a useful member of society who had done a great deal of good in his community. He had also spent five years awaiting trial.

80
318 5/4/77 5/4/77 5/5/77

New tax plan mooted

Political Staff 16/4/77

THE ASSEMBLY — It was time the coloured people started paying their way by contributing more in taxation to the common facilities they shared with white people, Mr J W E Wiley (SAP, Simonstown) said last night.

Speaking in the debate on the Community Development vote, Mr Wiley appealed to the Minister of Community Development, Mr Steyn, to consider a new form of municipal taxation to spread the burden more evenly.

He said there were cases where coloured families lived together and their combined income was far more than that of a white family.

The white family, nevertheless, had to pay its share of taxes while those coloured families who lived together did not have to pay while using the same common facilities.

The Minister, Mr Steyn, said his top priority was to clear the backlog in Coloured housing. Once this had been done one could demand that they make an equitable contribution to the payment of common facilities.

"Overcrowding is not a fault of the Coloured people, it is due to a shortage of homes," Mr Steyn said.

Earlier in the debate, the minister made an urgent plea to all employers of coloured labour in the Cape to pay their employees a livable wage so they could afford better housing.

He said a recent survey indicated that half the coloured employees in the peninsula earned less than R150 a month.

FIN. MAIL 8/7/77 (318)

Bad news for gentlemen farmers

The days of farming for tax purposes are numbered. Businessmen doing a little farming on the side to evade the savagery of the taxman are in for a rude awakening. It is contained in an amendment to the Income Tax Act, which is due to be gazetted today.

Quite simply, the effect of the amendment is that the farmer presently making good profits from farming will be able to claim his tax deductions for capital expenditure immediately instead of over a period of often 10 years or more.

But the farmer who has other activities and in the past was able to set-off farming losses against income from those outside sources, will now show smaller farming losses. He no longer will be able to claim wear and tear on equipment, and deduction of the capital expenditure will be deferred until he has profits from farming against which this expenditure can be set-off.

UCT's Morris . . . a bit on the side isn't enough

What the amendment does is revise the treatment of equipment used by farmers "for farming purposes". Farmers have for some time been permitted to write-off for tax purposes a wide variety of capital equipment, specified in Paragraph 12 of Schedule 1 to the Act, ranging from dams and irrigation schemes to fencing. To this list has been added a range of machinery, implements and the like used by the farmer for farming purposes, all of which can now be written off in full in the year of acquisition and no longer over a protracted period of claiming wear and tear allowances.

On the face of it, the amendment represents a major concession. And so it is, in the case of a farmer whose taxable income from farming, before the Paragraph 12 deductions, is substantial. It must be substantial for his write-offs to be substantial because the taxpayer can only write off expenditure to the limit (and no more) of his taxable income from farming before the deductions. Thus, if his farming income is R10 000, he can write off a maximum of R10 000 and must carry forward the balance.

However, points out John Morris, Professor of Tax at UCT, in many cases the amendment actually will restrict rather than extend the tax allowances which farmers can claim. Whereas the old wear-and-tear allowance could be claimed whether or not there was taxable income from farming and thus could be set-off against other non-farming income, the deductions now will be granted only to the extent that there is taxable income from farming before the Paragraph 12 allowances.

"Any balance which cannot be claimed in the year the expenditure is incurred will be carried forward to future years," Morris elaborates. "The taxpayer who derives income solely from farming is not prejudiced by the restriction as his taxable income effectively will be reduced to nil and any balance of capital expenditure will be carried forward in the same way as an assessed loss."

Wear and tear

What of existing equipment which today has been written off partially? Farmers no longer will be able to claim wear-and-tear but will be permitted to write off the balance of the cost in three equal annual instalments. Clearly, those with equipment already so written down that the balance could have been dispensed with in less than three years will be worse off than those with newer equipment, but the inequity holds no disastrous implications.

A far more serious potential pitfall relates to the recoupment of tax allowances. If a farmer sells a piece of equipment which has been written off, his recoupment of the allowance is subject to tax. Under the amendment, all the Paragraph 12 allowances are made subject to recoupment if they relate to assets which are or become "moveable assets" and are disposed of.

This means that a farmer who sells his farm complete with improvements will have no recoupment problem. But if, for instance, he takes down fencing or removes a pump, and sells them as "moveable assets", the proceeds will be a recoupment and subject to tax. Consequently, warns Morris, caution will have to be excercised in drawing agreements for the sale of farms on a "lock, stock and barrel" basis. Now the seller will be taxed on any portion of the farm's purchase price which relates to moveables.

Natal Mercury 13/7/77

318

3 pc shop tax proposed

SPRINGS — The proposed "point of sale" tax would mean that it would be easier for the Government to put up rates without the general public noticing, the executive director of Assocom, Mr. Raymon Parsons, said at the regional conference of South-West Transvaal, here yesterday.

At present the proposed tax would be three percent, which would net R230 million each year for the Government.

Mr. J. Pels, past president of Assocom, said Chambers of Commerce had long been opposed to such a tax. It would mean extra work and expense to traders.

The proposed tax would be added on to the total transaction of all movable items.

All retailers would have to take out a licence to be able to buy goods from suppliers free of the sales tax. He suggested that all Government purchases be subjected to the tax to lessen the load on the consumer.

Retailers would have to record all sales to licensees. An "add in" system would perhaps be better.

"The trader would add tax on his total sales and possibly recover it by including the sum on the selling prices of his goods," he said.

Services such as those performed by doctors and lawyers would not be taxed but hairdressing services, dry cleaning, motor repairs and similar services would probably be taxed.

According to Mr. Pels, the Department of Inland Revenue had not yet decided on a date for the introduction of this tax to replace the old sales duty. — (Sapa.)

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N. Mercury

15/7/77

TAXMAN TAKES IT EASY IN BUDGET

Anthony Rider

SALISBURY — Rhodesians who feared punitive tax rises to pay for the 44 percent increase in defence spending were surprised by a Budget yesterday that contained few tax increases.

Minister of Finance Mr. David Smith is budgeting for a deficit for the second year running — this time an estimated R90 million.

But he has avoided direct tax hikes and has left untouched other traditional revenue sources like sales tax and duty on tobacco and liquor.

With a Robin Hood touch he introduced new tax structures which will mean that, from next year, single people earning less than R12 060 and couples with incomes below R18 760 will in fact pay less.

More tax will be paid on incomes above R18 760.

The tax savings will not be munificent. For single taxpayers they could be R88 a year and for couples R199,66.

Shortfall

The 10 percent "war" surcharge remains in force until March 31, 1978, when it will drop to 7,5 percent.

Company tax which is now 44 percent will rise to 45 percent from next year.

Revenue last year showed a R21,4 million shortfall and spending rose by R42,9 million, pushing the estimated deficit of R28,8 million into a shortfall for the year of R80 million.

Mr. Smith had the tough job in covering projected spending of R954,6 million of which 26 percent will be on the bush war.

It is a cleverly judged Budget in the present uncertain climate, reassuring individuals and allowing as much incentive as possible under restrictive conditions to commerce and industry.

Overall Mr. Smith had embarked on a holding exercise while settlement efforts continue.

Observers agree that he may have to resort to the device of the past few years — a mini-budget for mid-year tax increases — in the new financial year.

The Government's main headache has been to find the money for huge defence spending while trying not to upset White morale.

Income and company tax surcharges and sales tax pushed up by 5 percent will raise at least R134 million more in revenue than last year.

Mr. Smith said he had been pressed to limit the amounts in dividends and other income that can be sent out of the country.

Investors

It was not in Rhodesia's interests to limit income sent to foreign investors, but a different view could be taken about the income of former residents.

From this month the amounts sent to former residents and for future emigrants will be cut to R33 500 a family a year.

But retired people whose pensions and other income exceed that amount will be allowed up to R67 000 a family a year.

N. Mercury
15/7/77

Terror's top men hit hard

ANTHONY RIDER

SALISBURY — Rhodesian Security Forces have killed three terrorist section commanders, a security officer and a political commisar among 19 killed in the past two days.

This is the first time the military authorities have announced the deaths of so many leading terrorists.

The number killed this month is now 69 against 12 men lost by the security forces.

The latest Security Force death was that of district assistant John Nanjanjina (22) of Buhera in the south-east.

Zapu terrorists officially said to be operating from Botswana have shot dead a Black store guard and boobytrapped his body with a handgrenade.

A Rhodesian police spokesman in Bulawayo said the incident had disgusted and angered the local tribespeople.

He said terrorists recently robbed a store on the Botswana border about 50km west of Plumtree.

The nightwatchman tried to disarm them but was killed at pointblank range.

The terrorists woke two storekeepers — both women — and took them away by force.

up to R67 000 a family a year.

The new limits will affect only a small number of emigrants and former residents but the foreign currency savings would be disproportionately high, Mr. Smith said.

The minister did not disclose details but some former residents have had more than R150 000 a year sent to them in dividends and other income on the capital they have had to leave behind.

The actual emigration allowance remains unchanged at R1 340, which is all anyone leaving Rhodesia can take to a new country.

In his Budget speech Mr. Smith said the Black population had risen to 6 440 000 and the number of Whites had fallen to 268 000 at the end of June this year.

He said the year ahead would be hard and stormy but the country would emerge stronger and as resilient as ever.

D.D. 15/7/77

No tax hikes in Rhodesia

(318)

SALISBURY — Rhodesians who feared punitive tax rises to pay for the 44 per cent increase in defence spending were surprised by a budget yesterday that contained no tax increases.

The Minister of Finance, Mr David Smith, is budgeting for a deficit for the second year running — this time an estimated massive R90 million.

But he has avoided direct tax hikes and has left untouched other traditional revenue sources like sales tax and duty on tobacco and liquor.

With a Robin Hood touch he introduced new tax structures which will mean that from next year single people earning less than R12 060 and couples with incomes below R18 760 will in fact pay less. More tax will be paid on incomes above R18 760.

The ten per cent "war surcharge remains in force until March 31, next year, then it will drop to 7,5 per cent.

Mr Smith had the tough job of covering projected spending of R954,6 million which 26 per cent or R276 million will be on the bush war.

It is a cleverly judged budget in the present uncertain climate, reassuring individuals and allowing as much incentive as possible under restrictive conditions to commerce and industry.

Overall Mr Smith has embarked on a holding exercise while settlement efforts continue.

Commenting on the diversion of money from productive purposes to the bush war Mr Smith said: "There must be no extravagance, no waste and no disregard of the sacrifices necessary in every home to pay for effective security."

He added: "Rhodesia is enduring a severe recession. It is enduring also the extra burden of anti-terrorist operations. The budget shows that although strains are being imposed on domestic and foreign exchange resources, the country can weather the storm." — DDC.

How to relieve marginal tax frustrations

Sun. Express 17/7/77

318

SOUTH Africa's high marginal rate of tax is regarded by most executives as a frustration and a severe disincentive to working harder.

But some US economists have devised a graph to show that very high rax rates can be reduced and the tax receipts going to the authorities increased.

Their graph reflects the relationship between Government revenue from taxation and the rate of taxation. It bulges as can be seen in the accompanying graph, somewhere around a 65% tax rate, and by lowering the rate from 100% to 65%, revenue increases.

The Laffer curve (it is called after the inventor) demonstrates that at a 100% tax rate, the Government receives not one cent — there would be no taxayers — and at a 0% tax rate, there is also no benefit for the revenue authorities.

One can see however that as the tax rate moves down from 100%, revenue increases quite fast and then falls off again.

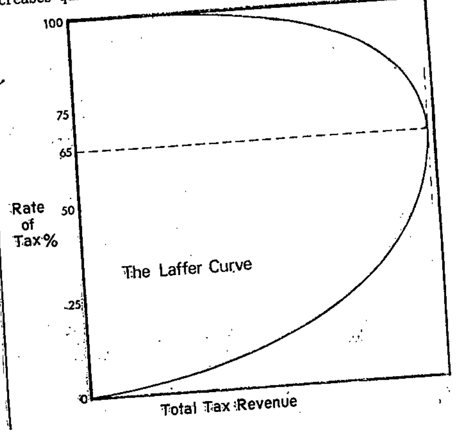
This means that the Government could safely cut tax rates from the present 72% to 65% and gain, instead of losing. It does this because it increases the number of taxpayers and the amount they earn and declare at these levels,

The argument put forward by the tax authorities that any lowering of the tax rate will be costly in terms of revenue is not necessarily true.

The authorities assume the marginal taxpayer has the same approach to work as a civil servant who works his alloted hours and that's all.

By removing the irritation and disincentive of high marginal rates, the authorities could well find themselves with more executives working harder, earning more and all of them paying more tax.

Should this occur, it would allow the Finance Minister to be more generous in his tax concessions to the lower income earners.



N. Mercury
26/7/77

Oil tax plan attacked

(318)

Mercury Correspondent

PRETORIA — The suggestion by the managing director of an oil company that petrol taxes should be increased was yesterday rejected as "narrow and without appreciation of the severe economic consequences" by Consumer Council chief information officer Mr. Michael Hawkins.

He said: "If Mr. Hough has been correctly reported, I would suggest that he has not taken the economic implications of such a step into account.

"Even a small rise in the price of petrol would affect virtually every sector of the national economy and result in another series of inflationary price increases — all of which, no doubt would be passed on to the consumer."

Mr. Hawkins dismissed the statement that individual consumers were far too casual in their use of petrol.

This was as unlikely as a recent suggestion by another oil company that a discount of 40 cents on R20 worth of petrol would lead to unessential joyriding.

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STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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VOL. 145] KAAPSTAD, 29 JULIE 1977 / CAPE TOWN, 29 JULY 1977 [No. 5665

DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1355. 29 Julie 1977.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 113 van 1977: Inkomstebelastingwet, 1977.

DEPARTMENT OF THE PRIME MINISTER

No. 1355. 29 July 1977.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 113 of 1977: Income Tax Act, 1977.

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 28 February 1978 and 30 June 1978 and by companies in respect of taxable incomes for years of assessment ending during the period of twelve months ending on 31 March 1978; to provide for the payment of a portion of the normal tax payable by certain companies into the Revenue Fund of the territory of South West Africa; to provide for the repayment to the taxpayers concerned of a certain portion of the normal tax paid by those taxpayers; to amend the Income Tax Act, 1962; and to provide for incidental matters.

(Afrikaans text signed by the State President.)
(Assented to 11 July 1977.)

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 28 February 1978 or 30 June 1978; and

(b) the taxable income of any company for any year of assessment ending during the period of twelve months ending on 31 March 1978,

shall be as set forth in the Schedule to this Act.

Portion of normal tax payable by certain companies to be paid into the Revenue Fund of the territory of South West Africa.

2. (1) Notwithstanding the provisions of section 5 (1) of the principal Act but subject to the provisions of any law providing for the payment of moneys into the Rehoboth Revenue Fund, a portion equal to one-seventh of any amount of tax calculated in accordance with item (i) of subparagraph *(b)* of paragraph 1 of the Schedule to this Act, before the addition of the surcharge referred to in the proviso to the said subparagraph, shall accrue for the benefit of the Revenue Fund of the territory of South West Africa and shall be paid into the said fund in the manner prescribed in section 22 (2) *(c)* of the South West Africa Affairs Act, 1969 (Act No. 25 of 1969).

(2) The provisions of subsection (1) shall be deemed to have come into operation on 1 April 1977.

Certain portion of the normal tax to be repayable to taxpayers.

3. 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.

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N. Mercury 22/8/77

Tax shocker affects all — even church bazaars

Financial Editor

A major new tax covering everything from food to charity cake sales is about to hit South Africa.

The new retail tax, soon to be introduced, will be levied on all commodity sales.

Auction sales, private sales, fetes, morning markets and cake sales will be subject to the tax and so will services.

In addition the sales duty at present in force will not be completely phased out.

Delegates at the congress of Natal regional chambers of commerce in Durban at the weekend were given this information by Mr. J. Melville Pels, chairman of the special committee of Association of Chambers of Commerce.

The committee has been set up to liaise with the Government over the tax.

Mr. Pels made the following points: The taxpayer will be any person selling goods not intended for resale.

All sales will be subject to tax but exemptions for small traders will be considered;

Auction sales and private sales will be included;

So will hawkers and door-to-door salesmen, fetes, morning markets and cake sales;

Basic foods will not be exempt.

The rate of the tax will be kept secret until the final announcement is made by the Minister of Finance, Senator Owen Horwood.

He gave notice of the tax in his Budget this year.

Special staff will be recruited to administer and police the tax which will not entirely replace the existing sales duty.

The new tax will be paid on a total transaction basis, the tax being added to the total cost at the point of sale.

All vendors will have to be licensed.

Manufacturers, farmers and mining operators will be allowed to buy raw materials free of retail tax but purchasers of capital good will not be free of the tax.

Traders will have to keep a record of every sale to exempted persons and tax payments will have to be made monthly. These will be based on total sales turnover.

Each branch of a store will be registered separately for this purpose.

Consumer services such as those provided by shoe repairers, watchmakers, opticians and garages will be included.

The tax will also apply to work done by hairdressers, photographic studios and dry-cleaners.

Amount

Tax will be imposed on the amount payable. When the service is coupled with the supply of goods, tax will be levied on the combined amount.

It is not intended that the tax should apply to professional services such as legal, medical, dental, accounting, architecture or agency work.

But it will apply to hire-purchase transactions and leasing agreements.

Some "very small transactions" may be excluded.

A tax holiday will be allowed to phase-out sales duty and introduce the new system.

Mr. Pels said that the new tax would cause traders dismay and disruption initially and extra work and expense permanently.

Among the questions asked from the floor were:

How can traders raise the huge sums which will have to be paid in tax on hire purchase deals?

Where will the Government find the capital to finance the administration and policing of the tax?

What will happen when an African buys a bag of mealiemeal and then is asked to pay a further sum in tax?

Tills

When a number of tills are in constant use in a store how can the "small amounts" be separated from the large?

The delegates were visibly shocked and angry at what Mr. Pels had to say.

He received a vote of confidence from congress but was asked to do his utmost to ease the burden of administering the tax.

This would fall squarely on the shoulders of commerce.

● See also Page 5

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Mercury 25/8/77

(310)

LONRHO SUGAR DIVIDEND DOWN

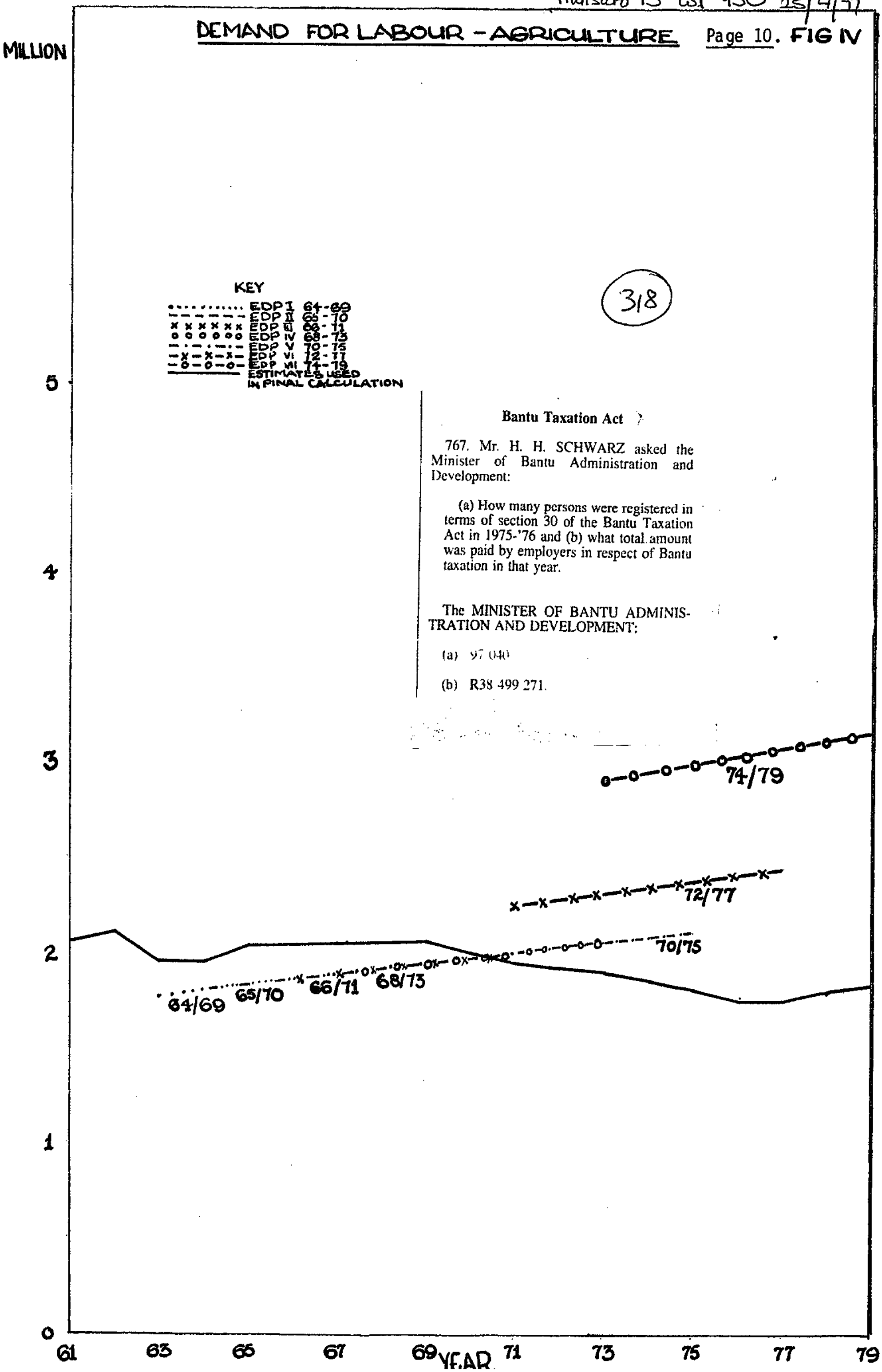
SWAZILAND. — Lonrho Sugar Corporation (formerly Swaziland Sugar Milling) has declared a final dividend of 20,5c for total distribution for the year ended March 31.

Turnover fell from E67 637 000 to E59 614 000 and pre-tax profit from E24 307 000 to E10 569 000, with net group attributable profit at E6 458 000 (E10 853 000).

The directors note it has been established that certain tax allowances for agricultural development, previously taken into account in computing the provision for deferred taxation, will not result in additional taxation in future years. — (Sapa.)

Hansard 13 col 930 25/4/77

DEMAND FOR LABOUR - AGRICULTURE Page 10. FIG IV



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Bantu Taxation Act

767. Mr. H. H. SCHWARZ asked the Minister of Bantu Administration and Development:

(a) How many persons were registered in terms of section 30 of the Bantu Taxation Act in 1975-'76 and (b) what total amount was paid by employers in respect of Bantu taxation in that year.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(a) 97 040

(b) R38 499 271.

country.

R400 for each black worker

Political Correspondent

THE ASSEMBLY — Employers in South Africa paid an average of almost R400 in tax for each black worker they employed during the 1975-76 tax year, the Minister of Bantu Administration, Mr M C Botha, said in reply to a question from Mr Harry Schwartz (PRP, Yeoville).

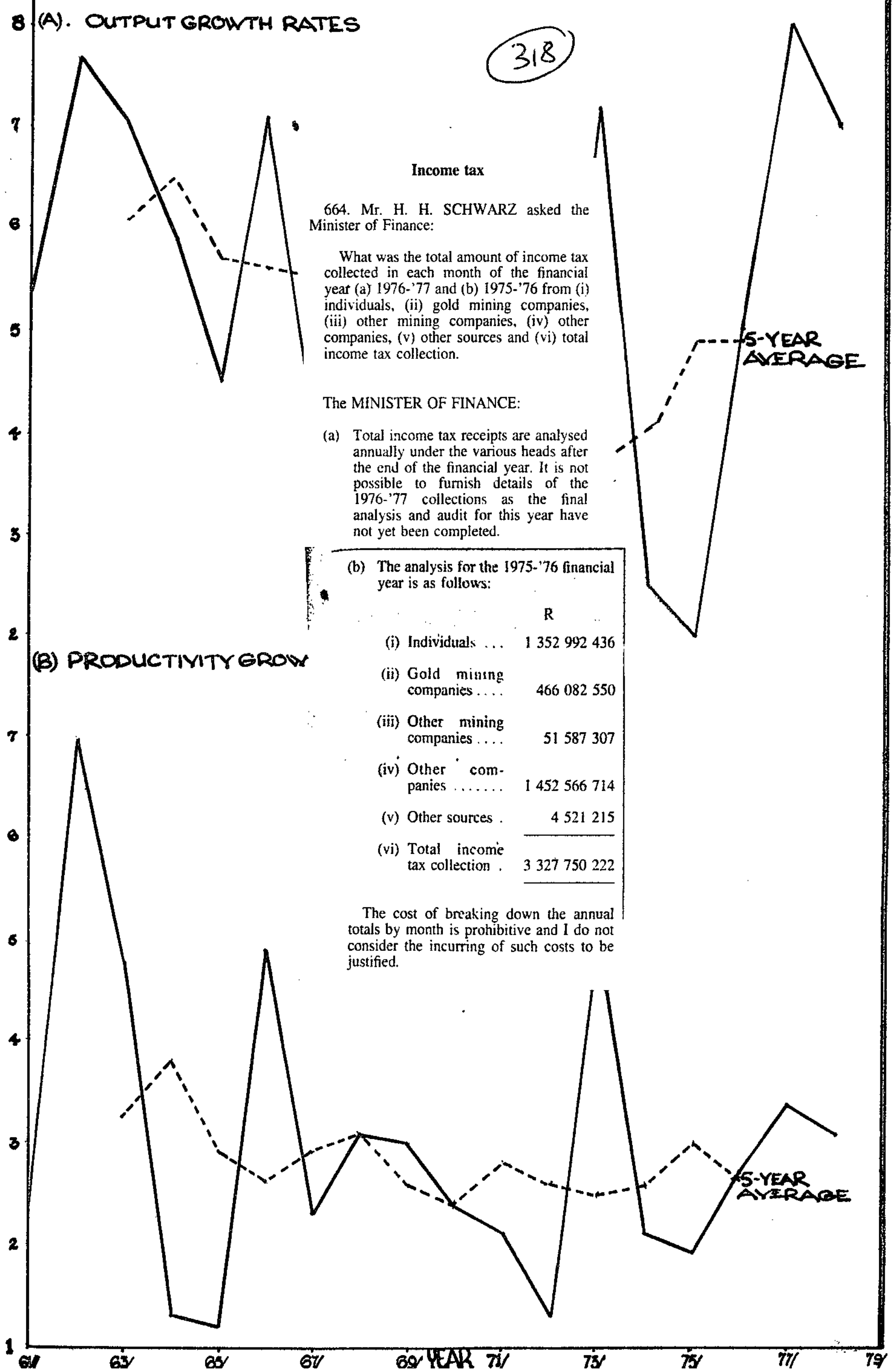
Answering a question from Mrs Helen Suzman (PRP, Houghton), Mr Botha said 5 733 foreign blacks had been convicted last year in the Fordsburg Bantu Commissioner's courts of being illegally in South Africa.

Of these, 5 548 had been fined, and 3 072 of these had been jailed because they could not pay their fines. A further 185 were cautioned and discharged although not convicted, and 135 were deported. A total of R28 444 was paid in fines.

318

Hansard 12 col 896 19/4/77

OUTPUT & PRODUCTIVITY GROWTH RATES. Page 28. FIG. VIII



Income tax

664. Mr. H. H. SCHWARZ asked the Minister of Finance:

What was the total amount of income tax collected in each month of the financial year (a) 1976-'77 and (b) 1975-'76 from (i) individuals, (ii) gold mining companies, (iii) other mining companies, (iv) other companies, (v) other sources and (vi) total income tax collection.

The MINISTER OF FINANCE:

(a) Total income tax receipts are analysed annually under the various heads after the end of the financial year. It is not possible to furnish details of the 1976-'77 collections as the final analysis and audit for this year have not yet been completed.

(b) The analysis for the 1975-'76 financial year is as follows:

	R
(i) Individuals ...	1 352 992 436
(ii) Gold mining companies	466 082 550
(iii) Other mining companies	51 587 307
(iv) Other companies	1 452 566 714
(v) Other sources .	4 521 215
(vi) Total income tax collection .	3 327 750 222

The cost of breaking down the annual totals by month is prohibitive and I do not consider the incurring of such costs to be justified.

(318)

Hansard 13
col 949
26/4/77

SIZE GROUP (HECTARE)	21 No.	21 Area
TO 1,9	3	3
2 – 4,9	24	79
5 – 9,9	57	442
10 – 19,9	54	792
20 – 49,9	103	3 200
50 – 99,9	104	7 805
100 – 199	182	27 273
200 – 299	211	52 394
300 – 499	413	165 131
500 – 999	852	620 660
1 000 – 1 999	826	1 174 480
2 000 – 4 999	504	1 447 005
5 000 – 9 999	46	285 076
10 000 – OVER	3	65 336
TOTAL	3 382	3 849 676

Taxpayers/income tax revenue

766. 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 1975 tax year.

The MINISTER OF FINANCE:

(a) and (b)

Income category R	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
Loss	11 725	—
1– 999	181 325	0,08
1 000– 1 999	229 695	1,15
2 000– 2 999	237 618	2,72
3 000– 3 999	170 892	3,30
4 000– 4 999	153 734	4,11
5 000– 5 999	149 578	5,37
6 000– 6 999	136 486	6,55
7 000– 7 999	114 417	7,16
8 000– 8 999	87 160	6,96
9 000– 9 999	62 084	6,23
10 000– 11 999	73 357	9,81
12 000– 13 999	36 860	6,97
14 000– 15 999	21 040	5,34
16 000– 17 999	14 111	4,60
18 000– 19 999	10 754	4,33
20 000– 29 999	20 073 19%	12,11 69,5%
30 000– 39 999	4 648	4,98
40 000– 49 999	1 716	2,65
50 000– 79 999	1 332	3,12
80 000– 99 999	179	0,66
100 000– 149 999	162	0,81
150 000 and over	92	0,99
Totals	1 719 038	100,00

The above information was compiled as at 28 February 1977.

The Natal Mercury

TUESDAY, AUGUST 23, 1977

3/8

TURNOVER TAX

WHEN THE Minister of Finance, Senator Horwood, announced in his March Budget that he was going to introduce a universal sales tax at the point of sale, many people presumed that its main purpose would be to replace the cumbersome and inequitable sales duty, which is applied at the point of manufacture or import.

How wrong they were. As more details of the new "turnover tax" emerge, it appears that the Minister has forged himself an entirely new and all-embracing instrument for relieving citizens of more of their cash. One bank has estimated that 65 percent of all commodities and services used in compiling the consumer price index are likely to be subject to the new tax. The reported inclusion of even basic foods, charity cake sales and shoe repairs in the tax net suggests that it may be drawn even more tightly than that. Furthermore, it will not entirely replace the existing sales duty.

From the point of view of consumers, who are expected to be some R230 million a year worse off as a result of the tax, the main innovation seems to be that it enables the State to tax services as well as goods, either separately or as a package. In this it resembles the value-added tax (VAT) which caused a good deal of resentment and confusion when it crossed the Channel into Britain a few years ago.

Commerce does not like the tax because it will mean extra work and expense, including the probable replacement of more than half the country's cash registers. Nevertheless, South African retailers will have fewer difficulties with an expected single tax rate of between three and five percent than American shopkeepers do with three different rates of city, state and federal tax.

The difficulties should not be exaggerated, for governments will exact their pound of flesh in one way or another and the universal sales tax has been found to have certain advantages. It spreads the tax burden more evenly, broadens the tax base, and has built-in growth with the rise of consumer spending. It can also be used as an economic regulator.

But one must question whether the Government is sufficiently aware that the criteria that may apply in more or less uniformly affluent societies need to be tempered in countries such as South Africa where even a small increase in the price of basic foods and services can cause hardship for many.

TAXATION

04/09/77 — 15/6/78

Tax blow to exporters

4/9/77 (318)

'IT'S A DAMN SHAME EVERYBODY HAS TO SUFFER JUST FOR THE ROGUES'

Sun. Trib. fin. + prop. 4/9/77

BY ALAN PEAT

THE WITHDRAWAL of certain export incentives after a recent Income Tax Amendment Act is acting as a severe blow to some exporters. Early indications are that certain price-sensitive export industries may be forced out of the market, costing the country millions in lost foreign exchange.

So serious is the problem, particularly in light of the vital role being played by exports in the present recessionary climate, that Chambers of Industries and other private sector bodies are urgently gathering information on the extent of the problem, throughout the country.

The results of the survey will be used to ask the Government for an immediate repeal of the amendment.

The three concessions which have been repealed are those relating to:

- Salaries, wages and other office running expenses in respect of a marketing operation in this country handling sales in both export countries and the domestic market.
- An exporter including in his marketing expenditure the costs of any packaging over and above normal local packaging, required in marketing goods for export.
- An exporter including in his marketing expenditure any special discount which was necessary to enable him to penetrate or retain an export market.

Of the three, the one which gives most cause for concern is the removal of the concession on packaging.

Preliminary Chamber of Industries figures show that this withdrawal will add between two and five percent to the overall cost of an export shipment. On large shipments this could run to many thousands of rands.

As most of South Africa's manufactured exports are extremely price sensitive this added cost is likely to be borne by the manufacturer, and in certain sectors may force withdrawal as exporting becomes unprofitable.

Roland Freakes, executive director of Durban Chamber of Industries, said: "I am personally very concerned. To have this come at a time when we are striving to increase exports is bad. But what is worse is that it was sprung upon us without any prior consultation.

"Some solution cannot be delayed, or people will find that the worst has happened and a lot of exporters will have got out of exports altogether."

Backing up Freakes' comments was a spokesman for the SA Foreign Trade Organisation.

He said: "Some of these exporters have been relying on the concessions not so much for profits but just to remain viable in a competitive market."

Industry sources feel that the reason for the withdrawal may have been continued abuse of the concessions by certain manufacturers.

"But," said one angry exporter, "it's a damn shame everybody has to suffer just for the rogues in the pack."

That may very well suggest one of the alternatives to be offered to Minister of Economic Affairs Chris Heunis when he meets with the Private Sector Advisory Committee soon to hammer out the matter.

The Safto spokesman suggests that reinstitution of the concessions could be coupled with vastly increased penalties for offenders, including the possibility of withdrawal of priveleges for those who abuse the system.

This is the basis of protection in the private sector steel rebate scheme. Under the Iron and Steel Export Promotion Scheme any controvention of the spirit of the agreement leads to disqualification.

And, say industry sources, this has been an adequate deterrent.

COMMENT: The withdrawal of the scheme was unexpected only in that the Government had no prior consultation with the private sector bodies before the Amendment Act was passed. However, the Department of Commerce has repeatedly issued strong warnings against companies who were taking advantage of the concessions.

In light of the present vital nature of exports, and the stifling effect this withdrawal will have, there is no reason to believe that the Government will be unwilling to listen to reasonable alternatives. Both the Minister of Finance and the Minister of Economic Affairs have put themselves fairly behind exporters in recent public statements, and have stressed the leading role that exporters play in any hoped for recovery in the economy.

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Capital gains tax needed now — Silke

(318)

EAST LONDON — South Africa's "fundi" on taxation, Dr Aubrey Silke, feels it is time for the introduction of capital gains tax into the country's fiscal policy.

Addressing a multiracial seminar in Pietermaritzburg, he said freedom from tax on capital gains was a luxury South Africa could not afford.

"In these inflationary times such a tax is justified. It gives more balance to the tax structure, it is equitable, and the revenue derived could be used to reduce the high marginal tax rates of individuals."

This, in turn, he said, would lessen the present wide disparity between the maximum rate of individuals and that of companies.

"A capital gains tax will check, to some extent, the incentive there is for the taxpayer to convert income gains into capital gains."

There was no reason why there should be the distinction between a man who has to pay tax on profits or gains from earnings, and a man who derived a fortuitous capital gain or windfall who, under present law, was completely free of tax.

Dr Silke also referred to the numerous anomalies, inequities and obscurities with which the present Income Tax Act was riddled.

Among other things he criticised the definition of gross income, particularly as it affected manufacturers; the hardship caused by no deduction being allowed against income of losses incurred on the repayment of foreign loans, caused by the depreciation of the rand against foreign currencies; and the tax-free fringe benefits allowed to civil servants on which members of the private sector must pay tax.

On this score he mentioned the wide range of housing benefits, including cash payments or subsidies for loans on a house, and on expenditure incurred wholly or partly on official duties.

"Employees in the private sector who receive similar allowances are taxed on whatever portion was spent not in the performance of duties.

Only private companies were required to give the amount of "fringe benefits" received by directors and shareholders. On income tax forms there was no definition of "fringe benefits", and no help was given for the ascertainment of their value.

— BUSINESS EDITOR

(a) continued:

As the local employment and training situation improved, the 'appropriate technological level' of each group would rise; the ultimate aim would be to raise this level to that which is valid anywhere in South Africa.

(b) The approach chosen would be broad-based and interdisciplinary. The community consists of a diversity of people with a diversity of problems and capabilities. The centre would aim to eventually be a broad-based multi-level centre: it would provide initial training for those with little skill, more advanced training for those with a higher level of skill, and so on, so that its effect on local conditions would be to produce a balanced advance, rather than the inbalance that can result from focussing attention on only one facet of the problem. In fact a primary aim would be to introduce a broad understanding of the problems facing the community and the way these problems interact. One particular aspect would be a consideration of the difference between job opportunities created in order to make articles for export from the local area, in order to bring in income from outside; and job opportunities aimed at providing for local needs, thereby not only preventing money from draining from the local area unnecessarily, but also integrating the local community into a more coherent and independent whole. Both kinds of job opportunities would be actively employed and exploited. In both areas it should aim where possible to provide 'indispensable' rather than 'luxury' goods.

Examples: local knitting industry could provide slippers with leather soles for export to Port Elizabeth (1000 a week could be absorbed there). It could also provide jerseys for local schools to be used instead of much more expensive and less utilitarian blazers. Similarly, a sewing industry would aim to produce local school uniforms. A woodwork shop could provide play equipment for local creches and schools.

constant presence of the police

CAPE TIMES 15/9/77 (3/8)

Capital gains tax a disincentive

From Mr NIGEL WILLIS (30 Arnold Street, Observatory):

I SHOULD like to join Mr D A Matthews (Cape Times, September 6) in his protest against Professor Silke's suggestions in favour of the pernicious idea of a capital gains tax.

There are some points which he did not cover.

Like most socialist conceptions, a capital gains tax initially sounds a thoroughly reasonable and equitable idea.

However, if people are to be taxed on their capital gains is it not also fair that they should be compensated for their capital losses? And if this occurs private enterprise can scarcely be said to exist.

So much is written about the injustice of capital gains but what about the tragedy of capital losses?

It should be borne in mind that every capital investment has the potential to be a loss and that as a rule, the greater the risk, the greater the potential loss or gain.

Apart from technological improvements and raised educational standards, one of the major determinants of growth in any economy is the availability of risk capital. It would seem that in South Africa today, people who are prepared to risk their money and hence show confidence in the economy should be rewarded, not punished.

Like most socialist measures a capital gains tax is a short-term pancea for a greedy government without sufficient funds to meet its promises or pay for its grandiose plans.

A capital gains tax must of necessity act as a disincentive for risk-taking and hence retard capital formation which is essential for growth, and growth is essential to raise the living standards of the masses and to provide them with employment.

The greater our growth, the greater the revenue which will accrue to the government from personal taxes. This should be used to provide for welfare services.

Initially a government might propose a nominal and seemingly reasonable capital gains tax of 2 percent, for example. This must be resisted.

Not so long ago when sales taxes were introduced we were given a reduction in income-tax rates. Today we pay more income tax than ever before and the inflationary sales tax remains.

The proverbial nose of the camel must be firmly kicked out of the tent and one can only hope that respected academics like Professor Silke do not encourage a government already too fond of putting its grubby paws into everything from going farther.

19, 1977

Daily Disp 19/9/77

They are underpaid at R60 000 a year

(318)

EAST LONDON — Chief executives of South Africa's biggest companies receive basic salaries ranging between R40 000 and R60 000 a year, but if fringe benefits are added, their total remuneration ranges between R60 000 and R80 000 a year.

These statistics are contained in an analysis by SMB Management Services of the remuneration of 1 875 to executives, whose aggregate employment costs more than R57 million.

The analysis, which has just been published is entitled The Remuneration Fringe Benefits and Taxation of Top Executives in South Africa, 1977.

There were 356 participating organisations from which data was collected for the survey. The sample covered a broad cross-section of South African commerce and industry.

Mr Bill Glasgow, managing director of SMB Management Services, a subsidiary of Standard Merchant Bank, says this is the most comprehensive survey of its kind published in South Africa. In his opinion, for the responsibility they carry, South African chief executives are underpaid by the standards of many countries abroad.

One of the trends highlighted by the survey is that today's chief executives of top companies are younger than their predecessors of ten years ago. The average age of chief executives of the bigger companies is in the very early 50s, while in the smaller companies they tend to be in their mid-forties.

Another trend, according to Mr Glasgow, is that it has become accepted practice in South Africa to provide motor vehicles to executives earning more than R11 000 a year.

The survey also demonstrates that executives in the bigger companies tend to retire earlier than their counterparts in the smaller firms.

One of the main problems companies face is providing adequate pensions, to avoid erosion of benefits as a result of inflation. Illustrating this problem is the example of an executive who retired at 60. At 65 his pension is worth only 62 per cent of its value five years earlier, assuming an annual inflation rate of ten per cent.

The publication provides details of the various pension formulae adopted by organisations in South Africa.

Another dramatic problem highlighted in the report is that of tax. Taking the tax year ended February 29, 1972, as a starting point, the tax history of two executives is detailed.

The first executive, who started on a lower salary, is likely to have a real income in 1977-78 worth only 90 per cent of his 1972 earnings.

The second executive, earning considerably more in 1972, fared worse because his true income is only 86 per cent of that earned six years earlier.

The report points out that it is economically impossible to grant the enormous pre-tax salary adjustments which would be necessary to give meaningful after-tax increases.

As a result, more and more companies are seeking legal ways of remunerating executives in a manner which maximises tax-paid income.

Of course, there are those who will say they would not mind a drop in real income of 14 per cent over a period of six years if their income were such as that of the highly paid chief executive.

That is not the point. Chief executives carry a heavy burden of responsibility which, all too frequently, lead them to an early grave through heart problems.

There is also a certain amount of job risk involved ... for many it is a question of "produce good, immediate results or get out." This could well mean a high income one month and nothing the next. And who wants to employ a loser?

It is a true saying: Work hard for eight hours a day and eventually you could become the boss ... and work a darned sight harder for 24 hours a day.

Let the chief executives enjoy their high incomes while they may. There's a lot to be said for a regular pay cheque at the end of each month, even if it is shrinking.

— BUSINESS EDITOR

735

show that plants are

months of December and

For rain to fall unstable air conditions

ary. In the Orange Free State unstable air conditions are usually

one of three processes. Firstly, a cold front moving up the continent

outh West, as a result of a strong high pressure off the Mozambique-

t, is marked by a cloudy period with precipitation.

ndly, an inflow of unstable maritime air from the North East, East or

caused by an anticyclone off the South East coast following the

a depression. This results in widespread prolonged rainy and cloudy

summer and, in the Eastern Orange Free State, extensive snowfalls

SUNDAY TRIBUNE, SEPTEMBER 25, 197

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Businessman to fight claim

Giant tax battle for 'envoy'

B18

Tribune Correspondent

AN unofficial roving ambassador for Transkei, Dr Richard Blom, who is now in South America, has lodged an objection against a R96 000 claim for back taxes.

Dr Blom, who left South Africa for Chile on September 14, also faces back tax claims from Transkei's Receiver of Revenue for personal and business interests.

In East London last week a R690 000 writ was issued by the Receiver of Revenue against Dr Blom's company, Trans-Transkei Haulage (Pty) Limited. A second writ of R95 594 was issued against Dr Blom himself.

Although an Australian national, Dr Blom, who helped bring out an Ecuadorian delegation to Transkei at the beginning of the year, also carries a Transkei diplomatic passport.

Transkei's Department of Inland Revenue is claiming R361 200 in back taxes from Trans-Transkei Haulage.

And in the Umtata Supreme Court an urgent application was made for an attachment order for a bulldozer and a crawler leased by Dr Blom and for R52 840 in respect of arrear instalment payments and repair costs.

The amounts specified in the claims by both the East London and Transkei receivers are estimates, as Dr Blom has not submitted income tax returns.

According to an affidavit supporting the Supreme Court application in Umtata, Dr Blom left South Africa on a deportation order.

But Inland Revenue officials said they had not heard of any deportation order and Dr Blom's attorney, Mr K. Kingon, of Dax partnership, flatly denied his client had left because of a deportation order.

Dr Blom's wife, Mrs Selena Blom, who is still in East London, said she expected her husband to return to South Africa.

Mr Kingon received a telex message from Dr Blom from Quito, Ecuador, instructing him to lodge an objection with the Receiver of Revenue and Dr Blom said he would return to South Africa to take up the matter.

The reason for Dr Blom's presence in Chile was to organise a Chilean delegation to visit Transkei. He left South Africa with Transkei's chief of protocol, Mr Liston Ntshongwana.

Transkeian Foreign Minister Mr Digby Koyana said this week Dr Blom had been of great help in establishing contacts for Transkei in South America. He confirmed that Dr Blom is an unofficial roving ambassador for Transkei.

NIKLA

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Tax on city drivers would 'help trade'

(318) Star 22/9/77

Pretoria Bureau

The introduction of congestion tax on motorists using the city centre would benefit businesses, says Mr J G Brand, Cape Town's city engineer.

Speaking at the University of South Africa's transport conference in Pretoria today Mr Brand said that imposing a tax on motorists who wanted to drive their cars in the city centre would result in more drivers taking to buses.

In turn there would be increased and more efficient use of the streets for business by taxis and commercial transport.

Motorists who had paid the tax would be issued with a window sticker. Only those who travelled into town in cars with not less than three passengers would be exempted from the tax, he said.

Many commuters would choose to avoid the tax by transferring either to public transport, increasing the car-occupancy rate, or changing their destinations, Mr Brand said.

Mr Brand said there was a general inconsistency between expectations and realities. Society could not go on investing in motor vehicles without a balanced investment in road space.

But even if traffic were to be curtailed, it had to be recognised that the demand for road space would increase at a pace that few people appreciated.

There could be no cheap and easy long-term solution for improving accessibility and avoiding damage to the environment.

Many people thought public transport could magically halt congestion, clear the air, provide greater safety and save millions of rands, Mr Brand said.

If he could foresee any realisation of this utopia, he would be the first to join the anti-car-lobby.

and Italian (1964-1975) at the University of Ex...

Emeritus Professor of French, University of Exeter

Publications: Jean Moréas, poète lyrique, 1936
Diderot and Drama, 1942
Beaumarchais, Le Barbier de Séville, Edward Arnol...
A literary history of France, the 18th Century, F...

Editions critiques: J.-J. Rousseau - Les rêveries du promeneur...
D. Diderot - Pensées philosophiques, Droz, ...
Lettre sur les aveugles, Droz...
Marivaux - Arlequin poli par l'amour, Univ...
1959 (avec Thelma Niklaus)
Sedaine - Le gageure imprévue, Exeter Fren...

Principaux articles: Diderot et Rousseau: pour et contre le th...es,
no. 4 (1963)
La propagande philosophique au théâtre au...
Studies on Voltaire and the eighteenth...
Marivaux et la comédie italienne, in Stud...
Pellegrini (Turin, 1963)
Diderot et la peinture, le critique d'a...
Europe, nos. 405-406 (1963)
Diderot et le conte philosophique, Cahier...
Internationale des études françaises, no...
Le méchant selon Diderot, Saggi e ricerci de letteratura
francesi, no. 2 (1961)
La portée des théories dramatiques de Diderot et de ses réalisations théâtrales, Romanic Review, no. 54 (1963)
Présence de Diderot, Diderot Studies, no. 6 (1964)

The kitchen has an aluminium sink with a cold water tap only. There is often a coal stove, for heat rather than for cooking. The men cook on paraffin cookers. On occasion, the men may themselves furnish the kitchen, but it more often seems to remain bare.

In each unit there is one lavatory bowl. It has no seat. In addition there is a urinal and over the urinal is a cold water shower, placed in such a way that the run off shower water will flow down the urinal drain.

The hostel floors are made of cement. However, the men have almost invariably laid down a proper covering either in wood or rubber. Coloured rubber square tiles are favoured. Each room has an electric light, but none of the rooms have any wall plugs. What the men frequently do is to take a lead from the light, either directly to the electrical applicance or to make a wall plug

None of the rooms ... h ceilings. The men sometimes remedy this themselves b... shift ceiling. There are neither outside rainwater ... for the individual hostels. Between the hostels there ... ter and rubbish, cars, livestock, fruit and vegeta...

'NEW' HOSTELS:

The new hostels a... built hostels in the Zones. Strictly they should not f... n but the Board distinguishes them from the single s... new hostels were all built from 1969 and were complete... ph of the hostels is on page 13.

These 'new' hoste... s high. The design is the same as the other Zones hoste... lding has four units. It is,as it were, that two Z... put on top of one another. Conditions are the s... storey Zones' hostels.

Petrol tax call slated

STAR 27/7/77

(318)

Pretoria Bureau

Calling on motorists to pay higher petrol taxes to finance energy research was "an attempt to manipulate consumers under the pretence that it is in the national interest," the director of the co-ordinating Consumer Council said yesterday.

Mr Johan Verheem levelled this attack at Mr A Hough, managing director of Total Oil, who recently made the suggestion that an extra energy research tax be slapped on to the pump price of petrol.

Motorists already made a direct tax contribution of 10,3c on a litre of petrol costing 28,6c towards the development of energy sources and other levies.

"This is quite apart from indirect payments," added Mr Verheem.

"I would like to know what Total's contribution is in this regard."

Oil companies should plough more capital and profits into research.

Mr Verheem rejected Mr Hough's comparison of overseas and South African petrol taxation as "meaningless."

The average South African had to work 12 minutes 24 seconds to buy a litre of petrol. The average European Economic Community worker had to work only six minutes 39 seconds.

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Income tax incentives for export service industries

Sunday Times (Business Times) 14/8/77

By TONY KOENDERMAN

THERE IS both good news and bad news for exporters in newly gazetted changes to the special tax allowances contained in the Income Tax Act.

First, the good. Export service industries are now specifically mentioned, and may claim the special allowance for expenditure on export market research, preparation of tenders and quotations, or commission to foreign agents.

Expenditure incurred or controlled by the Canned Fruit Export Board for the export of farming produce is recognised as export marketing expenditure, but the Wool Board is now excluded.

On the negative side, all precious metals (not only gold and silver bullion as before) are excluded from the definition of goods where export marketing expenditure qualifies.

Two other expenditure items have been deleted from the qualifying list. They are the proportion of expenditure on salaries and other costs incurred in a joint domestic and export marketing operation; and additional costs incurred in special packaging for export.

A Durban firm, Rudmev, has suffered to the tune of R12 000 on a R300 000 export contract to Mauritius as a result of the withdrawal of the packaging concession.

The contract, for the supply of a large prefabricated coal store, was awarded after negotiations which started in March. The extremely tight price was based on the assumption that the concession would still apply.

However, the SA Foreign Trade Organisation says that where the amendments vitally affect an exporter's ability to continue exporting, submissions should be made to the Special Working Committee on Export Incentives, headed by the Minister of Finance.

D.D. 15/8/77

Tax warning to moonlighters

318

EAST LONDON — Part-time or spare-time workers watch out for the tax man. Writing in the latest issue of Businessman's Law, Mr Costa Divaris warns of the serious consequences which can face "moonlighters" who fail to pay tax on their earnings.

The part-time (or spare-time) clerk, typist, shift-worker, waiter, model, window-dresser, commercial artist, sports coach, interior decorator, photographer, or any other casual worker who earns additional remuneration MUST pay additional tax.

If these "moonlighters" consistently fail to pay the taxes due by them, the ultimate result may well be that the law applying to those who are more easily enmeshed in the tax net is made more severe.

But even if the "moonlighter" is somewhere caught in the net — perhaps in his or her regular job, where Paye deductions are made — and if the tightening of the net takes the form of an increase in the normal rates of tax, even he or she will, ultimately, be prejudiced by the original evasion.

But there are even more persuasive reasons for moonlighters to mend their ways. The penalties for evasion of tax are extremely unpleasant, and can mean a fine of up to R1 000 and-or imprisonment for up to two years.

In addition, the "moonlighter" may fall liable to the payment of treble taxes on the omitted income, and risks remaining under a cloud of suspicion for the rest of his or her tax-paying days.

How is the "moonlighter" caught? The revenue authorities use a system of cross-checking which occasionally provides evidence of income paid by someone, but not returned by its recipient. Evaders of tax are also easy victims of the anonymous letter sent to the authorities.

Moreover, any evidence of an unexplained increase in their financial well-being can mean a speedy ruin if it is noticed by the authorities.

The greatest danger of discovery lies in a different quarter, for the "moonlighter" has to persuade his or her employer not to deduct Paye. A reckless employer who falls foul of the Paye provisions becomes liable to onerous penalties and has an even greater chance of discovery than his "moonlighting" employee, for he may also have to contend with his (or her) auditors.

Despite these unhappy consequences, tax evasion by "moonlighters" appears to continue, and Mr Divaris concludes it is time the authorities did more to frustrate their plans.

More comprehensive and frequent checks should be made of employers likely to employ "moonlighters", and a special series of questions in the annual tax returns sent to employers might help.

So, "moonlighters", you have been warned. The above is not a dissertation on how to evade paying tax on your extra earnings. It is purely a warning ... don't try to dodge it.

— BUSINESS EDITOR

AIDE-MÉM ... EN DISCOURS INDIRECT

DISCOURS INDIRECT

On répète ... e à une autre personne ce
personne ... l'un dit ou demande.

1. CHARLES: ... t (demande, ordonne) à Marie ... a porte.

2. CHARLES: ... t (déclare, ajoute..) qu'il ...

3. CHARLES: ... ande (veut savoir, etc...)
Qu'est-ce ... euner est prêt. Il demande
êtes-vous en retard? ... ui se passe et pourquoi elle ... t en retard.

I. Si ...

Le discours direct est introdu ... oints et les guillemets
deux points et placé entre gui ... ent.
La question se termine par un ... 'interrogation est remplacé
d'interrogation. ... ple point.

II. le pronom personnel, ... et le pr. possessif

Sont a diverse personnes. ... gén[é]ralement à la 3ème pers.

III. Termes i... ... e lieu

Temps présent et proximité. ... é et éloignement.

Charles: "Ceci ne doit pas se ... t à Marie que cela de devait
représenter: soyez à l'heure ... résenter et lui demanda ... 'heure le lendemain.

IV. ...

1. Impératif ... déclaratif + de +
... tif

2. simple déclaration ... ncipa ... onco

3. question ... nterr ... ui, ... , et ... ance ... i, ... n

FR. 76.95

Rates take a jump at Amanzimtoti

Mercury Reporter 18/8/77 (318

AMANZIMTOTI Town Council has announced a stringent budget for the coming financial year increasing rates at an average of 5 percent.

The town treasurer, Mr. A. McDonald said yesterday that the council had pruned the original estimates cutting capital expenditure "to the bone" at R331 000.

Rates on land have increased from 1,875 cents in the rand to 2c, while rates on buildings have remained at 0,25 cents in the rand.

Percentage increases average from 4,6 percent on residential sites, 5 to 6 percent on industrial sites and 3,1 percent on blocks of flats.

Council would reduce personnel expenditive.

"We will not retrench but no vacant posts will be filled," Mr. McDonald said.

Property in Amanzimtoti was re-valued on a three-yearly cycle as the area was divided into three sections.

Increases in valuation on property in the sothern section the area re-valued this year — varied between 30 and 40 per cent, Mr. McDonald said.

Capital works under construction would be completed.

Star 28/10/77

New consumer tax to hurt at year's end

Pretoria Bureau

The Government is racing ahead with preparations to impose a consumer sales tax on nearly every item purchased next year.

The exact percentage of the tax will be determined according to budgetary needs, and other factors, but consumers could find themselves adding five percent to their purchases after March next year.

Those developments follow an announcement by Senator Horwood, Minister of Finance, during his budget speech this year, that the Government had accepted in principle the imposition of a universal sales tax at the point of sale.

This means the tax will be charged by retailers and paid for by consumers.

The idea is to include as many goods and services as possible so that the percentage could be kept down. At an Assocom conference earlier this year it was said that the proposed rate was three percent.

But this has been discounted in informed circles as too low because it would reap insufficient funds. And if a mandatory arms embargo is adopted against South Africa at the United Nations, the defence bill could well increase substantially as the Government finds itself having to pay more for its military hardware through the backdoor.

During the coming parliamentary session legislation would have to be passed to enforce the tax. The collection procedure would probably entail an amendment to the Income Tax Act and the percentage could be set by the Minister of Finance as part of the overall 1978 Budget.

The proposed legislation has already run into opposition from Assocom, one of the organisations on whose members a lot of the implementation will fall.

A bitter sweet pill

A 26 percent sugar increase will bounce back at consumers on a wide range of foodstuffs including sweets and soft drinks before Christmas.

Most manufacturers were today still calculating the actual effect of the increased price on their commodities.

But all were agreed that increased prices would start hitting the consumer soon. All, also, expressed the fear of increased consumer resistance.

Dr J A Mouton, general manger of Langeberg Co-Operative, said, coupled with last year's 47,6 percent sugar increase, jam was becoming a consumer luxury.

He said the latest sugar increase would probably add an extra two to three percent more on the selling price of jams and canned goods.

"The deciduous fruits which will soon be coming into production will be first affected. The rest will be affected as they come into season."

The manufacturers of sweets, chocolates and soft drinks said the cost effect would be felt soon by the consumer. They were still working out how much it would be.

The same applied to manufacturers of condensed milk, candied peel, baby foods and other sugar-packed commodities.

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The great Kei tax fiddlers

Sunday Times 13/11/77

By NIC VAN OUDTSHOORN

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SOUTH Africans in the supertax bracket are boosting their income by thousands of rands a year by sending their surplus cash to banks in Transkei.

There it earns the same rate of interest as in South Africa. But, as non-residents, they pay only a flat 10 per cent in tax.

To give an example: A South African business man paying 50 per cent income tax puts R100 000 on fixed deposit with a Transkei bank.

It would pay him around 10 per cent interest — R10 000 a year.

If the money was still in South Africa, R5 000 of that would go to the taxman. Instead he pays only R1 000 in Transkei tax — a saving of R4 000.

This tax stays in the Transkei. None of it finds its way back to the South African Treasury.

Because there is a limited demand for capital in Transkei, the deposits—believed to run into millions of rands — are invested mainly in the South African money market, where they earn high rates of interest.

There are fears that people paying lower rates of tax may decide it is worth their while to take advantage of the loophole — especially with the prospect of an all-round increase in taxes next year to help pay for greater defence spending.

Bankers told me Transkei is an ideal haven for South Africans flush with money. They can withdraw their deposits and interests at any time under the monetary agreement between the two countries.

Transkei's Commissioner of Inland Revenue, Mr M. W. Pretorius, said this week he was well aware of what was happening.

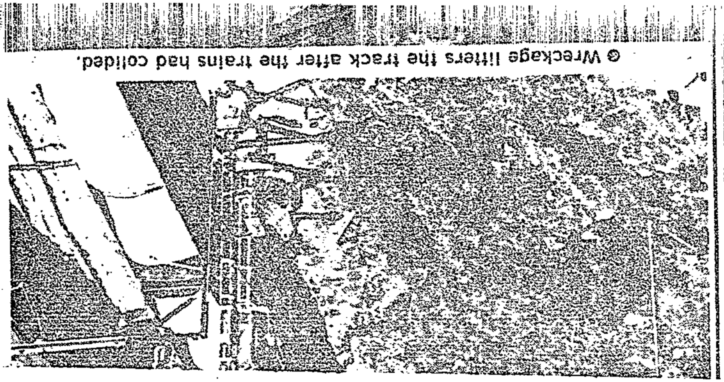
Happy

"Transkei is not unhappy because we are receiving taxes which otherwise we would not have."

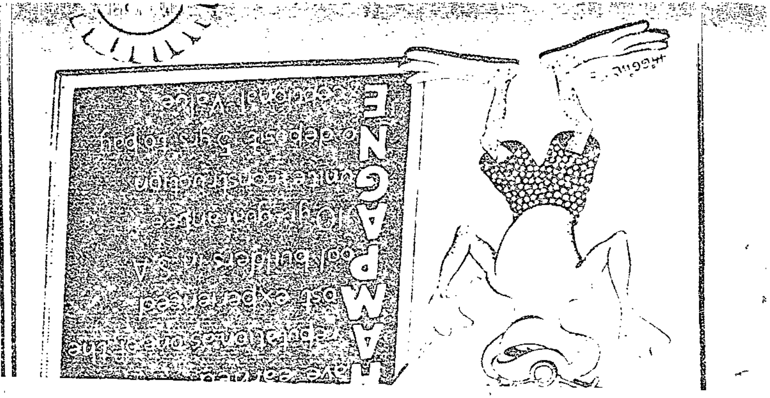
Mr Pretorius said the whole thing was completely within the law. The South African Government could take action against the investors if it could prove that they were investing in Transkei in an obvious move to evade tax. That proof was not always easy to establish.

A South African tax official said it was not only the tax authorities who have cause for complaint. So has the average South African taxpayer.

He has to make good the missing revenue.



© Wreckage litters the track after the trains had collided.



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Tax levies: what you'll get back

Express Reporter

POST-CHRISTMAS poverty will get some relief in February when thousands of taxpayers share a R122,5 million repayment of the 1971 loan levy.

Private taxpayers will receive cheques of from R20 to several hundred rands from their R35,2 million share of the handout. Repayments include interest.

Companies will get back R87,3 million, which also includes interest.

Interest paid on the levy is tax-free.

Cheques will be mailed from February 1, the Minister of Finance, Senator Owen Horwood, announced this week.

The 1971 loan levy ranged from 2½% to 10%.

According to taxable income, families with two children will get back: taxable income R5 000 (levy repaid R21); R8 000 (R56); R10 000 (R88); R12 000 (R125); R15 000 (R191); R20 000 (R333).

Families with three children: R5 000 (R17); R8 000 (R52); R10 000 (R83); R12 000 (R120); R15 000 (R187); R20 000 (R328).

Single taxplayers: R5 000 (R41); R8 000 (R92); R10 000 (R135); R12 000 (R185); R15 000 (R270); R20 000 (R442).

~~Taxi fleet helped the~~

16/11/78 Star

R122-m tax loan payout

520

Pretoria Bureau

A huge R122-m loan levy payout will be made early next month by the Receiver of Revenue.

A spokesman for the Receiver's office said today the date of the payout had still to be determined by the Minister of Finance but it was likely to be early next month.

He said the sum was that levied in 1971 at a 5 percent interest rate, R35-m will go to individuals and R87-m to companies.

"Each will, in effect, receive 35 percent interest on the original levy," the spokesman said.

STAR 12/1/78

(320)

Govt out to avoid double sales tax

The Secretary for Inland Revenue, Mr W J H van der Walt, revealed today that his department is looking into three ways of introducing the new point-of-sale tax.

He said the Government was seeking to implement the new tax without "double-taxing" the public on goods now subject to the old form of sales tax.

One way this could be done was by declaring a "tax holiday" — a period during which neither the old tax, imposed at the point of manufacture, nor the new tax, imposed at the point of sale, would be levied.

This would prevent consumers being hit by sales tax at both ends when buying items in the pipeline.

BALANCE

Mr van der Walt said another possibility was the gradual phasing out of the old tax while phasing in the new, so that a balance between the two was kept.

A third method being considered was taking an inventory of goods on their way to consumers and not levying the new tax on them.

The "point of sales" tax will be an "across-the-board," low rate tax affecting a far wider range of goods than has previously been affected by sales tax. It has been speculated that the rate will be from three to five per cent.

Hansard 1 3 February 1978 Col. 21, 22.

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Income tax 1

23. Mr. N. B. WOOD asked the Minister of Finance:

(a) How many (i) Whites, (ii) Coloureds and (iii) Asiatics 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 1976 tax year. Not all assessments for that year have been issued.

	(a) Number of Taxpayers Liable for Normal Income Tax	(b) Amount Assessed
		R1 000
CAPE PROVINCE		
(i) Whites	425 185	281 021
(ii) Coloureds ...	168 792	16 658
(iii) Asiatics	12 857	2 610
NATAL		
(i) Whites	155 187	117 606
(ii) Coloureds ...	9 983	1 410
(iii) Asiatics	69 503	10 613
O.F.S.		
(i) Whites	99 601	73 243
(ii) Coloureds ...	1 914	125
(iii) Asiatics	2	—
TRANSVAAL		
(i) Whites	763 712	723 739
(ii) Coloureds ...	23 921	3 132
(iii) Asiatics	22 056	8 151

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7/2/78 Natal Mercury

UCI taxed profits up 15%

Mercury Correspondent

JOHANNESBURG — Union Corporation Investments has declared a final dividend of 20c for the year to December 31 last, making an unchanged total of 30c.

Taxed profits amounted to R7 241 000 (R6 323 000), an increase of 15,5 percent giving earnings a share of 37,1c (32,4c).

At the year end, share capital and reserves amounted to R33 256 000 (R31 865 000).

Union Corporation holds an investment of eight million shares in UCI. As a result, UCI can participate in the new business of Union Corporation in terms of an agreement whereby Union Corporation will offer UCI 15 percent of the net interest beneficially owned by the Corporation in new business.

The latest agreement, effective for a period of five years from January 1974, covers any proved mining ventures in South Africa developed by the Corporation.

Quest ... s

Name (first na

Farm number

1. How did yo ... ?

2. Have you e ... to work in a city?
   If yes, why

3. What sort of ... uld you rather do - either
   on a farm ... ?

4. What jobs wo ... children to do?
   Why?

5. If worker has not been to school: Why didn't you go to school?

   If worker began but did not complete schooling: Why didn't you finish your schooling?

Problems

1. What would you most like to see changed in your working conditions? (wage, payment in kind, hours, holidays)

   In your living conditions? (housing, recreational facilities)

7/2/78 LA
320

R22m excess on beer, tobacco tax

CAPE TOWN — Those little pleasures in life — a glass of beer and a puff of tobacco — cost the taxpayer R22,6 million more than the Government thought it would in the last financial year.

And yesterday, the chief opposition spokesman on finance, Mr Harry Schwarz, said he hoped the Government would give a little of this back in the next Budget, due on March 29.

According to the Auditor-General's report for the year ending March 31, 1977, the Government got R6,9 million more in excise duty on beer than the R138,7 million it estimated it would.

The Auditor - General's report says: "Excess is due to the fact that consumption was higher than anticipated and the increase in duty in 1976 was underestimated."

Other cases where the Government got more than anticipated were cigarettes and cigarette tobacco, R5,5 million; pipe tobacco and cigars, R4,8 million; spirits, R3,4 million; mineral water, R1,5 million; wine, R4 million. — PC.

Black tax law to be enforced

DD 9/2/78 (320)

EAST LONDON — Thousands of East Londoners are unwittingly contravening the Bantu Taxation Act and could face a fine of R400 or imprisonment for six months, or both.

This was disclosed by a spokesman at the Bantu Affairs Commissioner's office here yesterday, who explained that while most firms knew they had to pay tax for their black employees and did so, many householders were unaware they had to pay tax for domestic servants who earned in excess of R30 a month.

An inspector from the Department of Bantu Administration and Development is expected to make his rounds in East London soon, following the distribution of a circular about the paying of tax for blacks which was sent out with light and water accounts this month.

The tax was not to be confused with registration of blacks with the Eastern Cape Bantu Affairs Board in terms of the labour regulations. This was something completely different. The tax was the equivalent of the PAYE paid by employers of whites.

If an employee earns more than R30 a month, R6,91 a week, R1,84 per day in a five day week, or R1,53 per day in a six day week his or her employer is liable to pay tax.

Tax of 10 cents a month is payable on a monthly wage of R30,01 to R40 and thereafter increases on a sliding scale. It is not necessary to pay the tax monthly however and it can be paid yearly in arrear by agreement with the Bantu Affairs Commissioner's office.

The spokesman drew attention to the fact that those employers who employed a char for a few days a week were not exempt from paying the tax even if they did not themselves pay the char the taxable minimum.

It was the responsibility of the holder of the char's pink labour registration card to find out the total amount she earned in a month or a week and arrange with the other employers to see to it the tax was paid. — DDR.

Sunday Tribune 12/2/78

320

HOW TO 'BEAT' THE TAX MAN

SPECIAL REPORT BY TONY HUDSON

THAT time of the year is rapidly approaching and all South Africa is waiting with increasing nervousness for the arrival of the dreaded buff income tax return forms.

Filling these forms in correctly can be a major headache as many people are not aware of what may or may not be claimed as deductible or as an abatement.

The object of this report is to provide some guidelines of what makes a justifiable claim.

Children: A married man may claim an abatement for his children up to the age of 18 regardless of whether or not they are working. He may also claim for a child up to the age of 21 if he is unmarried and not a taxpayer in his own right.

A child may be claimed as an abatement up to the age of 26 if he is unmarried, not a taxpayer and a student.

A father divorced or separated between 1962 and 1970 is assessed as single and can claim any children as an abatement but may not deduct maintainance payments. The mother may also claim the children's abatement and is not taxed on maintainance.

If divorced after 1970 both parties may claim the abatement but maintenance is taxed.

Initially, separated people were regarded as married in the eyes of the taxman, but the Act has been changed and they are now taxed on the same basis of those who are divorced.

Deductions: There is a popular misconception that items such as clothes can be claimed as deductable. This, says Durban's Receiver of Revenue "J J" Swanepoel, is wrong.

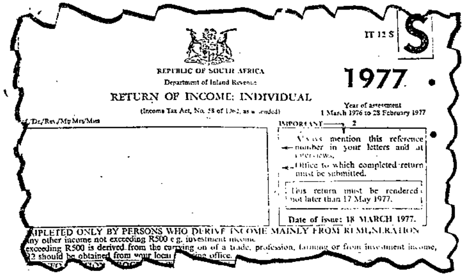
The Act states that only those items of expenditure or losses actually used in the production of income can be deducted. And this, he says, does not include clothes, for everyone has to be dressed whether they work for a salary or a commission.

In addition, no costs incurred in the maintaining of a family and home are allowable. You also cannot deduct rent or repairs to any premises not used for trade purposes.

Should a taxpayer decide to let his house, however, he can then claim in maintenance expenses that might be incurred because he is now trading with that property.

Funds transferred to a reserve fund by a business for, say, the repair of equipment at a later date is also not tax deductable.

Be careful about perks. Although overseas business trips are tax deductable, any holiday tacked on will mean that a portion of the expenses will be disallowed.



Entertaining is another area which is watched by the Receiver. He can ask the taxpayer concerned to prove that the money was actually spent in producing income.

Expense allowances can also come under close scrutiny if the Receiver is not satisfied that the money was spent correctly.

Company cars are no longer the perk they used to be unless they are locked up on company premises at night and are not used privately at all.

Even commission salesmen are taxed a certain amount on their cars as, says Swanepoel, they use their cars for getting to and from work and, therefore, receive a benefit.

The amount of taxation on a company car depends on the value of the vehicle but can run into hundreds of rands.

While abatements for insurance, children, being married and the like can make a difference, they are progressively reduced as income increases. Taxpayers earning up to R5 000 a year are given full abatements. After that, however, they are reduced by R2 for every R10 over that level.

53 14/2/78 Natal Mercury

TAXATION MAY RISE

Mercury Correspondent

PRETORIA — South African taxpayers, including companies, face the threat of higher taxation in the 1978-79 Budget, the PFP's financial spokesman, Mr. Harry Schwarz, MP, said yesterday.

State revenue, he said, because of the persistent recession, reduced company profits and unemployed taxpayers, could be down by as much as six or seven percent for the current financial year when accounts were finalised.

"When you take into account the Minister of Finance may need 10 or 12 percent more than he demanded last year, then there is a huge shortfall which would have to be made up in one of three ways, or by a combination of them."

These were:

- Bigger borrowings on the local capital market;
- Higher indirect taxation;
- Or higher corporate and individual taxation.

Mr. Schwarz said the universal at-point-of-sale tax would not be introduced until August, at the earliest or four months after the start of the new financial year.

Hansard 3, Q col 160, 17/2/78

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Amendment of Bantu tax structure X

*15. Mrs. H. SUZMAN asked the Minister of Bantu Administration and Development:

Whether he intends to introduce legislation during the present session of Parliament to amend the present Bantu tax structure.

†The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT (Dr. W. L. Vosloo):

No.

al arbeiders in die toekoms te verminder

Hoekom?

4. Dink u 'n tekort aan arbeid sal ontwikkel, byvoorbeeld oor die volgende 5 jaar? Indien wel, hoe gaan u hierdie tekort teenwerk?

5. Bestaan daar werkloosheid onder afhanklikes van werkers op u plaas (d.w.s. is daar mense wat graag wil werk maar wat geen werk kan kry nie)? Indien wel, watter soort werkloosheid?

6. Die werkers op u plaas het ..... afhanklikes onder 18 jaar. Hoeveel van hulle sal op u plaas kan werk, as hulle wil, wanneer hulle ouer is?

Skool

1. As 'n werker op u plaas kom werk soek, vra u hoe ver hy op skool gevorder het, of nie?

2. Merk u enige verskille in bekwaamheid op tussen werkers wat skoolgegaan het en die wat nie skoolgegaan het nie?

3. Gee u liewer werk aan 'n werker wat 'n paar jare skoolgegaan het, of nie? Hoekom?

ARGUS 22/2/78 (320)

Schwarz calls for tax holiday

The Argus Political Staff

SOUTH AFRICA should have a short tax holiday to restore business confidence as the country changes over from sales duties to the proposed turnover tax system, the official Opposition's chief finance spokesman, Mr Harry Schwarz, said today.

Mr Harry Schwarz

He made this suggestion in an interview urging the Minister of Finance, Senator O P F Horwood, to explain to the public without delay how the proposed turnover tax — or 'point-of-sale' tax — is to be applied and when it will be introduced.

Retail turnover tax was likely to affect business turnover running to R25 000-million, if not more, depending on how wide the Minister decided to apply it. This meant that commerce and the consumer public were vitally affected by the proposed change and needed to know details of the plan as soon as possible.

A tax holiday in these circumstances and in the present state of the economy would give an important psychological boost both to business and the consumer public.

Such a holiday was desirable, Mr Schwarz said, but he did not favour a tax holiday being applied for too long a period. 'As a responsible financial spokesman I would say the period has to be relatively short,' he said.

RELIEF NEEDED

'With the kind of economic situation we now have where something is needed to give South Africa a shot in the arm, a tax holiday is one means of doing it,' he added.

Mr Schwarz pointed out that the introduction of turnover tax could add between R750-million and R1 000-million to the country's purchasing bill. This could have a major inflationary impact unless relief were granted.

SALES TAX (320)

A wide net

FM 24/2/78

The first legislative step towards the new sales tax was taken this week. In Parliament, Finance Minister Horwood published the Registration of Vendors Bill. It demonstrates the huge amount of work that will have to be done by Mickey van der Walt's Department of Inland Revenue. It also confirms (*Current affairs*, February 10) that government intends the net of the new sales tax to be very wide, bringing in virtually all movable goods (including food) and quite a few services.

If a person (or company) is carrying on a defined enterprise he has to fill in a form about "every enterprise carried on by him."

Defined enterprises include: selling or letting of goods; rendering of services for remuneration; auctioneering for remuneration; renting of board and lodging; manufacturing; farming and forestry; fishing; and mining and quarrying.

Inter alia, the forms require each enterprise to define its nature and also state its turnover and expected turnover.

While the definition of what constitutes "goods" is wide (being "any corporeal movable goods"), "services" are tightly defined (see footnote). Notable absentees are professional services performed by doctors, dentists, accountants and architects. These will be excluded from the tax.

Forms have to be in by March 31 "or within such further period as the Secretary may allow." It seems almost certain that there will have to be extensions: the Department of Inland Revenue can hardly be expected to cope with the massive influx of forms (anticipated to be about 180 000) that are bound to pour in as soon as the bill becomes law.

Once the declarations have been received, a register will be drawn up. It might not include all who have sent in declarations.

Certificates will eventually be issued to all those listed on the department's register. But these will probably only be sent out after the main turnover tax bill has passed through Parliament and become law.

This will not be until mid-year. However, a draft bill will be published in the *Government Gazette* in early March to allow interested parties to make comments. The final draft will probably become law at the end of the current parliamentary session.

In the context of the bill, "services" means:

- *Delivery, installation, repair, maintenance or the rendering of other services in respect of goods that are sold or let.*
- *Repairs, maintenance, alteration or embellishment of goods of any description (including work done by shoe-repairers, shoemakers, watchmakers, jewellers, panel-beaters, and tyre retreaders; repairers of motor vehichles, photographic equipment and domestic appliances; and work done in respect of machinery both moveable and immoveable).*
- *Services rendered by any dressmaker, tailor, milliner, barber, hairdresser, dry-cleaner, dyer, launderer, dental mechanic, optometrist, optician, pharmacist, blacksmith, locksmith, printer, engraver, photographer, processor of photographic material or picture-framer; providers of duplicating services and blueprint services; tanners, leather processors, taxidermists, towers of motor vehicles; providers of fumigation or pest-control or animal care services* (other than veterinary services).
- *Services provided as aids to health, strength or beauty (including lecturing, advice, massages and other treatments and the provision of sauna baths, slimming devices and gymnasium facilities* but excluding *professional services provided by a dental practitioner, dentist, nurse or physiotherapist).*

SA NOW HIGH IN TAXATION LEAGUE

W/t ARGUS 25/2/78 (Bus Arg) (320)

by DEREK TOMMEY, Financial Editor

SOUTH AFRICANS are no longer among the lowest-taxed people in the West, a survey conducted by overseas correspondents of The Argus shows. South African tax rates are now substantially higher than those in Canada and Australia, two countries with which South Africa is often compared.

In fact, South Africans are now among the more highly taxed people — which probably reflects the steep increase in recent years in Government expenditure on defence and on improving social services.

Intercountry comparisons of personal incomes, expenditures and tax rates must always be treated with caution.

The official foreign exchange rates which are normally used to convert financial details from one currency to another quite often fluctuate sharply, as events in the foreign exchange markets in the past few days have shown.

Moreover, they are very rarely an accurate guide to the different domestic buying power of each currency.

As The Argus's Brussels correspondent points out, goods which cost R60 in South Africa would cost R100 in Belgium.

Therefore the figures for tax payments should be seen as an indication rather than a precise measurement of the difference in tax levels in different countries.

With this qualification in mind, it can be seen from the accompanying tax table that Britons are still about the highest taxed people in the world.

The table, which gives the basic tax rates without special deductions, shows that Britons in the lower income groups appear to be paying about double the tax paid by South Africans.

However, this high tax burden is partly cushioned by family allowances. And though deductions for taxation in Britain are similar to those in South Africa there is one important difference.

How SA's taxes compare

ANNUAL TAXES PAID BY A MARRIED MAN WITH TWO CHILDREN UNDER 10:

	ANNUAL INCOME				
	R5 000	R10 000	R15 000	R20 000	R25 000
South Africa	R320	R1 384	R3 295	R5 650	R8 528
Britain	R666	R2 371	R4 208	R6 758	R9 863
Belgium	R385	R1 630	R3 530	R5 620	R7 908
Australia	—	R1 005	R2 605	R4 240	R6 540
Canada	—	R1 050	R2 873	R4 718	R7 803

ANNUAL TAXES PAID BY A MARRIED MAN WITH TWO CHILDREN UNDER 10 AND A WORKING WIFE EARNING R5 000 A YEAR:

	MAN'S INCOME				
	R5 000	R10 000	R15 000	R20 000	R25 000
South Africa	R1 171	R2 953	R5 272	R8 060	R11 417
Britain	R1 835	R3 562	R5 758	R8 436	R11 583
Belgium	R1 550	R3 420	R5 510	R7 770	R11 250
Australia	—	R1 405	R3 005	R4 640	R6 940
Canada	—	R1 650	R3 473	R5 300	R8 400

This is that mortgage interest on loans of up to £25 000 (R41 750) on the first house is deductible from taxable income.

By making full use of this concession it seems possible that a Briton might not have to pay any more income tax than a South African.

Working wife

Another important difference in Britain from the position in South Africa is that a working wife can elect to be taxed separately from her husband.

Where a husband and wife's combined income totals about £11 000 (R18 700) it pays them to be treated as single persons for tax purposes, writes the financial correspondent of The Argus in London. The husband, of course, retains the benefit of the children's allowances.

Working wives can also choose to be treated separately for income tax in Canada and Australia. In Canada, if she earns above the equivalent of R3 000, she is forced to file a separate tax certificate, says The Argus correspondent in Ottawa.

Low rates

The low tax rates in Australia, which are substantially less than those in South Africa, are the result of a new system that was introduced on February 1, writes the Brisbane correspondent of The Argus.

The new standard rate not only reduced total tax, but also had the effect of reducing the amount of tax people must pay on every extra rand earned, such as overtime payments.

The new system means no tax on incomes up to R3 750, a standard rate of 32 percent on all incomes over R3 750 and a surcharge of 14 percent on incomes between R16 000 and R32 000.

The new rates also include a rebate of 32 percent on all rebatable expenditure over R1 590.

Advanced

The new Australian system of personal income tax with its new three-step rate scale is seen by the Federal Government as one of the most advanced in the world.

With minimum taxable income raised from R3 154 to R3 751, about 335 000 more taxpayers, including many pensioners, will be non-taxable.

Nearly 90 percent of taxpayers will pay tax only at the standard rate of 32 percent and everyone will pay less tax.

The top marginal rate falls from 65 percent to 60 percent and in terms of a full year's income tax revenues, people will pay about R1 300-million less in tax than under the old system.

Working wives are taxed as single people and a wife earning R5 000 a year would pay only R400 in income tax no matter what her husband earned.

Tax allowances and deductions are similar to those in South Africa, though parents in Australia are allowed to claim up to R250 in educational expenses for each student and the full cost of medical, dental and optical expenses.

Resentment

Housing loan interest is also deductible from taxable income, which is not so in Canada, though it allows the deduction of tuition fees.

Meanwhile, in the high income-tax country of Belgium, there is considerable resentment at the perks enjoyed by the employees of the European Economic Community, which has its headquarters in Brussels, says The Argus correspondent there.

Men or women translaters (R18 000 a year), legal drafters (R30 000 a year) and others at the EEC Commission pay no income tax. The Commission's president, Mr Roy Jenkins, has a tax-free R100 000 a year.

26/2/78 Sunday Tribune (320)

Plural means triple

Tax rands that is, to pay R6 million constitutional bill

Tribune Reporter

SOUTH AFRICANS are going to have to cough up at least R6 million a year in taxes to pay for the planned three-tier constitutional system — and that is just the tip of the iceberg.

Most of it will go on the salaries and allowances that will have to be paid to hundreds of members of Parliament.

Mr Brian Bamford, Progressive Federal Party MP, warned this week that the Prime Minister's promise of equal pay for equal status in the three parliaments could have "tremendous ramifications."

Boosting the rising cost of apartheid will be millions of rands paid out yearly to civil servants to ensure the smooth, safe running of three fully fledged Houses.

Other major costs, if there is to be equality between the three parliaments, could include three full libraries, pension funds and medical aid schemes.

Senator Bamford said: "Parliament will have to be reproduced two extra times at tremendous cost to provide Houses for the coloured and Asian members.

If the present coloured Representative Council building at Bellville is used as one Parliament it will have to undergo tremendous expansion.

Senator Bamford questioned whether the prestige parliamentary club Fernwood at Newlands would have to be triplicated at tremendous cost, or whether it would become a mixed venue for members from all three parliaments.

The present estimated salary and allowance cost of R6 million to members of Parliament and Cabinet ministers is more than R1 million higher than it was when the constitutional plan was first announced.

Since then MPs and ministers have been granted two pay rises — one of 10 percent last year and one of 12 percent this year.

Under the new constitutional system there will be 294 members of Parliament — 185 white, 92 coloured and 46 Asian. Assuming there will be parity in salaries each MP will be paid almost R17 000 in salaries and allowances, a total of almost R5 million.

Ther other R1 million will be paid to the Cabinet ministers, prime ministers and the President.

Cabinet Ministers now earn more than R28 000 a year.

Outcry over tax move on share dealings

Cape Times 28/2/78

(320)

By GORDON KLING

A MAJOR change in income tax regulations has caused an outcry among stockbrokers, who say they could be forced out of business, though the authorities maintain there has been no change in basic policy.

In terms of the new directives — included in tax forms sent out this month — taxpayers will this year be required to give full details of all their share transactions. It will be necessary to state when shares were bought and sold, supply prices, reasons for the transactions, and why profits should not be taxed.

The Secretary for Inland Revenue, Mr W J H van der Walt, yesterday told the Cape Times that the steps had been taken only to improve the flow of information to the Receiver. He emphasized that there had been no change in tax policy. "It's a practical and efficient way of administering the tax in principles."

When told that rumours of the change were causing concern in the investment community, he responded: "Perhaps some people don't have clear consciences."

Brokers believe the move could foreshadow the introduction of a capital gains tax and said that even if it doesn't, could cripple their activities.

"They can close the stock exchange tomorrow," one of Johannesburg's leading brokers, Mr Peter George, told the Cape Times. "Most clients will want the broker to do the paperwork for them because they won't have all the required information. It will be a deterrent for the average person to even bother dealing. We can only tell clients to lie or stop dealing. Imagine the number of deals we will have to handle."

Mr George believed the action would drastically curtail investment activities of foreign businessmen here and deter immigrants. "The authorities must start behaving like grown-ups."

The president of the Johannesburg Stock

Continued on page 2

Tax outcry

Continued from page 1

Exchange, Mr Chris Freemantle, said he had received no official indication of the change, although the JSE had requested clarification of the issue. "You seem to have got further than us. We are very concerned, although it is a relief to hear there is no change in policy."

Brokers said they were amazed that the authorities could have taken a step with such far-reaching implications without first consulting them. They pointed out that there would be a rush of clients to get the necessary information because there had been no advance warning. The cost of the operation would be high and they wanted to know who would have to carry it.

The Secretary for Inland Revenue said 90 percent of tax disputes centred on whether an item was a capital gain or income and the difference was a "knife edge" in many cases. "It's a means of ensuring that the State gets its true whack," said Mr Van der Walt.

The move was a tightening up of previous measurers. "Unless you ask the question, you can't determine what's taxable and what isn't."

320 4/3/78

Border firms asked to register for tax

EAST LONDON — About 9 000 businesses, organisations and individuals involved in commerce in and around East London will be expected to register with the Receiver of Revenue here before the end of the month in terms of the Sales Tax (Registration of Vendors) Act presently before parliament.

Registration forms for some 7 000 people were sent out by the Receiver yesterday, to those who, according to the present tax register, will probably have to register.

But the Receiver of Revenue here, Mr J. Euvrard, stressed not all those who received the forms would necessarily fall into the categories of people who had to register, while many, especially farmers, who did not receive the forms, would be required to do so and would, in fact, benefit tremendously by doing so.

The tax, the amount of which has not been fixed yet, will be payable on all movable goods sold as well as services supplied. Mr Euvrard outlined the rough categories into which people would fall for registration.

"All persons who sell or let goods to the public, both wholesalers and retailers." (This would include such businesses as car hire firms, firms which hire equipment etc.)

"Certain services linked to the installation or supply of goods, or where the supply of goods is coupled with delivery charges." (This would include such items as the purchase and installation of a television aerial. The customer would have to pay tax on both.)

"People who render services to the public with the exception of certain professional services." (Plumbers, carpenters and electricians would all have to register as they would have to charge tax to their clients, while doctors, nurses and some other professional services would be exempt.)

"People who supply board and lodging for more than five persons or persons who let accommodation systematically to others." (This would include all hotels and boarding houses as well as caravan parks and other holiday establishments.)

"Manufacturers." (They must register or they will not be able to obtain components or ingredients for their manufactured goods tax free).

"Farmers." (They must register in order to be able to buy feeds, livestock, bulk fuel and other commodities tax free. This registration will only be for farmers who are actually registered as farmers for income tax purposes.)

"Fishing, mining or quarrying concerns." (For example a commercial fisherman would only be able to buy bait without paying sales tax if he was registered.)

"Our job is to help the public with this registration. The registration forms are available at our district offices as well as at our central office in East London. They should all be returned to us here at the central office," said Mr Euvrard.

Another problem facing the Receiver of Revenue Department is that blacks will have to register.

"There will be many blacks falling into these categories and they will also have to register. Unfortunately we have been unable to send out forms to them as they aren't on the present income tax register," he said.

Meanwhile the secretary for inland revenue in Cape Town, Mr W. van der Walt, said the new tax could be expected to add to the cost of living.

But he told a meeting of the Cape Institute of Industrialists that the increase would not be as great as people feared.

In terms of the Bill, registration certificates containing a secret code will be issued to retailers. This will allow them to make tax free purchases to avoid double taxation.

The chairman of the East London Chamber of Commerce, Mr Tom Peters, said: "It is basically not a bad idea, as it brings in contributions to the state from every member of the population, and while it may be rather hard on lower income groups, commerce feels sure a contribution can rightfully be expected from every wage earner."

It was not an unfair way of collecting taxes, though it could be burdensome on the shopkeeper or those who provided services.

"The method of collection of taxes in which the population themselves are the means of collection instead of an enormous government department being formed to collect the tax may be a saving in the long run," he said. — DDR.

Investors fear new Taxman's probe

By TONY HUDSON

5/3/78 (320) Sunday Times

THE TAXMAN'S demand for disclosure of details of taxpayers' deals on the Johannesburg Stock Exchange has led to a widespread concern in investment circles and a call for a proper capital gains tax.

The newly issued buff forms now demand that investors state what shares they bought and sold during the year, at what price and what profit.

And despite Inland Revenue Department's assurance that the details are required to improve the flow of information to the receiver, investors fear it is the precursor to a clampdown on sharedealing profits.

Says Mutual Fund Association chairman Randall Carter: "I would like to see a capital gains tax introduced so that when an investment decision is taken it does not have to take into account an unknown quantity of tax. Right now, the investor may or may not be taxed on his sharedealing.

"So let's have a straight capital gains tax which, judging by world figures, could be in the region of 25 to 30 percent, which is under half our highest marginal tax rate.

"The present random system of taxation on share dealing at present is inequitable.

Inhibiting

Says UAL general manager Alistair Colquhoun: "Guys are getting themselves into such knots to avoid classification as sharedealers and creating trusts and interim holding companies that they are distorting the entire structure of the investment market and inhibiting the normal flow of buyers and sellers. All this is done because of the threat of the imposition of tax at martinal rates.

"If they impose a capital gains tax of, say, 25 percent, this is taken into consideration if a decision to take a profit is made. You have then got some dimension in the decision making process.

"But right now, you say how am I going to work it with the receiver if he queries me on this.

"We have been to the Secretary of Finance and said: 'Will you lay down guidelines as to what will place either the individual or company or investment trust position in danger of being classified as a dealer? But he will not lay down guidelines. It is 'ad hoccery' at its worst."

Colquhoun believes that the additional information required on the buff forms does not precede the introduction of a clampdown on dealing, but rather the preliminary move of getting the information on file before introducing a capital gains tax.

Colquhoun says the system would not be difficult to monitor, if the value of a holding was based on the average price paid for any given stock. The tax would be levied on the difference between the price obtained for a counter and the average price that that share stood in the portfolio.

Compensate

However, some investors have reservations about a capital gains tax. Said the general manager of a large institution: "We already paying very high marginal tax rates and if you lump a capital gains tax on share dealings, just what incentive does your executive have left?

"The only way to make it a workable tax would be to reduce the marginal tax rate enough to compensate to some extent for the bite that would be taken by the capital gains tax."

A Johannesburg stockbroker said the advantages gained by a capital gains tax would only benefit a small number of very large investors and would hit the smaller individual who was in no danger of being taxed at present.

Root cause of the uncertainty at present is the volatility of the stock market. And, say stockbrokers, a fair amount of dealing was required to protect investors' capital and to ensure a reasonable return.

And if an investor either withdrew capital or ploughed back dividends, he stood in danger of being classified as a dealer.

Horwood urged to cut taxes

320

7/3/78

THE ASSEMBLY — The Opposition has called on the Minister of Finance, Sen Horwood, to "show courage" and reduce personal income tax when he presents his budget at the end of the month.

Mr Harry Schwarz, chief spokesman on financial matters, said yesterday such a reduction was not only possible, but necessary in the current economic climate.

"It is essential that positive action be taken to restore confidence, not only of investors, but of consumer. Consumers must be encouraged to buy local products to allow unused capacity in our industries to be taken up," he explained.

This could be done by combining personal tax concession with the removal of sales duty on articles produced locally by industries in need of stimulation.

"This will assist in meeting increasing unemployment," Mr Schwarz said. "With the availability of local loan capital and the Minister committed to retail turnover tax, personal tax concessions are both logical and possible." — PC.

The taxman cometh

(320) FM 10/3/78 (1)

Make sure you do all your share deals with the right motives. And know what to say on your tax return

Now that you have to tell all about your share deals in the individual tax return (*FM* last week), it is time to start boning up on that prickly old tax topic — capital versus income.

In SA tax law, money that comes into the taxpayer's hands is either "income," ie payments for goods and services, interest, dividends, or it is "capital" such as fortuitous windfalls and profits from the sale of investments and other assets. Income is taxable, capital is not.

For example, if you buy a farm the produce sold will bring in "income". If you sell the farm itself at a profit that is "capital" and not taxable — unless the Receiver reckons you have begun to trade in farms, or that it was all a scheme to make a profit from the start.

This is why he now wants that extra information about share deals — so that he can decide who is merely disposing of his share "investments" and who is wheeling and dealing in shares. Share dealing profits are taxable at the individual's marginal rate of tax.

How will the Receiver decide? Is there a typical share dealer profile against which individuals are measured, or a rule of thumb which sifts true investors from speculators? Says a spokesman in the office of Secretary for Inland Revenue Mickey van der Walt: "In assessing share activities we are led by the courts."

Abode of the Johannesburg taxmen . . . steady as she goes

Obviously, then, it would be wise to find out what the courts have ruled. Particularly when answering question 7.8 (iv) — "reasons why the profit should not be subjected to tax."

Follow guidelines

There is a mass of case history on capital vs income, most of it concerned with land or share deals, out of which some specific guidelines have emerged.

The most important test which the courts apply is an investigation into the intention of the taxpayer. Only last month in the Appellate Division, Justice of Appeal Trollip, in deciding to tax a company on a land sale profit, put it this way: "... every decision by an owner to dispose of an asset held as a capital asset does involve a change of intention;

POLICING IT

Will the new requirements about disclosing share deals be effective? Probably yes. Previously, whether you disclosed or not was a twilight subject which the Receiver did not pursue very vigorously.

Now the onus is on the taxpayer to disclose. Non-disclosure is illegal and can result in triple tax if it is discovered.

Can it be discovered? Section 74 of the Income Tax Act empowers the taxman to prise any pertinent information and documents out of anyone, under oath if necessary. A broker must furnish a full list of share transactions if ordered to and may not plead privilege.

Only lawyers may plead privilege and then not when they act as the taxpayer's bookkeeper, as is often the case on the platteland.

Nominee companies are no haven. The Receiver has the muscle to bust

disposal looks like sharing out the speculator's loot. Better to plough profits, including dividends, back into the portfolio, or into something investment-orientated, such as building society shares.

You can always divide the loot later when the Receiver has forgotten about the disposal and the assessments have been closed more than three years.

Gearing is bad. The more of your own money you put in, the more you look like an investor.

Your reasons for disposal are vital. Sell off the worst shares in your portfolio and argue that they were an investment that went sour.

Selling an asset because it is showing a bad return is an acceptable reason for selling, but be prepared to prove that it is showing a bad return at the time of sale. You can also sell because you are short of cash, or because a creditor is beating down your door.

Be prudent

Very important — the courts have

12/3/78 320

Why they must cut your tax...

By
HARRY
SCHWARZ

MP for Yeoville and official Opposition spokesman on finance matters.

A REDUCTION in personal tax is not only possible in the forthcoming budget — it is necessary for South Africa that such a reduction be granted by the Minister of Finance.

Confidence is a major ingredient of economic revival, but it is lacking not only on the part of overseas investors, but also on the part of South African investors who are unwilling to start sufficient new projects. There is also inadequate consumer confidence.

Our local industry has very substantial unutilised capacity. Unless there is a stimulation of consumer demand for local products, or unless there can be further encouragement to export, the chances for a meaningful revival in the economy are small.

It is quite practical to evolve methods whereby consumer demand can be channelled into locally manufactured products rather than imported goods which would adversely affect the current account of our balance of payments.

Local production must be stimulated for a number of reasons, not the least of which is the need to create more employment and so put a halt to the rising numbers of work seekers. Living standards cannot only be measured by comparing average salary increases with rises in the consumer price index.

The index is not appropriate for all income levels. Even the Government has recognised this. Steps are being taken to publish different indices for various income levels, but even with this refinement the comparison is incorrect as it is necessary to compare not mere rises in income with the increases in the cost of living, but it is after-tax income which must be compared.

Upon such a comparison it can readily be shown that many income groups have had a substantial reduction in living standards over the past three years. In addition one must look at the impact inflation has on savings. Even taking the old, inadequate consumer price index savings which in 1972 had a purchasing power of 100% would on a comparative basis today have a purchasing power of only 58%.

In other words, in respect of current income and savings, the ordinary man in the street has been hit — and hard. When the Government talks of 5% or 10% salary increases, it is often forgotten that this does not mean a 5% or 10% increase in purchasing power. Not only is such an increase subject to tax, but as a result of it the wage earner moves into a higher tax bracket and commences to pay taxation at a higher rate.

So what the Government gives on the one hand it takes back with the other. For example, an individual earning R10 000 a year who received a 10% salary increase loses almost 30% of this in taxes. The higher the income, the greater the amount he loses.

This means that a person earning R20 000 who gets a R2 000 — ie 10% — increase gives more than 55% or R1 108 to the Receiver of Revenue. His tax increases from R5 650 to R6 758.

The position, of course, at the marginal rate of tax, which is 72%, is such that it really kills incentive. Salary increases have meant that the population as a whole moves into a higher tax bracket all the time and pays a greater percentage of its income to the revenue authorities.

Inflation is a great tax collector. Yet, despite this, there are relatively few taxpayers. The White, Coloured and Indian population is approximately 7 560 000, yet on the latest available figures there are only approximately 1 720 000 individual taxpayers in these race groups.

Of these 1,64% pay 24,51% of all the taxes. 1 271 053 individual taxpayers pay only 11,36% of the taxes and not one of these has a taxable income in excess of R7 000 a year.

It must be remembered that Black taxpayers are not included in these statistics. Tax relief for that section which carries the heaviest burden is therefore urgent, both insofar as the rates are concerned and insofar as an adjustment of the levels of taxation is concerned.

□□□

The question can be asked: can we afford to reduce taxes? My reply is not only can we afford it but we cannot afford not to grant a relief. If we do not grant relief we will continue to stifle incentive. We will not restore confidence. We will harm our local industries and create more unemployment.

All agree that the Budget must stimulate the economy, but stimulation must be through the private sector, not merely by increasing Government expenditure. Tax relief is the best way of achieving this.

The Minister of Finance intends to introduce a new retail turnover tax. Existing sales taxes bring approximately R350-million revenue per annum. This new turnover tax is likely to bring about R200-million per annum for each 1% of taxation, depending on the range of goods and services covered.

If the rate of taxation is 5%, which some economists anticipate, then this tax will bring about R1 000-million per annum extra to the Exchequer. We think this is too high and that the country cannot afford this increase which would clearly adversely affect the cost of living, but the Minister is committed to it and therefore additional revenue will undoubtedly flow in from this new tax.

The Government has been able to obtain local loan capital readily. With a disincentive to invest in the stock market and with a lack of confidence for new industrial projects there is still money for the Government to tap internally. The gold price has moved to very high levels and the greatest beneficiary is the Government, which gets as much as 72% revenue in various ways from the gold mining industry.

□□□

So the money for tax relief will be available.

The Minister has demonstrated that if he wants he can restrain Government expenditure. We think there is still more scope. We query the necessity for some of the expenditure now contemplated, for example major tunnels costing large sums of money.

We query ideological expenditure which is of a non-productive nature. There is little doubt that the Government could afford to cut tax. The Franszen Commission, when it advocated new indirect taxation, also recommended that the marginal tax rate should not exceed 60% and yet the marginal tax rate for private individuals is 72%.

The argument is often advanced that South Africa is still a low-tax country, but a comparison with some of the major Western countries shows that South Africa is no longer in this advantageous position.

There are many examples. Even in the USA the top marginal rate is lower than in South Africa. A married man with two children in South Africa who earns R10 000 a year pays more tax than in Australia and Canada, and pays proportionately more tax if his income is R25 000 a year.

Where the wife is working the couple pay substantially more tax on the man's income of R10 000 and on a working wife's income of R5 000 a year than in Australia and Canada at every level. A comparison made by a European bank in respect of earnings, purchasing power, and the number of working hours needed to purchase goods and services shows that South Africa is far from being top of the league.

On the contrary, there are many places in the world where one need work less to purchase more. The case for tax reform in South Africa is a strong one.

The case for tax relief is irresistible.

Hansard 7 16 March 1978.
Question ~~310~~ 410 Col. 426.

320

Black taxpayers

410. Mr. H. H. SCHWARZ asked the Minister of Plural Relations and Development:

What was (a) the number of Black taxpayers in each income category and (b) the tax assessed in each income category expressed as a percentage of total tax assessed in the 1976-'77 tax year.

The MINISTER OF PLURAL RELATIONS AND DEVELOPMENT:

(a) and (b) The statistics as requested are not readily available as the Department does not keep it in that form.

MULTI-MILLION TAX HEADACHE FOR RETAILERS

W/C ARGUS (BUS ARG) 18/3/7

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by DEREK TOMMEY, Financial Editor

DETAILS of the new point-of-sales tax — which will raise hundreds of millions of rands every year in extra revenue — will be contained in a Draft Bill to be published in a Government Gazette Extraordinary on Wednesday.

The new tax is expected to raise between R200-million and R260-million for every one percent levied.

Retailers are speculating that the tax could be anything between 2 percent and 4 percent of turnover.

The 35-page draft Bill, which will explain for the first time all the detailed working of the new tax system, will also call for comments from interested parties to be sent to the Department of Inland Revenue before April 17.

Publication of the draft Bill should throw some light on the Government's views on whether the new tax should be 'added in' or 'added on' to the price of the goods sold.

Difficult

Most retailers apparently prefer an add-on system where the tax is levied when the goods are paid for. This would enable the public to know what they are paying in tax and prevent allegations of overcharging by retailers.

It would also be simpler to administrate.

Mr Stewart Cohen, general manager of Grand Bazaars, said this week that an add-in tax would be extremely difficult to apply and control.

'It would mean that the prices of every item in every store would have to be changed to include the tax.

Problems

'In our case, for example, we stock about 30 000 items. Assuming a conservative average of 25 units an item that would mean 750 000 items in over 14 stores. In other words 10,5-million items would need re-marking.'

It was inevitable that the enormous cost of re-marking would have to be passed on to the consumer. Therefore, to avoid an unnecessary rise in the cost of living, an add-on tax would be preferable.

An add-on tax was also the choice of Mr J Rabb, a director of Woolworths.

Adding-in a tax of two percent or four percent on an item strategically priced at say, R3,99, would create marketing problems he said.

An add-in tax would also create difficulties if the tax rate was changed.

Mr W J Basson, a director of Pep Stores, was also concerned with the strategic price problem which an add-in system would create.

'What would you do with the tax on a 19c pair of panty-hose?' he asked.

Cash registers

He believed it would be preferable in the long-run to have an add-on system, even if this entailed the installation of new electronic cash registers capable of adding on the tax automatically.

He said an add-in system would lead to his company having to change the price of between 18-million and 20-million items.

However, other retailers pointed out that an add-on system would also have its problems.

'How would a retailer add-on a two percent or four percent tax on a 10c chocolate bar and similar low-priced items?' one asked.

Because of problems such as this, several retailers selling low-priced items apparently prefer an add-in system.

Here the retailer would be taxed only on his overall turnover, and it would be his responsibility to allocate the tax as he thought fit, and not necessarily on a pro-rata basis.

DD 21/3/78

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South Africa's approaching tax revolution

DD

Going up: clothes, food, cars, haircuts; going down: radios, TV and washing machines. HOWARD PREECE looks at Sen Owen Horwood's new tax

Hundreds of prices will be increased later this year — and many others could be reduced — in the biggest tax revolution in South Africa's history.

Many things will cost more because they will be subject to a new all-embracing tax.

Among these items will be car repairs, hairdressing, restaurant meals, bar drinks, hotel bills and dry-cleaning.

All basic foodstuffs and clothing will be particularly hit by the new tax burden.

But some household appliances and expensive consumer goods — such as television sets, refrigerators and washing machines — could become a little cheaper.

The biggest gain of all, however, is likely to be to those with the large incomes who are drained each month by a whopping contribution of personal tax to the Treasury.

The new tax might enable Senator Horwood, Minister of Finance, to make some cuts in income tax.

Put in a more negative way it will at least guarantee that there will be no further increases in direct tax — both personal and company — for this year. Maybe for a long time ahead.

The tax revolution will come about with the introduction this year of the long-awaited but little understood "retail sales tax" or "turnover tax" as it is sometimes called.

This will be a very different animal from the existing sales tax which will be phased out over about a year as its bigger brother moves in.

The present tax is a selective one that has rates ranging from 8 per cent to 33 per cent on the manufacturers' price and will bring in about R350 million for the Treasury in 1977-78.

The coming retail sales tax will have a uniform rate — 4 per cent or 5 per cent — but will cover almost every form of spending, whether by the housewife on her shopping bag or the industrialist on a new machine.

Depending on the rate it will give the Treasury revenue on today's prices of R800 million to R1 000 million.

It is generally assumed that Senator Horwood will also scrap the 15 per cent special surcharge on imports which was intended to pull in around R400 million for the Government in 1977-78.

But this is not yet certain. It is possible that some element of the surcharge will be kept to deter imports.

Some aspects of the present sales tax will also be kept (the tax on motor cars is a definite example).

This means that if Senator Horwood puts the new retail sales tax at 4 per cent to net R800 million or so he will more than offset the cost of giving up most of the present sales tax and import surcharge.

That is where the possibility of some relief of income tax comes in. It is certainly where the long-term intention of reducing the marginal high rate of personal income tax (72 per cent of every rand earned for the really wealthy) and recovering the money from indirect tax is derived.

The retail sales tax plan is, at present, a mixture of the good, the bad and the uncertain.

The good and bad are matters of opinion and depend considerably on your viewpoint and your income.

But it is broadly fair to say that the adverse impact of the tax change will be first felt by those on the lower end of the income scales — which means above all, of course, blacks.

They, after all, have little to gain from income tax cuts or to fear from income tax increases that might otherwise have occurred.

They will however very quickly feel the increase in prices of milk, bread, meat, vegetables, blankets and shoes.

But that does not mean that the tax changeover is necessarily wrong. Over the longer term the income and jobs of black and white workers are heavily dependent on the enterprise and enthusiasm of the country's business leaders.

If personal income tax levels sap that vital source of economic growth, everyone will be the loser.

But if the good and the bad are subjective criteria it is the uncertainty that is of most concern to the business community today.

These are some of the big questions that are as yet unanswered, at least publicly.

Will the tax be "add-on" or "add-in"? Suppose a suit costs R100. Will the trader mark it R100 plus R4 tax or will he simply have to price it R104?

Generally the big stores would prefer the add-on method so their customers know the higher price has been caused directly by the new tax. Small traders believe, however, that it will be easier just to mark up the prices without the labelling bother.

It seems the Government will insist on add-in. One reason, it is said is that black resentment at higher prices might be even greater if it is directly identified with the Government.

What happens about leasing? TV sets are an obvious example. It seems as though leasing charges will also be subject to the tax, including existing contracts.

Thus a TV rental costs R25 a month. A four per cent retail sales tax would add R1 to that.

The whole question of hire purchase charges is another mystery area. What happens with odd fractions of prices? Milk costs 27c a litre delivered at home. A four per cent tax would add 1,08c. In this instance the Price Controller might say that only 1c may be added to the price.

But a loaf of brown bread costs 16c. The tax would add in theory, 0,64c. That will have to go up to 1c. There is bound to an escalation of prices from the tax from this rounding up process.

Items not price-controlled could, of course, be put up variously by more or less than the tax providing the shopowner pays the full tax overall.

What happens to open account business? Many firms trade on a six-month-as-cash basis.

They fear they might be liable for the full tax — say R20 on a R500 furniture sale — when the sale is done even though they will only be paid the money over six months by the customer. The chances are that some compromise will be agreed on.

What about phasing out the existing sales duty as the new retail tax comes in? The present sales tax on refrigerators and washing machines, is eight per cent. A universal four per cent retail sales tax would lower the burden on those items.

But will this happen straightaway or will the old tax come off bit by bit (as many believe) so that prices in the shops never actually come down?

What is happening to cars gives food for thought. The present sales tax is either 12,5 per cent or 20,5 per cent depending on the value. A replacement four per cent tax would have been the greatest thing for the industry since the abolition of the four-mile-an-hour speed limit. Alas it will not be so simple.

A special excise duty on cars will be introduced so the final price remains exactly as it is now — apart from any increase for other reasons.

Maybe the Government will do something similar with TV sets which have a 33 percent tax. But if not it is in these areas of goods with high existing sales duty that price reductions can be hoped for.

If there are to be large effective reductions in some prices (and there will certainly be a sweeping range of small increases) Senator Horwood will have a difficult exercise in timing to ponder.

What does he do about goods which are already in stock and pay the present sales tax at manufacturing source? It is to avoid double taxation by these items also becoming liable for the point of sale retail tax that some are calling for a "tax holiday".

One feature, incidentally, about the new tax, is that as it is imposed only at the final buying stage it will not have an escalating mark-up all along the line as does the present tax.

There are theoretical reasons for and against the coming tax change.

Senator Horwood is imposing it for one simple overriding practical reason. It is an excellent way of Government to take the money it needs from us.

Apart from the argument about the share of the tax burden that each group should bear, the most important question is still, how will the Government use this tax which will yield R200 million-plus for each one per cent?

SALES TAX FM 24/3/78

Manufacturers bitten

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Inland Revenue Secretary Mickey van der Walt has released additional guidelines for manufacturers for purposes of the new sales tax. Draft legislation was due to be published in a special *Government Gazette* as the *FM* went to press.

Manufacturers must register as vendors in order to obtain certificates both enabling them to buy certain goods and services tax-free and for the purpose of paying over to the Receiver tax collected on sales to end-consumers.

Tax-free goods and services include:

- raw materials, and other materials and goods making up a physical ingredient or permanent part of a manufactured product;
- ingredients, catalysts and chemical processing agents used directly in the manufacturing process, as in the case of electrolysis, for example;
- services used directly in the manufacturing process accompanied by the delivery of goods — for example, the chromium plating of motor car bumpers by a factory other than the one making them;
- containers and packing materials.

However, the following goods will be subject to tax:

- capital assets employed in manufacturing, such as machinery, plant and vehicles;
- consumeable items, like fuel, polish, cleaning materials and lubricants;
- goods used for the maintenance of factory premises and other capital assets, such as tools and spares;
- goods used for the general administration of the business (office equipment, stationery etc).

Sales by manufacturers to end-users will be subject to tax. Where sales take place on a regular basis, tax recovered will have to be paid over monthly. In cases of sporadic sales, the Receiver is empowered to stretch pay-over intervals.

Goods for export and sales to registered undertakings exempted from the tax in terms of their registration certificates will be tax-free. However, goods withdrawn for own use will be deemed to be sales and tax will be levied on production cost. The sale of used factory machinery by a manufacturer will also be subject to tax.

Imports will be treated like purchases, ie goods which can be bought tax-free may also be imported tax-free.

Where a manufacturer renders a service in addition to the sale of the product he makes, tax will be recovered on the total invoice price, ie on the cost of both product and installation.

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(b) melk: hoeveelheid

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Koste aan

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(j) Gesondheidsdienste:

Jaarlikse koste aan boer van:

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(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

Star 28/3/78 (320)

The Star

Roelofse hits at 'harassing' traders

Traders who "harass" and "rob" the poor under credit agreements should have their trading licences withdrawn, Mr Eugene Roelofse said today in Johannesburg.

Mr Roelofse, "ombudsman" for the South African Council of Churches, spoke at a meeting of the National Council of Women.

Mr Roelofse said that the harassment of debtors, such as telephone calls in the night, should be prohibited by law.

"I know of a case where one company bought uniforms similar to those of police but without the badges. They also bought a police van at an auction and used these to get their debtors to pay up," Mr Roelofse said.

There were even cases of businesses using rubber stamps of the same size and ink as those used by the clerk of the court on letters of demand.

"Those who deal in this manner should have their licences withdrawn and be removed from our free-enterprise system," Mr Roelofse said.

Turning to the matter of sales tax, Mr Roelofse said it would be an indefensible way of raising money for the Government if this tax was applied to bread and wheat, particularly for the average blacks who spent 50 percent of their income on food.

He was also afraid that the tax would increase the cost of living.

Public to miss full benefit of car-tax cut

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Own Correspondent

DURBAN — It is unlikely that the full five percent reduction in sales tax on new cars announced in the Budget will reach the public, Mr F N Lock, director of the National Association of Automobile Manufacturers of South Africa, said today.

However, people buying cars from this week on would definitely receive some benefit, he said, and the average reduction would probably be in the region of two to 2,5 percent.

The problem was that all vehicles already delivered from manufacturers to dealers, and not yet sold today, were still subject to five percent tax.

NO FAST DROP

Mr Lock said he had approached the Government and asked for a five percent reduction on all cars sold to the public after today, but that the request had been turned down.

Instead, they had allowed the dealers to average out the prices between those with the reduction and those which they already had in stock.

"If they hadn't allowed that," Mr Lock said, "no-one would have wanted to buy the thousands of cars which had been taxed when they left the factory, but had not yet been sold."

"Now there will be no sudden drop in a few weeks' time, all cars sold from tomorrow will be sold at a uniform cheaper price."

New deal is 'a pump primer'

Natal Mercury 29/3/78 (320)

Commerce

Deputy Financial Editor

YESTERDAY'S Budget will be generally welcomed as a positive response to the urgent call for a moderately expansionary and stimulatory policy, Mr. Gordon Stuart Reckling, president of the Durban Chamber of Commerce, said last night.

It was a "pump-priming" Budget, he said, and it would have a beneficial effect on business confidence.

He said there would be more money in the consumer's pocket as a result of the reduction in personal income tax and more equitable taxation for Africans.

Some of this would be creamed off through the general sales tax "but at least in the process consumption could be stimulated."

He welcomed the increases in pensions and food subsidies to offset the effect of the new tax on the lower income groups but expressed doubts that prices would be significantly reduced by reductions in the present sales duty.

The abolition of transfer duty on property up to a certain value would assist other measures to promote home ownership.

Mr. Reckling hoped that company tax reduction and the earlier refund of the loan levy would improve cash flows and stimulate investment in inventories and otherwise.

He was disappointed that the import surcharge had not been abolished but welcomed its reduction and the minister's undertaking to phase it out over a period.

He said the "generally expansionary" nature of the Budget should help reduce unemployment — or at least prevent it getting any worse. He was pleased to see that Government expenditure was being well contained and that the significant increases were in housing, education and export promotion.

He welcomed particularly the minister's expression of intent that a policy decision be reached this year about an organised foreign exchange market.

The president of the Pietermaritzburg and District Chamber of Commerce, Mr. M. I. Lowman, said: "We believe the minister has been mindful of the need to create confidence in the economy within the Republic and abroad.

"The overall concessions contained in the Budget are welcomed. However, we believe specific concessions to companies and individuals have not received sufficient incentives to create greater productivity."

10. Hoeveel keer het die span reeds op u plaas gewerk?

11. Hoeveel skape skeer hulle weekliks?

12. <u>Betaling</u>

Skeerders:	kontant	ander:	hoeveelheid
			waarde aan boer
			waarde aan skeerder
Dagsmanne:	kontant	ander:	hoeveelheid
			waarde aan boer
			waarde aan skeerder

13. Hoe word die betalings bepaal?

NM

30/03/1978

It's a Rich Man, Poor Man Budget

Black tax of R2,50 abolished

SENATOR Owen Horwood announced the fixed annual tax of R2,50 an African taxpayer was to be abolished with a R9 000 000 loss of revenue.

He said the African general tax consisted of a fixed amount of R2,50 payable annually before June 1 by each male between the ages of 18 and 65 years, as well as an income tax on a graduated scale on the taxable income of the taxpayer.

The proceeds of this dual tax were remitte[d] proportionately to the African authorities as wel[l] as to Transkei and Bophuthatswana. The fixed tax was to be abolished and tax payable before June 1 this year would not be levied.

An inter-departmental committee was studying the graduated income tax system and attention would be given to this matter as soon as the committee reported.

ORMANDE POLLOK
Political Correspondent

CAPE TOWN — Finance Minister Senator Owen Horwood presented a *Rich Man, Poor Man* Budget yesterday which Opposition spokesmen said would hit the poor man harder.

For the man in the street Senator Horwood has kept personal tax at existing levels and dropped the 10 percent surcharge, which will

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...wyl hulle op u plaas

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N.M
30/3/78

benefit high income earners most.

But everyone will be affected by the new sales tax which will come into effect on July 1 with a 4 percent tax on virtually all goods and services raising R650 million in taxes this year and an estimated R1 000 million in a full tax year.

Senator Horwood has cast his net wide. Repairs of any kind (including car repairs) are covered, so are hairdressing, beauty treatment, massages and even putting your dog into kennels.

To make up for this he has increased pensions, made an immediate across-the-board cut of 5 percent in the present sales duty and has made an extra R20 million available for stabilising the prices of basic foodstuffs.

BUDGET NEWS . . . in Pages 2, 9, 10, 11 and 27.

Senator Horwood's record Budget, now close to the magical R10 000 million mark, is also aimed at stimulating the flagging economy but whether it will achieve this aim is also being questioned by the Opposition.

It is clear that the new sales tax will be the main point of contention when the Budget debate starts next week.

Mr. Harry Schwarz, the Opposition's chief spokesman on financial affairs, said: "It is obvious from the minister's whole approach that he has adopted the principle of taxing the poor."

The New Republic Party spokesman, Mr. Bill Sutton, questioned whether the Budget would achieve its object in stimulating the economy, and the South African Party spokesman, Mr. Theo Aronson, feared that the general sales tax would increase the cost of living "and add to the burden of all, hitting the have-nots the hardest."

Burden

Later Mr. Schwarz said: "This extra R1 000 million in a full year, to which must be added the continuing sales tax and import levy, will increase the inflationary burden on the lower income groups.

He feared the door had been opened for exploitation as new goods would pay the reduced rate of sales duty and the consumer would not know whether what he bought has been subjected to the higher or lower rate of sales duty.

But the PFP welcomed the abolition of the R2,50 fixed tax imposed on Blacks. "The party looks forward to the day when there will be no discrimination imposed on the basis of race so far as the taxation system is concerned."

in tax could hit poor harder

Consumer movement leader Mrs. Margaret Lessing described the Budget as one of the most encouraging in years.

Speaking from Auckland Park shortly before appearing in a TV programme to discuss it, she said Senator Horwood had gone a long way towards restoring confidence.

"It is now up to us to take up the challenge and to improve productivity and economic growth.

"The prices of many items should come down with the abolition of sales tax at source, and we would like to know what the minister intends doing if manufacturers simply maintain the old prices and pocket the difference."

Relief

She said the abolition of the 10 percent surcharge on individual income tax was welcome relief — especially in the case of working married women.

But she warned the minister that it did not solve married women's tax problems and it would not stop them pressing for separate taxation.

Grants by the Government to the seven non-independent homelands is to increase by R64,9 million to R293,5 million, with an increase of R48,6 million going to the KwaZulu Government.

In the estimates of expenditure a massive R136,5 million has been voted to them compared with R87,9 million last year.

The Budget for secret services has rocketed by more than R20 million.

A total of R34 426 000 has been budgetted under the Treasury for "secret services" as provided for in terms of Secret Services Account Bill which is currently before Parliament.

Check your tax

320 30/3/78 Natal Mercury

CHECK your tax with these tables and see what you will have to pay. They give a comparison between the amount payable for the 1979 and 1978 tax years. It has been calculated on the basis that the taxpayer is not over the age of 60, he has no medical expenses or life insurance premiums and his wife has no income. The loan levy content of the amount payable is shown in brackets.

TAXABLE INCOME	UNMARRIED				MARRIED NO CHILDREN				MARRIED ONE CHILD				MARRIED TWO CHILDREN				MARRIED THREE CHILDREN				MARRIED FOUR CHILDREN			
	1979		1978		1979		1978		1979		1978		1979		1978		1979		1978		1979		1978	
R000	R		(R)		R		R		R		R		R		R		R		R		R		R	
1,5	96	(–)	96	(–)	27	(–)	27	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
1,75	126	(–)	126	(–)	49	(–)	49	(–)	4	(–)	4	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
2	171	(15)	186	(15)	72	(–)	72	(–)	27	(–)	27	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
2,25	204	(18)	222	(18)	95	(–)	95	(–)	49	(–)	49	(–)	4	(–)	4	(–)	–	(–)	–	(–)	–	(–)	–	(–)
2,5	237	(21)	258	(21)	120	(–)	120	(–)	72	(–)	72	(–)	27	(–)	27	(–)	–	(–)	–	(–)	–	(–)	–	(–)
2,75	270	(24)	294	(24)	145	(–)	145	(–)	95	(–)	95	(–)	49	(–)	49	(–)	–	(–)	–	(–)	–	(–)	–	(–)
3	306	(27)	333	(27)	187	(17)	204	(17)	120	(–)	120	(–)	72	(–)	72	(–)	18	(–)	18	(–)	–	(–)	–	(–)
4	453	(41)	494	(41)	297	(27)	324	(27)	242	(22)	264	(22)	187	(17)	204	(17)	110	(–)	110	(–)	54	(–)	54	(–)
5	617	(56)	673	(56)	415	(37)	452	(37)	355	(32)	387	(32)	297	(27)	324	(27)	231	(21)	252	(21)	165	(15)	180	(15)
6	858	(78)	936	(78)	572	(52)	624	(52)	506	(46)	552	(46)	440	(40)	480	(40)	367	(33)	400	(33)	297	(27)	324	(27)
7	1 145	(104)	1 249	(104)	761	(69)	830	(69)	679	(61)	740	(61)	602	(54)	656	(54)	519	(47)	566	(47)	440	(40)	480	(40)
8	1 478	(134)	1 612	(134)	981	(89)	1 070	(89)	884	(80)	964	(80)	796	(72)	868	(72)	695	(63)	758	(63)	602	(54)	656	(54)
9	1 815	(165)	1 980	(165)	1 232	(112)	1 344	(112)	1 122	(102)	1 224	(102)	1 020	(92)	1 112	(92)	902	(82)	984	(82)	796	(72)	868	(72)
10	2 145	(195)	2 340	(195)	1 513	(137)	1 650	(137)	1 392	(126)	1 518	(126)	1 276	(116)	1 392	(116)	1 144	(104)	1 248	(104)	1 020	(92)	1 112	(92)
11	2 497	(227)	2 724	(227)	1 826	(166)	1 992	(166)	1 694	(154)	1 848	(154)	1 562	(142)	1 704	(142)	1 416	(128)	1 544	(128)	1 276	(116)	1 392	(116)
12	2 871	(261)	3 132	(261)	2 112	(192)	2 304	(192)	2 026	(184)	2 210	(184)	1 883	(171)	2 054	(171)	1 720	(156)	1 876	(156)	1 562	(142)	1 704	(142)
13	3 267	(297)	3 56	(297)	2 420	(220)	2 640	(220)	2 389	(217)	2 606	(217)	2 235	(203)	2 438	(203)	2 054	(186)	2 240	(186)	1 883	(171)	2 054	(171)
14	3 685	(335)	4 020	(335)	2 750	(250)	3 000	(250)	2 750	(250)	3 000	(250)	2 618	(238)	2 856	(238)	2 420	(220)	2 640	(220)	2 235	(203)	2 438	(203)
15	4 125	(375)	4 500	(375)	3 102	(282)	3 384	(282)	3 102	(282)	3 384	(282)	3 031	(275)	3 306	(275)	2 820	(256)	3 076	(256)	2 618	(238)	2 856	(238)
17,5	5 324	(484)	5 808	(484)	4 081	(371)	4 452	(371)	4 081	(371)	4 452	(371)	4 081	(371)	4 452	(371)	3 955	(359)	4 314	(359)	3 713	(337)	4 050	(337)
20	6 655	(605)	7 260	(605)	5 192	(472)	5 664	(472)	5 192	(472)	5 664	(472)	5 192	(472)	5 664	(472)	5 192	(472)	5 664	(472)	5 007	(455)	5 462	(455)
25	9 735	(885)	10 620	(885)	7 832	(712)	8 544	(712)	7 832	(712)	8 544	(712)	7 832	(712)	8 544	(712)	7 832	(712)	8 544	(712)	7 832	(712)	8 544	(712)
30	13 035	(1 185)	14 220	(1 185)	11 000	(1 000)	12 000	(1 000)	11 000	(1 000)	12 000	(1 000)	11 000	(1 000)	12 000	(1 000)	11 000	(1 000)	12 000	(1 000)	11 000	(1 000)	12 000	(1 000)
40	19 635	(1 785)	21 420	(1 785)	17 600	(1 600)	19 200	(1 600)	17 600	(1 600)	19 200	(1 600)	17 600	(1 600)	19 200	(1 600)	17 600	(1 600)	19 200	(1 600)	17 600	(1 600)	19 200	(1 600)
50	26 235	(2 385)	28 620	(2 385)	2400	(2 200)	26 400	(2 200)	24 200	(2 200)	26 400	(2 200)	24 200	(2 200)	26 400	(2 200)	24 200	(2 200)	26 400	(2 200)	24 200	(2 200)	26 400	(2 200)

N Mercury 30/3/78

Tax hand-out to individuals and business

TAX concessions totalling R197-million were announced by Senator Owen Horwood.

He revealed that this included R132-million on income tax on individuals and R132-million on companies.

The breakdown on the remaining amount is: unfortified wines (R5 000 000); stamp duty on leasing contracts (R4 500 000); transfer duties (R3 000 000); funding of pensions (R2 000 000); estate duty (R1 000 000); losses/profits on foreign financing (R1 000 000); initial and investment allowances (R500 000); donations tax (R200 000); and exporters' allowances (R100 000).

Referring to the excise duties on wine and other beverages Senator Horwood said it had never been the intention to discourage the production of natural wine.

Where representations received from the wine industry had revealed that the higher duty was in fact tending to have this general effect, he felt a measure of relief was justified.

Accordingly he proposed that the excise duty on unfortified wine be reduced by 3c a litre to 4c a litre from today. The reduction would mean a loss of revenue to the Exchequer of about R4 500 000.

Referring to alcoholic beverages from oranges and from apple juice, which was at present not liable for payment of excise duty, Senator Horwood said he had been told that certain co-operatives now intended producing on some scale a fortified alcoholic beverage from apple juice and possibly also from pear juice.

"These beverages will compete with wines and in order not to grant the alcoholic apple, pear and orange beverages an undue advantage it has been decided to impose an excise duty on these too.

Concessions

"I propose that an excise duty of 424c a 100ℓ be levied on unfortified apple, pear and orange beverages, 2 372c a 100ℓ on such fortified beverages and 4 074c a 100ℓ on such sparkling beverages."

Referring to stamp duty on leasing Senator Horwood said stamp duties were reviewed last year and from April 1 levied for the first time on leasing contracts in respect of movable goods.

Unfair

"The proposed general sales tax, however, called for the reconsideration of this duty. It would be unfair in my mind to maintain this stamp duty, which is, inter alia, applicable to leasing contracts in respect of motor vehicles, machinery and equipment, in view of the proposal that the new general sales tax be also levied on all such leasing contracts.

"I have therefore decided to abolish this stamp duty with effect from April 1, 1978. The loss of revenue for the 1978/79 financial year is estimated to be R4 500 000."

On concessions on investment and initial allowances Senator Horwood said he had announced last December he would proposed the machinery and buildings initial and investment allowances be extended for a further period of three years.

This extension would, however, only apply to machinery, plant and buildings (or extensions thereto) used in a process of manufacture in the ordinary sense of the word, and not in a process similar to manufacture.

He had received representations for the granting of initial and investment allowances in respect of used machinery. The present allowances applying to areas other than the economic development areas were restricted to new and unused machinery and plant.

Encourage

The original purpose of the allowances was to encourage industrialists to modernise their factories to make them more competitive.

This was still the intention, but as a result of inflation the allowances had also recently been extended for a further period of three years to help industrialists meeting increased replacement costs.

Referring to the exporters' allowance on packaging costs Senator Horwood said that as a result of abuses which occurred, the provisions of the Income Tax Act relating to the exporters' allowance were amended last year.

It had now come to light that certain exporters had been experiencing problems as a result of one of the amendments.

"In view of this it is proposed that the relevant concession be retained for a further year. The reasons for the withdrawal are still valid and it is not expected that any further extensions will be granted. The sacrifice of revenue is estimated at R100 000 for the 1978-79 financial year." — (Sapa.)

Senator says tax shouldn't hit any prices

A GENERAL sales tax of 4 percent would be introduced on July 1 and from today existing sales duties would be reduced by 5 percent across the board, Senator Horwood announced.

He said that in order to cause the least possible disruption at the change over from one duty to the other and to ensure that the reduction in sales duty was passed on to the consumer in the form of lower prices, the present sales duty of 8 percent would become 3 percent, the 12,5 percent would become 7,5 percent, 16 percent would become 11 percent, 20,5 percent would become 15,5 percent, 25 percent would become 20 percent and 33 percent would become 28 percent.

"The loss of revenue resulting from this concession is considerable. The consumer should, after the introduction of the general sales tax, not pay more than is the case today on articles which are at present subject to sales duty.

Stocks

"If any section of the trade does not cut its prices on new stocks on which the lower rates of sales duty have been levied, a very serious view will be taken of the matter."

Senator Horwood said the Standing Commission on Tax Policy had recommended that the existing sales duty on certain selected less essential goods subject to relatively high rates be converted into excise duties.

"I accept this recommendation in principle and intend implementing it later this year."

Senator Horwood said it was well known that the Department of Inland Revenue had been in constant consultation with the private sector about the proposed general sales tax.

Sales tax

"I am confident that the fruits of this co-operation will be reaped in the form of a practicable tax aimed at imposing the least possible burden in time and cost on the shoulders of the vendors — who will be responsible for the collection and remittance of the tax."

He thought it necessary to agree to label the new tax a general sales tax (algemene verkoopsbelasting) levied at the point of final sale, so as to distinguish it from the present sales duty (verkoopreg), and obviate unnecessary confusion from the start.

Reasons

The question had been raised as to why the existing sales duty could not be retained with an extension of the commodities involved.

"There are indeed certain undisputed advantages attaching to such a course of action. Nevertheless, there are other considerations which weigh more heavily with the tax authorities as to why a general sales tax should be imposed.

"Once the administrative problems have been overcome the introduction of the new tax will overcome many of the disadvantages of the current sales duty.

"I will readily concede that the imposition of such a new tax cannot be painless. No tax is painless. To tell the truth, as Colbert expresses it: "The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing'." — (Sapa.)

The Budget . . .

Relief needed so surcharge axed

THE surcharge of 10 percent on personal income tax would be abolished completely and the surcharge on companies tax reduced by 2,5 percent, Senator Owen Horwood announced.

He said the surcharge of 7,5 percent on company tax payable by all companies excluding gold and diamond mining companies, would be lowered to 5 percent.

The surcharge of 10 percent payable by gold and diamond mining companies would be lowered to 7,5 percent and the surcharge of 10 percent payable on personal income tax abolished.

Payable

The 15 percent loan levies payable by companies, and the 10 percent loan levies payable by individuals would be retained, but the repayment of levies due at the end of the 1978/79 tax year would be brought to July 15, 1978.

The earlier repayment of

Taxes

loan levies would improve the cash flow for both companies and individuals, and individuals would be in a better position to absorb the effect of the new general sales tax.

The abolition of the 10 percent surcharge on personal income taxes would assist in creating a climate favourable to a higher level of economic activity and the marginal tax rate would now revert back to 60 percent, a figure which found favour with the Franszen Commission a few years ago.

The abolition of this tax would benefit all individuals whose tax, before the addition of the surcharge and loan levy, amounted to R150 a year or more.

Reasons

These concessions would cost the Exchequer R48 million in respect of companies tax and R206 million a year (R132 million for the current year) in respect of personal taxes.

Outlining his reasons for the concessions Sen. Horwood said the South African economy was currently in its fourth recessionary year. Company profits were detrimentally affected with a consequential effect on Government revenue.

"It is necessary on the eve of a new upward phase to enable companies to make their full contribution through production and higher productivity with the aid of cheaper financing and to make new investments and achieve higher rates of employment.

"I feel it is now necessary for the Government to grant relief in respect of the tight cash flow position experienced by many companies," he said.

Income tax: What you paid and what you will pay

COMPARISON BETWEEN TAX PAYABLE FOR THE 1979 AND 1978 TAX YEARS

N.B.: (1) The tax has been calculated on the basis that — (a) the taxpayer is not 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 is shown in brackets.

Taxable income	UNMARRIED		MARRIED											
			No children		One child		Two children		Three children		Four children	
	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978
R	R	R	R	R	R	R	R	R	R	R	R	R
1 500	96 (–)	96 (–)	27 (–)	27 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)
1 750	126 (–)	126 (–)	49 (–)	49 (–)	4 (–)	4 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)
2 000	171 (15)	186 (15)	72 (–)	72 (–)	27 (–)	27 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)
2 250	204 (18)	222 (18)	95 (–)	95 (–)	49 (–)	49 (–)	4 (–)	4 (–)	– (–)	– (–)	– (–)	– (–)
2 500	237 (21)	258 (21)	120 (–)	120 (–)	72 (–)	72 (–)	27 (–)	27 (–)	– (–)	– (–)	– (–)	– (–)
2 750	270 (24)	294 (24)	145 (–)	145 (–)	95 (–)	95 (–)	49 (–)	49 (–)	– (–)	– (–)	– (–)	– (–)
3 000	306 (27)	333 (27)	187 (17)	204 (17)	120 (–)	120 (–)	72 (–)	72 (–)	18 (–)	18 (–)	– (–)	– (–)
4 000	453 (41)	494 (41)	297 (27)	324 (27)	242 (22)	264 (22)	187 (17)	204 (17)	110 (–)	110 (–)	54 (–)	54 (–)
5 000	617 (56)	673 (56)	415 (37)	452 (37)	355 (32)	387 (32)	297 (27)	324 (27)	231 (21)	252 (21)	165 (15)	180 (15)
6 000	858 (78)	936 (78)	572 (52)	624 (52)	506 (46)	552 (46)	440 (40)	480 (40)	367 (33)	400 (33)	297 (27)	324 (27)
7 000	1 145 (104)	1 249 (104)	761 (69)	830 (69)	679 (61)	740 (61)	602 (54)	656 (54)	519 (47)	566 (47)	440 (40)	480 (40)
8 000	1 478 (134)	1 612 (134)	981 (89)	1 070 (89)	884 (80)	964 (80)	796 (72)	868 (72)	695 (63)	758 (63)	602 (54)	656 (54)
9 000	1 815 (165)	1 980 (165)	1 232 (112)	1 344 (112)	1 122 (102)	1 224 (102)	1 020 (92)	1 112 (92)	902 (82)	984 (82)	796 (72)	868 (72)
10 000	2 145 (195)	2 340 (195)	1 513 (137)	1 650 (137)	1 392 (126)	1 518 (126)	1 276 (116)	1 392 (116)	1 144 (104)	1 248 (104)	1 020 (92)	1 112 (92)
11 000	2 497 (227)	2 724 (227)	1 826 (166)	1 992 (166)	1 694 (154)	1 848 (154)	1 562 (142)	1 704 (142)	1 416 (128)	1 544 (128)	1 276 (116)	1 392 (116)
12 000	2 871 (261)	3 132 (261)	2 112 (192)	2 304 (192)	2 026 (184)	2 210 (184)	1 883 (171)	2 054 (171)	1 720 (156)	1 876 (156)	1 562 (142)	1 704 (142)
13 000	3 267 (297)	3 564 (297)	2 420 (220)	2 640 (220)	2 389 (217)	2 606 (217)	2 235 (203)	2 438 (203)	2 054 (186)	2 240 (186)	1 883 (171)	2 054 (171)
14 000	3 685 (335)	4 020 (335)	2 750 (250)	3 000 (250)	2 750 (250)	3 000 (250)	2 618 (238)	2 856 (238)	2 420 (220)	2 640 (220)	2 235 (203)	2 438 (203)
15 000	4 125 (375)	4 500 (375)	3 102 (282)	3 384 (282)	3 102 (282)	3 384 (282)	3 031 (275)	3 306 (275)	2 820 (256)	3 076 (256)	2 618 (238)	2 856 (238)
17 500	5 324 (484)	5 808 (484)	4 081 (371)	4 452 (371)	4 081 (371)	4 452 (371)	4 081 (371)	4 452 (371)	3 955 (359)	4 314 (359)	3 713 (337)	4 050 (337)
20 000	6 655 (605)	7 260 (605)	5 192 (472)	5 664 (472)	5 192 (472)	5 664 (472)	5 192 (472)	5 664 (472)	5 192 (472)	5 664 (472)	5 007 (455)	5 462 (455)
25 000	9 735 (885)	10 620 (885)	7 832 (712)	8 544 (712)	7 832 (712)	8 544 (712)	7 832 (712)	8 544 (712)	7 832 (712)	8 544 (712)	7 832 (712)	8 544 (712)
30 000	13 035 (1 185)	14 220 (1 185)	11 000 (1 000)	12 000 (1 000)	11 000 (1 000)	12 000 (1 000)	11 000 (1 000)	12 000 (1 000)	11 000 (1 000)	12 000 (1 000)	11 000 (1 000)	12 000 (1 000)
40 000	19 635 (1 785)	21 420 (1 785)	17 600 (1 600)	19 200 (1 600)	17 600 (1 600)	19 200 (1 600)	17 600 (1 600)	19 200 (1 600)	17 600 (1 600)	19 200 (1 600)	17 600 (1 600)	19 200 (1 600)
50 000	26 235 (2 385)	28 620 (2 385)	24 200 (2 200)	26 400 (2 200)	24 200 (2 200)	26 400 (2 200)	24 200 (2 200)	26 400 (2 200)	24 200 (2 200)	26 400 (2 200)	24 200 (2 200)	26 400 (2 200)

WINE AND FRUIT

Pipped

FM 31/3/78 (320)

Wine lovers have little cause for lip-smacking or nose-twitching in the excise duty reduction. The effect will be to cut the price of a bottle of wine by a shade

over 2c.

Alas, on July 1, when the general sales tax comes into operation, wine prices will go up again. At 4%, that's another 6c on a bottle retailing at R1,50.

What Horwood appears to be trying to do is hold down the price escalation effects of the proposed sales tax on wine as much as possible. Wine prices have gone up so much that any duty increase will accelerate SA's declining wine consumption:

	1976	1977
	litres	
Light wine	184m	172m
Fortified wine	71,5m	66m

Although wine exports are reported to have held up well last year, mainly due to poor crops in Europe, the industry would badly like to see local consumption increase.

Horwood's excise duty reduction, therefore, doesn't seem to have gone far enough.

New excise duties on alcoholic drinks from apples, pears or oranges, though, show that the wine lobby is getting its message across. Cider, for example, will no longer have the advantage of not paying excise duty. Nor will others.

What prompted the minister was the information that "certain co operatives" intend to produce drinks from fortified fruit juices. So he's slapped an excise tax of 4,2c a litre on unfortified alcoholic fruit juice drinks, 23,7c a litre on fortified and 40c a litre on sparkling.

"This will knock any plans flat to make alcoholic beverages from fruit juices," says the Ceres Fruit Growers Co-op Association. "If the duty on wine is lightened, any competitive advantage fruit juices might have had is diminished."

So here, at least, Horwood has plugged the gap.

SALES DUTY FM 31/3/78

Wait for it

(320)

Horwood is right when he says the tax changes won't be painless. The reductions in sales duty prior to the introduction of the general sales tax on July 1 throw up some anomalies.

The minister rightly warns traders that the cuts, 5% *ad valorem* across the board, must be passed on to the consumer as they apply to new stocks.

However, this will have the effect of making existing stocks — in shops, warehouses, etc — more expensive since the higher sales duty has already been paid. This is because sales duty is levied on goods as they leave the factory.

Take motor cars. Upwards of 45 days' stock is usually carried in either off-site storage or on dealers' floors (in both cases sales duty has been paid). Cars moving ex-factory from tomorrow will pay the lower duty and will thus cost less to buy than those in stock.

For example: cars pay two levels of sales duty — 12,5% below a neutral value of about R6 300 retail. The new rate is 7,5%, giving an approximate saving of R190. A car priced above this neutral value pays 20,5%, now reduced to 15,5%. So a vehicle with a retail price of, say, R8 000 will come down by about R265.

The general reaction of motor men is that there won't be much trading at dealer level unless Horwood backdates the cuts to include stock already ex-factory but as yet unsold.

The same applies to other goods carrying sales tax.

Nevertheless, Secretary for Customs & Excise Dirk Odendaal is adamant: "There's no question of backdating. Each sector must work out how they're going to dispose of goods cleared at the old high rate."

Despite this, Pick n Pay's Ackerman, always ready to see a marketing advantage, tells the *FM* that he'll cut food and toiletries by the 5% — regardless of stocks on hand. Cost to Pick n Pay, he estimates, will be between R250 000 and R300 000.

There is also considerable disappointment that the import surcharge has been cut from 15% to 12,5%. Those manufacturers who face little competition from imports had hoped it would go altogether.

FM 31/3/78

TURNOVER TAX

Add-in cheers

(320)

At an across-the-board rate of 4%, the new general sales tax, to be introduced on July 1, will be levied on transactions, rather than on commodities.

In order to provide as broad a base as possible, exemptions will be kept to the bare minimum. But some likely candidates are:

- Goods acquired for resale;
- Goods to be used in a manufacturing process and to be incorporated in the manufactured product;
- Farming requisites, like seed, feed, fertilizers and livestock;
- Telephone services, power supplies, government services, transport (except deliveries of goods to an end-user), and medical services.

The architects of the tax have attempted to avoid favouring one party at the expense of another. For example, all types of fuel used in a manufacturing process will be exempted from the tax so that no manufacturer will enjoy a competitive advantage over another.

Exemptions will be granted by means of a vendor's registration certificate.

Good news is that the tax will be on an "add-in" basis and not "add-on". And sellers will be free to display either a simple inclusive price or a breakdown of the basic price, the tax added, and the final price.

The "add-in" decision should save considerably on accounting procedures — which has much worried Assocom of late. Add-in taxes can be paid by head office. The alternative would have meant ringing up a basketful of groceries, and then ringing up the tax as a separate item.

A "thrilled" Ray Ackerman of Pick n Pay points out that the accounting machinery required for that would have cost in the order of R4m.

It's estimated that the tax will swell the exchequer's coffers by about R1 000m a year, starting with some R650m in 1978/79.

Although there's a question-mark hanging over the efficiency of the collection and administration of the tax, Secretary for Inland Revenue Mickey van der Walt tells the *FM* that the army of 400 staff — 75% of them administrative — responsible for implementing it will only cost around R2m a year. A small price to pay for such a potential harvest.

"The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing" **— Colbert, quoted by Horwood. An admirable exercise to both ends, even if the goose doesn't think so . . .**

There's still time for changes, of course. The draft bill was published last week, which, as Horwood pointed out on Wednesday, "is yet another endeavour to afford all interested parties an opportunity to appraise . . . and submit their comments."

Implementation of the general sales tax is going to provide headaches aplenty. But there will also be problems during the interim period in which government will attempt to reduce and phase out sales duty — or convert the sales duty to *ad valorem* excise duties on selected less essential goods, as Horwood intends to do later in the year.

PERSONAL TAX FM 31/3/78

Stimulus and smiles

(320)

So taxpayers are smiling. Personal tax has been appreciably reduced. Horwood has not touched the basic rate but he has removed the 10% surcharge, thus reducing the top marginal rate to 60%. Retention of the loan levy, however, boosts it back to 66% — instead of 72%.

Thus, a married man without children earning R20 000 will pay the same basic R4 720, plus R472 loan levy, bringing his total 1978 payment to R5 192. The additional 10% surcharge falls away, giving him a saving of R472.

Effectively, for all income tax payers, the saving is approximately equal to one month's tax deduction at the old rates.

Hansard 8 30 March 1978 -14- (320)
Question 442. Cols. 468.

EDA: Will the people out there be able to understand this table?
Not in the ... the hatchery and at
Tshakolo. ... e we believe when the
water temp ... ien the water is
below 18^0C ... e another table for
hand feedi ... j to Lesotho con-
ditions. ... timum, so we are
trying to ... in between the yield
and the var ... re are about 30
factors, wh ... of the fish, size
of the pond ... shment, mortality,
feeding.

Fixed tax/hospital levies for Blacks

442. Mrs. H. Suzman asked the Minister of Plural Relations and Development:

What amounts were collected from Blacks during the financial year 1976-'77 by way of (a) fixed tax and (b) hospital levies.

The MINISTER OF PLURAL RELATIONS AND DEVELOPMENT:

(a) R9 355 243.

(b) R50 444.

Economics

Our policy regarding the villages is that in the first year we supply everything free. If you take R100/ha for fingerling cost (and it's actually less than that), the profit is about R600/ha. That's an average. This doesn't include the cost of transport and labour.

Transport cost is quite high because of the size of the farming units and because of the distances involved. But if you compare the fish farming profitability to other agricultural activities in Lesotho, like crops, maize, wheat, it's much higher. Also the income per employee is higher. The profitability of the intensive farmer is about double. Last year the food conversion rate was 3,1. The previous year it was 3,0. Since I came here we've started better methods of feeding. The food conversion rate of the intensive farming is higher: 4,0. The previous year it was 3,2. We're also trying to reduce the amount of pellets as opposed to wheat and I feel that up to now it's working.

If we consider everything, including the capital investment, the picture will be different. These fish ponds can't compare with Israel because here the cost of investment per hectare is very high. The ratio between the bank size and the water area is very high because the fish-ponds are small. For example, if instead of making two ponds of 2½ hectares each you make one pond of 5 hectares you'll need less ground for the walls. In addition, if you include the cost of laying on water supply and constructing outlets you can see that the more ponds you have the higher your capital investment is but it won't help the production. But still if you compare it to all the other activities in Lesotho including the soil conservation work, I don't think it's more expensive. So it depends

the month ... es in the Transkei
in 1967 ...

Unemploy...

... gures exist for South
Africa a... and Transkei. Different
estimate... assumptions. One
such stu... He obtains estimates
of Afric... 000 and 1 573 000
based on ...

... employment will reach
a peak c... The Financial Mail
also cal... as growing at a rate of
22 000 p...

... ne by Prof. P.J. van
der Merw... He calculated that on
30th Jun... 00 unemployed Africans
in urban... melands. The total for the
homeland... is figure would appear
to be increasing at a ra... ween 9 000 to 12 000
per month under economic ... he time of writing."[7]

Prof. P.J. de Vos ... socio-economic surveys
in the Ciskei and Transke... 8 respectively. The
unemployment levels, base... about 4 000 households

Business Mercury

31/3/78 (320)

Estate tax change call

Financial Reporter

CHANGES were proposed in the Budget to estate tax and the level of donations a taxpayer can make to his children. Senator Owen Horwood, the Minister of Finance, raised the donations limit from R10 000 per child to R15 000.

Senator Horwood said the object of the donations tax was to discourage taxpayers from parting with their income-bearing assets and thus reducing their liability for income tax and, ultimately, for estate duty.

Provision had always been made for certain exemptions. One of these permits a taxpayer to donate to his children free of tax an amount of R10 000 per child. This amount had remained unchanged for more than 20 years and he felt an increase was now justified.

He proposed, therefore, to raise the exemption limit to R15 000 per child and that the increased limit be applied to donations made on or after tomorrow.

The loss of revenue would be R200 000 for the year 1978-79.

Sen. Horwood said that during 1971 the rates of estate duty were revised and at the same time the present system of deductions in respect of children and the surviving spouse was introduced. The effect of this was a substantial reduction in the amount of duty payable in the greater majority of estates.

In determining the dutiable value of an estate an amount of R25 000 was deductible as primary rebate. A further rebate of R25 000 was allowed for each child of the deceased who survived him, and a rebate of R25 000 was allowed for the surviving spouse.

He had decided to increase each one to R30 000.

The increased deductions would apply to the estates of persons who die from tomorrow onwards. For the year 1978-79 the loss would be R1 million.

4. J.A. Lombard and P.J. van der Merwe, "Central Problems of the Economic Development of Bantu Homelands", Finance and Trade Review, Volkskas Ltd., vol 10(1), June 1972, Tables 2 and 10.

5. John Knight, "Labour Supplies in the South African Economy and Its Implications for Agriculture", SALDRU Farm Labour Conference, UCT, Sept. 1976, Table 15.

6. Financial Mail, 16 July, 1976.

7. P.J. van der Merwe, "Black Employment Problems in South Africa", Finance and Trade Review, xii(2), Dec., 1976, p.55.

8. J. Maree and P.J. de Vos, "Underemployment, Poverty and Migrant Labour in the Transkei and Ciskei", SAIRR, 1975.

Fair Lady editor Jane Raphaely examines the tax burden on married couples

Budget Special

Joining the incomes has the effect of taxing the wife at the highest possible figure

Budget Special

Give those in the higher bracket the chance to file separately and watch the rush

TWO CAN'T LIVE AS CHEAPLY...

Jane Raphaely

SENATOR Horwood's delicately balanced budget even included married women in its dispensation. Lowering the maximum marginal tax rate to 66 percent, including the loan levy, undoubtedly helps many working couples and higher earners to hang on to a little more of their cash. But it does not go "a long way towards solving the question of the joint taxation of the husband's and wife's income" as Senator Horwood hoped.

We are grateful for his small mercies but we must still ask, like Oliver, for more.

The difference in the amount paid by a couple taxed jointly on comparatively modest incomes and the amount they would pay if they could file separately is still too great for comfort. Neither the allowances made for the married state nor those given for children compensate for the considerably larger amount of tax demanded from the married couples.

An unmarried man earning R8 000 pays R1 478 in taxes. An unmarried woman earning R3 000 pays R306 in taxes.

Together they would pay R1 784 in taxes.

A married man without children earning R8 000 pays R981 in taxes. His wife's earnings of R3 000 increases his income to R11 000 and his tax to R1 826 — or R42 more than if they were unmarried.

But if she were taxed separately as a married person without children then combined taxes would be (R981 plus R187) R1 168 — or R658 less than under the present system.

Even if she were taxed as an unmarried person, the total tax would be (R981 plus R306) R1 287 — or R539 less than under the present system.

Joining the incomes has the effect of immediately taxing the wife's earnings at the highest rate, which makes her whole exercise uneconomic and unprofitable.

Women work for money, not love, despite the figures which Senator Horwood's department produced at Fair Lady's seminar on this subject in 1976 with Gerald Browne, then Secretary of Finance, at which he claimed the opposite.

At that time the CSIR was just completing research into the current economic activity of women graduates which it has never released, despite repeated requests, because the picture which emerged was so shocking. Now we are being asked to be content to retain 40 percent of our earnings instead of 28 percent, and without wishing to be ungrateful, we would be fools to agree that it is enough.

The problem lies in the Treasury's insistence on treating the family as an economic unit. They justify this on several grounds:

Two are still supposed to live as cheaply as one, though it is very easy to prove that this is not so. It would be more accurate to say that two cannot work as cheaply as one, particularly if there are small children in the family. Neither domestic help nor transport or other working costs are tax deductable. Allowances for children and the married state are also quoted, though these are so small that they benefit only the lower taxpayer.

Give those in the higher bracket the option of dropping the allowances altogether and filing separate returns and watch the rush to do so. The saving would be immediate and justified.

The book-keeping problems this would create for the Department of Inland Revenue have also been used as an excuse to avoid change, but this is debatable. Comparatively few taxpayers pay the top rate of tax despite the fact that it becomes applicable at the relatively low level of R28 000.

According to Harry Schwarz, Opposition spokesman on finance, 1,64 percent of the taxpayers are paying 24,51 percent of the total tax. Administering the affairs of such a small number could not possibly run the entire Department of Inland Revenue into the red.

The real reason for their reluctance to change the system of joint taxation is much more basic and difficult to counter. When so few are paying so much, the department will not easily give up such a rich source of revenue.

This was disclosed, in passing, by Senator Horwood when he said that the cost of concession he had just made, "is as much as R206 million for a full year and R132 million for 1978-1979."

That is a lot of bread, and, incidentally, put the R20 million food stabilisation subsidy into its proper context — which is with the Peanut Board.

It would be unfair to ask Senator Horwood for further concessions on the marginal rate, but married women and their husbands are justified in going back to him on the question of separate taxation. He has much less to lose and much more to gain. Well-paid women are still a comparative rarity and though small numbers reduce our bargaining power, in one way, it may be that the possible loss in revenue from such a small sector will be low enough to encourage the minister to re-open the dialogue.

Encouraging white women to work will not only create a climate favourable to a higher level of economic activity but will also bring back badly needed jobs for black women.

Domestic work is unglamorous, underpaid and unpleasant, but it fills an urgent need for women who have no alternative source of income.

The average domestic worker probably supports at least five other people on her wages and the worst side-effects of the recent depression have been the unemployment among them after drastic economies made by white families.

"We need every hour of exertion," admits the Minister of Finance, "to enhance our economic vitality and to strengthen our military preparedness."

If he wants women to respond to such a rallying call, economic independence and the right to pay our own taxes on our own earnings are the most effective argument.

Rapport 2/4/78 (320)

Eers gevra, nou kla hulle

DIT is noodsaaklik dat die bestaande verkoopreg en die bo-belasting op invoer mettertyd verwyder word. Dit sal ook van groot waarde wees as kospryse doeltreffend gestabiliseer word, het mnr. Raymond Parons, uitvoerende direkteur van Assocom, aan Sake-Rapport gesê.

Hy het kommentaar gelewer oor vandeesweek se Begroting en meer spesifiek die nuwe algemene verkoopbelasting. Hy sê dit is moeilik om presies te kan sê wat die uitwerking van die nuwe belasting sal wees want sekere teenstrydige kragte sal prysbewegings oor die komende maande bepaal.

Die nuwe belasting dek die finale verkoop van goedere, asook die meeste dienste. Vakansiewonings en tweede handse artikels word ingesluit. Soos sy naam aandui is dit 'n alomvattende belasting wat onafwendbaar ná 1 Julie is.

Dit is egter ironies dat die groepe in Suid-Afrika wat die laaste jaar die afskaffing van die huidige selektiewe verkoopreg bepleit het, en sy vervanging deur 'n algemene verkoopbelasting, juis nou die grootste lawaai opskop omdat die Regering nou gedoen het waarvoor hulle gepleit het.

'n Vir twee agtereenvolgends jare was die Minister van Finansies in staat om staatsbesteding tot redelike perke te beperk.

Vanjaar is die styging in Staatsbesteding skaars met die inflasiekoers vergelykbaar, self met die benodighede vir Verdediging in ag geneem. 'n Ander ... 'n dinamiese standpunt inneem oor die toekomstige verdienstepotensiaal van die gemiddelde Suid-Afrikaner, wat ook al sy ras mag wees, sê mnr. Parsons.

of op

daaraan om met ander werkers saam te

rander?

Aan arbeiders allenlik

1. ag na die plaas te kom of nie?

Sun. Tribune 2/4/78

THE BUDGET

(320)

THE POOR get no concessions in the budget — except that the absurdly discriminatory poll tax is abolished. And when the sales tax comes into force they will be paying through the nose for all staple commodities.

No one who pays a tax of less than R150, and there are thousands and thousands of such taxpayers, gets any concession.

Even the taxpayers in the higher brackets enjoy concessions that have little real meaning.

If it were not so, the Minister would not be expecting to extract R1 000 mililon a year from this new source of taxation.

4/4/78 RDM (320)

New sales tax discriminatory says Schwarz

THE ASSEMBLY — The Government was living in a fool's paradise if it thought a few tax changes could save South Africa, the chief opposition finance spokesman, Mr Harry Schwarz, said yesterday.

Opening the Budget debate, Mr Schwarz launched a heavy attack on the new sales tax system which he said was discriminatory in that it would hit the poorest sections of the population hardest.

Mr Schwarz said he supported the Government's aim to stimulate economic growth but he questioned if the measures announced by Finance Minister Sen Horwood would achieve this or restore local confidence.

"Will the Government tell us what political action it will take to make an economic revival possible," Mr Schwarz said.

"Without it we may have a mild upswing but in the long term we will become a beleaguered, isolated and boycotted country."

While praising the Minister for some of the measures in the Budget, Mr Schwarz said that his much-vaunted tax concessions were far less than the extra money he was taking away from the taxpayer.

"Despite tax concessions the Minister is budgetting to take R57 million more from individual taxpayers," he said.

"But there is a more serious aspect," Mr Schwarz said.

"This budget discriminates against the lower income groups — they are expected to pay sales tax but they receive no concessions."

Among the examples he gave was a married man with three or four children earning R4 000 a year or less. He received no concession.

There were 1 719 038 white, Coloured and Indian taxpayers of whom 831 255 had taxable incomes of less than R3 999 a year.

The blacks had to pay the sales tax but their tax scales at lower levels of income were much higher than for whites.

He also criticised the timing of the new sales tax and its general application.

"The poverty gap — or call it a wealth gap — is of such a nature in our country that it needs to be closed far more before a tax of this kind can be imposed on all items including the essentials of the worker."

Mr Van der Walt, chairman of the NP's parliamentary finance group, said that no new tax system could be introduced painlessly.

He denied that it had become Government policy to "tax the poor", and scoffed at Mr Schwarz's criticisms that lower income groups were being discriminated against in the concessions.

Lower income groups were not paying supercharges and therefore there was nothing to give them back. — PC

Pensioners may pay tax

320 6/4/78

Own Correspondent

CAPE TOWN — Senator Horwood's budgetary relief for pensioners could actually end up with some of them paying tax.

Mr Geoff Oldfield, New Republic Party MP for Umbilo, pointed out today that because of failure to adjust the tax tables, married couples aged more than 60 and with no income other than their pensions will fall into the taxable category.

"He has given them R9 a month each extra, which brings their monthly pensions up to R88 each. This means a total combined income of R2 112 a year for them — and at R1 900 a year they become liable for tax.

"The only pensions which are not taxable are war veterans,' was disability and miners' disease."

He said the Minister of Finance should rectify this either by making all pensions non-taxable or by raising the tax abatement which at present stands at R700.

TABLE:

6/4/78 DD 320

Pay poll tax plea

EAST LONDON — Blacks who have not paid their R2,50 poll tax this year should do so as soon as possible, according to the Bantu Affairs Commissioner, Mr H. C. Scholtz.

"Although the general tax has been dropped for the 1978-79 financial year which started on April 1, the tax is still payable for the 1977-78 year."

Mr Scholtz said the tax was supposed to have been paid by the end of March, but the taxpayers — black men over the age of 18 — were given two months grace to pay the tax.

"Officials started collecting the tax from January and they are now going around to employers who help us by collecting the tax."

The poll tax was dropped by the Minister of Finance, Sen Horwood, in his Budget speech. It used to bring in about R9 million to the government coffers. — DDR.

SOURCE:

Getting to grips with GST

(320) FM 7/4/78

Come July, we'll all be paying it. So here is a handy guide to the way it will work

On the desk of Inland Revenue Secretary Mick van der Walt is a plaque reading "Ulcer Dept." Especially appropriate now, perhaps, in view of the mountain of work facing his department with the July introduction of the new General Sales Tax.

But once Van der Walt spells out the proposals as he presently sees them — they have yet to be approved by Parliament — GST looks simplicity itself. The anomalies appear minor. Its practical application should exacerbate few ulcers. And the business community will find its implementation pretty straightforward if it continually remembers the principle that GST is a 4% levy across the board on sales of all moveables not intended for resale or export, and on leases of moveables, at the point of final sale.

The vital thing to bear in mind is that GST will apply "at the point of final sale." Hence exemptions, which are to be broadly based, will apply to trades and manufacturers rather than to specific commodities. This is clear from the second schedule to the Draft Sales Tax Bill, published for comment in the March 22 *Government Gazette*. It is an important document because, as Van der Walt puts it: "They are our proposals and we are civil servants. The private sector must tell us what is practical."

Inland Revenue is leaning over backwards to accomodate gripes, which must be submitted by Monday week. So far, however, there are few questions which Inland Revenue cannot answer.

A more pressing problem is the slow registration of vendors. The message is hardly coming through that persons and companies carrying on defined enterprises (*FM* February 24) *must* register by June, not so much as to become GST collectors but to enable them in July to buy their inputs and stock-in-trade free of GST.

These vendor certificates will include a code in the reference number known only to the department. The code will relate to

Revenue's Van der Walt . . . not expecting any ulcers

the enterprise. When an inspector looks through a wad of sales invoices, he immediately will be able to pick up, for instance, that a shoe trader has been using his certificate to buy furniture free of GST. That shoe trader will be in for a shock.

No final decision has yet been taken as to whether GST will be "add-on" (allowing the trader to display only the price before GST and add-on 4% at the till) or "add-in" (allowing the trader separately to show the price pre-GST if he so elects, but insisting that the price inclusive of GST is displayed). The department strongly favours the latter, and has drawn up the draft Bill on this basis, largely because of its greater administrative simplicity and because of the buying habits of SA consumers. Imagine the confusion, particularly of less sophisticated buyers, when confronted with an additional 4% charge at the supermarket checkout.

Whichever is adopted — and this Parliament will have to decide — GST will override all other taxes and duties. For instance, sales duty, which has been reduced across the board by 5%, is levied at the point of manufacture or import and a bottle of brandy is partly filled with excise duty. These taxes will be regarded simply as components in an article's price construction which cannot be unscrambled at the point of final sale — where GST, which will embrace all factors making up an article's final selling price, is levied. So, in these cases, GST will be a tax upon a tax.

Now for some practical posers.

- A trader adds in 4% to each selling price when marking his goods. At the end of the day, the arithmetic will not work out if he simply takes 4% off the top and sends it to the Receiver. To arrive at the GST he must pay on his turnover, he should use the formula:

$$\frac{r}{100+r} \times \frac{t}{1} = \text{GST payable}$$

Where r is the tax rate and t his turnover inclusive of GST, this calculation in selling a R100 item, plus 4% GST, will show the GST payable as R4.

o Commerce is concerned about profiteering accusations when GST is rounded off. Van der Walt is well aware that traders could abuse the need for round off by rounding up. To overcome this, the department will issue tables prescribing, for instance, that no GST should be added on items selling for up to 10c, tax rounded off to the nearest 0,5c will fall away and for more than 0,5c will be adjusted upward to 1c. GST will lose on the swings what it gains on the roundabouts.

o An item can be subjected to GST more than once. A motor trader can buy a car from a factory for use as a demonstration model. He will have to pay GST as the end user. After 5 000 km, he sells it as second hand. The new buyer will pay GST as the new end user.

o The ideal is that there will be no escalation of GST.

Intermediary products which could escalate costs, like fertiliser going into production of mealies, will be bought free of GST and the tax payable when the mealie is sold in its end form.

Machinery will pay

o GST will apply to capital goods, such as machinery, which in turn is written off eventually through depreciation allowances. Against the life of machines, Van der Walt regards the GST on them as "infinitesmal" per unit produced.

o Government purchases at all levels will be subjected to GST.

o On credit transactions, GST will be based on accrued sales, ie cash and credit. The trader will have to pay over the tax on conclusion of the sales transaction, which is not necessarily when the cash passes.

For ordinary accounting purposes, in any case, this is how books are kept. Provision will be made for a tax reserve based on outstanding debtors at the end of each month. A certain percentage (still to be defined) of outstanding debtors will be deductible from taxable value of sales and a reserve equal to this percentage of outstanding debtors will be allowed.

This is a "revolving reserve" allowed in Month One and added back in Month Two, when a new reserve will be created. On an increasing book, the reserve will grow and vice versa. The taxpayer in effect only will have to finance the proportion of credit sales not covered by the reserve. Bad debts will be deductible when they prove bad and brought back when and if they are recovered. As to what this defined percentage should be, Van der Walt states: "I want to listen to representations."

o What of stores which simply have been unable to complete their re-marking at the switchover, and might have to sell some items with old marking and some with new?

Van der Walt concedes that there could be temporary inconvenience. "But I hope that good planning by the entrepreneur, who has been given plenty of notice, will mitigate the difficulty. It is still receiving attention."

FREE FROM GST

Main exemptions are:

o Goods used in manufacture as an element in producing a completed product.

o Taxable services employed directly in manufacture.

o Non-returnable containers for packing consumable goods for sale to end-consumers.

o Fuel purchased in bulk to be used directly in manufacture.

o Specified equipment and chemicals for breaking rock, treating ore and safety purposes in mining and quarrying.

o Fertilisers, seed, livestock and diesel fuel used directly in the production of farming or forestry products.

o Packing and wrapping materials (but not returnable containers), bunker fuel and bait, for fishing enterprises.

o Foodstuffs for preparing meals for hotel and restaurant patrons, as well as drinks intended for resale to patrons.

o What of slot machines? Where a product is dispensed, they can be adjusted and change dispensed with the product. This is not possible in the case of service machines, like laundrettes. "I shall have to look into it," he promises.

o When it comes to bargaining over a price marked on the add-in system, trader and buyer will have to haggle over the price exclusive of GST. The GST must be determined on the new cash price. GST must never be a bone of contention or bargaining factor. Van der Walt proposes to prohibit advertising, implicit or otherwise, that any trader either is absorbing or not charging tax. Whatever his cash price, GST will be 4% on it.

o As for the hair-splitting over what comprises stock-in-trade, Van der Walt is explicit. It implies stock for resale. Thus the car of a travelling salesman is a capital good and subject to GST. A car taken from stock by a motor trader for his personal use is taxable at cost to his business. A grocer taking foodstuffs for his own use must pay GST. An accountant renders a service and doesn't sell paper, so his stationary is subject to GST.

However, a printer also renders a service. The paper he buys is free of GST, but when he sells it the printed material is taxable in the hands of the buyer.

o As for HP, GST is paid on the cash price, exclusive of finance charges, when the transaction is concluded. Contracts written before July 1 are not subject to GST. But when it comes to leasing, ownership does not pass at any time unless a separate agreement is entered into on termination of the lease. HP and leases thus have no more in common than apples and pears. GST will be payable on each instalment — first because, as a consumption tax, the outlay of the lessee in using the end product is each instalment, and second, as a transaction tax, to prevent tax avoidance by open-ended leases being entered into.

o Mode of payment is of no concern to the Secretary. If a customer pays a restaurant bill of R10,40, inclusive of GST, with a credit card, the restaurateur is liable for collection of the 40c GST. That he may have to pay the credit card company up to 5% of the R10,40 is for him to work out with the company.

Notes Barclaycard's Colin Gregor: "Our average bill is R30. When we take our 5% of the 4% GST, the difference is a matter of only a couple of cents." Whether retailers will try to make up the difference by pushing up prices remains to be seen.

o The Bill intentionally does not discriminate between different forms of the same undertakings, like hotels and boarding houses. Accommodation establishments which "systematically and regularly" let their accommodation for less than 45 consecutive days will have to add GST. Those supplying food to permanent boarders (more than 45 days), will pay GST on 30% of their full bill to represent food. From this it follows that rent payments are GST-free.

o GST on imported goods will be levied at 4% on fob plus 30%. If GST were paid only of fob, there would be an advantage for the direct importer. The 30% is an attempt to wrap up charges like freight, insurance and customs duty, so that buyers of imported goods, whether imported direct or bought locally for resale, are on an equal footing.

Export goods escape

o Goods for export are free of GST. Ships' chandlers, for instance, will have to register to buy their supplies without tax.

o No provision has been made for exemption of staple foodstuffs. The moment exceptions are made, the vendors run into administrative problems. And to exempt foodstuffs as a whole, Van der Walt points out, GST would have to be increased from 4% to 5,25% for the same yield to the fiscus. Rather, policy is to hold down the price of basic foods through subsidy.

It won't be easy to find loopholes in GST. Unlike a multi-stage tax such as VAT, it also should avoid price escalation effects through the manufacturing and distribution process, as well as multi-collection difficulties.

There could be another bonanza. Inland Revenue will employ a 400-man staff to administer GST. Most will be pure administrators. But the inspectors will, initially at least, be educators helping momma-and-poppa shops solve their reporting problems.

And the mere existence of all these new inspectors could scare fully into the tax net the thousands of businesses which traditionally have managed to operate their cash registers on a one-bill-for-me-one-for-the-Receiver basis.

This cherry might be almost as big as the GST cake itself.

HANSARD 9 — 7 April 1978.
Question 445 Cols. 585 & 586. 320

Income tax collected

455. Dr. Z. J. DE BEER asked the Minister of Finance:

(1) What amount of income tax was collected in the financial year 1976-'77 from (a) individuals, (b) gold mining companies, (c) other mining companies, (d) other companies and (e) other sources;

(2) what was the total income tax collection during that year;

(3) whether figures are available for the financial year 1977-'78; if so, what are the relevant figures.

The MINISTER OF FINANCE:

(1) (a) R1 690 255 752.

(b) R296 094 488.

(c) R75 198 038.

(d) R1 568 777 451.

(e) R366 380 561. (Loan levy).

(2) R3 996 706 290.

(3) I regret that this information is not available.

TRANSVAAL

Lowveld Fisheries

The Lowveld Fishe ... all was established in 1954 to promote f ... have worked mainly with Aischgrund ca ... any. The result is that they are able ... good technical advice to the prospective ... ooklet, "Introduction to Carp Farming" ... them and this will be of invaluable use ... of warm water fish farming.

This interview with ... eries Research Station was conducted by Gi ... EDA and translated from Afrikaans.

The Market

Rick Granville and ... only two farmers who are making a reasona ... Unfortunately there isn't a market for ... farmers, specially in the Vaalwater area, went in for carp some years ago. They built dams and bought fish. Today there are between 180 to 200 thousand carp of about a pound to a pound and a half in the Vaalwater area. The farmers simply can't sell these at the price which Irvin and Johnson sells sea-fish, like hake.

When I was in Israel I discussed this problem and they said that as long as there is red meat available in South Africa they didn't foresee that fish would replace it.

EDA: Now these two men are making a success, are they selling to Blacks?

Yes, they don't even think of Whites. There is a lot of homeland area here; it goes right up to the Rhodesian border. So there would be a big market. There's a fisheries station at Arabie Agricultural College. We will be giving them some breeding carp. Apparently they are trying to produce fish in Vendaland for Vendaland and Nebo. They are also building a big hatchery at Sibasa. However, I don't believe that they can produce a tenth of what they need for the amount of people there. Swaziland also

TABLE:

New tax will lead to rates increase

(3.20)

9/4/78 DD

EAST LONDON — The new sales tax will add at least R151 000 a year to East London municipal costs and ratepayers are going to have to pay this 2,5 per cent increase on rates.

The municipality is a big buyer and spent R3,8 million through its stores department last year. Even with a cutback, increased prices are likely to push this figure up this year.

Sales tax comes into force in July and the city council will have to find at least R75 000 this year to pay for the four per cent tax increase.

The councillor in charge of finance, Mr B. Armist, said the city would either try to cut back this year in order to save the money or it would have to come out of reserves.

"All this does is add to the city's troubles because we are going to have to find this money which is not budgetted for," Mr Armist said.

The United Municipal Executive is reported to be worried about the situation and has made representations to the Minister of Finance for exemption of local authorities from sales tax.

"Local authorities are facing a serious, if not critical, situation. They are big buyers and will be hit hard by the new tax," said UME's secretary, Mr D. P. Strydom. — DDR.

SOURCE:

New tax may hit your medical bill

Sun. Trib. 9/4/78 320

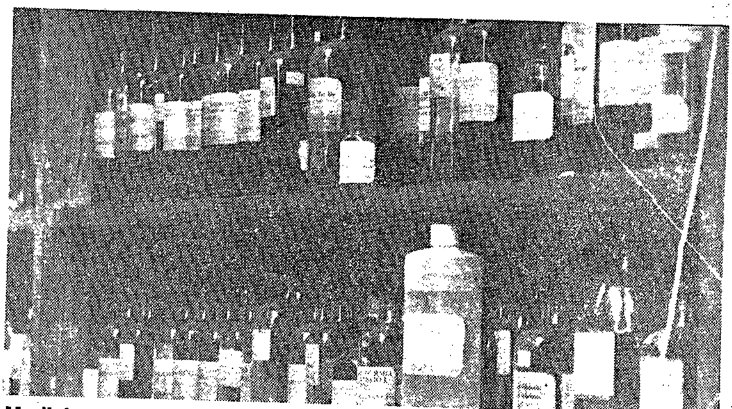
By ALAN PEAT
Finance Editor

THE COUNTRY'S cost of medicine will rocket because of the point of sales tax, and major commercial associations are appealing for the tax to be removed.

The cost of medicine is likely to cost about R20 million more to the taxpayer, and medical aid scheme charges seem sure to go up to cover this expected increased charge.

The Retail Chemists and Druggists Association, the Pharmaceutical Society and the Representative Association of Medical Schemes are all expecting the Minister of Finance, Senator Owen Horwood, to listen to their appeals for exemption from point of sales tax.

They will base their appeal to the Minister on a number of points:



Medicine on the chemists' shelves — what will it cost soon?

- The rise in costs will affect mainly the poorer section among the old, who display the greatest need for medicines.
- Taxation on the ill is unfair . . . whereas it is allowable on the buyers of unnecessary goods.
- Sick funds and medical aids have been hit in the past by escalation in costs, and the tax increase would push up the necessary subscription from members.
- Medical treatment by doctors has been exempted under the point of sales tax document, but dispensing of medicine by doctors (a necessary part of many treatments) will not.
- A rise in cost is likely to prevent many needy invalids from buying necessary medicines. This would be dangerous to health.

The overall rise in South Africa's total medical bill is difficult to assess because of the large variety of tax paying sources.

These include the consumer, via direct cash buying of patent medicines and cash for prescriptions, the sick funds, the medical aid schemes, the patient, in a dispensing fee in private hospitals, and the dispensing doctors as part of the overall treatment charge.

In the end the patient is involved in most payouts for medicine, but the inter-relationship of the payment structure makes it hard to judge the overall effect of the new tax.

However, the associations tax payouts plus estimates of the likelihood of the total should certainly amount to an increase of R20 million in the medicine bill.

The likely increases worked out by the associations appealing for exemption give an idea of the amount.

The president of the Chemists' Association, George Atkinson, estimates his membership's amount of tax payment to be R10 million a year for scheduled and dispensed medicines, plus about R600 000 a year increase in the pharmacists' fees.

John Ernstzen, chairman of RAMS (working on the last total for his more than 260 members for 1976) sees the medical aid tax total to be more than R2,5 million. This will be boosted by the extra amount paid out against the doctors medicine dispensing in his treatment account.

The rest of the tax will reach the receiver from the payments by the pharmacists of patent medicines; from the medical aids not members of the Association (including the Railways' which is the country's largest) and from other medicine-dispensing taxpayers not aligned to the three pleading for the exemption.

Ernstzen feels that the Government may not have taken into account that the total upsurge in "unfair medical increases due to the tax" would come to such a large total. This makes him optimistic of the exemption being granted.

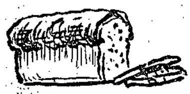
However, Atkinson expects the amount paid to inland revenue, about two percent of the overall income from the tax, possibly to lead to continued increases in medical costs.

(320) 10/4/78 DD

The budget IS inflationary

EAST LONDON — How many South Africans still believe Mr Horwood's recent budget announcements are worthy of high praise? Immediately following his budget speech, there was loud acclamation from many quarters of the Republic — from industry, commerce, banking etc. But did those spokesmen stop to think?

Putting his proposals in a nutshell, it means the ending of the ten per cent income tax surcharge (R200 million), food subsidies (an extra R20 million), increased civil and military pensions (R56 million) and the ending of the R2,50 a year tax paid by blacks (R9 million) will put about R285 million back into the economy.



Taxed . . .

"That's wonderful" said many. "Mr Horwood is to be congratulated" said most. The budget is inflationary, said I.

Why? It is simple. The then existing sales tax, which he has cut by five per cent with immediate effect (but it will take time to ripple into the economy as it was payable by manufacturers on the source price) raised about R300 million a year for the Government coffers.

But the new general sales tax, to be applied at point of sale, and which includes services as well as goods (and even includes essential foodstuffs) will bring in about R1 000 million for the Exchequer — an extra R700 million.

Simple arithmetic will show that R700 million minus R285 million leaves a deficit balance of some R415 million, and that is the amount that will be taken out of the economy.

Logically, if people have less money to spend they will buy fewer goods, and that is deflationary — albeit it also helps to increase the unexployment figures!

But it does not always work like that. People still have to live, and they will be paying more for their essentials to enable them merely to exist ... bread, milk, meat, cheese, butter, to name but a few.

. . . taxed . . .

As has already been explained in the Daily Dispatch, municipalities will not be exempted from paying the new tax on all their purchases, which are many, so municipal rates will also have to be increased.

This will mean the householder and the businessman, whether commercial or industrial, will find those expenses rising.

Who will have to pay? The final consumer, which will mean more, much more, than the four per cent general sales tax.

As a result, family and business budgets already strained near to breaking point will, in simple terms, reach a state of bankruptcy. The solution for the workers will be to ask for pay increases ... and their claims will be fully justified.

And these claims will come from the public as well as the private sector, which will mean heavier government and local government wage bills ... and the consequent increase in rates and taxes. And so the vicious circle will continue.

Sales tax on luxuries such as tobacco and cigarettes (and I am a smoker, so there is no vested interest in this suggestion), liquor, caviar and champagne and all that goes with the "luxury set" could well be taxed at a much heavier rate, as long as the essentials were left tax free.

There could then be no justifiable wage claims because of increases in living costs.

And the fact that a builder will have to pay the new tax on his materials is another facet that should be exempted. A young married couple already find it almost impossible to set up house, but with new housing costs being increased by a minimum ... and I emphasise minimum ... of four per cent, it will be even further away from their financial abilities.

Ownership of a house, a stake in the land, is the best form of encouraging patriotism ... "This land is my land" ... yet the Government seems to be doing its best to discourage such an attitude.

. . . taxed . . .

And where does the extra money go once it is in the ever-hungry government coffers? Quite a large amount of it will be spent on defence and oil imports.

South Africa spent about R1 660-million in foreign exchange last year on oil and defence imports, the cost, probably, would have been more than R1 700-million but for the restrictions on military equipment sales to South Africa some countries have imposed.

Oil, however, accounts for the bulk of the total bill, no official figures for oil and defence spending are given by the Government.

But the import figure for 1977 given by the Reserve Bank of R6 893-million includes oil and defence. That leaves around R1 666-million as the oil and defence share.

. . . taxed . . .

The figure is not precise because the provisional nature of customs and excise calculations does not compare exactly with the final official import total of the Reserve Bank. There is also a Rhodesian connection which is "Lost" somewhere in the picture.

Oil and defence imports were about R250-million in 1973. They soared to around R840-million in 1974, and then to R1 170-million in 1975, and R1 500-million in 1976.

. . . and taxed

Oil imports include provision for stockpiling as well as current consumption.

In its quarterly bulletin, the Reserve Bank says: "A classification of imports according to main category of goods shows that the increase in merchandise imports during the third quarter (of 1977) was largely accounted for by larger imports of mineral products (including petroleum products) and of transport equipment.

"Oil imports continued to increase in 1977, partly because of the rise in the price of oil at the beginning of the year."

Assuming a roughly constant spending on defence imports in 1976 and 1977, it looks as though oil imports rose by about R250-million to R270-million.

Luckily for South Africa, oil remains priced in dollars, so we have been protected from the impact otherwise of the sliding rand. It is, however, one factor that would have to be taken very seriously in contemplating any further rand devaluation.

Do you still think it was a good budget?

— BUSINESS EDITOR

The Star Tuesday April 11 1978

'Tax plan will hit business'

(320)

The "add-in" system of taxation envisaged in the Government's proposals for the new general sales tax will cost businessmen thousands of rands.

The cost of tickets for remarking goods at one department store chain alone is estimated at R40 000. Wages paid to workers for the purpose of remarking at that chain are estimated to be R164 000.

And a total of 15 working days will be required to complete the remarking of all goods. In one store alone, no less than 666 800 items will have to be remarked.

This was said today by Mr John Melville Pels, a past-president of Assocom (Association of Chambers of Commerce of South Africa) at an Assocom seminar in Johannesburg on the general sales tax.

Mr Pels gave Assocom members a schedule outlining the advantages and disadvantages of the "add-in" and "add-on" system.

With the "add-in" system the retailer included the tax in his price for an article. This was the system which the Government had indicated would be generally introduced.

With the "add-on" system the tax was added to the customer's final invoice.

Mr Pels suggested that a possible way of approaching tax day (July 1) was for businessmen to mark on a different coloured sticker alongside their present price — showing the price, including tax, which would have to be paid as from July 1.

However, Mr Pels said, retailers could not start remarking now as they would have to allow for various changes before the tax became effective — for example, changes of price to meet competition or special promotions.

13/4/78 R.D.M. 320

Roelofse asks Horwood to scrap tax on basic foods and medicine

Pretoria Bureau

CONSUMER anger at the price spiral has reached boiling point according to the ombudsman of the SA Council of Churches, Mr Eugene Roelofse.

Mr Roelofse has asked the Minister of Finance, Senator Owen Horwood, to free basic foods and medicines from the 4% general sales tax which will be implemented from July 1.

Mr Roelofse said there were thousands of poverty-stricken township families and many white pensioners who were being forced to reduce already meagre diets because of continually rising prices.

More than half the families in townships lived on or below the breadline, he said.

"Hunger and unemployment superimposed on the many other black grievances make a dangerous mixture. The least the Government can do is cheapen essential foods like mealie meal and milk."

Mr Roelofse said he asked the Minister to exempt bread, mealie meal, milk, paraffin and coal from the tax.

"The consequences if we don't could be serious. This is why I appealed to Senator Horwood," Mr Roelofse said.

● The Minister of Agriculture, Mr Hendrik Schoeman, is expected to announce a rise in the maize price before the end of the month. Soon after this an increase in the fresh milk price is expected.

GENERAL SALES TAX

320

On buildings too

FM 14/4/78

Though the new general sales tax applies only to moveables and not to fixed property, it must inevitably act as a disincentive to the construction of new buildings. And there will be headaches for the professional teams involved in construction as well.

GST is to be levied on all moveables sold to end-users (*FM* April 7). This means that, while the sale or leaseback of a building will not be subject to GST, the materials (bricks, concrete, air-conditioning, carpets, etc) which go into it *will* be. So the price must increase by the 4% GST levied on the moveable components required for construction.

Increased costs will mean that developers will have to look for increased yields if buildings are to be viable. In the current climate, generally speaking, obtaining a reasonable yield even pre-GST is hard enough.

What of the professional teams, like architects and quantity surveyors, whose services are not subject to GST but who base their fee on the final cost of the building?

Secretary for Inland Revenue Mick van der Walt "will look askance at an entire profession" which bases its fee on cost inclusive of GST. Instead, professional men will have to unravel GST charges from ultimate cost to arrive at a base from which to calculate fees.

There is no way that the Secretary will allow GST to become a cost-escalator in such a way.

No tax on goods priced up to 13c

N.M. 14/4/78 (320)

Financial Reporter

SHOPPERS will not pay tax on articles priced at 13 cents or less — this will include newspapers — but the suppliers will have the tax included in his bill.

Yesterday, Mr. Melveille Pels, chairman of Assocom's Purchase Tax Committee and two senior officials from the Receiver of Revenue dealing with General Sales tax, held a seminar in the city arranged by the Durban Chamber of Commerce.

The official said the tax tables would exclude items which attracted a half-cent tax (from 13 cents downwards) but that the tax would be rounded up on more expensive items. The shopkeeper would have to pay over a tax on all the articles sold whether they were taxed or not.

He said that newspapers would probably be forced to increase their cover prices as the law provided that the seller could not absorb the tax.

The official said that the provisions in the draft Bill which allowed the Receiver to take back a vendor's certificate did not mean that he would go out of business. Instead, he would have to pay tax on the goods he bought and would not be allowed to recover the tax from his customers.

The certificate would be removed only in the event of serious offences under the Act.

Mr. Pels said in a general discussion of the proposals that the slight upturn in retail sales in the first quarter of the year was so tenuous that the imposition of this tax could reverse the recovery and cause great concern to retailers.

It was pointed out that while the add-in system appeared to be favoured by the authorities it was still possible to make representations. A clause of the Bill provided that vendors could ask for an add-on system.

JON BEVERLEY, the Mercury's deputy financial editor, in this article explains how the new general sales tax will work when it is introduced on July 1.

NM 14/4/78 (320)

There's no way to avoid Horwood bonanza

TAXATION is the art of plucking a goose with the least amount of hissing says Senator Owen Horwood, the Minister of Finance, and he thinks that the four percent general sales tax will cause no hissing at all — certainly the golden egg will not be stolen from the goose.

True, who will worry about paying a few cents more on a bottle of beer, or a fraction on newspapers or a box of matches. The tax on a car will be quite a bit but that all goes into the hire-purchase agreement anyway.

But from July 1 everything we buy will go up by four percent. The Receiver of Revenue will issue tax tables which will specify what tax the shopkeeper must place on goods — this is likely to mean that anything under 10 cents will be tax free while the goods over this price will be taxed a little more than four percent.

Calculate

The shopkeeper will calculate his net turnover each month — after subtracting bad debts, till losses and so on, and including the total of his credit sales, and multiply this figure by a factor (0,0384615) which will give him the tax that he must send to the Receiver of Revenue.

But now comes reality. Mrs. Housewife goes to the supermarket, the chemist, the hardware shop, the newsagent and perhaps the bottle store. In her hand she has R104. From July 1 she will only be able to spend R100 on goods — the rest goes on tax.

Apply that nationally. Senator Horwood expects to collect R650 million in eight months. That implies sales of something like R20 312 million a year. In 1977 the Reserve Bank estimated private spending at R18 502 million, Government spending at R4 901 million and imports of R8 334 million. Total R33 000 million.

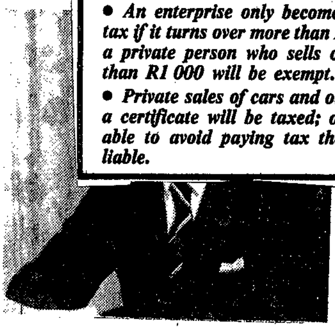
Let's look at it another way. There are 9 500 000 wage earners in the country and spreading Senator Horwood's new tax equally among them means a new tax of R8,50 a month. The reduction in the tax surcharge will mean that people earning about R1 000 or more will stand some chance of beating the taxman.

But no one will avoid paying the tax. Whether it is the well-heeled company executive with accountants working to reduce his income tax payments; or the pensioner with a fixed income; or the poorly paid labourer who spends most of his money on food.

It will be painful for the consumer because that part of his spending income subject to the tax will go up by four percent. Or if there are only limited pay increases his spending in real terms must fall.

To be fair the shopkeeper — the tax covers far more enterprises than the humble cafe round the corner — is going to find things painful too. He has sums to do. He has pieces of paper which accurately inform the Receiver of Revenue of the value of the goods he has bought; and more pieces which will inform the taxman of how much he has sold.

The Receiver has 400 men who will spend their time policing the new system. The chances of the shopkeeper putting money under the counter or conveniently forgetting an invoice or receipt for a cash job are going to be minimised.



Senator Horwood • • • He expects to collect R650-m from the country's 9 500 000 workers in eight months

Some of the proposals for the new tax are:

- ***Transfer of aircraft, boats, fishing vessels, ships, yachts, motor cycles, tractors, vehicles, caravans or trailers will be refused unless there is a certificate of exemption indicating that tax has been paid.***
- ***Imported goods will be taxed. That would include articles ordered by private persons from abroad. The tax value will be the FOB price plus 30 percent.***
- ***Hire purchase deals will be taxed but only on the capital part — the interest will not be taxed.***
- ***Slot machines are a problem, particularly where there is no provision for giving change such as a laundromat.***
- ***An enterprise only becomes liable to collect tax if it turns over more than R5 000 a year and a private person who sells odd items for less than R1 000 will be exempt.***
- ***Private sales of cars and other items needing a certificate will be taxed; other sales will be able to avoid paying tax though they will be liable.***

"IF the scheme is efficient it is quite possible that the minister will have his small feathers and a couple of golden eggs as well. My estimate is that he will get nearly R200 million more than he has provided for," writes Beverley.

If the scheme is efficient it is quite possible that the minister will have his small feathers and a couple of golden eggs as well. My estimate is that he will get nearly R200 000 000 more than he has provided for.

That has two implications. One — if the economy has started to improve he may reduce the general sales tax or pay back some of the early loan levies. Two — if the improvement is there he will get more money for his tax.

By now it should be clear that if you buy something after July 1 you will pay tax. If you run an operation which buys material which it then uses in the manufacture of goods, there will be no tax on the initial transaction — only on the sale to the public.

The farmer, fisherman, hotelkeeper and miner are some of the persons who will not pay tax — but they will levy tax on the meals they sell, or the accommodation they provide and in some cases the minerals they sell.

So far there is only draft legislation but this is bound to go through Parliament, possibly changed in detail, before July. The requirements on traders (vendors) to get certificates to buy or sell are already part of law.

Most tax will be add-in and the customer will usually see only one price. But the shopkeeper can display a price tag with the price and the tax. The draft legislation also provides that if for some reason a trade association wants to apply the add-on system, they can apply to the Receiver for permission to do so.

67 pages

There are 67 pages of the draft legislation which lay down the penalties. One of them is the power to cancel the vendor's certificate which means a shop can be closed.

Other rules provide for a deposit to be paid to the Receiver if a vendor has been slow in paying and for interest of 7,5 percent on outstanding amounts. Misuse of the certificates to buy goods free of tax will be punished.

In principle the general sales tax is ideal. No one escapes the taxation net. But a four-percent increase for those who earn R100 a month, or live on a pension is far more painful than for those on an income of R1 000 or more. Because GST has been introduced with only minimal concessions for the poor there is every chance the poor goose will be featherless and chilled to death.

Hansard. 11 18 April 1978.
Question 368 Cols. 634 & 635

320

TUESDAY, 18 APRIL 1978

†Indicates translated version.

For written reply:

Amount owing by taxpayers

368. Mr. T. ARONSON asked the Minister of Finance:

(1) (a) What is the estimated amount owing by taxpayers in respect of

assessments for the 1976-'77 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) It is not possible to specify the amount owing by taxpayers in respect of a particular tax year for the reason that taxpayers' accounts are consolidated. The total amount of assessed tax outstanding as at 28 February 1978 was R358 519 686,73, of which R192 904 656,41 was not overdue.

(b)

Individuals	325 605
Companies	66 303
Total	391 908

This information has been compiled as at 3 April 1978 and relates to taxpayers who are on register.

(2) Yes,

(a) Assessments have not yet been raised in respect of the following number of taxpayers who are on register:

Individuals	40 040
Companies	2 183
Total	42 223

This information was compiled as at 3 April 1978.

(b) This information is not available as it can only be compiled when the outstanding returns are submitted. An estimate at this stage is therefore not possible.

Hansard. 11 19 april 1978.
Question 5 Col. 654 a 655.

320

Representations on point of sales tax on medicines

*5. Mr. H. H. SCHWARZ asked the Minister of Finance:

Whether representations have been made to him in regard to point of sales tax on medicines; if so, (a) by whom and (b) what was (i) the nature of the representations and (ii) his reply thereto.

The MINISTER OF FINANCE:

Yes.

(a) The South African Homoeopathic Association; The Representative Association of Medical Schemes; Mr. E. Roelofse on behalf of the South African Council of Churches; Mr. J. M. Ackermann; and Miss S. H. Schonegevel.

(b) (i) That sales of all medicines, of prescribed medicines and of medicines supplied by homoeopaths and related practitioners should be exempt from the tax.

(ii) That the representations will be borne in mind when the Bill is finally drafted.

I wish, however, to inform the hon. member that, in order to attain the low rate which has been proposed and to have an easily administrable system, it is imperative to have as wide a tax base as possible and exclusions or exemptions of specific commodities will, therefore, not lightly be entertained.

Mr. H. H. SCHWARZ: Mr. Speaker, arising out of the hon. the Minister's reply, can I infer from what he says that he not only intends to tax the poor but also the sick? [Interjections.]

Mr. SPEAKER: Order!

1978 LAW CONFERENCE

320

Tax chief cools those inflation accounting hopes

Anne Colley

The chances of using inflation accounting to calculate new levels of company tax bills was put under a cold shower by Mr Micky van der Walt, Secretary for Inland Revenue, today.

Speaking at the 1978 Law Conference in Johannesburg, Mr van der Walt said the Department could not allow inflation accounting to reduce the taxable income of a select sector — the business community — as this would whittle away State revenue.

To make up the shortfall, tax rates levied on the entire population would have to be pushed up — unless the Government turned to deficit budgeting which can so often lead to runaway inflation.

LIABILITIES

Quoting from various papers written on inflation accounting, Mr van der Walt said: "Why for instance should only companies be allowed to adjust their incomes for inflation before tax is assessed? The benefits of inflation adjustment should theoretically be extended to all classes of income and capital gains taxpayers — a sweeping reform that would be quite impracticable."

And: "If you would like tax to be based on inflation adjusted profit would you also like your tax liabilities to be adjusted for inflation occurring between the balance sheet date and the date of payment of tax?"

Mr van der Walt also pointed out that no Government has yet shown itself willing to risk the embarrassing consequences of such an official recognition of the extent of inflation . . . for the political risk of being dubbed "the party of inflation."

But the door is not closed. The Secretary quoted the Standing Committee: "When standards for inflation accounting have been determined and accepted, the matter can be examined again. But the effects of inflation on the entire taxpaying community . . . must be considered."

★ ★ ★

Should a private company's debts be limited for the sake of the creditors? This idea was mooted by a Durban attorney, Mr G Cox, at the conference today. "A strong case can be made out for placing at least as much emphasis on the rights of creditors as has been placed on the rights of shareholders," he said.

Mr Cox points out that the creditors of a private company can only inspect the financial statements after he has obtained a judgment. "By that time it is usually too late." He suggests that "private companies could be restricted in terms of their debt to equity ratio, and not only in terms of the number of shareholders.

320

Hansard 11 19 April 1978
Question 546 Cols. 663. - 664.

X **Payment of personal income tax** X

546. Mr. R. B. MILLER asked the Minister of Finance:

(1) (a) How many persons defaulted in respect of the payment of personal income tax for the tax years 1974-'75, 1975-'76 and 1976-'77 and (b) what was the amount involved for each year;

(2) what amounts of such tax are outstanding in respect of each such year.

The MINISTER OF FINANCE:

(1) (a) I regret that this information is not available as no statistics are maintained in this connection.

(b) As taxpayers' accounts are consolidated it is not possible to allocate outstanding taxes to individual tax years.

(2) As explained under (1)(b) above, I regret that it is not possible to classify outstanding taxes according to individual tax years.

It is, however, possible to furnish the following information:

A. Income tax which has become irrecoverable:

Financial year	Individuals Number	Individuals Tax written off R	Companies Number	Companies Tax written off R	Total tax written off R
1974-'75	2 721	447 777,54	75	105 316,62	553 094,16
1975-'76	2 814	861 497,35	155	457 542,60	1 319 039,95
1976-'77	3 016	925 004,11	126	282 309,00	1 207 313,11

B. Total amount of income tax outstanding as at 28 February 1978:

Age of debt	Amount outstanding: Individuals R	Companies R	Total R
Not yet overdue	58 408 594,74	134 406 061,67	192 904 656,41
Under six months	67 899 621,15	65 562 455,19	133 462 076,34
Over six months	18 104 032,61	14 048 921,37	32 152 953,98

AFRICAN TAXES FM 31/3/78

About time too!

320

At long, long last, the African "poll tax" is to be abolished. Under this archaic system, all African men over the age of 16 — whether they were earning or not — had to pay an additional tax of R2,50 a year.

The abolition of the tax will mean a loss to the exchequer of about R9m, says Horwood. And it will cut down arrests for "Bantu tax infringements." In 1975/76, 36 000 cases of such infringements were reported to the police.

Besides abolishing the poll tax, Horwood said that an interdepartmental committee was at present studying African tax scales and that a "great deal of work has already been done in this regard."

Horwood pointed out that disparities exist between African tax scales and those of other race groups and promised that "attention will be given to this matter" as soon as the committee reports.

Africans in lower income groups are, in fact, taxed more heavily than whites. And they get no rebates for wives and/or children. Removing this inequity is the least government can do to compensate for the damage which the turnover tax will do to the pockets of the poor.

HANSARD ~~9~~ 7 April 1978.
Question 387. Cols. 581 a 582

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Number of taxpayers, and tax assessed

387. Mr. H. H. SCHWARZ asked the Minister of Finance:

What was (a) the number of taxpayers in each income category and (b) the tax assessed in each income category expressed as a percentage of total tax assessed, in the 1976-'1977 tax year.

The MINISTER OF FINANCE:

(a) and (b): I regret that the relevant statistics for the 1976-'77 tax year are not yet complete and cannot therefore be furnished.

The corresponding statistics for the 1975-1976 tax year are as follows:

Income category R	Number of individual taxpayers in income category	Tax assessed income category as percentage of total tax assessed
Loss	12 515	—
1— 1 000	176 993	0,06
1 001— 2 000	210 006	0,91
2 001— 3 000	229 290	2,23
3 001— 4 000	171 060	2,76
4 001— 5 000	147 243	3,34
5 001— 6 000	137 981	4,23
6 001— 7 000	130 801	5,32
7 001— 8 000	121 354	6,36
8 001— 9 000	101 606	6,74
9 001— 10 000	80 637	6,67
10 001— 12 000	105 693	11,67
12 001— 14 000	54 682	8,55
14 001— 16 000	29 275	6,16
16 001— 18 000	18 344	4,97
18 001— 20 000	12 976	4,36
20 001— 22 000	8 484	3,43
22 001— 24 000	5 803	2,75
24 001— 26 000	4 203	2,29
26 001— 28 000	3 121	1,96
28 001— 30 000	2 328	1,65
30 001— 40 000	5 621	5,11
40 001— 50 000	2 014	2,68
50 001— 80 000	1 602	3,19
80 001—100 000	241	0,75
100 001—150 000	187	0,77
150 001 and over	115	1,09
Totals	1 774 175	100,00

The above information was extracted as at 28 February 1978.

Sales tax hits lower earners

Cost of living will rise nearly 2 percent

Kevin Stocks

The new point-of-sale tax will apply to about 66 percent of all private consumption expenditure and, logically, could increase the cost of living by 2,6 percent.

So says Senbank Economic Opinion, a report prepared by the Economic Services Department of the Central Merchant Bank Limited on the implications of the new tax.

It adds, however, that to anticipate a 2,6 percent tax-related rise in the cost of living would be to ignore other measures taken by the Minister of Finance that ensure the rise will be less.

Senbank estimates that the true rise in the cost of living as a result of the tax will be between one and two percent.

Savings

However, it points out that if one ignores the possible offsetting effect of any wage and salary increases that could occur "even this small increase may prove difficult for the lower income groups to finance out of savings" (ie out of money previously available for saving after expenses had been met.)

It points out that available figures indicated that in 1975, more than 66 percent of whites earned more than R6 000 while 98 percent of blacks earned less than R6 000.

While no statistics were available on how the different racial groups spent their money, there were figures that broke down the different areas of expenditure on an income basis.

As the lower income groups were predominantly black, it was possible to estimate differences in areas of expenditure between them and the higher (predominantly white) income groups.

This showed for instance, that while the lowest group (those earning less than R2 000 a year) spent 36 percent of their income on food, the corresponding figure for the highest group (above R6 000) was only 20 percent.

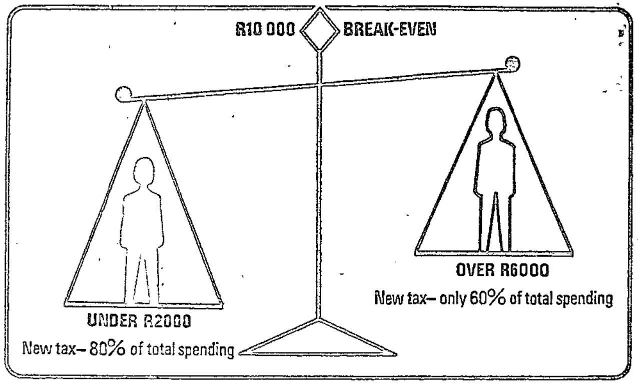
Sales tax also fell heavily on those commodities on which the lower paid people spent their money.

Senbank estimated that people earning less than R2 000 would pay the sales tax on 80 percent of their expenditure, while those earning between R2 000 and R6 000 would pay on 70 percent of their expenditure.

Those who received more than R6 000 would pay the tax on 60 percent of their consumption expenditure.

This came about because the lower income groups had of necessity to spend greater proportions of their money on taxable (but essential) items like food, clothing and fuel.

The higher paid groups could put a greater proportion into non-taxable items like servants, entertainment, education and financial services.



Senbank found that if factors such as salary increases and the abolition of poll tax were ignored, it would be certain that blacks would in future have to put more of their incomes into buying essentials and less into non essential items. The main "basics" were named as food, housing and fuel.

Growth

It found, however, that some growth in income was bound to occur and this would be aided by the stimulatory effects of the budget on the economy.

Where whites were concerned, the picture was different. Senbank estimated that at least in the higher income groups, whites would gain more from the abolition of the surcharge on personal income tax than they would lose through the new sales tax.

While the level at which they would start to gain more than they lost was variable (depending on matters like marital status and number of children), Senbank felt the break-even point to be placed roughly at R10 000 of taxable income.

At this figure, roughly half the number of white households could be expected to benefit.

Another factor that could help alleviate the effect of the tax was the high level of savings among whites during 1977.

More spending

During that year, there was a cut-back in spending on durable and semi-durable goods and total personal savings rose by 35 percent (to 13,7 percent of personal disposable income).

This, combined with the reduction in personal tax and the repayment of the loan levy, could trigger an increase in spending by whites.

Senbank felt black incomes could continue to rise more rapidly than those of whites, but "1978 is not likely to see a substantial change in total real expenditure by blacks or in the composition of black expenditure."

Senbank noted however that although the higher income groups would benefit most from the budget, it implied that this was desirable as "it is typically in these sectors that the large swings occur in consumer spending that herald the start of a general economic upswing."

It also points out that although the various alleviations will "not be sufficient to compensate for the new tax burden imposed on the lower income groups" the matter should be kept in perspective as only a small portion of the revenue from the tax would come from the lowest group.

The disproportionate burden reflected the uneven distribution of income and this could not be remedied by taxation policies alone.

320 21/4/78

GENERAL SALES TAX 320

Give and take FM 21/4/78

As D-day (July 1) approaches, the argument shows no signs of abating. How regressive will the general sales tax (GST) prove to be?

The latest voice to be raised in the debate is that of Senbank's economic services department, in its most recent *Economic Opinion*, published as the *FM* went to Press.

Its conclusion? The GST heralds a much-needed shift towards effective indirect taxation and, coupled with tax concessions to the upper income groups, may stimulate SA's flagging economy by boosting total consumption expenditure.

But the poor will feel the pinch much more acutely than the well heeled will.

The wealthy will actually *pay* more of the tax, because they spend more. Statistics based on a 1975 income distribution survey suggest that on average, 55% of total consumption expenditure comes from the pockets of those earning more than R6 000 a year (now equivalent to about R7 800, after adjusting for inflation).

Senbank's calculations show that this top income group — which includes roughly 67% of urban whites, but only about 9% of coloured people, 13% of Asians, and less than 2% of Africans — will contribute 50% of total GST receipts.

By comparison, those earning between R2 000 and R6 000 (now R2 600 and R7 800) will weigh in with nearly a third of the total, while the bottom income group will pay the remainder (table 1).

But the poor will find the effective burden much heavier (table 2). Those who earn less than R2 000 a year (R2 600) will pay tax on nearly 80% of their total consumption expenditure. By contrast, the middle and top income groups will respectively pay GST on 70% and 60% of their total consumption spending.

The reason for this is that in nearly every case the poor spend a higher proportion of their income on items of consumption that will be subject to GST.

Furthermore, the higher income groups will benefit most from the abolition of the surcharge on personal tax, as well as from lower sales duties and import surcharges.

The bottom income group, on the other hand, will benefit from the abolition of poll tax (R9m), a subsidy of R20m for basic foodstuffs, and the extraordinary increase of R10m in social pensions.

But these steps, say Senbank's economists, "will of course not be sufficient to compensate for the increased tax burden imposed on the lower income groups by the new sales tax." The fact that the poor will be paying less of the total tax in absolute terms "does no more than restate the fact of an uneven distribution of income, and therefore of expenditure."

Furthermore, in the absence of anything to offset the effect of GST — like real wage increases or a further lowering of sales duties — private consumption expenditure by the poor might fall off as they struggle to make ends meet.

Economic Opinion doubts that the present lowering of sales duties will have much effect in offsetting the effects of GST: "In many cases, the lowering of the sales duty has only obviated price increases that had been in the pipeline."

As far as total consumption expenditure is concerned, however, Senbank feels that tax concessions to the higher income groups will play an important counter-balancing role.

The higher groups — and Senbank has estimated that about half of SA's white household earn more than the "break-even" point of a taxable R10 000 a year — are the biggest spenders on durables and semi-durables. Moreover, the lighter tax burden on the rich may have the effect of actually stimulating their spending.

So if Finance Minister Owen Horwood's fiscal strategy does succeed in pulling SA out of recession, the hardship that GST will cause for the poor may prove to be short-lived.

Besides, according to *Economic Opinion*, Horwood had little choice. Faced with the task of changing the tax structure without dealing a body-blow to the economy, Horwood has used GST to provide a stable tax source with growth potential, while attempting to stimulate spending by the rich.

WHO PAYS?

Percentage distribution of private consumption per expenditure item (1975) (Table 1)

		Earnings lower than R2 000	Earnings between R2 000 and R6 000	Earnings higher than R6 000
1	Food	21,7	34,6	43,7
2	Beverages	19,9	28,1	52,0
3	Tobacco	23,0	32,7	44,3
4	Clothing & footwear	22,5	34,6	42,9
5	Housing & electricity	7,0	26,4	66,6
6	Fuel (coal)	46,7	39,3	14,0
7	Furniture, household equipment & operation	19,7	30,2	50,1
8	Servants	1,6	16,9	81,5
9	Medical	11,4	27,5	61,1
10	Public transport & communication	16,3	31,7	52,0
11	Cars, spares & petrol	3,1	25,5	71,4
12	Entertainment	11,9	23,5	64,6
13	Education	6,6	18,8	74,6
14	Financial services	5,1	20,3	74,6
15	Other	15,7	29,1	55,2
	Total	14,9	29,8	55,3
	Who pays what slice of GST*	18,0	31,6	50,4

** GST will be paid on most items that fall into categories 1, 2, 3, 4, 6, 7, 11 and 15.*
Source: Senbank.

WHERE DOES IT HIT?

Percentage distribution of private consumption per income group (1975) (Table 2)

		Earnings lower than R2 000	Earnings between R2 000 and R6 000	Earnings higher than R6 000
1.	Food	36,4	29,0	19,7
2.	Beverages	3,4	2,4	2,4
3.	Tobacco	2,7	1,9	1,4
4.	Clothing & footwear	13,2	10,2	6,8
5.	Housing & electricity	8,8	16,7	22,7
6.	Fuel (coal)	2,7	1,1	0,2
7.	Furniture, household equipment & operation	11,3	8,7	7,8
8.	Servants	0,3	1,4	3,5
9.	Medical	1,6	1,9	2,3
10	Public transport & communication	5,2	5,1	4,5
11	Cars, spares & petrol	2,3	9,6	14,5
12	Entertainment	3,5	3,6	4,5
13	Education	0,4	0,5	1,1
14	Financial services	0,3	0,6	1,1
15	Other	7,9	7,3	7,5
	Total	100,0	100,0	100,0
	Incidence of sales tax*	79,9	70,2	60,3

** GST will be paid on most items that fall into categories 1, 2, 3, 4, 6, 7, 11 and 15.*
Source: Senbank.

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Hansard - 11 21 April 1978.
Question 2 Cols. 670 & 671.

Statistics on number of individual taxpayers in each income category

*2. Mr. H. H. SCHWARZ asked the Minister of Finance:

When is it expected that statistics for the 1976-'77 tax year relating to the number of

individual taxpayers in each income category will be available.

†The MINISTER OF FINANCE:

The statistics have now been processed and the information is available.

Mr. H. H. SCHWARZ: Mr. Speaker, arising out of the reply given by the hon. the Minister, as we have previously asked for this information and as it is now available, can it be made available to hon. members of the House?

The MINISTER: Mr. Speaker, I shall immediately take up the matter with the department concerned and see what can be done.

Here are all the avenues for investmen

Investment type	Frequency	Per cent	Period	Other considera-
1. TAX-FREE				
1. Post Office savings bank certificates.	½-yearly in arrear.	8	Must be in for 6 months to get 8%, if withdrawn before 6 months 5%.	Tax-free limit is R800 interest per person pa.
2. Treasury Bonds.	½-yearly in arrear.	8	5 years, but can be redeemed after 18 months.	Tax-free limit R3 200 interest pa per taxpayer.
3. Building society special tax-free permanent shares.	½-yearly in arrear.	8	18 months to 5 years; after 15 months available at 3 months' notice.	Tax-free limit is R800 interest per taxpayer.
4. National savings certificates.	Interest paid at maturity.	8 in years 1 & 2; 9 in year 3.	3 years, but can be redeemed after 2 years.	Available in units from R1 to R2 000; maximum holding is R15 000 per person; all interest is tax-free.
5. Building society subscription shares.	Interest paid out at maturity; can provide a monthly tax-free income after 3 years.	7,5	3 — 20 years, but can be redeemed after 18 months.	Maximum holding is R150 000 per person; dividends are completely tax-free.
6. Post Office current account.	Yearly in arrear.	5	R100 on demand every 4th day — larger amounts, 3 days' notice, or can apply to Bloemfontein.	Tax-free limit is R200 interest per person.
7. Bonus Bonds.	Interest paid on redemption.	5	Indefinite; will be redeemable after 1 year.	Available in various denominations ranging from R5 to R500; holders can win special cash prizes.
8. Endowment Insurance.	Interest & capital paid out at death or on maturity; no income paid out during first 10 years.		10 years or more.	If withdrawn before 10 years, proceeds in excess of original investment will be taxed.
2. PARTIALLY TAXABLE INVESTMENTS				
1. Quoted preference shares.	Normally ½-yearly in arrear.	About 11,5	Can be sold on the stock market.	Capital value fluctuates; at least 1/3 of dividend portion is tax-free.
2. Quoted ordinary shares.	Normally ½-yearly in arrear.	About 10	Can be sold on the stock market.	Capital value fluctates; at least 1/3 of dividend portion is tax-free.
3. Building society fixed-period shares.	½-yearly in arrear.	10	5 years.	At least 1/3 of dividend is tax-free.
4. Building society indefinite period paid-up shares.	½-yearly.	9,5	Indefinite period; after 15 months available at 3 months notice.	At least 1/3 of dividend is tax-free.
5. Unit trusts.	Can be paid quarterly.	Depends on fund; varies from about 6 to about 9.	Can be redeemeo from management company at short notice.	Capital value fluctuates; at least 1/3 of dividend portion is tax-free.
6. Annuities.	Normally monthly.	Depends on age and sex of investor.	Usually for life.	Part of income is tax-free; this depends on age and sex of investor; investor or his beneficiaries will receive no capital back.
3. FULLY TAXABLE INVESTMENTS.				
1. RSA.	½-yearly in arrear.	8,75 — 10,75	Varies	Can be sold via JSE; price will depend on interest pattern ruling.
Public corporation stock		About 11,3	Varies	As with RSA.
Municipal stock		About 11,3	Varies	As with RSA.
Debentures		12,75	—	As with RSA.
2. Participation mortgage bonds.	Quarterly in advance.	10,5 minimum.	5 years	Only investment paying interest in advance.
3. Property lease-backs.	½-yearly in arrear.	About 10,5	5 — 25 years	Normally includes an escalation rent/interest factor; not available on a regular basis and lacks marketability.
4. Fixed deposits.	Varies	8 — 10.	Varies from 31 days to 5 years.	Interest rate varies depending on period for which money is invested.
5. Defence bonds.	½-yearly in arrear.	9,5 pa plus 3% premium on maturity.	5 years	Rates for estate duty abatement; can be redeemed after 1 year.
6. Special savings account.	Varies.	8	On demand.	Minimum amount normally specified and often restrictions on the number of withdrawals that can be made per month; maximum amount R25 000.
7. Ordinary savings account.	Interest normally credited annually in arrear.	3,5 — 8	On demand.	Money is easily and usually immediately available.
4. OTHER.				
Gold coins, paintings, etc.	Nil	Nil	Can be sold if buyer can be found.	Pays no interest and capital value can fluctuate; normally tax-free, although it has been indicated that the profits on Krugerrand dealings will be taxed.

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SUNDAY TIMES, Business Times, April 23, 1978.

The easier way to play the JSE

• From Page 7

fees that they in turn charge unitholders.

Could this not lead to a situation where the trustee and managers take unit-holders for a ride?

No. For the trustees, like the managers, have in all their actions to comply with the detailed provisions and safeguards ensured by the trust deed, the registrar and the Act.

Do these rules cover things like management charges?

This is one of the main features of the rules. The management charges fall into two parts — an initial charge on the purchase of a unit and an annual fee related to the value of the unit trust.

How are these charges calculated?

The initial charge comes from the selling of units and is incorporated in the price at which managers sell units to the public. The basis of its determination is laid down in the trust deed.

The annual management charge is calculated as a fixed percentage of the market value of the trust.

The trustee is paid out of the annual management fee, but are there any other expenses that have to be paid out of this?

Yes. All the normal running expenses, such as postage and printing (for reports to unitholders), office rents and rates, and, of course, salaries to the investment managers and clerical staff.

How then do the managers make profits?

Mainly through the initial charge, the service fee and through trading in units.

How is the selling price of units decided?

This is done in terms of the trust deed, and on the principle that the incoming unitholder buying new units should pay a sum sufficient to purchase an amount of the underlying securities of the trust, in proportion to his unitholding, including the expenses for that purpose.

If the expenses were ignored, then existing unitholders would suffer, for new uitholders would be buying a certain proportion of the trust fund while, after dealing expenses, the amount they had invested would only buy shares the value of which would be a smaller proportion of the fund.

Are the expenses additional to the fees the managers are allowed to charge?

Yes. But there is no double counting. These further expenses are the dealing expenses to which any individual is liable if he buys and sells securities on the stock exchange. They include such things as stamp duty and stockbrokers' commission.

How is the bid or repurchase price decided?

This is related to the up-to-date value of the securities in the trust fund, plus any cash and accumulated income.

Is there much difference between the bid and offer prices?

It varies from trust to trust. But on average, it is around 5 per cent to 7 per cent and, of course, incorporated in this spread is the manager's initial charge.

Do the selling and repurchase prices change much?

As the prices on the stock exchange alter, so does the value of the underlying securities in the trust fund to which the prices are directly linked.

With all the expenses, does this not make investing in unit trusts expensive for small investors?

On the contrary. They are most cost effective for the small investor, who would be hard pushed to deal as efficiently as the majority of unit trusts do.

Would you say then that low-cost investing is the chief appeal of unit trusts?

No. The prime attraction is the fact that one can buy and sell units at any time. This is particularly important for small investors and means that they can always get their money out, irrespective of stock market conditions.

Does this mean that the normal risks associated with stock market investing are avoided?

No, but they are reduced.

How is this achieved?

All the unit trusts have their funds invested in the shares of a variety of different companies. This provides considerable protection against stock market fluctuations, especially in respect of individual shares, and whole sectors.

But if the funds are so widely spread around, does this not limit the chances of making a quick stock market killing?

Yes. Only in the event of all the shares in the trust fund turning into stock market high-flyers, which is highly unlikely, would there be an overnight bonanza. In fact, unit trusts prefer to be regarded not as stock market sprinters but as marathon runners.

Are you saying then that unit trusts should not be considered for short-term investment over say one year or even less?

Yes, the unit trusts should be considered more as a long-term investment.

If you consider them essentially long-term investments, is there any point in keeping a close eye on unit prices?

Yes. It is a good policy to monitor price movements at least once a month. It would also be useful for you to relate this movement to a general yardstick, such as the RDM Share Index, for that will provide you with some indication of whether or not the managers are doing their stuff.

How do I choose the right trust for me?

It depends on what your investment objectives are. If, for instance, you are primarily interested in capital growth, then choose a trust whose investment objectives are out-and-out capital growth. If your need is income, and you want good prospects of this growing steadily over the years, then one of the high-yielding unit trusts is most suited to you.

What if I want income and capital growth combined?

No problem. Most unit trusts are, in fact, geared to this objective.

Having decided on the type of trust in which I want to invest, how do I choose from those that are available?

This is the hardest decision of all. Ideally you should satisfy yourself as to the calibre of a group's management and its investment thinking. Past performance records are useful as a guide to a group's ability, although these cannot be taken as guarantees of similar achievements in the future.

Could a unit trust ever go bankrupt?

In theory it is possible, but it is highly unlikely. Every share in the trust fund would have to slump to zero value, and this means that the managers would have to be either very unlucky or grossly incompetent.

Can I invest in unit trusts if I have not got a lump sum, but a few rands of spare cash weekly?

Yes. Savings schemes are fairly common. Under these you can invest a few rands at various periods, although the most popular are the monthly savings schemes.

Are these savings plans a good way of investing?

Yes. And those involving a regular fixed sum have the advantage that you are buying units consistently, and thus ironing out the ups and downs in the stock market. When the market is low your contribution will buy more units than when the market is high. This is commonly known in industry as rand averaging.

How do I know what price units will cost and how much they can be sold for?

The managers fix daily buying (bid) and selling (offer) prices and this is widely quoted in the financial columns of the daily newspapers.

When is the right time to buy units?

Timing is as important with unit trust investing as it is with investing in shares generally. This is the great plus of the regular savings schemes, for they iron out stock market fluctuations.

How is income distributed?

Most unit trusts do it half-yearly, although some do it quarterly.

Can I have my income automatically re-invested in the purchase of further units?

Yes, simply notify the managers.

Can I top up my annual income in any way?

You can do this by selling some units. Alternatively, take advantage of the income withdrawal schemes which most unit trusts have. Under these withdrawal schemes, you are allowed to draw a specified income and this comes partly from the sales of units by the managers. But beware. If the value of your units is not increasing, you are, in effect, eating into your capital.

Do the managers keep me informed about developments?

Yes. You are assured of getting a fully detailed annual report and detailed quarterly reports are also available. Both are generally given excellent coverage in the financial Press.

Can the managers create new units at any time?

Yes. Any new funds subscribed will simply be added to the trust fund and the number of units in issue is increased to match this additional source of funds. But the creation of new units does not affect the price of the existing units.

What if the manager finds he is repurchasing more units than he is selling?

He can hold on to the repurchased units in the hope that he will be able to sell them in the near future, or he can reduce the size of the trust fund.

How does he reduce the size of the fund?

He simply sells securities.

What if I get disenchanted with the unit trust I have invested in?

You can repurchase at any time.

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EDITORIAL OPINION

Burden on taxpayers

Isn't it about time the Prime Minister took a long, hard look at his Minister of Information? Dr Connie Mulder is fast becoming an unsupportable burden on Mr Vorster. For the sake of the Government's reputation alone, it might be an idea for Mr Vorster to suggest that Dr Mulder leaves the political stage and returns to teaching. The taxpayers will be happier, the Department of Information can get back to informing the world about South Africa instead of daily having to defend itself against new revelations of mismanagement and whoever becomes Minister of Information can concentrate his energies on that important job.

Dr Mulder is an energetic fellow. He has been waiting in the wings to take over Mr Vorster's job for so long that there is reason for him to feel restless. But is it really necessary for him to fly off on a so-called top-secret diplomatic visit to Egypt at a cost of R25 000? Is it necessary for his wife to go along on the jaunt as well? Is it necessary for Dr and Mrs Rhoodie to accompany them with an unspecified number of other officials? What was the purpose of going on to Rome and Bonn? And why did some members of the party go to Britain and others to Copenhagen?

And surely it is an elementary precaution to get visas to enter Egypt before this bit of jet-setting began? Further, could Drs Mulder and Rhoodie explain why Egypt, of all places, is considered to be a priority in South Africa's diplomatic initiatives?

These are important questions. It is no good Dr Mulder merely saying "no comment" when asked about a R25 000 trip at taxpayers' expense. Nationalist ministers may have forgotten it, but there is a principle called public responsibility.

No one is suggesting that anybody is doing anything dishonest. It is just that Drs Mulder and Rhoodie appear to be less than careful with taxpayers' money — and then get annoyed when details of their travels are made public. It is sheer arrogance that they do not feel accountable for their spending of public money.

This is where Mr Vorster comes in. As a skilled politician he knows that the man-in-the-street does not begrudge it if his taxes are devoted to worthwhile objects. But he does object to learning — years afterwards — that he is paying bills for Dr and Mrs Mulder and Dr and Mrs Rhoodie at the Athens Hilton. It has got to stop.

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27/4/78

Star

Sales tax decision expected next week

The Government is expected to announce early next week whether the new general sales tax will be an "add-on," "add-in" or "free choice" system.

If an "add-on" system of collection is introduced, retailers will have to calculate the tax from a customer's final invoice and add it to the invoice.

Under an "add-in" system the retailer would include the tax in his price for an article.

A "free choice" system would allow traders to choose whether they want to collect the new tax by adding it on or adding it in.

Mr W J H van der Walt, Secretary for Inland Revenue, told The Star today that his department would be "led exclusively by the trading community" on which the system will be employed.

He said the department had consulted Assocom, FCI and the Afrikaanse Handelsinstituut for their views.

Mr van der Walt said if traders favoured a free-choice system, the department could agree to this. He added steps would be taken, however, to ensure that "no undue advantage could be taken which would disturb trade patterns."

Assocom reports divided opinion among its chambers regarding the best system.

Chambers canvassed on April 13 were more or less evenly divided in opinion, Mr Raymond Parsons, executive director of Assocom said in a statement today.

In a second poll the majority of chambers (51 to 14) favoured a choice being permitted.

New tax 'can bankrupt small towns'

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28/4/78

RDM

Pretoria Bureau

TRANSVAAL local authorities face a financial year of crisis.

Some of the smaller municipalities could be forced to the verge of bankruptcy, the NRP's Provincial Council spokesman on local government, Mr J F Oberholzer, said in Pretoria yesterday.

Mr Oberholzer, who is also chairman of Johannesburg's management committee, said yesterday the last straw "which could break the backs of many small local authorities" was the general sales tax to be introduced on July 1.

The tax would intensify the grave financial difficulties in the larger local authorities.

The new Transvaal municipal financial year starts on July 1.

"Because of the potentially disastrous effect the 4% sales tax will have on costs of municipal purchases, a Transvaal local authorities deputation is to ask the Minister of Finance on behalf of all Transvaal municipalities, to suspend sales tax on municipal purchases," he said.

In Johannesburg, with its R400-million budget, ratepayers would have to pay an additional R5-million because of the tax.

Mr Oberholzer pointed out that small local authorities had taxed property owners to the absolute limit and had no other tax source.

"We have asked time and time again for supplementary tax sources, but the Government has turned a deaf ear. Instead, the government is now using us as an additional tax source."

TAX (320) FM 28/4/78

Gst choice

Add-on or add-in? Government's decision on the system to be adopted for implementation of the new general sales tax (gst), which is expected after next Tuesday's cabinet meeting, will not be easy. The arguments for and against both are equally persuasive (*FM* April 7).

Meanwhile, discussions between business and government have proceeded apace. The optimistic scenario is that government will adopt the recommendation put forward this week by Assocom that individual businessmen should be free to choose whichever of the two they wish to apply — with the strict proviso that it be made obligatory for traders to indicate clearly under which system they are operating.

Such a choice should help smooth gst's introduction. An Assocom poll has shown business opinion evenly divided as to the system it wants and that businessmen are overwhelmingly in favour of being given a choice.

The attitude all along of Inland Revenue Secretary Mick van der Walt is that a trade could apply either system so long as the whole trade adopted it. This would prevent consumer confusion. He is concerned too that there should be no room for consumer abuse.

One of the strongest arguments in support of add-in (where one price is shown) is that buyers know exactly the price of an article when they select it and not later at the pay point. Where there are large numbers of unsophisticated consumers, as in SA, arguments at the checkout must be avoided.

But in Rhodesia, where the population mix is similar, individual traders were permitted a choice. Most initially opted for add-on. Later, the great majority switched to it.

In SA, there should be no objections to the two systems running side-by-side. It makes no difference to government how it collects its revenue, so long as it is efficiently collected and so long as there is no excuse for profiteering.

With the educational and public relations elements so important in gst's introduction, traders themselves are best equipped to decide how to handle their customers. And the method more convenient to them.

So long as there is the safeguard of traders clearly displaying the system being used, government should give the okay to a free choice.

The Star

Signpost that sales tax

(320)

WHEN the general sales tax comes into effect in July, the weekly family shopping bill will immediately leap by rands. And it is the poor man who will be the most likely victim if consumers are not protected from the manipulations of unscrupulous traders. (It has already been shown by a University of Pretoria survey that some retailers make more profit out of the black man than the white).

Merchants will be allowed to decide for themselves whether to "add in" the tax on individual items or add it on to the total purchase. Most supermarkets are likely to "add in" to avoid expensive modifications to their tills. Their decision has a sound practical basis, but it could cost the consumer a few extra cents if the fractions of tax are rounded off upward. The "add on" system has the unpleasant psychological element of a surprise at the till.

After an experimental period, it is hoped, experience will have shown which is the better system for general implementation. Some of the confusion will then be eliminated automatically. In the meantime it will be in the best interests of reputable traders — as organised commerce has already admitted — to display prominently in their stores and their advertising how the tax is being applied. They will then have done their best to minimise the frustrations which the heavy round of price increases is bound to generate — and help the shopper to detect exploitation elsewhere.

Assocom calls for sales tax introduction aid

Cape Times 6/5/78

Industrial Reporter (320)

ASSOCOM has appealed to the authorities to introduce a wide-ranging educational programme on the new general sales tax to keep confusion to a minimum.

In a statement yesterday the association welcomed the government decision to allow businesses to decide for themselves whether to apply the tax on an add-in or an add-on basis. "There are strong arguments for both systems and the only way to settle the question is to test it in practice," it said.

The Department of Finance recommended that the method to be used by individual businesses should be prominently displayed.

The add-on method, which entails application of the tax at the till, has the advantage of making the exact amount of the tax evident to the purchaser who can also check that it is correct. It would, however, create an extra burden for cashiers and delay customers.

With the add-in method, the tax is included in the purchase price of the article as marked in a store. This enables buyers to know exactly what they will have to pay and avoid mistakes and delays at the till, but inevitably commerce will be blamed for price increases caused by the tax.

Introduction of the tax, originally scheduled for July 1, the first Saturday in the month and traditionally one of the busiest shopping days, has been delayed to July 3 to reduce introductory problems.

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Guidance on new tax soon

SUN. TRIB, 7/5/78

THE decision on whether the general sales tax (to be introduced in July) will be add-on, add-in or a choice for the tax vendor will be made public in the next few days, according to Micky van der Walt, Secretary for Inland Revenue.

The move follows urgent requests from all the large business organisations, such as Assocom and the Federated Chamber of Industries and the Afrikaan Handelsinstitut, to intially allow a "free choice" rather than laying down either add in or add-on.

This, say the organisations, would make for a smoother introduction of GST in the short term.

The add-in system (with the retail price to the consumer including a tax percentage) and the add-on (with the tax calculated on the total purchase amount at the payment point) have an equal amount of supporters in both industry and commerce.

But the advantages and disadvantages of both systems in certain sections have led to the "choice" being the private sector's request.

While this is the commercial case, the Government decision could be for uniformity on a national basis for either add-in or add-on.

According to Van der Walt, the Inland Revenue Department does not mind what the final decision is.

He said: "As far as we're concerned we see the difference as not being important from the tax point of view. According to Section Eleven of the GST Act, the basis is against the total turnover. Whether add-in or add-on is used the turnover would be the same."

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Hansard 14 12 May 1978
Question 624 Cols. 764.

Taxes collected from Blacks

624. Mrs. H. SUZMAN asked the Minister of Plural Relations and Development:

(a) What amount in taxes was collected from Blacks in terms of the Bantu Taxation Act in the financial year 1976-'77 and (b) how many Blacks paid tax on income in that year.

The MINISTER OF PLURAL RELATIONS AND DEVELOPMENT:

(a) R66 707 606.

(b) 3 259 066.

Add-in or add-on choice could confuse buyers

Tax headache for big retailers

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1/5/78

By ALAN PEAT, Finance Editor

THE Government move to give industry and commerce the choice between add-in or add-on for the new sales tax (to come out on July 3) has caused massive headaches to major retailers.

While the Government has followed an Association of Chambers of Commerce (Assocom) request for the choice, large retail chains had no firm, unified decision on what they would all follow.

The lack of conformity at the predecision level is liable to lead to a confusing situation for the consumer.

Not only will he have to virtually tow along a computer to get equal price comparisons at big retail markets, he will also have to check closely on advertising.

While the Inland Revenue demand is for the retailer to make it clear whether he is pushing his price advertising and display at add-in or add-on level, there is a danger that the less scrupulous trader may take advantage of the two different choices.

The add-on system, of course, allows a trader to advertise only the retail price of the goods. This would then be boosted at check-out points by the four percent tax amount.

The add-in chooser would have a higher price to advertise for the same goods, because his tax is built into his display price.

While the large supermarket chains are not likely to involve themselves in this type of unfair price advertising, there is a fear that the consumer confusion at the two different tax addition systems, will lead to a difficult comparison position.

The present situation from the supermarket point of view is that there is no overall decision at this stage.

The OK Bazaars network has not yet decided on the system they will use. Neither have Pick 'n Pay or Greatermans (who control the Checkers chain).

Only Spar/Savemor have made a choice. And theirs is the add-on.

While P & P and OK will not give a final decision for a short time (until committee assessment is complete) it is likely that they too will go for add-on.

In fact — because of the technical problems behind using add-in in the long term — it is felt in commerce sources that add-on is likely to be a uniform choice.

But that won't be made positive till later in the week.

And, of course, the smaller retailers will have an equally awkward toss-of-the-coin between the two.

Although add-on seems to have most votes at the large retail level at the moment, there is a large cost and time factor difficulty attached to the two.

The primary cost is against add-on. Here, where the tax is added at the check-out point there is a high replacement cost if tills have to be changed to give an automatic tax calculation reading.

In the case of the OKs' more than 4 000 tills would be at stake, and would cost more than R0,5 million to replace.

There is also the problem of staff training in tax table reading for the tax addition. But Spar have discarded the possible difficulty in their add-on choice.

In the case of add-in the supermarkets' concern is in the medium and long term. Here, if the system's 4 percent tax basis was changed the add-in costs would be continually duplicated.

In the case of P & P, the changeover under add-in would possibly consume about two repricing days. The tax loss the chain would suffer under such a scheme would run to hundreds of thousands of rands.

While add-in or add-on is difficult to forecast in the retail field the tax is here to stay.

So consumers had better start learning, and keep their eyes open after July 3.

R66m tax paid by 3m blacks

16/5/78

THE ASSEMBLY — The Minister of Plural Relations and Development, Dr Mulder, said yesterday 3 259 066 blacks had paid R66,7 million in terms of the Bantu Taxation Act in the 1976/77 financial year.

He told Mrs Helen Suzman (PFP, Houghton) he found the figures "very interesting" as "so many white people are under the impression that blacks pay no taxes at all."

She pointed out that blacks started paying tax at an income level of R360 a year while whites started paying at a much higher level.

Mrs Suzman was strongly critical of another reply to a question by Dr Mulder concerning expenditure on housing by the Bantu Affairs Administration Board.

Figures supplied by Dr Mulder showed that the West Rand Board had spent R1 175 200 on housing in the 1976/77 financial year.

"If one could calculate housing per head, this would constitute less than R1 a head in Soweto," she said.

The priority list there showed a backlog of 10 000.

"One hopes that a large proportion of the R50 million which has been allocated for black urban housing will be spent in Soweto," Mrs Suzman said.

Pointing to the R256 115 spent by the Peninsula Board she said: "This is the reason for all the squatter camps. Of course, it is part of the policy not to provide family housing in this area, but they don't even keep up with the natural increase of blacks entitled to be in the area."

The highest amounts spent in the year were in the East Rand — R4 497 666 — and the Vaal Triangle — R4 457 388.

In Natal R598 588 was spent by the Northern Natal Board, R132 003 by the Drakensberg Board and R1 214 134 by the Port Natal Board. — DDC.

26/4/78 DD

New tax to cost family R70

(320)

JOHANNESBURG — The new general sales tax will cost the breadline Soweto family about R70 a year, Mr Eugene Roelofse, Ombudsman for the South African Council of Churches, predicted yesterday.

Addressing a meeting of the Housewives' League of South Africa in Kempton Park, Mr Roelofse said the present proposals that the new point-of-sale tax should extend to foodstuffs would place an "indefensible burden on the poor."

Those earning more than R6 000 a year would pay tax on 60 per cent of their expenditure, he said. Those who earn between R2 000 and R6 000 would pay on 70 per cent of their expenditure, while those who earned less than R2 000 would pay tax on 80 per cent of their expenditure.

Mr Roelofse said for a family of five in Soweto, living on a minimum income of R158,34 a month, income and expenditure level would be almost identical.

This family would pay the new tax on 93,5 per cent of their gross expenditure. — SAPA.

RAND Daily Mail

FRIDAY, May 19, 1978

Boost to business confidence

(320)

THE announcement by Dr T W de Jongh, Governor of the Reserve Bank, of a 4% easing in the ceiling on bank lending is welcome. It should give a further boost to business confidence.

It will also help ensure that if the hoped-for economic upturn does materialise in the second half of this year, it will not founder on a too restrictive monetary policy.

But there is unlikely to be much immediate effect from the change. Most banks are underlent at the moment. Easing the lending ceiling does not automatically mean a big cash injection into the economy, although it will make about R250-million potentially available.

It seems the long economic recession has finally bottomed out, but what is still uncertain is the firmness of the base for a solid upturn. The Government must be prepared to strengthen that base if more stimulation is needed in a few months' time — an obvious way being to make more reductions in the old sales duties when the new general sales tax comes into operation in July.

A critical problem is how to reconcile South Africa's need for continuing declining interest rates with rising rates overseas, particularly in the US. The fear is that South African traders might switch heavily from overseas to domestic financing and thus put severe pressures on the foreign exchange reserves.

For this and other reasons some commentators have called for a rand devaluation — technically by "floating". We don't share this view. Experience suggests that a devaluation in South Africa needs to be accompanied by a hefty deflation to curb imports.

It would be better to tackle the interest rate dilemma by direct methods — by tax concessions for overseas borrowing and by changes in forward cover policy.

Big food chains choose tax 'add-on'

Star 24/5/78.

2 320

Three of the major food chains, OK Bazaars, Pick 'n Pay and Spar, announced today that they will use the "add-on" system of pricing goods when the new general sales tax is introduced on July 3.

This means that they will add the four-percent tax to a customer's final invoice rather than including it in the price of each article.

In terms of an announcement by the Minister of Finance, Senator Horwood, retailers can choose whether they want to use the "add-in" or "add-on" methods of collecting the tax.

The "add-on" system has been criticised by consumer organisations who fear that the computerised cash registers needed to make this system work effectively will push up prices.

Mr Meyer Kahn, joint managing director of OK, said they would be making no substantial capital investment on new cash registers at this stage. About one-fifth of their total cash registers were electronically geared to cater for tax, he said.

TABLES

With those that were not geared for tax, cashiers would use a combination of tax tables and "other mechanical devices" to calculate the tax payable.

Mr Raymond Ackerman, managing director of Pick 'n Pay, said about 80 percent of Pick 'n Pay's tills could not be converted to enable them to calculate this tax. With these tills, cashiers would use a chart system to calculate the four percent owed. Pick 'n Pay's other tills could easily be converted, he said. This would cost about R10 000.

He said that if their entire range of tills were either scrapped or altered to enable tax to be calculated electronically, the total cost would amount to R3 or R4-million.

Mr S P Levy, group marketing manager of Spar, said that as the shops in the Spar organisation were individually owned, it would be up to each shopowner to decide whether to buy new cash registers or to use the Government tax tables.

3 chains to use 'add-on' tax system

Cape Times 25/5/78

320

JOHANNESBURG. – Three major food chains, OK Bazaars, Pick 'n Pay and Spar, yesterday announced that they would use the "add-on" system of pricing goods when the new general sales tax is introduced on July 3.

This means they will add the four percent tax to a customer's final invoice, rather than include it in the price of each article on the shelf.

In terms of a recent announcement by the Minister of Finance, Senator Owen Horwood, retailers can choose whether to use the "add-in" or "add-on" methods of collecting the tax. The "add-on" system has been criticized by consumer organizations, who fear the computerized cash registers needed for this system will effectively push up prices.

Representatives for the OK Bazaars and Pick 'n Pay said they would use tax tables to calculate the tax payable. A certain percentage of Pick 'n Pay's tills could be converted, and one-fifth of the OK's tills could be used for tax. A spokesman for Spar said each shop-owner would decide whether to buy new tills or use the government's tax tables.

The joint managing director of OK Bazaars, Mr Meyer Kahn, said yesterday that abuse of the "add-in" system could lead to exploitation of the consumer.

The method would also eliminate the need for double pricing of goods before the new tax begins.

Most other large store chains have indicated that they will apply the tax on the "add-on" basis.

Sales tax haven

~~109~~ 320 25/5/78 Star

Bophuthatswana could become a tax haven for people wanting to avoid the new four percent general sales tax which is being implemented in South Africa in July.

Bophuthatswana could be a trading paradise

If Bophuthatswana decides not to implement the new tax, consumers on the Reef and Pretoria would be able to buy a wide variety of goods there at four percent less than in South Africa.

Uncertainty still surrounds the implementation of the controversial tax in South Africa and what the effect would be if Bophuthatswana did not follow suit.

According to informed sources, Transkei has decided to implement the tax along with South Africa but the Bophuthatswana Cabinet has yet to reach a decision.

Bophuthatswana is only 20 km from Pretoria and about 60 km from the Reef. Items such as firearms and motor vehicles are not included. These have to be registered by the new owners who have to pay the sales tax on them before they can be registered in South Africa.

sals, people who buy goods in Bophuthatswana would have to pay the sales tax at the point at which they enter South Africa. But there are no custom posts along the many routes leading from Bophuthatswana to South Africa.

Boost

It is understood that the South African Government is willing to turn a blind eye to this and to allow Bophuthatswana to take advantage of its position as a potential tax haven. This would provide a welcome boost to the Bophuthatswana economy.

In addition, it is unlikely that Bophuthatswana has the staff to implement the tax at this stage.

The Bophuthatswana Cabinet is expected to meet soon to discuss this matter.

The South African Government could according to informed sources, get tough if major South African retail chains took advantage of the situation by opening up large centres in the neighbouring territory.

Star 25/5/78 (320)

Tax cuts urged by business chiefs

Michael Chester,
Financial Editor

The Executive Council of Assocom, the top echelon of business, today urged Senator Horwood to make new cuts both in direct taxes and sales duties in a package of moves to prod the economy into faster tempo.

The objective is to make consumer spending power the spearhead of the economic recovery — with lower sales duties to counter the impact of the July 3 general sales tax on shop prices.

Assocom framed its recommendations to the Minister of Finance at a closed two-day session in Johannesburg to see how the 1978 budget can be reinforced with a new round of stimulants.

Executive Council members are fretful that latest business indicators — in nanufacturing production and retail and wholesale trade — show that the economic recovery that began at the start of the year may lose its steam unless given a fresh push.

PACKAGE

The policy package which Senator Horwood is urged to introduce covers:

● Further reductions in direct taxation — "unlikely to have an adverse impact on the balance of payments in the short term."

● Changes in interest rates and exchange rate policy — with quick action on the De Kock Commission on money policy as soon as its report is ready.

● Phasing out of existing sales duties, and the import surcharge to offset the possible inflationary effect of the general sales tax and higher administered prices.

● Selective increases in government spending on labour-intensive projects, along with more speed with state schemes such as the electrification of Soweto.

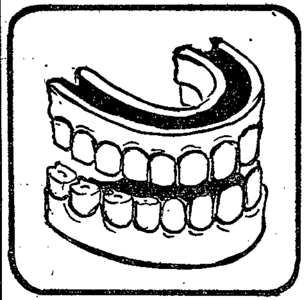
● Greater discipline in the pricing policies of State corporations and agricultural marketing boards.

THE FUEL

Assocom is the latest in a string of powerful business voices which have advised the Minister of Finance that the budget measures alone will not be able to provide all the fuel needed for economic recovery.

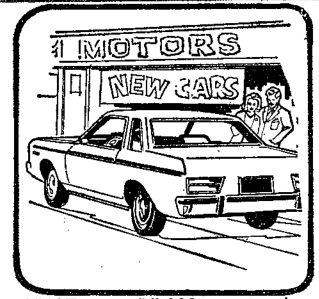
Barclays National Bank and Stellenbosch University researchers have also stated that more stimulants will be vital if growth targets are going to be hit.

In the long run the public will pay

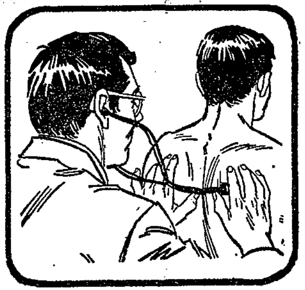


HARD to swallow perhaps, but a new set of false teeth, if you need them, will cost 4 percent more than at present when the new sales tax comes into force.

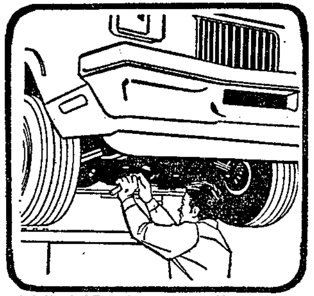
SPECTACLE frames and lenses — and the cost of having them fitted — will go up in price.



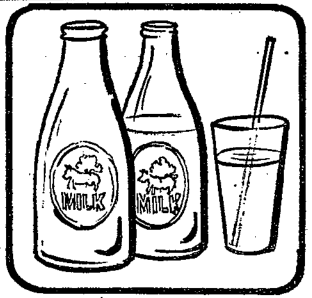
THAT new R5 000 car in the showroom window will cost R5 200 from July 3.



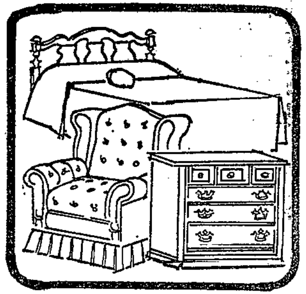
DOCTOR'S fees will remain the same. They are exempt from the new tax.



GARAGE charges will go up. Labour costs of R10 an hour will cost R10,40 from July 3.



MILK will go up in price . . . again. From the end of this month it will cost 29,5 cents a litre. From July 3 it will cost an extra cent.



FURNITURE—could come down in price, if sales duty is cut when sales tax is added.

When the sales tax 'bites'

IF your weekly grocery bill comes to R15,13 at present, it will cost an extra 61 cents — R15,74 — from July 3.

By
Weekend Argus Reporters

What you will pay from July 3

And you will pay your motor mechanic more, your hairdresser, your plumber and the man who fixes your lights. You won't pay more to your doctor, or your dentist.

But you will pay more for the medicines your doctor prescribes, and more for your false teeth, if you need them.

Taking your dog to the vet when it is sick won't cost more. But it will cost more to have its coat trimmed.

These are some of the ramifications of the new sales tax that comes into force on July 3.

Most people are confused about what it will mean — and apprehensive about how it will affect the cost of living.

Although the new tax will push up the cost of just about everything, some important items could actually cost less.

But this will depend on whether the Minister of Finance, Senator Horwood, reduces the sales duty which is already applied to these items. And how much of the reduction is then passed on to the buyers.

The basic tax to be introduced on all goods that are bought and sold from July 3 and on nearly all services provided is four percent.

The total revenue this is expected to produce for the taxman is R600-million this year alone. The public, of course, will pay.

Much of this huge amount will be extracted in little amounts.

If you pay R2 for your haircut now, you will pay R2,08 from July 3. And the eight cents will go to the Receiver of Revenue. If you go fancy and have a shampoo as well as just a cut, and your hair is blown dry afterwards and the bill comes to R6 now, the cost will be R6,24 after July 3. A packet of cigarettes costing 65c now will go up to 68c on July 3 — 3c of this being tax.

Something fancy for the wife or girlfriend that is marked at R15,12 on the rack will cost you another 60 cents in tax before you get out of the shop.

A nasty dent in your car costing about R30 to repair will mean you will pay an additional R1,22 to the taxman.

However, you will not pay tax on items costing 12c and under. Nor will you pay this new tax on electricity, piped gas and water. But you will pay more for bottled gas.

There will however be no tax on private sales — such as the sale of goods advertised in the smalls columns of Weekend Argus — provided the goods involved change hands at less than R1 000.

But the Receiver of Revenue will want his share if you're trading a Rolls or something else expensive.

There will not be a tax on a gift from a relative, under the sales tax provision at least.

SHOES

But a drink in the pub after work (43c plus 2c), a new pair of shoes (R19,50c + 79c), a new tyre for the car (R25 + R1,02) and flowers for the wife (R2,30c + 10c) will all mean more taxes.

'It is going to take the public some time to get used to,' one shopkeeper said. 'And us too . . .'

How will the tax be administered? There are two main methods.

Firstly, and this is the method most supermarkets have chosen, sales tax will be added on to an item when it is paid for.

In other words the woman at the check-out will ring up your grocery bill of R15,13 and then she will add on the 4 percent tax of 61 cents.

The other method is to add the tax to the marked price of an item. If, for example, an item costs R4,63 now, from July 3 it will be remarked at R4,82 — the price you'll pay at the check-out till.

MRS CECILE DU PREEZ of Sea Point, right, and her daughter-in-law Sonja of Bakoven spent R23,45 on this trolley of groceries this week. From July 3 the same load will cost them 4 percent more — R24,35 — when the new sales tax comes into force.

Many prices should have dropped—by now

Weekend Argus Correspondent

JOHANNESBURG. — The five percent reduction in sales duty announced by the Minister of Finance in his Budget speech this year could have brought down the retail prices of a wide range of products — from motorcycles and washing machines to kettles and cosmetics.

Yet in the seven weeks since the Budget, few shoppers have met with price drops.

Mrs Betty Hirzel, chairman of the Consumer Union, says that apart from a few car buyers she has not heard of anyone who has benefited from the sales duty reduction.

'I did see some notices in shops immediately after the tax was reduced saying retail prices would be going down by five percent as well, but they disappeared pronto,' she said.

Mrs Joy Hurwitz, national president of the 5 000-strong Housewives' League of South Africa, said she had not seen a single price reduction since the duty was lowered.

Full tax table . . .

THIS table shows how much you will have to pay on everything after July 1:

Price rands	Tax cents	Price rands	Tax cents
0— 0,12	0	7,88— 8,12	32
0,13— 0,37	1	8,13— 8,37	33
0,38— 0,62	2	8,38— 8,62	34
0,63— 0,87	3	8,63— 8,87	35
0,88— 1,12	4	8,88— 9,12	36
1,13— 1,37	5	9,13— 9,37	37
1,38— 1,62	6	9,38— 9,62	38
1,63— 1,87	7	9,63— 9,87	39
1,88— 2,12	8	9,88—10,12	40
2,13— 2,37	9	10,13—10,37	41
2,38— 2,62	10	10,38—10,62	42
2,63— 2,87	11	10,63—10,87	43
2,88— 3,12	12	10,88—11,12	44
3,13— 3,37	13	11,13—11,37	45
3,38— 3,62	14	11,38—11,62	46
3,63— 3,87	15	11,63—11,87	47
3,88— 4,12	16	11,88—12,12	48
4,13— 4,37	17	12,13—12,37	49
4,38— 4,62	18	12,38—12,62	50
4,63— 4,87	19	12,63—12,87	51
4,88— 5,12	20	12,88—13,12	52
5,13— 5,37	21	13,13—13,27	53
5,38— 5,62	22	13,38—13,62	54
5,63— 5,87	23	13,63—13,87	55
5,88— 6,12	24	13,88—14,12	56
6,13— 6,37	25	14,13—14,37	57
6,38— 6,62	26	14,38—14,62	58
6,63— 6,87	27	14,63—14,87	59
6,88— 7,12	28	14,88—15,12	60
7,13— 7,37	29	15,13—15,37	61
7,38— 7,62	30		
7,63— 7,87	31		

STAR 27/5/78

Tariffs rocket

(320)

Bus fares to rise up to 50pc

Soaring municipal tariffs will hit Johannesburg during the next few months when bus fares will rocket by up to 50 percent, parking fees by up to 33 percent, and water tariffs by an average of 9,5 percent.

By David Breier

Rising costs to the city council totalling millions of rands, is the reason given by the council's management committee for the proposed increases.

The increases will be put to the city council for approval next week, and are likely to begin biting in August and September.

● Bus coupons will cost 12,5 percent more.

● Cash fares for blacks in zone 1 will increase from 10c to 15c — an increase of 50 percent. For zones 2 and 3, cash fares for blacks will increase from 20c to 25c.

20 pc up

● Cash fares for white, coloured and Indian passengers will increase by 2c for one zone of travel, 3c for two zones, 4c for three zones and 5c for four zones. This means an increase of 20 percent for zone 1, 14 percent for zone 2, 11 percent for zone 3 and 10 percent for zone 4.

● Schoolchildren's coupons will increase from 10c to 12c.

● All-day monthly season tickets will cost about 10 percent more. Off-peak monthly tickets will remain unchanged.

● A new yearly bus season ticket will be introduced.

Parking

● Tariffs at municipal parking grounds and garages will remain unchanged for parking of up to three hours. Fees will be increased by 5c for each additional hour.

● This means that in open parking grounds such as those in Claim Street, Goldreich Street, Albert Street and Wemmer, parking for six hours or more will increase from 60c to 80c; a 33 percent rise.

● At the Kazerne parking garage, all-day parking will rise from R1 to R1,20; a 20 percent increase.

● At other, more expensive garages the percentage increase will not be as great. All-day parking at the Harry Hofmeyr and Van der Bijl garages will go up from R3,85 to R4,15; an increase of 8 percent.

Water rise

● A new differential water tariff will favour householders who use little water. There will be no tariff increase for the first 25 kilolitres (kl) a month. For water in excess of 25 kl, there will be a 13,8 percent increase in tariff.

This means an average increase of 9,5 percent for the city. But for the average householder who uses 40 kl a month, the monthly water account will go up by only 43c.

The proposed water increase will be the third to hit the city in the past year. The last increase of 7 percent in April was due to a Rand Water Board increase. There was a council increase last August.

Increased water charges will cost the consumer R1,5-million in the next year.

Bus fares and parking tariffs were last increased a year ago; parking tariffs by an average of 20 percent, while the new-zone system completely revised the bus fare structure last year.

The proposed bus fare increase is designed to reduce the expected deficit on the bus service from R9-million to R8-million.

SUN EXPRESS 28/5/78 (320)

Computerware tax clarified

By PENELOPE GRACIE

NOT ALL of the software services offered by the computer industry will be exempt from the 4% sales tax to be introduced in July.

The software package sector of the industry was thrown into confusion this week when it was learnt that some of the products it sells — moveable tangible goods — could be subject to sales tax.

Uncertainty was the worst factor upsetting the industry.

No one seemed able to establish the position precisely.

As most people in the industry imagined their work would fall into the category of professional services, they calculated that the sale of software packages would be exempt from tax.

Secretary for Inland Revenue, Mickie van der Walt, cleared up the issue this week.

"As things stand it is proposed that standard software packages will be regarded as tangible moveable goods and as such will be taxed."

Where a computer user orders a system to be tailored to his particular needs, that is seen as a professional service and packages sold will not be subject to any tax.

It is likely that the software package companies will fight this issue.

They argue that a software package which gets recorded on a large tape or on a punch card which is held by the software company, is not really a tangible moveable asset.

the companies do the same thing."

The computer companies selling software packages are more concerned that the industry acts in concert than they are by the fact of the tax.

The use of software packages in this country is growing but to date it is still a small sector of the market.

Sales, excluding those that are hardware related, are estimated to amount to around R5-m a year while processing, installation and servicing of computers on the other hand is a far larger sector of the market.

This sector of the market is not likely to be burdened by tax.

Van der Walt returns that the situation is not that different from a record where the master tape is held by the record company.

As he comments, the record sold in the shop, a copy, is subject to tax and so will the standard software packages sold by the industry.

He makes the point that standard software packages will be the only ones taxed and that those commissioned by the user or specially built for a customer's system will be seen as a service and hence will not be taxed.

As one computer man remarked this week:

"The tax is not really going to affect sales. Someone prepared to pay R10 000 for a package is not going to quibble over R400 for tax. The main thing is that all

SUN EXP. 28/5/78

320

Experts sound warning on new sales tax

INTRODUCTION of the 4% General Sales Tax on July 1 must be postponed, say two top experts on economics, and the whole project revised.

They believe South Africa's poorest Blacks simply cannot afford the additional burden.

Blacks are already hit by:

- A national increase of 9,6% in the cost of breadline survival;
- Double this increase in Reef towns (which hold the greatest concentrations of urban Black families) mainly because of increased fees and rents imposed by administrators of Black townships;
- Increases of more than 10% in the cost of milk and milk products which takes effect from July 1.

While the overall inflation rate has dropped for the fourth successive month, this success has been achieved at the expense of lower-income Blacks who are paying a disproportionately high share of the sacrifices demanded.

The General Sales Tax, budgeted by Finance Minister Owen Horwood to raise R1 000-million a year, will add another cost load to the basic foods of the poorest.

Professor Gideon Jacobs, political economist and head of the Witwatersrand Graduate School of Business Administration, told the Sunday Express this week: "This is a fresh, if unintended, discriminatory burden on Africans.

"Its implementation contains the gravest implications.

"It will certainly aggravate the situation in places such as Soweto, where the last disturbances cannot be said to be completely over.

Mr Harry Schwarz, PFP parliamentary spokesman

By DEREK TAYLOR

on economic affairs, said: "The case for postponement and reconsideration is unanswerable.

"If the Government ignores the danger signs it will be up to employers to take a hard look at helping the situation.

"Reasons of self-interest dictated by our present social climate, as well as humanitarianism, indicate wage increases to counteract the effects of the tax on people who will not be able to afford survival foods."

A man on the Johannnesburg breadline wage of R154,90 a month spends two-thirds of his money on staple foods and household items.

The new tax would take him R4 or more below his breadline level — without taking into account the continuing widening gap between prices and wages.

"The only relief the African has had is withdrawal of the poll tax — and that was only R2,50 a year," said Mr Schwarz.

THE BREADLINE BREAKDOWN

HERE'S what it costs an African family of six to survive in Reef towns for one month:

TOWN	AMOUNT (R)	INCREASE (OVER LAST YEAR)
Johannesburg	154,90	14,6%
Benoni	149,24	17,4%
Boksburg	149,46	19,5%
Brakpan	151,25	20,9%
Germiston	148,35	18,5%
Krugersdorp	149,15	16,0%
Springs	148,56	18,0%
Vaal Triangle	152,60	16,6%
*Cape Town	150,61	11,6%
*Durban	138,23	8,3%

Star 29/5/78 ~~1.264~~ R.(320)

Bus tickets at the bank in new city fare plan

Johannesburg's most expensive bus ticket will cost R198 in a new fare structure to be put to the city council tomorrow.

It will be a new yearly ticket, which could be sold through banks and financial institutions, as is done in Europe, hereby spreading the cost of what would be a big capital outlay for the bus commuter.

The yearly ticket will cost 11 times as much as monthly season tickets. There will be all-day and off-peak yearly tickets.

All-day monthly tickets are to cost about 10 percent more than at present. This means the all-day yearly tickets will cost R79 for Zone 1, R119 for Zone 2, R158 for Zone 3 and R198 for Zone 4.

Off-peak monthly tickets are not going up in price. Yearly off-peak tickets would thus cost R44 for Zone 1, R66 for Zone 2, R88 for Zone 3 and R110 for Zone 4.

The proposed new fare structure will make existing monthly season tickets more economic compared with one-journey coupons.

Books of single coupons will cost 12,5 percent more, while all-day monthly tickets will increase by about 10 percent.

The new all-day monthly ticket price will cost as much as 40 coupons, compared with 41 coupons at present. Prices (with the old prices in brackets) are:
Zone 1 — R7,20 (R6,50),
Zone 2 — R10,80 (R9,80),
Zone 3 — R14,40 (R13,10),
Zone 4 — R18 (R16,50).

Transport officials have reported a two percent decline in white bus passengers since the zone fare structure was introduced last September. This decline is not as bad as the 2,7 percent fall the previous year and 3,53 percent the year before that.

DECLINE

Last year fares increased by as much as 80 percent and passengers in the outlying zones three and four declined by 22 percent and 31 percent.

But in zones one and two, which have 80 percent of passengers, there was a slight increase in patronage of two percent and six percent respectively.

The proposed new busfares, which include increases of up to 50 percent for cash fares, still need the approval of the Local Road Transportation Board, and may be introduced on August 1.

320 The Cape Times, Thursday, June 1, 1978 13

Row brewing over new sales tax method

By GORDON KLING

WITH only a month to go before the introduction of the new General Sales Tax, a major row is brewing among major chain stores and consumer bodies over how it will be implemented.

Behind the turmoil is a recent decision by the Minister of Finance, Senator Owen Horwood, to accede to a request from organized commerce to allow the tax to be added on or added into prices at the discretion of individual businesses.

Store heads and consumer spokesmen yesterday predicted this would lead to chaos because it would destroy price comparisons, as it had become clear that similar businesses would use different methods of calculating and displaying the tax.

In terms of the add-in method, the price shown on an item includes the tax and will also be the advertised price, while the add-on system applies the tax at the till. And unless there is legislation to prevent it, the advertised price would not include the tax.

All businesses will, however, have to display prominently which system they are using.

Most of the major supermarket chains have opted for adding on the tax. The largest, Checkers, this week announced it would add in the tax.

The chairman of Pick 'n Pay, Mr Raymond Ackerman, yesterday criticized Checkers for using a different system from the other store groups. "I think it will be chaotic to have the chains using different systems and the consumer will suffer," he said. A basic necessity of the free enterprise system was easy comparison of prices and this would not happen when the tax is introduced on July 3.

He said his group originally campaigned for the add-in system, but the move was "sabotaged" by the government decision to allow retailers to choose either system.

Pick 'n Pay then decided to add on the tax because other supermarket groups, including Checkers, indicated they were prepared to comply with the system for the sake of uniformity. "Then after we had all announced what we were doing (add-on), Checkers came out with the other system."

The chairman of Greatermans Stores which controls Checkers, Mr Norman Herber, yesterday denied he had given any undertaking to Mr Ackerman on the issue. "I haven't spoken to him for several years," he said, adding he could not categorically state that none of Checkers' executives had talked with Pick 'n Pay on the matter.

There had been endless discussions within the industry to reach a uniform system. His group decided to add in the tax at its supermarkets, although advertised prices would appear higher, because an extensive survey indicated it was the best method.

The president of the Housewives League, Mrs Jo[y] Hurwitz, told the Cape Time[s] in an interview from Johannesburg that he[r] organization met th[e] Secretary for Inland Revenue, Mr W J H van der Walt, ove[r] the issue in Cape Town on Monday. "It will now be terribly difficult to compare prices," she said, but the secretary gave no indication that the government would be prepared to revert to its original proposal of a uniform system within similar industries.

RDM 1/6/78 (320)

Outlook is bleak as prices rocket

By GERALD REILLY
Pretoria Bureau

JUNE is being ushered in on a wave of price rises which could, with the 4% general sales tax on all commodities and services from July 3, send the consumer price index into orbit.

As wage increases fall far behind the rate rise of the consumer price index, labour leaders warn that Government hopes for economic revival could only be stillborn.

The upswing forecast by financial authorities, they point out, was based on greater consumer spending.

With recent wage increases being contained at 5% or less against an inflation rate expected to touch 12% within the next three months, they forecast consumer spending will shrink.

From today Government administered price increases include fresh milk, which goes up by three-and-a-half cents a l, butter, up by 15% to R1,84 a kg and cheese, up by 15,5% to R2 a kg for Cheddar, and R2.01 for Gouda.

Two other Government controlled prices expected to be raised are those of condensed milk and powdered milk.

The outlook seems even bleaker for Transvaal ratepayers when the new financial year begins on July 1.

One of the Transvaal Provincial Council's leading authorities on local government, Mr Francois Oberholzer, said most local authorities are in the grip of an unprecedented financial crisis and will have to squeeze ratepayers to survive.

More sources of revenue had to be opened to large urban areas like Johannesburg.

"At present their only course of action is to raise service charges and rates. This they do reluctantly because they know that their plight is matched by the plight of the average householder, struggling to maintain living standards in a climate of chronic inflation," Mr Oberholzer said.

The only way out for local authorities was substantial financial aid from the Government.

He suggested adding 0,5% to the 4% sales tax due to be levied on all goods and services from July 3.

This would yield about R125-million, slightly more than the total of rates paid by home and flat owners in all local authority areas in South Africa, which could be distributed to municipalities.

Mr Oberholzer who is also chairman of the Johannesburg City Council management committee, said tariffs and rates in the city would have to be raised across the board to "keep the city afloat for another year"

"Backlogs are developing in expanding essential services and serious disruption is just around the corner unless more funds become available," he said.

Taxing share profits (320) FM 2/6/78

Instead of trying to distinguish between income and capital, why not simply tax according to a time-scale?

For years, the investment community has violently opposed any suggestion of a capital gains tax. Now, it is much less sure. Leaders of that same community are looking to the heavens and pleading for anything, even a capital gains tax, to relieve the confused tax situation now bedevilling investment decisions (*FM* May 12).

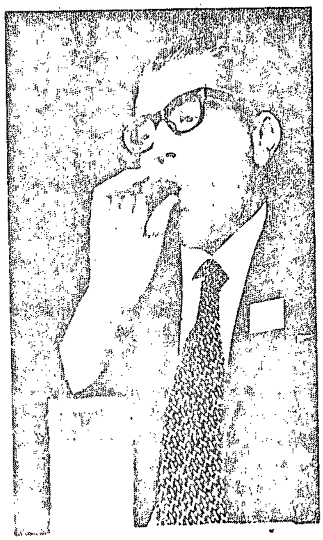
The current confusion arises from two recent developments. First, taxpayers now must declare in their tax returns full details of all share and property transactions. And, even more ominously, tell the Receiver why they think these should not be taxed.

Second, the Appellate Division of the Supreme Court declared in a recent case involving a JCI investment subsidiary, Barnato Holdings, that share profits are taxable when the making of such profits is "an integral, albeit secondary" part of a business.

Neither development, Inland Revenue Secretary Mick van der Walt insists, implies any change in departmental policy. Irrespective of the share or property buyer's or seller's intention, the product of a trade is taxable. If an individual or corporation is trading in shares or property, the profits that accrue are subject to tax.

There is no argument about that. Indeed, his view is endorsed by *Businessman's Law*: "While the new requirement in the income tax return should not be a substantial cause for alarm except to dishonest or ill-informed taxpayers, it may indicate a shrewd anticipation by the department that it will make possible the scrutiny of all share profits and the collection of any tax payable." But it does possibly — even probably — indicate that the department *may* be taking a different view of those "casual" — and very occasional — share trading profits that even the honest taxpayer has regarded as a capital gain.

As for the Barnato judgment, which is more likely to affect companies than individuals, tax consultants agree that the court's finding is perfectly consistent with previous rulings.



Lurie . . . time for contemplation

Why then all the bother?

Quite simply, the market is living in trepidation, not so much of a changed policy, as of a tougher attitude from the Receiver. Over the past two years, more taxable profits have been made than allowable losses. The Receiver — who is by law able to go back three years if he wishes to re-assess a taxpayer — will be getting the information he needs to decide which private investors to tax as traders. It is this potential retrospective aspect that is scaring them off the market, rather than the fear that they may be taxed on their current gains. If their dealings this year are taxed, that may be not so bad — but they don't want to run the risk of having earlier assessments re-opened.

Corporate investors who never before were taxed as traders are shivering in the wake of the endorsement given the Receiver by the Barnato judgment.

No one is sure who is going to be taxed and who is not. There is nothing worse for a stock market than uncertainty. And, on the JSE right now, it is uncertainty that prevails.

That such prominent investment managers as Unit Trust Association chairman Randle Carter and UAL's Alister Colquhoun have suggested that even the introduction of a capital gains tax on share transactions might be preferable to the present uncertainty indicates just how serious is the concern of investors.

The JSE, too, is worried. Acting President Richard Lurie is "giving attention to the matter."

A big snag of the present system is that it is up to individual tax assessors, who have wide discretionary powers, to decide, on the basis of intention and frequency of share portfolio changes, who is a trader and who is not. In practice, one assessor might well decide that one investor is a dealer (and hence subject to his marginal rate of tax on share dealing profits) and, on exactly the same facts, another assessor might decide otherwise (and then the investor's profits, as capital gains, are free of all tax).

Another fault of the present hit-and-miss system is that, if an investor believes he has been unjustly assessed, he has to go through the lengthy procedures of the Income Tax Special Court to prove it. The onus of proof rests on the taxpayer, and it sometimes takes over five years before there is a decision.

A straightforward capital gains tax is not an acceptable answer. The 1969 Franzsen Commission proposed its introduction in mild form, but left wide open the crucial distinction between capital and income. Unless that distinction is sharply drawn, which is virtually impossible, such a tax would clear neither the uncertainty that exists between "capital" and "income" share dealing profits, nor leave long-term investors with any assurance that their gains are tax-free.

Continuing the present system is even worse. To leave investors in confusion is to scare them from the market. To tax share dealing profits — at the maximum marginal rate of 66% for private individuals, and the 43% company rate for corporations — is to risk making the stock market so unattractive as to endanger its primary function of raising capital for industrial expansion.

Before a satisfactory compromise can be reached, it has first to be recognised that there exists no easy distinction between "capital" and "income" profits so far as share and fixed property transactions are concerned. At best, the distinction is an arbitrary one, so what should now be considered is a purely mechanical test — based solely on the length of time an asset is held before resale, rather than on some hypothetical intention — to differentiate between them in a system that would tax all such transactions, without exception.

If, for example, such an asset is held for less than, say six months, gains would be taxed at the individual or company rate. Genuine traders, both corporate and individual, and stockbrokers trading on private account, would thus be taxed at income rates on the "income" they generate from share-dealing, which cannot be considered unreasonable.

If the asset had been held, say, for a year before resale, the rate of tax might drop to 50% of the respective rates; if for two years, perhaps down to 25%; and so on down a scale that would see such assets untaxable on resale after being held for a defined period of, possibly, five years.

Most overseas revenue authorities have given up the struggle of trying to differentiate between income and capital where the accretion derives from the sale of this type of asset. And most argument overseas is currently concentrated on "how long is long-term," and on the appropriate scale rates of taxation.

So let us work out an equitable system for ourselves. If a capital profit is made "overnight," let us acknowledge that it is income, and tax it as such. If the gain matures over time, then let the taxman moderate his claims. And if a profit results from any investment held — for whatever reason — for more than five years, then don't tax it at all.

Secretary Van der Walt will not commit himself but is a willing listener: "I welcome suggestions in that direction. We always are in the market for recommendations of tax reform."

And reform is what we must have.

GENERAL

There are no wall plugs in any of the dormitories and all the hostels have really dirty walls. Clearly none have been painted since first being built.

Taxing share profits

(320) FM 2/6/78

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TOWNSHIP POPULATION BY SEX OVER 16:

GST (320) FM 2/6/78

It doesn't add up

The supermarket world is in a furore. Raymond Ackerman is prepared to ask government to step in to prevent Checkers stores from going ahead with the plan to apply the add-in method of general sales tax. Ackerman, Pick n Pay MD, thinks that it is ridiculous and confusing for supermarket chains to operate different systems.

On the other hand, Bob Harvey, Checkers' executive vice president, says that they decided to use the add-in system on the basis of what consumers wanted. According to him, they conducted a survey into consumer attitudes and only finally decided to plump for the add-in system after it was evident that over 70% of housewives would prefer it.

What may be confusing is that Pick n Pay originally was in favour of using the add-in method — if it was applied universally. Ackerman explained that when government allowed either system to be practised, both Woolworths and OK Bazaars decided to apply the add-on system. In the interests of trying to ensure that the same system would be used within all the supermarket chains he decided to investigate the add-on system further.

Ackerman maintains that Checkers agreed to follow the lead set by Pick n Pay in whatever decision was made. He spent 10 days in Europe examining the position there, and became convinced that the add-on system would benefit the consumer more. On his return, he maintains, he informed Checkers about his decision, and it agreed to go along with the same method, but told him last Friday that it had adopted for the add-in system instead.

Ackerman argues: "This is not the time to look for marketing advantages." He is very worried that the implementation of different systems will wreak havoc on the market. In his own words, supermarkets and hypermarkets "have all got to follow the same system." Consumer surveys undertaken by Pick n Pay have shown that consistency in applying the tax is the most important consideration among shoppers. Otherwise, he argues, price comparison becomes impossible.

But in that case, which is best? Checkers maintains that, from the consumers' point of view, the add-in version will ensure there will be no delays at the checkout till and that "the price you see is the price you pay." This is obviously an important consideration for the less-educated shoppers in the lower-income group who might otherwise be embarrassed at the till.

Checkers assistant vice president Harold Greenstein elaborates: "The housewife can see the full cost of each item as she takes it off the shelf. There is no shock for her when she reaches the checkout counter."

Ackerman and Meyer Kahn, MD of OK Bazaars, argue that there will be no problem with add-on at the checkout counter since it merely involves reading a figure off a chart and ringing it up on a till.

Moreover, Ackerman suggests that under the add-on system you can compare prices with their pre-tax levels and you can be sure that the tax you pay is 4%. He maintains that when goods are re-marked for the add-in price you cannot be sure that only 4% has been added.

Greenstein argues, however, that the competitive process will ensure that Checkers' prices remain competitive. He says: "Retailers who opt for the add-on system may hope to score a short-term advantage by showing their prices to the public at 4% below true cost."

The real question is whether consumers will become confused if supermarkets use different tax-gathering methods. Ackerman is convinced that it will happen. So far government and Assocom are not convinced, while Checkers is reacting to the result of its own consumer survey.

OVER 16			Guguletu	Total
Men in families			1 718	8 610
Women in families			3 102	28 808
			4 820	37 418
			1 718	6 470
			2 752	25 626
			350	2 450
			-	2 872
			4 820	37 418
				12 510
				49 928
TOTAL PERSONS LIVING AS FAMILIES IN TOWNSHIPS			51 004	68 840
TOTAL LEGAL POPULATION IN TOWNSHIPS	31 713	18 721	55 824	106 258

Note: Approximately 100 000 people live 'illegally' in the Peninsula, i.e. are here without formal permission.

CHAPTER 2. LANGA

Each kind of accommodation is dealt with separately here, starting from the quarters that house the most men and progressing to the quarters where the least number of men live. It might be mentioned that of all the townships Langa provides far and away the most accommodation for men living singly in the Peninsula. For a comparison to the conditions found in Langa, see the Cape Town City Council building regulations(Pg 58)

320 D.A. 2/6/78

New tax will hit poor — Schwarz

THE ASSEMBLY — The general sales tax to be introduced next month would contribute to the instability brought about by inflation, the chief Opposition finance spokesman, Mr Harry Schwarz, said yesterday.

Opposing the second reading of the Customs and Excise Amendment Bill, Mr Schwarz (PFP, Yeoville) said the tax should not be imposed under the present circumstances.

"It unfairly discriminates against the lower income groups who cannot afford it."

If inflation could not be kept under control, it would lead to instability. By maintaining the present sales duty, while adding the general sales tax, the Government was contributing to the instability brought about by inflation.

The tax would result in double taxation of consumers already suffering from high rates of inflation, he said.

Mr Barend du Plessis (NP, Florida) said it was irresponsible of Mr Schwarz to accuse the Minister of Finance, Sen Horwood, of hitting the poor.

The five per cent reduction in sales duty meant in reality that for every R20 spent, Sen Horwood lost a rand of income while the consumer gained R1,40.

Mr Schwarz should get off his political hobby-horse when the Assembly was discussing matters of this nature and contribute to matters that would benefit South Africa, Mr Du Plessis said.

Mr Bill Sutton (NRP, Mooi River) said the NRP would support the Bill as Sen Horwood was trying to obtain a balance between the increasing rewards of sales tax and a corresponding relaxation of sales duty.

Yet, he did not believe that sales duty would be abolished. Its retention would allow Sen Horwood to take advantage of any improvement in the economy. The NRP would support any move that might lead to a reduction of personal tax.

Mr Theo Aronson (SAP, Walmer) said he could not support the simultaneous imposition of three forms of taxation and the SAP would support the PFP amendment.

"However, we do not believe in the extent of the amendment — that the general sales tax is an exclusive tax on the poor."

Mr Aronson pointed out that at present the motor industry paid 7,5 per cent sales duty on small cars and 15 per cent on bigger cars. This key industry was very sensitive and it was therefore vital the Minister gave it "a square deal."

In order to ensure employment in this industry, the Minister should seriously consider abolishing both sales duty and surcharge when the general sales tax was introduced.

Mr Adriaan Vlok (NP, Verwoerdburg) said luxury items had to be taxed at the point of introduction into the market, in order to control and restrict their import. If they were taxed at the final point, taxes levied on them would merely be passed on to the consumer.

Replying to the debate, Sen Horwood requested members to await details of the conversion of sales duty on certain goods to ad valorem rates, saying he could not disclose the extent of adjustments or whether they would be upwards or downwards.

Turning to the question of double taxation, Sen Horwood said members had to realise that tax-wise, South Africa was in a situation of transition. Adjustments were possible, but only after the new general sales tax had had a proper introduction. The Government would in due course abolish sales duty.

"It is not our intention to retain any sales duty for longer than we absolutely have to have it," he said.

The second reading of the Bill was approved after a division in which the SAP and the PFP opposed it. — SAPA.

The Natal Mercury

SATURDAY, JUNE 3, 1978

320

SALES TAX CONFUSION

WITH ONLY one month remaining before the new general sales tax comes into operation, the confusion among big store chains and consumer bodies over how it is to be implemented presents a sorry commentary on the Government's handling of the matter.

In effect the Government has announced a major change to the taxation system on commodities and services, and then left it to individual businesses to work out how they will extract the money from consumers. The effect of this somewhat bizarre method of tax collection will be that some stores will include the tax in the marked price (the add-in system), while others will display the tax separately (the add-on system). Thus any accurate comparison of prices will be effectively ruled out.

Why consumers should be burdened with this unnecessary complication is not clear. After all, it is the function of governments to formulate uniform methods of tax collection, and in most countries where sales tax exists the add-on system is favoured. That is so in Britain, the United States and — closer to home — in Rhodesia.

The main advantages of this system are that consumers can see at a glance the selling price of a commodity apart from the tax that is payable. They can discern immediately whether there has been any price rise, and there is no difficulty about comparing prices.

The contention of the add-in enthusiasts is that their system will obviate hassles at the cash register — particularly among Blacks who, it is felt, might confuse the separate tax with over-charging. Frankly, we see little substance in that argument. Blacks in Rhodesia have been paying separate tax at the cash register for several years, and the system has worked well. Because of their relatively tight budgets, Blacks are generally quick to familiarise themselves with any taxation or currency changes.

Indeed, if any confusion is going to arise in the minds of the unsophisticated sector of the Black population, then it will be through having to deal with two systems of tax collection in the market-place. Surely what is needed most is uniformity. Instead, the idea seems to be to let the situation drift until the public resolves the matter by patronising one system more than the other.

In a country where legislation dogs almost every field of human endeavour, perhaps we should be grateful for this concession to democratic choice. Unfortunately, the Government appears to have made its unexpected gesture in the one area where legislation seems necessary.

8

RAND Daily Mail

MONDAY, June 5, 1978

(320)

The 1pc increase we can't afford

AGITATION and unrest feed on empty stomachs and that is why two appeals made by Mr Harry Schwarz in this newspaper on Saturday have special urgency, both for the Government and businessmen.

Mr Schwarz's calls for relaxed general sales tax on the one hand and increased wages on the other, came after the announcement of a 3c rise in the price of margarine. This increase is yet another blow in the never-ending onslaught of price increases, particularly those of basic foods and commodities, that have staggered South Africans recently.

Milk, butter, cheese, eggs, transport, bread, coal, mealie meal . . . these are just some of the essentials that have gone up. Nor is the end in sight, for when the general sales tax comes into force next month, basic foods will be increased by another 4% and other essentials, such as brown bread, are due to go up later this year.

Of course, these increases affect the lives of all South Africans but for pensioners, the unemployed and the lowly paid of all colours, they are crippling. When you are already on or below the breadline, further increases in the cost of merely keeping alive can cause nothing but bitterness and despair.

In Parliament last week Mr Schwarz forecast that the general sales tax would contribute to the general instability brought about by inflation. And on Saturday he reinforced this argument with the warning that if the "almost intolerable" strain on the household budgets of blacks and other lowly paid workers were not relieved the social consequences could be serious.

Mr Schwarz called for the problem to be attacked on two fronts.

He made an urgent appeal to employers to compensate their lower-paid workers for the recent spate of Government-administered price rises and, after castigating the Nationalists for losing control of these prices, appealed to Senator Owen Horwood to exempt basic commodities from the 4% general sales tax.

Both should heed Mr Schwarz, whether for humanitarian reasons or out of self-interest. For, whatever the cost, the one thing this country cannot afford is even 1% more despair, bitterness and instability.

(320) RDM 6/6/78

Unions get tough over food tax

By GERALD REILLY
Pretoria Bureau

THE country's two largest trade union organisations, representing nearly 500 000 workers, have made a joint demand that essential foods be exempt from the General Sales Tax.

The 4% tax will be imposed on all commodities and services from July 3.

Vice-president of the Trade Union Council of South Africa, Mr Steve Scheepers, and president of The SA Confederation of Labour, Mr Attie Nieuwoudt, appealed yesterday to the Minister of Finance, Senator Horwood, to exempt essential foods such as mealiemeal, milk and bread.

Progressive Federal Party financial spokesman Harry Schwarz is to ask Senator Horwood, when the enabling measure comes before the Assembly, to consider the social consequences if appeals for these exemptions are rejected.

The manager of the Milk Board, Mr Awie Visser, is seeing Senator Horwood in Cape Town today to ask him to exempt milk.

His motivation, it is understood, is the feared effect on demand if the tax is added to a milk price raised ony a few weeks ago.

Yesterday the president of the Federated Chamber of Industries, Mr J P Cronje, and the president of the Association of Chambers of Commerce, Mr J van Eeden, said there would be no exemptions.

"Once you grant exemptions," they said, "where do you stop?"

Mr Nieuwoudt said there was a limit to the extent to which prices of essential goods could be increased — "surely it has now been reached?"

The chairman of Johannesburg's Management Committee, Mr Francois Oberholzer, estimates the tax will add R5-million to Johannesburg's costs.

(8)

(590) 7/6/78 Star

Used cars: R40-m tax shock

Harvey Thomas
Motor Editor

Motorists were hit with a R40-million shock today — the Automobile Association and the Motor Industries Federation have confirmed that all used motor vehicles, whether sold by a dealer or privately, will be subject to the new four percent point-of-sales tax.

The MIF says the volume of used vehicles sold in South Africa every year, only by dealers, exceeds the total new car market by about 50 percent which means that some 300 000 used cars, trucks, caravans and trailers change hands every year.

But the Federation cannot estimate how many used vehicles are sold in private transactions as no statistics are kept.

However, based on conservative figures, it would seem likely that the additional revenue to the Government via the new point of sales tax from this source only will be at least R40-million.

PROOF NEEDED

The AA says that the new tax, which becomes effective from July 3, will have to be paid by either the seller or the buyer to the Receiver of Revenue in any private used-vehicle transaction.

If a used vehicle is sold by a garage or dealer the seller will be liable for the tax as part of his monthly returns.

After a private sale the new owner will not be able to register the vehicle in his own name until proof that the tax has been paid is furnished to the registering authority.

- The Milk Board's plea for the exemption of milk from the new general sales tax has been rejected.

Mr Awie Visser, manager of the Milk Board, met the Secretary for Inland Revenue, Mr W H J van der Walt, in Cape Town yesterday to discuss the possibility of milk being exempted.

Mr van der Walt said: "This is a general tax. It is not for me to make exemptions."

Qualifying time cut

Labour Reporter

Apprentices in the mining industry are in future to qualify as journeymen within four years instead of five.

Those with two years' national service are to qualify within three years and four months.

The changes, subject to Ministerial approval, allow for further reductions in the training period on the basis of trade tests and theoretical qualifications. The shortest practical training period will be 90 weeks.

Venice opera bosses quit

VENICE — Gian Mario Vianello, the superintendent of Venice's La Fenice opera house, has resigned in the wake of a scandal involving allegations of fraud and kickbacks in Italy's opera world.

The entire administra-

DD 8/6/78

Hard line on new sales tax

(320)

CAPE TOWN — The failure of the Milk Board to have milk exempted from the new general sales tax indicates a hard line on the part of the authorities which has dashed hopes for tax relief on basic necessities.

The Secretary for Inland Revenue, Mr W. van der Walt, made it clear to the manager of the Milk Board, Mr A. Visser, earlier this week, that milk could not be allowed to escape the tax. Mr Visser appealed for the exemption on the grounds that milk was a basic vital commodity.

The rejection is in keeping with policy on the tax which demands that it have as wide a base as possible, but it will mean a substantial cost increase, especially at the bread line level, when the four per cent tag is introduced on July 3.

And, in addition to the tax, a large number of price increases stemming from higher rail tariffs and other increased costs have been thrust on the consumers.

Following on recent higher prices for coal, milk, butter and cheese, the wholesale price of cooking oil is to jump 30 per cent.

Meanwhile, major super-market chains yesterday came out in support of consumer bodies appealing for basic foodstuffs to be excluded from the tax.

The Housewives League has also made representations to the authorities, but its president, Mrs Joy Hurwitz, said she was not optimistic any relief would be received.

The Opposition spokesman on finance, Mr Harry Schwarz, has appealed for the tax to be postponed and for concessions on basic essentials of life.

But Inland Revenue officials maintain that near universality is necessary for the proper functioning of the scheme.

• Checkers' appeal; appliances price hike, page 6.

Shocks for all from sales tax

(320)

Mercury Reporters

HOTEL guests face bigger bills after sales tax comes in on July 30. So do second-hand car buyers. And basic foods — milk, bread and meat — will be taxed too.

Durban and District Hotel and Bottle Store Association members heard about the bigger bills yesterday at a seminar.

A member pointed out that the increased running costs of the hotel after the introduction of sales tax would have to be passed on to guests.

And the guest would also have to pay the 4 percent tax on his end bill as well.

Members were told by Mr. S. Mather, of the Department of Inland Revenue, that hoteliers could adopt the add-on or add-in system.

Linen, too

Accommodation, off-sales and restaurants would be subject to the tax, Mr. Mather said.

The hoteliers heard they would have to pay tax on goods bought for use in hotels, such as office equipment, cash registers, vehicles, and cleaning materials.

Linen, blankets, cutlery, crockery, soap, toilet paper, coat hangers and ashtrays would also be taxed.

Weekly and daily bills would be subject to the tax, but monthly bills for guests staying longer than 45 days would be taxed on only 30 percent the total bill, Mr. Mather said.

He also warned that late payments to the department were subject to a 10 percent penalty a month.

Car sales

The Mercury's Deputy Financial Editor writes that second-hand cars sales will not avoid the tax.

Nor will other items where transfer has to be registered. These include aircraft, boats, fishing vessels, ships, yachts, motorcycles, tractors, vehicles, caravans and trailers.

The Automobile Association says that if a car is sold to a garage then the garage would have to collect the tax. All private sales would be taxed and transfer would not be passed until the tax receipt was produced.

Occasional sales for less than R1 000 would not be taxed.

An Inland Revenue spokesman said when a car was traded in, the garage would buy it free of tax but would have to pay tax when it sold the vehicle.

Customers would pay general sales tax on the total value of the car they were buying, and not the selling price less the trade-in.

Turned down

Meanwhile, pleas to have basic foods exempted from the tax have been turned down.

This will put an extra R160 million on the country's foodbill, the Mercury's Agricultural Correspondent reports.

So far the Minister of Agriculture, Mr. Hendrik Schoeman, has turned down appeals to have basic foods like milk, bread and meat exempted.

The secretary for Inland Revenue, Mr. J. van der Walt, has also rejected a plea by the Milk Board for exemption. From July 3 a litre of milk will cost an extra cent.

Prices

Mr. Raymond Ackerman, chairman of Pick 'n Pay, said in Johannesburg yesterday that if a legal way could be found round the salex tax, his group would drop prices on milk, meat and bread.

Commenting on the Government's refusal to abolish sales tax on basic foods he said: "If the Government cannot see its way clear to accepting the loss of revenue, I would like to suggest that company tax is increased to cover the estimated loss of revenue. If this is not acceptable my group is going to look at ways and means to compensate consumers."

Possible

Asked if retailers could, in fact, drop prices of basic foods to consumers, Mr. G. Gilzean, divisional general manager of the Checkers supermarket chain in Durban, said it was "theoretically possible." However, supermarkets made little or no profit on bread and milk which were sold at only slightly above cost prices.

Mr. Peter Venter, director of the Durban National Fresh Produce Market, said the tax would also apply to fruit and vegetables sold on markets.

No sales tax 'loopholes' likely

9/6/78 R/Dm (320)

By GERALD REILLY
Pretoria Bureau

LEGISLATION to implement the General Sales Tax will be introduced in Parliament next week, and it is extremely unlikely any commodity or service will escape, sources in Pretoria said yesterday.

The Secretary for Inland Revenue, Mr W J H van der Walt, said the Minister of Finance had made it clear the tax was to be as low-rated and as widely-based as possible. He declined to comment on the possibility of exemptions. The tax will be introduced from July 3.

The Progressive Federal Party and the New Republic Party will plead for the exemption of basic foods on the basis of growing poverty in the urban townships, rising unemployment and the possible serious social consequences on lower income groups.

Coloured and Indian leaders condemned the new tax as a "tax on the poor and politically impotent section of the population" and appealed for an exemption on essential foods and commodities.

One suggested any loss of revenue in exempting bread, milk and mealie meal from the tax could be recouped by a relatively small increase in the income tax of the higher income groups.

The Automobile Association of South Africa announced yesterday it opposed the application of the new tax to used motor vehicles, caravans and trailers when changing ownership.

"It is not unusual for a motor car to change hands on three or four occasions and it would be most inequitable for a sales tax to be paid each time," the AA said.

Ackerman's plea on new sales tax

9/6/78 (320)

EAST LONDON — Supermarket giant Raymond Ackerman, Pick 'n Pay's MD, has added his voice to the growing appeal to the Government to exempt such basic commodities as milk and bread from the new sales tax.

His call follows a similar plea earlier this week by Mr Bob Harvey, vice-president of Checkers.

Pick 'n Pay's top executive wants the Government to exempt six basic food items from sales tax — bread, milk, eggs, cheese, flour and one other.

He said the payment of tax each time these items were bought, particularly by poor families, was potentially inflationary and was socially and economically bad.

"Even at this late stage it is not too late for the Government to make this gesture," Mr Ackerman said.

He added businesses could be called on to make up the shortfall". We would certainly be prepared to do it," he said.

He said that if it had been mandatory for businesses to use the add-in method of sales tax, consumers would not have been exposed to the tax each time they bought something.

"We would love to have seen add-in compulsory, but as it was optional, we felt we should use add-on so consumers could do proper comparative shopping."

Meanwhile, latest shock on the sales tax front is the news the tax will apply virtually to all transferable movable objects sold for end consumption, with the exception of raw materials for production.

Even goods on which the tax has been paid will be subject to re-tax if, in turn they are sold to someone not in possession of a vendors' certificate.

Here the Department of Inland Revenue has allowed occasional sales by private individuals of second-hand goods to be tax-free up to a value of R1 000.

Accordingly, selling a car worth more than that would attract the tax if bought by a private buyer.

A licensed dealer having a vendors' certificate would not have to pay the tax on buying the car or accepting it as a trade-in, but it would be imposed when the dealer sold the vehicle to another provate buyer. — DDR.

Black leaders say sales tax reckless

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9/1/78

PRETORIA — Legislation to implement the general sales tax will be introduced in Parliament next week, and it is extremely unlikely any commodity or service will escape.

Although he declined to comment on the possibility of exemptions from the four per cent tax, the Secretary for Inland Revenue, Mr Van der Walt, said the Minister of Finance had made it clear the tax was to be as low-rated and as widely-based as possible.

The tax will be introduced from July 3.

The executive of the Artisan Staff Association, after a meeting in Johannesburg yesterday, appealed to the Government "because of the serious financial plight of lower paid workers," and high rate of inflation, not to levy tax on basic foods.

The national chairman of the Labour Party, the Rev. Allan Hendrickse, said: "Another four per cent on commodities like mealie meal, milk and bread will press hundreds, probably thousands, more families below the poverty datum line."

Mr Hendrickse said the government seemed "numbly insensitive" to the pressures building up in the Coloured and black townships because of the hardships imposed on families by still rising unemployment.

"Even under more normal economic conditions this would be a cruel imposition. But now, in a time of recession when nearly two million are under-employed or unemployed, it is reckless," he added.

A member of the South African Indian Council and of the Prime Minister's Joint Advisory Council, Mr I. Mayet, said: "There seems to be a total lack of appreciation at a high Government level of the poverty in the townships, and of the possible consequences if poverty is allowed to go any deeper."

Any loss of revenue involved in exempting bread, milk and mealie meal from the tax could be recouped by a relatively small increase in the income tax of the higher income groups, he added.

To apply the new sales tax to used cars, caravans and trailers on change of ownership in cases where the tax had been paid on the new vehicle would be unreasonable, the Automobile Association said.

The AA had been informed by the Revenue Department the tax would be applicable to used cars, caravans and trailers where a change of ownership" was involved. — SAPA-DDC.

Umtata sales tax same as SA

0320
9/6/78
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UMTATA — The sales tax to be introduced in Transkei soon was likely to be virtually identical to South Africa's general sales tax, the commissioner for inland revenue here, Mr M. Pretorius, said yesterday.

The envisaged rate was four per cent and the Sales Tax Act — still to be promulgated — would operate on similar lines to those of South Africa's sales tax measures.

Transkei's Sales Tax Bill was expected to be accepted by the National Assembly during the current session, Mr Pretorius said.

Meanwhile, traders, wholesalers, manufacturers and suppliers should apply for certificates to enable them to buy stock free of sales tax in terms of the Registration of Vendors Bill tabled in the Assembly this week.

Mr Pretorius explained other new tax measures.

The special tax, payable from March 1, applied to all men who were not liable to general tax based on income, local tax and general levy. The rate was R10 a year. Women were not liable to special tax.

The general stock tax, also effective from March 1, replaced last year's livestock tax and would finance dipping services. The annual rates were R2 a head for donkeys, R1,50 a head for cattle and horses and 25c a head for sheep and goats.

In terms of the Stamp Duties Amendment Act, duty on agreements or contracts increased from 30c to 50c and duty on customs and excise documents increased from 10c to 20c with effect from July 1.

Duty on cheques would increase from two cents to three cents from July, Mr Pretorius said. — DDR.

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Experts warn of sharp CoL rise

By GERALD REILLY

ECONOMISTS warned yesterday that when the 4% general sales tax is imposed on July 3, it will boost living costs by at least 2%.

And trade union leaders representing workers of all races have joined the growing call on the Government to exempt basic foods from the tax, reports the Rand Daily Mail's Labour Correspondent.

But hopes are fading that the Minister of Finance, Senator Owen Horwood, will make this last-minute concession before enabling legislation goes before Parliament next week.

Some of the more important effects of the tax will be:

- To increase pressure for wage increases.
- To intensify the cost of living struggle of lower income groups — which opposition politicians and labour leaders have warned could have "social consequences" in view of still-growing unemployment.
- A possible setback to efforts to put new life into the country's stagnant economy, by shrinking total buying power.

Barclay's Bank's chief economist, Dr Johan Cloete, estimated the tax would affect about two-thirds of household expenditure.

There was one possible compensating feature — in the current recessionary climate, consumer resistance to higher prices would intensify and competition would be sharpened. This would tend to lower prices, Dr Cloete said.

But he expected the overall impact on the consumer price index to be between two and three per cent.

On a suggestion that company tax could be raised to compensate for revenue lost by exempting basic foods, Dr Cloete said this would be contrary to the underlying purpose of the GST, which was to tax consumption more and savings less.

For the same reason, it would be difficult to justify making higher income earners pay more so that certain essentials could be exempted from the tax.

If it was found that the resulting tax burden on the poorer section of the community was too great, then essentials should be subsidised by the State.

The deputy head of the Economic Research Bureau at the University of Stellenbosch, Mr A J M de Vries, estimated the impact at about two per cent, perhaps slightly less.

But he said it would increase pressure for wage increases.

Meanwhile Mr Morris Kagan, vice-president of the National Union of Distributive Workers—whose members will be directly involved in administering the new tax — said yesterday the union backs "to the hilt" Tucsa's call for the exemption of basic foods.

Mrs Sarah Chitja, acting general secretary of the National Union of Clothing Workers, representing 20 000 blacks, said the union was "perturbed" at the prospect of higher prices for basic foodstuffs.

Other workers' bodies joining the call include the Amalgamated Engineering Union, The Railways Artisan Staff Association, the Confederation of Metal and Building Unions and the chairman of the Council of Mining Unions, Mr Ken du Preez.

R2 000 000 tax bill for Durban

10/6/78
N.M
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Mercury Reporter

LOCAL authorities will pay about R27 million in sales tax annually with five major cities paying R13,5 million of this and Durban possibly having to bear R2 million, Mr. Ossie Gorven, Durban's City Treasurer, said yesterday.

He was addressing the Natal Municipal Association's meeting on ramifications of the new tax.

He said that because of this big bill, they had asked the Government to increase its grants to local authorities on unrateable Government property.

Many small local authorities selling less than R5 000 worth of goods a year would not have to register as vendors for tax exemption.

All movable goods and hiring charges would be liable for tax.

Water, electricity and gas through the mains would be exempt.

If rations were bought for staff and sold cooked at a subsidised rate, tax would be payable on the original value.

If authorities bought refuse bins to sell to the public, tax would not be liable, but if they gave them away or used them departmentally, tax would have to be paid.

GST will have serious repercussions

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11/6/78 Sund Tri

POOR FACE TAX CRUNCH

By MARIAN SHINN and PENNY SWIFT

THE Government's R1 250 million sales tax money spinner, which will tax the poor more than the rich at a time of peak unemployment and black frustration, will have serious repercussions on South African society.

Opposition finance spokesman Harry Schwarz believes this is not the right socio-economic climate in which to tax the poor more than they have been in the past.

When the Bill is put before Parliament this week he will ask that the GST be postponed until the confusion voiced by commerce and consumers can be clarified.

Watchdogs

Consumer watchdogs, economists and welfare workers fear the effect the tax will have.

They say that those earning low wages or on fixed incomes can hardly keep on the breadline, let alone pay an extra 4 percent for their food.

Added to the burden of the tax, the poor — especially blacks and elderly people — will be open to exploitation by retailers who could hide price hikes behind the "add-in" system.

Durban labour economist Professor Jill Nattrass fears that because black trade unions are not recognised, black workers will be unable to vent their frustrations or press for increased wages to meet GST.

This could lead to unorganised worker reactions to the lowering of their standards of living.

Mr Schwarz said that a black family of five living at the subsistence level of R165 a month would have to find an extra R4 a month to pay tax on basic foods . . . about six percent of their food budget.

Mrs Zerilda Droskie, director of the South African National Council for

Lecturer Jill Nattrass

Senator Horwood

Mr Harry Schwarz

Mr Eugene Roelofse

the Aged, feared already overcrowded old age homes would be flooded with applications because few pensioners would be able to support themselves.

At present many of them are struggling to survive.

Luxuries

She said that the first thing pensioners did to cut down on expenditure was to curb food intake.

With pensioners struggling to make ends meet luxuries would be a thing of the past.

Mr Eugene Roelofse, consumer ombudsman of the South African Council of Churches, said the "add-in" system could lead to massive exploitation of illiterates and by allowing the add-on system as well the Government showed it did not care about consumer interests as long as it could raise money.

He was afraid of unjustified price rises purporting to be GST.

Mr Schwarz said to help the poor the Government should either exempt basic foodstuffs from GST or subsidise them.

The R20 million Finance Minister Owen Horwood kept aside in his Budget for subsidising food "was totally inadequate in meeting these demands," he said.

The R1 250 million sales tax is expected to bring in annually is about 14 per cent of Government revenue.

Mr Schwarz believes this money would have been raised elsewhere if tax concessions had not been given to companies and individuals and sales tax on luxury items had not been lifted in this year's Budget.

He said this was not a time to create a new taxation which put the accent on the poorer people.

"Our view is that if you are going to have tax it should be on the luxury items and not on the essentials of life."

Apart from causing confusion among consumers the Government's decision to leave the "add-on" or "add-in" decision with commerce and industry has split organised commerce.

A survey done for the Association of Chambers of Commerce (Assocom) by the Bureau of Economic Research at the University of Stellenbosch showed that of the retailers who responded about half would opt for "add-on".

This confirms, according to Assocom executive director, Mr Raymond Parsons, the "correctness of the decision to permit a choice between the "add-in" and "add-on" system of collection.

But even organised commerce is split on the decision of whether a choice is a good idea.

The Afrikaanse Handelsinstituut had recommended its members adopt the "add-in" system.

Executive director Frederick Stockenstroom said this was to avoid consumer confusion at the till.

Disagreed

He said that if any members were against the "add-in" system all the other members in the same line of business would have to agree on which system to adopt so there would be uniformity in the trade.

The major supermarket groups have disagreed on which system to go for — accusing each other of causing confusion among consumers.

Pick 'n Pay and OK Bazaars have chosen "add-on" while Checkers had opted for "add-in".

Mr Schwarz said the responsibility for the confusion was to be laid firmly on Senator Horwood who made a "completely incorrect decision" in allowing commerce to choose between the systems.

"There is something to be said for both systems and there is something to be criticised in them. But there is nothing good to be said for leaving a choice."

He said the Minister's decision would lead to uncertainty which had not taken the interests of the consumer into account.

It would also allow "exploitation by unscrupulous people to take place far easier than otherwise."

BELASTING NOU NA 'N KANT

RAPPORT 11/6/78

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DIE Regering het heeltemal reg besluit dat die wyse waarop die komende verkoopbelasting ingevorder word, aan die individuele sakeman oorgelaat moet word. Máár dit is dringend noodsaaklik dat die finale wetgewing, wat die belasting dek, so gou moontlik gepubliseer moet word.

Só sê mnr. Raymond Parsons, uitvoerende direkteur van Assocom. Hy het aan Sake-Rapport gesê 'n landwye opname, wat vir Assocom gedoen is deur die Buro vir Ekonomiese Ondersoek van die Universiteit van Stellenbosch, toon duidelik dat die Regering heeltemal reg opgetree het.

Daar is wel voordele en nadele wat albei metodes van invordering (die ingevoegde belasting by die prys of die bygevoegde belasting agterna bygevoeg) betref. Maar veral in 'n land soos Suid-Afrika sou dit rampspoedig gewees het om die een of die ander stelsel op die sakewêreld af te dwing.

„Dit was juis om hierdie rede dat Assocom aan die Regering aanbeveel het dat die keuse van stelsels aan die sakeman oorgelaat moet word," sê mnr. Parsons.

Volgens die opname van die BEO gaan 54 persent van die kleinhandelaars wat op die vraelys gereageer het, gebruik maak van die bygevoegde belastingstelsel en 46 persent van die ingevoegde belastingstelsel.

Om die opname te voltooi het die BEO etlike honderde vraelyste uitgestuur aan sakemanne in die groothandel, kleinhandel en die motorbedryf. Hulle was nie noodwendig lede van Assocom of selfs van Kamers van Koophandel nie, en het 'n wye spektrum van die sakelewe verteenwoordig.

Van die kleinhandelaars wat die bygevoegde belasting verkies, verkoop 93 persent hoofsaaklik aan blankes en net 7 persent aan nie-blankes.

Van die kleinhandelaars wat hoofsaaklik aan die nie-blanke sektor verkoop, is 64 persent van plan om die ingevoegde belastingstelsel te gebruik en die oorblywende 36 persent die bygevoegde stelsel.

Kleinhandelaars wat hoofsaaklik met blankes sake dryf, is verdeeld oor die uitwerking en gevolge van die nuwe verkoopbelasting. Altesame 47 persent glo dat die belasting 'n nadelige effek op hul omsette gaan hê, terwyl die oorblywende 53 persent meen hul omsette sal glad nie geraak word nie.

Van die groothandelaars wat die vraelys beantwoord het, is 80 persent van plan om die bygevoegde belastingstelsel te gebruik, terwyl 86 persent van die gevraagdes in die motorhandel ook ten gunste van die bygevoegde stelsel is.

„Assocom," sê mnr. Parsons, „het die praktiese probleme betreffende 'n algemene verkoopbelasting voorsien en het die Regering aangeraai om nie met dié soort belasting voort te gaan nie.

„Máár toe besluit is om wel die belasting in te stel, was Assocom se belangrikste doelwit om te verseker dat die belasting met so min ontwrigting as moontlik ingestel word."

Na sorgvuldige oorweging het Assocom besluit om aan te beveel dat handelaars die keuse van die ingevoegde- of die bygevoegde belastingstelsels gebied word.

- Saam met dié aanbeveling was die voorwaardes o.a. dat
- In alle advertensies, toonvensters of verkooppunte daar duidelik aangedui moet word of die prys die belasting insluit al dan nie;
- Handelaars verbied moet word om te beweer, direk of by implikasie, dat hy die belasting self absorbeer of dit glad nie hef nie.
- Mnr. Parsons sê dit is dringend noodsaaklik dat die finale wetgewing, saam met 'n verduidelikende witskrif, so gou moontlik gepubliseer moet word. „Die noodsaaklikheid hiervan word beklemtoon deur die mate van verwarring wat tans heers en die feit dat die sakelui met hul voorbereiding en beplanning moet voortgaan."
- Die dag waarop die voorgestelde verkoopbelasting ingestel gaan word is (tot op hede) Maandag, 3 Julie.

Staat gaan baie meer kry

RAPPORT 11/6/78

(320)

DIE staat gaan baie meer uit die verkoopbelasting kry as waarvoor daar begroot is. Die geldvoorraad sal ook verder vergroot moet word om die huidige oplewing aan te help.

Dit is die mening van mnr Hans Hefer, besturende direkteur van United-Bouvereniging, wat ook byvoeg dat dit van die gewone man gaan afhang of die oplewing stukrag kry.

Mnr. Hefer het 'n vergadering van die Lindense Rapportryerskorps toegespreek en gesê dat daar ondanks die huidige gunstige tekens steeds probleemareas is.

Dit is veral die bou- en konstruksiebedryf wat nog swaar leef. Hy meen ook dat hierdie sektor nog geruime tyd lank 'n baie moeilike tyd sal beleef, maar dat sake hier ook sal begin verbeter wanneer die oplewing werklik op dreef kom.

Die algemene verwagting is dat die land vanjaar 'n groeikoers van sowat 3 persent sal toon. Dit is egter veels te laag en ons behoort na 7 persent te mik. Maar uit ons eie bronne sal ons nie met meer as 3,5 persent kan groei nie en kapitaal sal uit die buiteland gekry moet word.

Buitelandse langtermynkapitaal is op die oomblik feitlik onbekombaar en dit is die soort geld wat die land nodig het. Maar ook hier lyk sake nou rooskleuriger.

Suid-Afrika het een van die beste rekords ter wêreld sover dit die terugbetaling van sy oorsese skuld betref. Ons sake is indringend deur die IMF ondersoek en die land moes 'n baie goeie indruk van gedissiplineerdheid gewek het.

Daarom meen mnr. Hefer dat dit nie vir die land moeilik sal wees om buitelandse fondse te kry nie en oorsese banke sal kom tou staan as die dinge in Rhodesië en Suidwes bevredigend opgelos word.

Mnr. Hefer verwag dat rentekoerse nog verder sal daal en dit kan help om nuwe investering wat so broodnodig vir 'n volgehoue oplewing is, op dreef te kry. Maar ons kan dit nie bekostig dat ons koerse uit lyn met dié oorsee kom nie.

Hy het ook bygevoeg dat gerugte oor 'n devaluasie van die rand geheel en al ongegrond is. Sulke stories kan die land net skade berokken.

„Die staat het sekere krane oopgedraai en dit sal van die verbruiker en die belegger — van u en my — afhang of die opswaai deur ons houding, ons benadering aangewakker word.

„Daar heers 'n beter klimaat. Pessimisme is gelukkig besig om oor 'n breë front te kwyn, want dit is gebiedend noodsaaklik dat ons 'n sterk en gesonde ekonomie moet bou en behou," het mnr. Hefer gesê.

Sales tax launching faces snags

Star 12/6/78

320

Confusion is mounting over the launching of the new general sales tax on July 3. The Department of Inland Revenue expects the first reading of the draft Bill on the tax to go through on Wednesday.

A position could arise in which retailers have only two weeks to prepare.

The Associated Chambers of Commerce (Assocom) says it is "essential for the Government to publish the final legislation — with an explanatory white paper — as soon as possible to facilitate forward planning and preparation by the business community."

Assocom and the Afrikaanse Handelsinstituut believe many retailers have still not even registered as vendors so that they can obtain certificates to exempt themselves from the new tax.

The Department of Inland Revenue says preparations for the new tax are "going ahead well."

Mr S C van Niekerk, Under Secretary for the department in Pretoria told The Star today: "We foresee no problems. The bulk of businesses have now registered and those which have not will find they cannot carry on their businesses properly after July 3 unless they do so."

PUBLICISED

He said all wholesalers, manufacturers and suppliers had been told to notify clients of the conditions of the new tax. The matter had also been widely publicised and advertised.

Meanwhile, retailers are continuing to debate the pros and cons of the two systems of collecting the tax allowed by the Government — the "add-on" system whereby the retailer adds the tax to a customer's final invoice and the "add-in" system whereby

tax in his prices.

APPEALS

Appeals by consumer organisations for tax exemptions on basic foods have been echoed by Mr Raymond Ackerman, head of the Pick 'n Pay chain.

"We realise the Government needs money for defence and running the country — this is crucial — but we are sure that business houses in the interests of the country would pay the extra to relieve the burden on the poor. Our proposal is clear: increase company tax," he said.

Mr Eugene Roelofse, ombudsman of the SA Council of Churches, has appealed in a last-minute telegram to the Minister of Finance for the exemption of basic foods.

Traders want add-on sales tax

RDM 12/10/78

380

AN Association of Chambers of Commerce (Assocom) survey has found that an "overwhelming majority" of the motor trade and wholesalers and a "clear majority" of retailers want the new general sales applied on an add-on basis.

However, a "substantial minority" of retailers want the add-in system.

The survey was undertaken at Assocom's request by the Bureau for Economic Research at the University of Stellenbosch.

Several hundred retailers, wholesalers and businessmen in the motor trade were asked whether the add-in or add-on system was preferred; whether most of their customers were white or black; and whether the tax would affect turnover.

Of the wholesalers, 80% are choosing the add-on system and 20% the add-in. Of those in the motor trade, 86% are adopting the add-on system and 14% add-in. Of the retailers, 54% are opting for add-on and 46% for add-in.

There was a marked difference between retailers who sell predominantly to whites and those who sell predominantly to blacks.

Of the former, 69% will use add-on and 31% add-in. Of the latter, 64% will use add-in and 36% add-on. — Sapa.

You'll even pay tax on bread

12/6/78

320

R.D.M

By GERALD REILLY
Pretoria Bureau

BREAD will carry the full weight of the 4% general sales tax to be introduced on July 3.

This is the likely decision after a meeting in Cape Town last week between the Minister of Agriculture, Mr Hendrik Schoeman, and the Minister of Finance, Senator Horwood, on whether the R20-million allocated in the budget to support food subsidies should be used to counter the effect of the GST on the bread price.

Senator Horwood said he would make the decision known on Wednesday during the second reading stage of the GST enabling legislation in the Assembly.

It is understood that a decision has been taken that the R20-million can do the greatest good for the greatest number of people if it is used to minimise the bread price increase certain to be announced from October 1.

Mr Schoeman warned earlier this year that if the increased demand for brown bread, because of the 9c a loaf gap in the prices of brown and white bread — was maintained, the R40-million bread subsidy would dry up.

And this is what is happening. The consumption of brown and wholewheat bread has increased to about 65% of total bread consumption and it will be impossible to maintain current prices beyond the end of September.

'Cut oil,

focus Cape Times 13/6/78 (320)

The Great Tax Tangle

JULY 4 is fireworks day in the US. There'll be fireworks here on July 3 with the start of the new sales tax. Add-in or add-on. The debate rages. Assocom unfortunately recommended that shops should choose which is great for the shops but not for the consumers. Unless we're wide awake we won't know until the till how much we're paying.

Comparison shopping is a thing of the past unless you've a calculator handy. And we're talking about a country where many people are battling over the price of bread and milk, let alone fancy gadgets. It's all very well saying that it will be clearly marked whether a particular store is add-on or add-in. There's already a language problem for most of our population without trying to explain why something marked R1,00 actually costs four cents more.

The worst of the deal happens in the supermarkets. Pick 'n Pay and OK have opted for add-on. Checkers is going for add-in. No-one seems sure what the shoppers want.

Molly Green asked them.

Mrs Janet Steer: "When the tax is added on at the till it is clearly reflected..."

Mrs Frances Farmer: "... I must know what I am paying for".

A SURVEY of shoppers at the Gardens Centre last week showed that women are divided over the new tax.

Most people interviewed were shopping at Pick 'n Pay which has decided to add the tax on at the till. They are regular shoppers at this store and even those who felt the tax should be added in said they would continue to shop there.

But Mrs Janet Steer of Oranjezicht who admits she is not a "good consumer" said that she has a friend — a once faithful Pick 'n Pay shopper — who has decided to change to Checkers once the sales tax is implemented because she feels that the add-in system is better.

Mrs Joan Malt of Vredehoek said that she thought it would be easier for shopper and cashier alike if the tax was added on at the till.

Mrs Helga Jutz who was shopping with her nine-year-old daughter Stephanie was firm that it was better to add the tax in.

Mr and Mrs John Jones of Camps Bay who were doing the weekly shopping together were equally firm that it should be added on.

"I don't see any other way to do it," Mr Jones said.

Mrs Isna Liebentritt, who was shopping with Mrs Esther Hauman and a baby apiece thought for a time before answering.

Cape Times

13/6/78

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"I myself prefer the add-on system. When the tax is added on at the till, it is clearly reflected as actual tax and the consumer will gain in the long run. Black shoppers, who are the most careful and clued-up of consumers will know instantly if the shelf price includes tax or not. But for comparison shopping it would probably be better for them to add the tax in."

Mrs Amelia James of Witford Street, Cape Town would rather the tax was added to the shelf price than added on at the till.

"Otherwise you might get to the till and find that you don't have enough money to pay the tax."

Mrs James shops weekly and will not change her allegiance to Pick 'n Pay even though it intends to add the tax on.

"I think it is better to add it on. I didn't think this would happen in South Africa. People in Europe have got used to it."

Mrs Hauman said that as prices were going up all the time, it did not matter to her one way or the other if shops added the tax in or on.

"It will come to the same thing in the end."

Mrs Frances Farmer who works for a bowls club in Oranjezicht and lives in a flat on the premises said: "The tax must be added to the shelf price. I must know what I am paying for."

One shopper, who works at a restaurant, said that she had not given much thought to which tax system would be better.

"I'm just worrying what we at the restaurant are going to do when the time comes to implement the tax."

Mrs Helga Jutz: "Add in, definitely..."

Mrs Esther Hauman: "It does not matter one way or the other. It will come to the same thing in the end."

Tariff rise may follow sales tax

13/6/78 (320) R.Dm

By GERALD REILLY
Pretoria Bureau

THE 4% General Sales Tax will raise pressure for higher Post Office and Railway tariffs, sources said yesterday.

The Railways and Post Office will have to pay the new tax on most of their capital purchases — an additional cost to be recovered in some form from the public.

Neither the Railways nor the Post Office is affected directly by the tax — present charges and all services, air, rail and harbour, will not be taxed.

A spokesman at Railway headquarters in Johannesburg yesterday estimated the tax to be paid on railway purchases this year would add about R40-million a year to railway costs.

Economists say this will lead to a review of Railway tariffs.

It is understood the Minister of Transport, Mr Louwrens Muller, has discussed the possibility of a State subsidy to absorb the extra capital expenditure with the Minister of Finance, Senator Owen Horwood.

The Post Office's total expenditure is expected to rise by about R6-million because of the tax.

At least half of the Post Office's estimated expenditure of R371-million this year will be subject to the new tax.

A tariff increase is inevitable within the next four or five months.

Plea to change new sales tax

13/6/78 RDM (3720)

A LAST-MINUTE appeal to the Minister of Finance to lift a new burden from poor people by changing the sales tax regulations has been made by the ombudsman for the South African Council of Churches, Mr Eugene Roelofse.

In a cable sent to Senator Owen Horwood's office last Friday, Mr Roelofse said the new tax — which comes into force on July 3 — would hit lower income families hardest.

"This final but sincere and urgent appeal is being made to you, Mr Minister, and to your Cabinet colleagues, to give 11th-hour reconsideration to the drastic step you are proposing to take by taxing, at an estimated rate of R1 500 000 per shopping day, foodstuffs which are so essential to the poor and the hungry," he said.

In his cable Mr Roelofse said:

- A five-person Soweto family, earning R169,97 a month (Senbank profile) would pay sales tax on 93,5% of its expenditure compared with a 60% payout for people earning R6 000 a year.

"We therefore believe that an exemption on basic foodstuffs and medicines is the least that we can ask for on behalf of the poor."

- It had been contended that the abolition of poll tax on blacks would ease the burden of the new sales tax, but this was not true as poll tax was R2,50 a year while the new tax would amount to about R76 a year for those on the breadline — about 30 times the poll tax.

- Recent increases in rail tariffs, maize prices and several other basic foodstuffs had already dealt a severe blow to the poor of all races.

- The Government had several alternatives it could use rather than introducing tax on basic foods and medicines — one was to prevent "the wasteful expenditure of taxpayers' money".

This included grants to model boat enthusiasts — R18 000 for 420 participants; to tug of war — R77 600 for 1 500 participants; and to power boating — R36 720 for 200 participants.

- The loss of R28-million on the export of maize last season was followed by an 18% increase in local prices, and even bigger losses were expected.

- Despite statistics to the contrary, a greater proportion of the population was being added to the category of the poor.

"It is no longer simply a case of inconvenience or annoyance at a price rise — essentials are being cut down and in many cases being done without. It is important for the welfare of the little people of this country that the government should now show compassion", Mr Roelofse said. — Sapa.

3Z0 14/6/78 RDM

Last-minute reprieve on tax unlikely

By GERALD REILLY
Pretoria Bureau

LABOUR leaders and black community leaders clung to lingering hopes last night that the Government would relent and exempt basic foods and commodities from the General Sales Tax.

The measure to introduce the new tax from July 3, tabled in Parliament by the Minister of Finance, Senator Owen Horwood, yesterday, will bring in about R1 000-million in the current fiscal year.

The Trade Union Council of South Africa and the South African Confederation of Labour have both strongly recommended exemptions. The call has been supported by the National African Federated Chamber of Commerce.

Sen Horwood, however, with the backing of the Federated Chamber of Industries and the Association of Chambers of Commerce, is not likely to grant an eleventh hour reprieve to items like bread, milk and mealie meal, it it understood.

Today during the second reading of the measure Sen Horwood will explain the new tax, which gives far greater emphasis in the country's fiscal system to indirect as opposed to direct taxation.

The Department of Finance has had to recruit 400 more staff members.

The Secretary for Inland Revenue, Mr W J H van der Walt, said yesterday an abridged guide on the new tax would be issued with vendors certificates as soon as the legislation had passed through Parliament.

The president of the National African Federated Chamber of Commerce, Mr Sam Motsuenyane, stressed the "disastrous" effect the tax would have on the already severely depressed living standards of the thousands of black families living on or near the breadline.

He claimed it was a grossly unfair tax. "When we have equal pay for equal work then we can talk of a universal tax of this kind. What we have now is unequal pay and work opportunities and equal taxation."

Ex-Lions captain defends violence

Own Correspondent

LONDON. — A former British Lions captain Mervyn Davies has defended rugby violence in a court case.

In the dock was a Welsh skipper John Billinghurst, accused of inflicting grievous bodily harm on a Borstal officer, George Grist, 37, of the opposing team.

Billinghurst, 27, pleaded not guilty. He admitted having struck Grist, but claimed it was in retaliation for a foul tackle on a teammate.

Davies, called in Billinghurst's defence, said: "In my experience, players have been deliberately helped off the field, if you like, by over-attentive marking by their opposition. I would have felt myself a very poor player if I hadn't received such attention."

The case continues.

Blue blood boils at hunt ban plan

Own Correspondent

LONDON. — The Labour Party's plan to abolish blood sports if it wins the next election has Britain's huntin' and shootin' aristocrats baying with rage.

Fox hunting could eclipse inflation, immigration and integration as the hottest election issue in decades.

Cause of the furore was a decision on Monday night by the Labour home policy committee, led by Mr Anthony Benn, Secretary of Energy, to call for a ban on fox hunting, hare coursing, beagling and stag hunting.

The committee called blood sports cruel, inhumane, barbaric, and stag hunting grotesque.

Major-General James Majury, secretary of the Waterloo Cup coursing classic, snapped: "It's got nothing to do with cruelty. It's a question of gross interference with the freedom of the individual."

Maj Ronald Dallas, secretary of the Duke of Beaufort's hunt, said: "This is disgraceful."

The committee has no objection to fishing.

(320) 14/6/78 R.D.M.

RAND DAILY MAIL, Wednesd

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320 15/6/78 R.A.N

Anger as Govt snubs tax pleas

By GERALD REILLY
and SHEILA WING

WIDESPREAD anger and disappointment yesterday met the Government's rejection of eleventh-hour appeals to exempt basic foods from the new 4% General Sales Tax.

And as the Sales Tax Bill was introduced in Parliament by the Minister of Finance, Senator Owen Horwood, economists warned it meant a R1 000-million a year setback to hopes of an economic recovery based mainly on consumer spending.

The Bill makes no provision to exempt basic foods from the tax, which becomes operative in 19 days and will affect most consumer spending — excepting rent, electricity, water, gas and prescribed medicines.

Reaction came from consumer groups, business and trade union leaders and leading black, coloured and Indian figures, many warning of the possible social consequences of the tax, which will place a heavy burden on the poor.

Black, coloured and Indian leaders agreed with the President of the National African Chamber of Commerce, Mr Sam Motsuenyane, that the country's vast under-privileged population was being subjected to a policy of "unequal pay and job opportunities, but equal taxation."

The SA Confederation of Labour and the Trade Union Council of South Africa (TUCSA) warned that the tax on all commodities, particularly basic foods, could precipitate a wave of new wage demands.

The Director of the SA Institute of Race Relations, Mr Fred van Wyk, said that a disturbingly large percentage of SA's vast poor population had long ago come to the end of their resources.

The vice president of Tucsa, Mr Steve Scheepers, said with a conservative official estimate of nearly 700 000 workless blacks in white areas, and 32 000 workless whites, coloureds and Indians, it was "madness" to increase basic food prices.

The leader of the Labour Party, Mr Sonny Leon, said to impose the tax on people who could not afford to pay it could only mean a deepening and spreading of poverty.

A member of the executive of the SA Indian Council and of the Prime Minister's joint advisory council, Mr I F H Mayet, also condemned the Government's refusal to agree to exempting basic foods.

Mr Raymond Ackerman, head of the giant Pick 'n Pay chain, reiterated his call for businesses to pay a higher company tax to enable the Government to exempt basic foods from the tax.

Mrs Joy Hurwitz, president of the Housewives' League, said: "This will undoubtedly push up the inflation rate." Low income groups would be hard hit.

Consumer watchdog, Mr Eugene Roelofse, said: "It will not be the first time the Government has turned a deaf ear to the pleas of churchmen and trade unions made on behalf of the poor."

Mr Rex Glanville, vice president, marketing, for Checkers, said the chain will not charge sales tax on milk and bread for the first month of GST to demonstrate how seriously it feels about exemptions.

Milk products, cigarettes rise

Staff Reporters

THE PRICE of condensed milk, baby food and powdered milk will be increased from today by between 6% and 10%.

Cigarettes and pipe tobacco also go up today. The prices will rise again when sales tax is imposed on July 3.

Today's milk increases result from the rise in price of industrial and dairy milk a few weeks ago.

Powdered milk, considered a baby food supplement and baby food, will increase by between 6% and 10% depending on the milk content in each product.

Condensed milk, including evaporated milk and full cream, is going up 10%. This is an increase of 3,3c on both large and small tin sizes.

Retailers will sell present stock at the old prices, manufacturers said yesterday.

The price of a pack of 20 cigarettes will go up by 1c — from 43c to 44c.

Pipe tobacco will cost 3c more for a 100g pack.

The increases are designed to meet higher transport, packaging, fuel, leaf tobacco and labour costs, spokesmen for the tobacco industry said yesterday.

The new sales tax is expected to add 2c to a pack of 20 and 3c to a pack of 30 cigarettes.

'Food tax will hit the poor'

Political Staff

HOUSE OF ASSEMBLY. — The Minister of Finance, Senator Horwood, and the Opposition clashed yesterday in the Assembly over the imposition of sales tax on basic foods — milk, meat, bread, and also medicines.

It hits the poor, said Dr Zac de Beer (PFP, Parktown) and Mr Bill Sutton (NRP, Mooi River). But Mr Theo Aronson (SAP, Walmer), said this was an over-simplification.

All three spokesmen however opposed the Bill, though for differing reasons. But the Minister rejected claims that the poor would suffer most.

Senator Horwood, said much had been said in the Press about exclusions of basic foods, such as milk, meat, bread and also medicines.

"Not only would such exceptions be the breach in the dyke, but they would benefit rich and poor alike, except that only the rich, who buy more milk, meat — and more expensive cuts — and medicines would stand to gain more," Sen Horwood said.

The poor, he said, would not benefit at all through the exemption of medicines because they could obtain their medicines and medical attention at hospitals "for a minimal fee, if not entirely free, and they make good use of such facilities".

Sen Horwood said professional fees would not be subject to tax and any injection administered or goods rendered during the time of treatment would also not be taxed.

The Minister explained: "Each exclusion or exemption would increase the possibility of a rise in the rate of the tax as the base is narrowed, and each rise in the rate of tax would increase the necessity for exempting certain commodities to relieve the burden on the lower-income groups.

"It would therefore become a vicious circle which should be avoided at all costs." He said the remedy lay in the raising of the standard of living for everybody.

Price 12c

Add-on tax will cost R50m

DURBAN. — It would cost South African businesses an additional R50-million a year in audit fees to collect the new general sales tax by the add-on method and there would be chaos.

Dr F Berkhout, a senior official of the Department of Inland Revenue, gave this warning in Durban yesterday.

He was addressing a seminar organised by the Durban Chamber of Commerce and the Natal Chamber of Industries.

Dr Berkhout strongly urged businessmen to adopt the add-in system.

The auditing profession at the moment did not have adequate staff to cope with even ordinary company tax returns, he said. — Sapa.

New tax bill a 'reform', says Senator Horwood

HOUSE OF ASSEMBLY.—The Minister of Finance, Senator Owen Horwood, said yesterday he believed the time had come to strike a more-balanced distribution of the tax burden.

Introducing the second reading of the Sales Tax Bill, Senator Horwood said the bill was probably the most comprehensive tax measure to be introduced in South Africa since the introduction of income tax in 1914.

Tax reform

"It also heralds the start of what could be termed a tax reform programme in the sense that it will bring about a gradual move from direct to indirect taxation in order to achieve a more balanced distribution of the tax burden."

There was no magic formula for the ideal tax mixture.

For South Africa, however, with a ratio of 64:36 direct to indirect tax revenues in 1977/78, he believed the time had come to redress this imbalance and to strike a more-balanced distribution of the tax burden.

"With the introduction of the sales tax and the reduction in direct tax in 1978/79, it is estimated that the ratio will change to 62,4 percent direct tax to 37,6 percent indirect tax.

"It must be remembered that the change will not have its full effect in this year as the new tax will only come into operation as from July 3, 1978."

Senator Horwood said he expected the sales tax to give greater manoeuvrability to the fiscal authorities.

"It was the intention to scale down, and hopefully abolish, certain other forms of indirect taxes, such as the present sales duty which had already been partly reduced, and the surcharge on imports.

"The speed with which these adjustments will be brought about will depend on the performance of the sales tax introduced by this bill," he said.

It was an insult to South Africa's business community to say the free choice of the proposed "add-in" or "add-on" sales tax system would provide many opportunities for businessmen to "skin" consumers, Senator Horwood said.

He said the "add-on" or "add-in" system had led to many uninformed and unsubstantiated allegations.

He said the decision as to whether the tax should be added to and included in the final price of each commodity (add-in), or whether the tax should be added to the total amount (add-on), was not a tax measure.

"Whatever system is adopted, the final tax will be calculated by the vendor and paid over to the Receiver of Revenue in exactly the same way and in the manner prescribed in the bill."

Alternatives

Either system had its advantages and disadvantages in relation to its application to a particular trade and it was the right of the vendor, who had to administer the system, to decide which alternative would best suit his particular business.

While the majority of enterprises had favoured the "add-in" system at the start of the discussions, it later became evident that there was a marked diversity of opinion.

It had been decided the decision to use either "add-on" or "add-in" systems should be left to the commercial sector which would have to apply the system.

"The outcome of a survey conducted by Assocom showed that the overwhelming majority of chambers, 51:14, in fact, were in favour of a choice being permitted.

"The FCI also favoured a free choice, while the Handelsinstituut favoured an 'add-in' system.

"Practical experience in this field and customers' choice will eventually determine which system a trader will follow, and, as for price comparison, safeguards have been built into the free choice by requiring the vendor to indicate clearly whether the prices shown are inclusive or exclusive of tax," said Senator Horwood.

"I think that this whole issue has been blown up out of all proportion, and would suggest that criticism be withheld until the system is in operation," Senator Horwood said. — Sapa

Welfare bill passed

THE SENATE. — The National Welfare Bill was taken through all stages in the Senate yesterday with the support of the New Republic Party. The only Progressive Federal Party senator, Eric Winchester, opposed it.

Two non-contentious bills, the Copyright Bill and the Protection of Business Bill, were read a third time with opposition support. — Sapa

Senator Horwood

Mr Bill Sutton

Dr Zach de Beer

Tax a 'burden on the poor', says Sutton

HOUSE OF ASSEMBLY. — The New Republic Party supported a general sales tax in principle but was against the way the government proposed implementing it, Mr Bill Sutton (NRP Mooi River) said yesterday.

He said the NRP would oppose the second reading of the Sales Tax Bill because many items essential to the production of food would be taxed, increasing the input costs of farmers and thus the ultimate cost of basic foodstuffs.

It also taxed the basic foodstuffs of the consuming public, considerably increasing the burden on the poorer sections of the community and it taxed allowable medicines prescribed by medical practitioners, dentists and veterinary surgeons.

Mr Sutton said he supported the principle of a general sales tax because it would go a long way to redressing the serious imbalance between direct and indirect taxation.

The PFP completely opposed the imposition of the general sales tax as it would shift the tax burden significantly from the rich to the poor, Dr Zach de Beer chief opposition economics spokesman, said yesterday.

Dr De Beer (PFP Parktown) moved an amendment opposing the second reading of the Sales Tax Bill for this reason.

The amendment also said the tax would be inflationary, that certain of its provisions would be difficult to administer and that too little time was being allowed for the implementation of the system.

"All normal household budget items are affected by the tax. There is no family in the country that will not be affected by it."

Under present economic conditions where high inflation coincided with a halt in economic growth and actual income was therefore dwindling, the normal man was unable to save. The government should consider subsidising basic foodstuffs like bread, mealie-meal and oats to lessen the burden on the poor.

In addition to its painful effects on the poor, there was little doubt that there would be difficulty in applying certain provisions.

For example, in his interpretation of the bill, a farmer who used or consumed any of his own produce on his farm would have to place a value on that product and declare that to the taxman. Hoteliers would have to place a value on the food they gave to their staff.

He said it was the silliest thing in the world to have both an add-on and add-in system.

The new sales tax would in years to come provide millions of rands of which a large part would be spent in areas occupied by the poorer sections of the South African population, Mr Theo Aronson (SAP Walmer) said.

He rejected the official Opposition's "simplistic" view that the new tax was a tax on the poor, saying that such utterings would inflame feelings.

His party did not support the bill, mainly because it believed that sales duty and the general sales tax should not be operating at the same time. However, they could not associate themselves with the PFP's view. — Sapa

Sales Tax Bill

Today's business

- Resumption committee stage, Sales Tax Bill.
- Resumption of committee stage, Fund-Raising Bill.
- Committee stage, Second Bantu Laws Amendment Bill.

in Parliament

Horwood plugs tax loophole

HOUSE OF ASSEMBLY. — The Income Tax Bill provided for action against people involved in schemes enabling them to evade, defer or lessen their taxability, the Minister of Finance, Senator Owen Horwood, said yesterday.

Introducing the second reading of the bill, he said at present the Secretary of Internal Revenue could take action only if he could prove that, inter alia, the scheme, action or transaction involved had as its sole or main aim the evasion, deferment or lessening of taxability.

It was difficult to prove that people indulged in these actions or became involved in these schemes to evade taxation, and the amendment to the act was designed to empower the secretary to take action in all cases where the transaction or scheme was conducted "in an abnormal fashion and resulted in the evasion of income tax".

"The fact that the avoidance of income tax was not the only, or even one of the most important reasons for the scheme, will no longer prevent the secretary acting effectively against those liable for tax in cases like these," he said.

The bill also provided for minor tax concessions to farmers who, through no fault of their own, had to dispose of all or part of their livestock.

Where previously only farmers who had had the misfortune of droughts and widespread livestock diseases qualified for concessions, the bill now provided for the victims of serious plagues and veld fires to share in the tax benefits.

Provision was also made in the bill for people becoming partners in firms "not incorporated", not to withdraw from the firms' pension schemes, as was required at present.

The bill also gave effect to the Budget proposals introduced by the minister earlier during the session. It imposed rates of normal tax on individual companies, provided for certain new exemptions and minor concessions announced in the Budget and affected some technical amendments to the act, he said. — Sapa

Medicines also subject to tax

HOUSE OF ASSEMBLY. — Medicine supplied by doctors, naturopaths, veterinary surgeons, homeopaths and herbalists would also be subject to sales tax, the Minister of Finance, Senator Owen Horwood, said last night.

Introducing the Sales Tax Bill, Senator Horwood said the tax would be applied in the same way as medicines sold by chemists.

Where the turnover of the sales of medicines and potions exceeded R5 000 the seller would have to register as a vendor in terms of the Bill.

Professional fees would not be subject to tax and any injection administered or goods rendered during the time of treatment would also not be taxed.

"Much has been said in the press about exclusions of basic foods, such as milk, meat, bread and also medicines. Not only would such exceptions be the breach in the dyke, but they would benefit rich and poor alike, except that only the rich, who buy more milk, meat — and more expensive cuts — and medicines would stand to gain more.

"The poor would scarcely benefit at all through the exemption of medicines because they can obtain their medicines and medical attention at hospitals for a nominal fee, if not entirely free, and they make good use of such facilities," Senator Horwood said." — Sapa

Horwood: No tax escape

HOUSE OF ASSEMBLY. — It was completely untrue to say that by buying wholesale with a business card people would be able to escape the proposed general sales tax, the Minister of Finance, Senator Owen Horwood, said last night.

"All, and I repeat all, sales will be subject to tax unless the purchaser is in possession of a vendor's certificate issued by the Department of Inland Revenue."

Referring to commodities purchased tax-free, Senator Horwood said these would not escape the tax entirely as they would be purchased for resale, either in their original form or as raw material or components which would be resold in the form of a manufactured article. — Sapa

No mercy for those who evade tax

HOUSE OF ASSEMBLY. — The Minister of Finance, Senator Owen Horwood, last night warned businessmen who deliberately tried to evade the proposed new sales tax that they could expect no mercy if caught.

Introducing the new Sales Tax Bill, Senator Horwood said that while his department's attitude would be one of assistance, strong action would be taken against evaders.

"That there will be problems is certain, but no problem is insurmountable if approached with the right attitude."

He wished to warn offenders that the money they had to pay to the State was not theirs, but that which the public had paid over to them.

"Offenders, when caught, can expect little mercy."

Exemption from the tax was provided by means of a registration certificate on a trade basis.

Senator Horwood said he wished also to warn undertakings not yet in possession of such certificates that if they were not registered at the time of the introduction of the tax, they would have to pay tax on the purchases of their stock.

At the same time they would not be exempted from the responsibility of paying the tax which was due on their sales. — Sapa

TABLE 19.

NYANGA EMPLOYER DORMITORIES - STATISTICAL DATA

i) DORMITORIES	1	2	3	4	5	6	7	10	11	12	13	14	18	19	20	21	22	23	24	25
1. Number of Beds	29	46	31	20	40	38	23	40	40	40	40	20	16	20	40	40	36	34	26	24
2. Floors -																				
Cement	-	1	1	1	1															
Wooden	1	-																		
3. Stove	-	-	1	-	1															
4. Roof Leaks	1	1	1	1	1															
5. Electric Light	-	-	-	-	-															
ii) TOILET																				
Showers	-	-	-	-	-															
Taps	-	1	1	1	1															
iii) COMMON TO EACH SHED																				
Length																				
Breadth																				
Kitchen facilities																				
Sink inside																				
Lockers																				
Hot water in toilets or elsewhere																				
Drains & Gutters																				
Walls																				

i) DORMITORIES	26	28	29	31	32	34	35	36	41	42	43	44	45	46	48	49	50	51	73	74	75
1. Number of Beds	24	32	25	16	20	32	32		24	24	15	16	16	20	34	32	30	37	26	26	26
2. Floors -																					
Cement																	1	1	1	1	1
Wooden																					
3. Stove																	1	-	-	1	1
4. Roof Leaks																	1	1	-	-	1
5. Electric Light																	-	-	1	-	-
ii) TOILET																					
Showers																			-	-	-
Taps																	-		-	-	-
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Kitchen facilities																					
Sink inside																					
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Hot water in toilets or elsewhere																					
Drains & Gutters																					
Walls																					

Bill on the sales tax is published

15/6/78 320 R.D.M

HOUSE OF ASSEMBLY. — A Bill which gives effect to the general sales tax proposals, scheduled to come into operation on July 3, was published in the Assembly yesterday.

In terms of the Sales Tax Bill, tax will be calculated at the rate of 4% of the taxable value of every sale of goods concluded on or after the commencement date.

The Bill, introduced by the Minister of Finance, Senator Owen Horwood, and which has been read a first time, was the subject of a four-hour debate in the Assembly yesterday.

The Bill makes it an offence for any vendor — defined as a person carying on an enterprise — to advertise or hold-out or state to the public or to any purchaser, directly or indirectly, that the tax imposed or any part thereof will be borne or absorbed by him.

It will also be an offence for a vendor to state that such tax will not be considered as an element in the price to the purchaser, or, if added to such price, that such tax or any part thereof will be refunded.

A fine not exceeding R200 or jail not exceeding three months, or both, is provided for vendors found guilty of such contraventions.

The Bill further provides that a vendor may in certain circumstances include the tax in the price or amount charged — the add-in method — or he may add the tax to the price or amount charged, showing the tax separately — the add-on method.

Vendors are also compelled to display prominently at all entrances to business premises and points where payments are made an appropriate notice as to whether the add-in or add-on method is applied.

Where the add-on method is used, the tax added must be stated on any invoice, cash slip or other statement relating to the transaction.

Where several items are involved the tax must be calculated with reference to the total amount payable for the items.—Sapa.

TAXATION

16/6/78 — 30/7/78

of some of the present rooms, which means that the lighting and ventilation

to regu

SALES TAX

(320)

Getting clearer

FM 16/6/78

While the basic principles and objectives of the Sales Tax Bill are the same as those in the earlier draft bill, objections and representations by the private sector have yielded a number of important changes in the fine print.

The vexed question of add-in or add-on is still left to choice by individual vendors. In the case of auctioneers and financial leases, the add-on method must be used.

Where the add-on method is used, the tax added must be stated on any invoice, cash slip or other statement. Where several items are involved, tax must be calculated on the total amount payable by the end-user.

All vendors must display prominently at all entrances to business premises or points of payment notices indicating which method is applied.

Vendors can switch from one method to the other at the start of a new collection period.

Advertisements stating prices must indicate whether they are inclusive or exclusive of tax, while vendors using the add-on method must display rounding-off tables at all points where payments are made.

The bill clears up a lot of uncertainty about financial leases and rental agreements. Tax on financial leases is levied at the start of the agreement and is based on a cash value, whereas in the case of a rental agreement tax is on rentals.

Where any lessor under a financial lease sells or alienates the goods in question, it shall be deemed to be a sale of goods and liable for tax.

The bill says a deal is a rental agreement if it provides for the payment of rentals on moveable goods — and includes the cost of the services of a driver or operator.

Exemptions: any rental on a financial lease; taxis and busfare; fees charged by lending libraries supported by public funds; rentals payable under charter party on a foreign-going ship or plane; any royalties on movies, TV shows, discs or advertising matter.

Contractors whose costs will be inflated by the tax may recover such costs from the person paying the contract price but it remains an offence to advertise that the tax will be absorbed by a vendor.

Where items like cars, motorcycles, yachts and fishing boats are sold and ownership has to be registered in terms of any law, registration may not proceed until proof is furnished that sales tax has been paid or will be paid.

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The Urban Problems Research Unit, established in 1975, has - with the co-operation of BAAB

housing conditions in the Peninsula's Black

ating the major problems encountered by both

seeking practical solutions. A report of its findings is presently being prepared but already some of the more urgent problems have become apparent and, it is felt, might be lessened by changes in the following areas :

i) the design and preparation of plans for house alterations that are inexpensive and meet with the requirements of the local authorities,

ii) a streamlining of the approval process,

iii) methods of making finance available for both home improvements and the building of new family houses,

iv) the possibility for the Blacks to own their own homes in the urban area.

The report of this research project will deal with these and other recommendations in detail. It is felt, however, that in the present climate of urban unrest much could be gained through practical and positive steps being taken in the areas mentioned above by persons, organisations or authorities who are able to contribute.

NM 16/6/78

Pensioners will be hit by GST

(320)

Financial Editor

...im for pensioners when the general sales tax comes into force ... majority do not know how they will meet the costs involved.

The owner of a Durban boarding house said yesterday that the pensioners who lived in her establishment drew a monthly pension of about R73. They were charged R83 for a month's accommodation. The balance was made up by pensioners' relations or friends.

"Next month we will have to charge them GST on their food and increase their overall tariff because of the effect of GST on the running costs of our business."

The increase would amount to about R5.

A pensioner told me that the tariff in her boarding house had been increased in January.

"I do not know what I will do about the GST rise which I am sure will be passed on to me."

A businessman told me that GST would give a "mighty boost" to inflation.

"It will also cause a restriction on the spending of people and this will be a serious matter for retailers."

Among questions put to the Mercury's tax answering service yesterday were the following:

- My company is completing a major engineering contract for pressure vessels which will be delivered in about six months' time. Will my client have to pay GST on the uncompleted part of the contract?

...e Yes.

- My daughter imports goods from Australia which are sold to local schools. Does she have to obtain a vendor's certificate?

Yes. The schools must pay tax on what they buy.

- I sell sand to builders. Do I have to charge sales tax?

Yes.

Labour

- My husband fixes floor coverings in buildings. Does he charge sales tax on his labour?

Yes.

- A tuckshop has a turnover of more than R5 000 a year and it sells a wide range of products other than food. Does it have to charge sales tax?

Yes.

- I have a machine that dispenses cool drinks into plastic cups. How do I charge GST?

How it is done is your business but the Receiver of Revenue will require 4 per cent on your total turnover.

- I distribute a free advertising sheet in which people buy advertising space. Should I pay GST.

No.

- I supply spare parts and needles for knitting machines. These are used in ... Should I charge GST?

...

[illegible]

... have ... [illegible]

At your service...

Financial Editor

THE Natal Mercury's sales tax answering service had dealt with more than 350 questions up to noon yesterday. The service began on Monday.

Copies of the final draft of the GST Bill have been received from Cape Town with an explanatory memorandum. The Bill has jumped from 67 pages to 97 pages and includes a number of amendments. These are being studied.

Meanwhile, the Natal Mercury's answering team is in daily touch with the Receiver of Revenue, Durban, to discuss border line cases and "grey" areas in the Bill.

Changes in tax Bill affect many

Deputy Financial Editor

THERE are a large number of changes incorporated in the new Sales Tax Bill which the Mercury's tax-answering service will use from today. Major change concerns the construction industry.

Some of the new answers that emerged yesterday from questions put to us by the more than 100 callers were:

Meals at school tuckshops, canteens in works and local authorities, and meals supplied during board and lodging where an inclusive charge is made are not classified as sales.

Sales of sweets, cigarettes, minerals and groceries are subject to tax.

A person who imports religious and hobby books and sells less than R5 000 worth a year will not have to collect GST, but it will be levied on the import price plus 10 percent by the Department of Customs.

The sale of Kruger Rands, bank notes, postage stamps will be taxed when they are classified as collectors' pieces. The primary sale by a bank or post office will not be taxed.

A free-lance photographer will charge GST on the full price even though this includes his transport and labour costs. He must be registered to obtain his goods free of GST.

A broker who offers to arrange the hire of space on buildings or billboards, or in newspapers for advertising will not register for GST.

A sugar wholesaler who buys hessian bags to sell sugar in will not be charged GST on the containers which are essential for his selling the sugar. If he bought a container to ship the hessian bags of sugar in he would pay GST on the container.

A television repairman who offers a contract to repair a television set for a fixed period and for any fault will have to collect GST on the full contract price.

A fencing contractor who erects a fence on site will not have to register. The on-site criteria determines whether he registers.

An architect who supplies copies of plans to his clients as part of his building services will not collect GST.

But if he offers a blueprint service as a sideline he will collect GST.

NO TAX ESCAPE

A divorcee rang up the Mercury's tax answering service.

She asked: "My former husband ... pays all my ... by order of the Court. Do I have to pay ... [illegible]

RDM 16/6/78 (320)

Don't be fooled by rush for sales tax

By VITA PALESTRANT

GOODS paid for before July 3 are not subject to general sales tax even if delivery comes after the launching date.

This was said yesterday by a Department of Inland Revenue spokesman after worried consumers phoned the Rand Daily Mail's **GST WATCHDOG** saying firms were demanding the 4% levy on goods already ordered and paid for.

The Inland Revenue spokesman said: "The tax is levied at the point of payment and has nothing whatsoever to do with delivery dates".

Mr Eugene Roelofse, ombudsman for the South African Council of Churches, said: "The tax only comes into effect on July 3, and a dealer who attempts to collect it before then should be reported to the police.

"I believe a comprehensive set of regulations to protect the consumer from GST exploitation should be promulgated without delay."

He added: "Heavy jail sentences and confiscation of stocks should be the cornerstone of such regulations."

Mrs Joy Hurwitz, president of the Housewives League, said: "It is quite clear that consumers are not required to pay the tax before July 3. Any demand that they do should be questioned immediately."

They thought the two systems of add-in and add-on would create problems.

● The GST WATCHDOG service is available to all members of the public who have questions or complaints about GST: Phone 28-1500 and ask for Ext 314.

Sorg betyds vir ekstra sente

VERBRUIKERS moet hulself vroegtydig klaar maak vir die ekstra 4 persent wat op feitlik elke moontlike artikel gehef gaan word wanneer die nuwe Wet op Verkoopbelasting op 3 Julie in werking tree.

Feitlik die enigste pryse wat dieselfde gaan bly, is vir:

* Huur vir woonstelle of huise;
* Elektrisiteit, gas en water;
* Gelde aan beroepsmense soos dokters, tandartse, argitekte, raadgewende ingenieurs en rekenmeesters.

Vir die res moet daar ekstra sente in die sak wees om die 4 persent belasting te dek. Die volgende byvoorbeeld:

* Medisyne wat op voorskrif by 'n apteek gekoop word.
* Brilglase- en rame, asook kunstande. ('n Brilraam wat R50 kos, sal 'n pasiënt byvoorbeeld R2,00 ekstra aan verkoopbelasting kos.)
* Motors, meubels en TV-stelle. ('n Motor van R5 000 sal R5 200 kos. 'n Sitkamerstel van R300 sal R312 kos.)
* Sigarette en drank. ('n Pakkie van 30 sigarette wat 67 sent kos, sal met 3 sent styg: 70 sent. 'n Bottel Whisky van R5,99 sal R6,23 kos.)
* Melk, koeldrank, brood en voedsel. (Melk styg 1 sent per liter: 37 sent. Witbrood styg ook 'n sent: 26 sent. Bruinbrood styg 1 sent: 17 sent.)
* Petrol. (Supergraad styg van 28,6 sent per liter tot 29,74 sent per liter.)
* Huise. (Omdat arbeid die helfte van 'n huis se boukoste uitmaak — waarop nie belasting gehef word nie — word bereken dat die prys van 'n nuwe huis sowat 2 persent duurder sal word. 'n Huis van R25 000 sal dus R500 meer kos).

HANDELAARS VERWARD OOR KOOPREG

(320)

daffert 18/6/78

Dit sal R10 kos

HOE word die gemiddelde huishouding deur die nuwe Wet op Verkoopbelasting geraak?

● Sowat R10 per maand ekstra sal uit die sak moet gaan om die 4 persent of alle verbruikersgoedere te dek, het ekonome vandeesweek die situasie opgesom.

Deur KOBUS BOTHA

CHAOS en verwarring wag op Suid-Afrika wanneer die nuwe koopbelasting van 4 persent op Maandag, 3 Julie, in werking tree..

Kleinhandelaars en kafee-eienaars wat die koopbelasting moet hef, weet feitlik deurgaans nog nie wat van hulle verwag word nie. Verbruikers tas ook nog in die duister rond en weet nie wat op hulle wag nie.

Die wet is eers Vrydag finaal deur die Parlement goedgekeur. Dit is twee weke voordat die stelsel prakties toegepas moet word. Daar word gevrees dat daar te min tyd is om 'n gladde oorskakeling na die nuwe belastingstelsel te verseker.

'n Blitsopname wat RAPPORT vandeesweek landwyd gemaak het, bevestig dat daar algehele verwarring oor die aangeleentheid heers.

Min mense weet nog wat die verskil tussen die twee

* 'n Vrystaatse afslaer, mnr. Coen Bezuidenhout, het gesê vir hom wag daar chaos. „'n Mens kan onmoontlik tydens 'n rommelverkoping op 'n plein behoorlik boekhou van elke klein transaksie."

* Handelaars wat goedere op rekening verkoop, sê vir hulle is daar geen voorsiening in die wet gemaak nie. „Daar word van ons verwag om die ontvanger stiptelik te betaal, maar dan moet ons tot twee maande wag om ons geld te kry.

„Ons word belas op geld wat ons nog nie het nie," sê hulle. (Lees die tweede

Rapport 18/6/78 (320)

belastingstelsels — eksklusiewe (add on) belasting en inklusiewe (add in) belasting — is. Handelaars wat hulle van die verskil vergewis het, kan nog nie besluit watter een hulle gaan toepas nie.

Kortliks is die verskil tussen die twee dit:

Eksklusiewe belasting beteken dat belasting van 4 persent by die eindpunt gehef word. Indien 'n verbruiker goedere ter waarde van R60 koop, moet hy dadelik 'n ekstra R2,40 (4 persent) betaal.

Inklusiewe belasting beteken dat 4 persent heffing reeds by die verkoopprys van 'n artikel ingereken is. Indien 'n artikel R2,00 gemerk is, is dit al wat die verbruiker betaal.

Die wet vereis dat handelaars duidelik by hul sakeondernemings moet aantoon watter stelsel hulle toepas.

Maar grootskaalse verwarring gaan kom.

So sê ook mnr. Raymond Parsons, uitvoerende direkteur van Assocom. Dit gaan 'n tydjie duur voordat die stelsel glad gaan loop, sê hy.

Wat die lede van sy organisasie betref, is almal op die hoogte gebring van die vereistes van die nuwe wet. Dit was by wyse van seminare en inligtingstukke.

Die Afrikaanse Handelsinstituut het dieselfde vroegtydige maatreëls getref om verwarring onder sy lede uit te skakel.

Nie alle handelaars is egter lede van die twee liggame nie. Vandeesweek was daar openlike onkunde en skouerophalings onder handelaars in selfs die grootste stede in die land. So het 'n paar gesels:

„Ek weet nog nie watter stelsel ek gaan toepas nie. Ek voorsien probleme met albei," het mnr. Thomas Xanthakis, eienaar van 'n klein supermark in Johannesburg, gesê.

„Volg ek die eksklusiewe stelsel, gaan klante by die geldkas stry oor die ekstra wat hulle moet betaal. Hulle gaan dalk artikels net daar los omdat dit nou skielik meer kos as wat dit gemerk is.

„Gebruik ek die inklusiewe stelsel, gaan koop die klant dalk oorkant die straat omdat die handelaar daar miskien eksklusief verkoop en sy artikels is laer gemerk . . . Ek weet nie . . ."

* In Bloemfontein sê kafee-eienaar Manuel de Freitas, wat van seeppoeier tot wegneem-etes verkoop: „Ek is onseker. Ek dink ek sal die belasting by die prys van die artikels invoeg om 'n stryery met die betaalslag te voorkom."

The two-tier bun ... in any event
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if the men are r ... money by buying
unused top bunks ... covered mattress
of foam or other

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of effective dorm ... ever possible
electric plugs s ... can use electric
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electric light. ... han one electric
light.

All dormitories ... t these should be
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wall, in such a ... ens should be fitted
with aluminium

A complete ove ... necessary.
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should conform ... rovide adequately
for the basic ... cludes hot water,
proper sinks, ... covering.

All dormitori ... rainage. A certain
amount of con ... uld be sufficient
for the men t ... road without having
to tramp through mud. Once ag ... d be consulted on a
plan to improve the general surroundings which are presently grey and sterile
for the most part lacking even occasional trees and grass. It should also
be noted that there are no proper recreational facilities in any of the areas.
In fact the Langa employer dormitories encroach on what was initially intended
to be a sports stadium.

Add-on or add-in, but it won't hit travel

CAPE TIMES 20/6/78

320

THERE will be no sales tax on air tickets, the Receiver of Revenue, Mr F K Haenen confirmed yesterday.

He said all enterprises providing transport services were exempt from sales tax – meaning that buses, trains, taxis and aircraft were not liable.

The sales tax is coming into operation next month, and the Federation of Hotels Associations of South Africa (FEDHASA), has issued a manual to all members advising them to use the add-in system in all sections of their hotels.

The government is allowing both the add-on and add-in systems to operate in hotels at the same time.

Mr Schalk Schoombie, the executive director of Fedhasa, said yesterday that if a hotel chose to apply both systems, signs showing which system was being used would have to be put up in different sections of the hotel – such as the reception, the restaurants and bars.

Mr Schoombie explained one of the main reasons why the add-in system had been advised: "Using the add-on system, delays which which we are worried about, could be caused because certain things like telephones are not taxable," he said.

"If the add-in system is not used, then non-taxable items would have to be taken out of the account, tax added to the taxable items and non-taxable items put back onto the account," he said.

But he expected members would make up their own minds and after a few months would find out what was best for them.

Claims by sections of the retail trade that collecting the four percent general sales tax will cost up to four percent, and that they may have to raise prices by as much as eight percent were dismissed by the Secretary for Inland Revenue, Mr W J H van der Walt as "extravagant and exhorbitant," yesterday.

"They are jumping to unjustified conclusions. They must withhold judgment until they have had the practical experience."

But it is still claimed that the smaller traders, who cater more for the needs of lower income groups, and rely on high volume low profits sales, say they may have to add as much as eight percent to prices because of the additional administrative costs of collecting the tax.

Mr Van der Walt said the additional departmental costs involved in administering the new tax would be just over two million rand: this included wages and salaries for the 400 additional staff members.

He is confident of a smooth launching for the R1 000 million a year tax.

Ten days to T-day

General sales tax will be levied from July 3. Here's a guide to the tricky corners

(326) FM 23/6/78

While Californians are busy revolting against excessive taxation, South Africans are heading for a tax revolution of quite a different kind. Ten days from now, on July 3, every one of us, without exception, will start feeling the pinch of the new 4% general sales tax; nearly a quarter-of-a-million of us — the vendors — will join the ranks of Finance Minister Owen Horwood's army of tax collectors.

The time for tears has passed. For households, the task now is to decide what to cut down on. For traders, it is, in the words of Assocom's boss, Raymond Parsons, "to apply the rules of the game, not argue about them."

The rules are very explicit. General sales tax is a 4% levy at the point of final sale to the end user. It is levied on sales of all moveables not intended for resale or export, on leases of moveables, and on certain defined services. There are some exemptions, which are all clearly defined.

There are three key documents. They are the Sales Tax Act itself, the Department of Inland Revenue's explanatory memorandum, and its comprehensive guide for vendors, written in layman's language. The last is being posted to vendors with their registration certificates.

If these documents are read in conjunction with the *FM*'s own guide to gst (*FM* April 7), which Inland Revenue Secretary Mick van der Walt has recommended as essential reading, much confusion can be avoided.

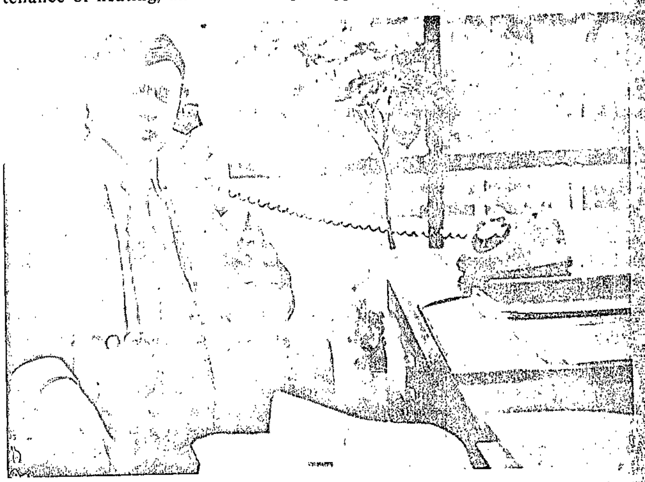
What are the issues that are worrying businessmen? Assocom's Geoff Tyler reports an obsession with exemptions. What are end-products and what are not?

Now that the act has been published, businessmen will find the answers they need in the accompanying five schedules. These define taxable services, spell out the exemptions (for manufacturing, printing, mining, quarrying, farming, fishing, catering, hotels, and other accommodation enterprises) and list exempted imports. If an item is not mentioned in the schedules as exempt, it is not exempt.

What the act also does, unlike the earlier departmental proposals, is to go into detail about the construction industry. It defines those services that are taxable. For instance, the repair or maintenance of heating, air-conditioning, flooring (other than brick or concrete), carpeting, lifts and escalators is a taxable service "whether or not such asset is moveable or immoveable property." It also defines construction services that are exempt from tax.

The act differs from earlier departmental proposals in other ways as well. Thus:

- Previously, the tax was to be levied on lease repayments including finance charges. Now, gst is to be levied only on "cash value." Where the lessor is a banker or financier, this is the cost to him of the leased asset, including, where applicable, the cost of installation that he bears. Where the lessor is a dealer, it is the price at which the leased property is normally sold by him for cash, plus, where applicable, the charges for construction or installation that he finances.



Assocom's Parsons . . . it adds up to fair play

- Originally, all capital goods, as well as their servicing and repair charges, were to be taxed. Now the tax will apply only to the goods themselves, not the servicing and repair charges.
- On most items, gst is payable by the vendor within 20 days of the end of the trading month. On registerable items, such as where an individual sells a motor car to another individual, gst must be paid, or a prescribed declaration made to the Secretary for Inland Revenue, within 10 days of the sale. Otherwise, registration may not be effected.
- Gst is payable in full where board and lodging is supplied for less than 45 days, or where accommodation is supplied at a daily or weekly tariff. In all other cases, such as monthly tariffs, gst will be levied on 30% of the total consideration.
- Previously, deliveries were to be subject to gst. Now, they will not be. Gst will be levied on the price at which the goods are *normally* sold; hence it will not be possible to save tax by charging more for delivery and less for the goods themselves.

Take a load of bricks selling for R100 and a delivery charge of R20. Gst is payable on R100. The buyer would enjoy no advantage if the seller invoiced the load at R60 and delivery at R60, for gst would still have to be paid on R100.

- Registered charitable institutions will not have to pay gst.
- Traders are liable for gst on accrued sales, whether cash or credit, or both. However, for tax calculation purposes, a trader is permitted to deduct from his monthly turnover an amount equal to 50% of his outstanding debtors.

What's an export?

There are several other niggling points on which there now is clarity:

- Goods for export do not attract tax. The seller must be satisfied that the goods are for export. In practice, there should be no serious problems since exporters normally have export documentation, like invoices, to prove their intent. Exports include goods sold to SWA, Botswana, Lesotho, Swaziland Transkei and BophuthaTswana.
- Rounding-off tables have been issued. The tables have been designed to match rounding losses with rounding profits. The vendor loses on sales where the cents column of his cash register or invoice records 1-12, 26-37, 51-62, or 76-87. He profits where it records 13-24, 38-49, 63-74, or 88-99. Where it records 0, 25, 50, or 75 he neither gains nor loses.

While vendors must pay tax on their total turnover, they may not demand tax from the buyer if a sale is for 12c or less because 4% of 12c is less than 0,5c.

- On returnable containers, gst is payable separately on the contents and on the deposit. When the container is returned, the tax levied on the deposit must be refunded.
- Where samples are given away free, gst is payable by the seller on either cost or market value, whichever is less. When a vendor buys articles for resale but decides that he needs to draw some items for his own use, he will have to pay gst on the cost on the items so used.
- What of orders placed before July 3 and delivered after? Provided the buyer has paid in full before the implementation of gst, he will escape the tax. He also escapes tax if payment is not in full but delivery is effected before July 3. Early invoicing without delivery is no loophole.
- On trade-ins, gst is payable on gross value before finance charges and not on net value after the trade-in has been deducted. If the buyer of a new car receives R2 000 for his trade-in and the price of the new car is R5 000, he must pay gst on R5 000 and not on R3 000.

Finally, vendors *must* register. The process of registration is still slow. A trader without a vendor's certificate will be unable to purchase his goods for resale gst-free. So the sooner he gets on with the job the better.

The Johannesburg Budget

Johannesburg

Remissions slash shock boosts bill

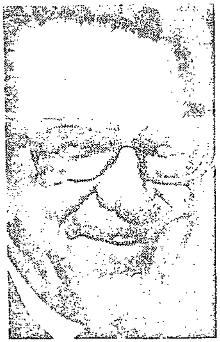
Staff Reporter

PROPERTY rates in Johannesburg will jump by an average 8% in terms of the city's municipal budget tabled yesterday.

The general rate will increase from 2,83c in the rand to 3c.

Rate remissions introduced last year to cushion the shock of property valuation and assessment increases have been cut by half this year; and will fall away from the start of the 1979-80 financial year.

Houseowners will now receive a rebate of 27% before remissions (31% after remissions) compared with 18% before remissions



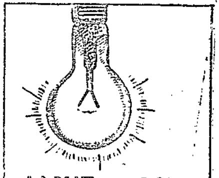
it favours the domestic consumer who has a low consumption.

The new domestic tariff includes houses, blocks of flats, individual flats and housing units registered under the Sectional Titles Act.

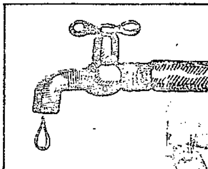
Houseowners with monthly consumptions of 750 units will pay R15,53 a month instead of R16,65 — a price decrease of 7,2%.

The average houseowner with a monthly consumption of 1 000 units will pay R20,70 a month, instead of R20,63 — an increase of just 0,3%.

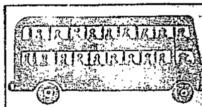
In practice, flat occupants with a very low con-



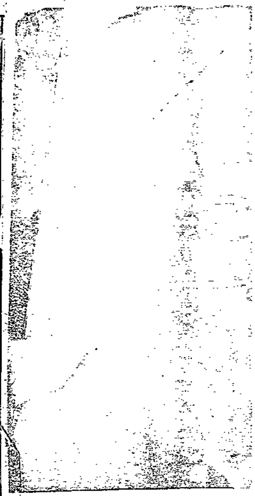
LIGHT: up 3%



WATER: up 9,5%



BUS FARES: up 20%



Mrs Joy Hurwitz . . . "g

By ANAND NAIDOO

ANGER and discontent was the general reaction from consumer bodies and civic leaders to Johannesburg's municipal budget.

The record R372-million budget drew bitter criticism from most consumer spokesmen. Others regarded it as "most surprising".

The president of the

Staff Reporter

PROPERTY rates in Johannesburg will jump by an average 8% in terms of the city's municipal budget tabled yesterday.

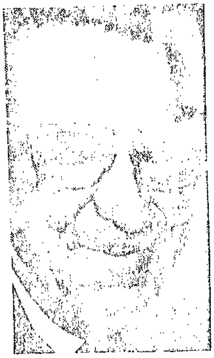
The general rate will increase from 2,83c in the rand to 3c.

Rate remissions introduced last year to cushion the shock of property valuation and assessment increases have been cut by half this year; and will fall away from the start of the 1979-80 financial year.

Howeowners will now receive a rebate of 27% before remissions (31% after remissions) compared with 18% before remissions (25% after remissions) last year.

Flatowners will receive a rebate of 17,5% before remissions (19% after remissions) compared with 13% before remissions (18% after remissions) last year.

Introducing the budget, Mr J F Oberholzer, chairman of the management committee said: "Although business will thus be paying an average 8% more, I think this increase is so slight as to present the commercial fraternity with few serious problems."



MR OBERHOLZER . . . slight increase

TRANSPORT:

The Transport Department's deficit for 1977/78 is about R7-million and an additional income in 1978/79 of R940 000 is required to reduce the deficit to a percentage of expenditure. the proposed bus fare increase is designed to encourage passengers to make use of off-peak services, coupons and season tickets.

- Bus coupons will cost 12.5% more. Coupons for travel within four zones will cost 5c more, for three zones 4c more, for two zones another 3c and for one zone another 2c
- All-day monthly ticket holders will pay 9.1% more. For four-zone passengers this means an increase from R16.50 to R18.00. Off-peak monthly ticket and student season ticket prices remain unchanged.
- Cash fares for blacks in zone 1 will increase from 10c to 11c, and for zones 2, 3 and 4 from 20c to 22c.
- All other adult cash fares will rise by 5c.
- A new yearly bus ticket will be introduced, at a saving to users of about 9%.
- Children's coupons will go up a maximum of 2c, and scholars' fares by 2c.

PARKING: To encourage short-term parking and the use of municipal transport, tariffs for parking up to three hours remain unchanged. For longer periods, tariffs will be increased by 5c per hour to a maximum of 30c.

WATER: A new differential water tariff will favour householders who use little water. There will be no tariff increase for the first 25 kl a month. For water in excess of 25 kl there will be a 12% tariff increase.

This is an average 9.5% increase for the city. The average householder, however, who uses only about 40 kl a month, will pay an extra 43c on his water account. Public hospitals will no longer be eligible for special concessions.

ELECTRICITY: The management committee of the City Council has proposed a restructured tariff to encourage consumer cut-backs in consumption, and it favours the domestic consumer who has a low consumption.

The new domestic tariff includes houses, blocks of flats, individual flats and housing units registered under the Sectional Titles Act.

Houseowners with monthly consumptions of 750 units will pay R15,53 a month instead of R16,65 — a price decrease of 7,2%.

The average houseowner with a monthly consumption of 1 000 units will pay R20,70 a month, instead of R20,63 — an increase of just 0,3%.

In practice, flat occupants with a very low consumption will pay less than at present, and those with average consumption will pay the same as at present.

Meter reading and reconnection services will cost more. A modified version of the lower electricity tariff will apply to churches, charitable institutions, boarding houses, hostels and residential clubs.

There is no increase in sewage tariffs.

Here are some examples of how domestic and commercial property owners will be affected by the new general rate.

Marshalltown business stand — R5 680 rate increases to R6 021, a 6,01% rise.

Central city department store — R23 681 rate increase to R25 306, a 6,86% rise.

Bramley house — R83 rate increase to R91,27, a 9,98% rise.

Central city block of flats — R2 950 rate increase to R3 121, a 5,82% rise

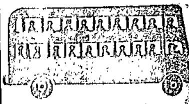
Dunkeld house — R127,32 rate increase to R138.91, a 9,10% rise.

Houghton house — R124,74 rate increase to R133,13, a 6,73% rise.

Kensington house — R43,35 rate increase to R45,79, a 5,62% rise.

Crosby house — R34.62 rate increase to R35,05, a 1,24% rise.

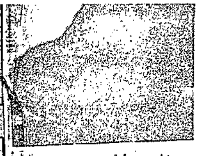
WATER: up 9,5%



BUS FARES: up 20%

MUNICIPAL SALARIES: up 6,3%

RATES: up 8%



Mrs Joy Hurwitz

By ANAND NAIDOO

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The president of th[e] Housewives League, M[rs] Joy Hurwitz, said the ma[n] in the street would be h[it] hardest by the budget.

"It seems the consume[r] will just have to put u[p] with it. We are getting bashing all round and can't see this letting u[p] for a very long time Mrs Hurwitz said.

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He said there was an i[m-] mediate backlog of 4 0[00] houses for coloureds

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GST could

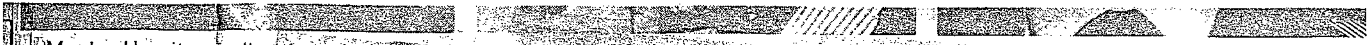
Staff Reporter

THE general sales tax to be introduced on July 3 could cost Johannesburg City Council R5-million more in the 1978/79 financial year.

This estimate was given by the management committee, chairman Mr Francois Oberholzer in the council last night.

GST, if administered in its present form, would disturb existing financial relations between the Sta[te and local author]ities, he said. [It would effective]ly cancel ou[t] ... local governm[ent] ... He said i[t] ... to local gov[ernment] ... mean the co[uncil would] pay R3,8-mill[ion] ... on operatin[g] ... R1,2-million ... penditure.

He said th[e] Executive (...



Mrs Joy Hurwitz . . "getting a bashing." Mr Eugene Roelofse . . . "not unexpected." Mr Sam Moss . . . slammed "cynical" budget.

Consumers are angry and bitter

By ANAND NAIDOO

ANGER and discontent was the general reaction from consumer bodies and civic leaders to Johannesburg's municipal budget.

The record R372-million budget drew bitter criticism from most consumer spokesmen. Others regarded it as "most surprising".

The president of the Housewives League, Mrs Joy Hurwitz, said the man in the street would be hit hardest by the budget.

"It seems the consumer will just have to put up with it. We are getting a bashing all round and I can't see this letting up for a very long time," Mrs Hurwitz said.

Reacting to the R10,5-million allocated for coloured housing, Mr Ralph Peffer said the Coloured Management Committee was "not impressed".

He said there was an immediate backlog of 4 000 houses for coloureds.

"At between R12 000 and R15 000 per unit, I can't see how and when this backlog is going to be removed. This is a direct consequence of the council being reckless and irresponsible in the past," Mr Peffer said.

The secretary of the Parktown Association, Mrs Flo Bird, termed the budget "disgusting".

"Seeing that our services are appalling, I can't see how the increase can be justified. Productivity will just have to increase at the council if we are to stop these rises. Or we should change to the American system where all the essential services are given to private enterprise," Mrs Bird said.

Commenting on the budget increases, Mr Eugene Roelofse, consumer watchdog of the South African Council of Churches, said: "It is not unexpected and anyone who has watched municipal officials at 'work' will be surprised that the increases are not double.

"It is common to see a gang of workmen being held erect by shovels, picks and other implements while the supervisor carefully balances a cup of coffee in one hand and a sandwich in the other.

The way in which counter officials drag out their day is quite evident," Mr Roelofse said.

On the proposed 6,3% wage increase for municipal workers, Mr Sarel van den Bergh, general secretary of the Johannesburg Municipal Employees' Association, said the association was most "disappointed.

"This increase is too low when one considers that the consumer price index is running at 20% plus. Actually the effective increase would amount to 4,2%.

"The Artisan's Association has already declared its intention to declare a dispute on the issue and we shall take the matter up with the Industrial Council," he said.

The secretary of the Westdene/Auckland Park/Richmond/Melville Residents' Association, Mr Peter Duyssens, said the increases were "most surprising".

"With the introduction of differential municipal tariffs, one would expect the cost of rates to either decrease or remain static. These latest increases come as a surprise.

"I seem to remember that water was increased not so long ago. Anyway, I think the budget would have to be examined very closely if one is to realise the full implications," Mr Duyssens said.

The latest increases come days before the introduction of the new 4% general sales tax on July 3.

Moss slams 'Sugar-coated pill' budget

Staff Reporter

MR SAM MOSS, leader of the Progressive Federal Party in the Johannesburg City Council, yesterday slammed the budget presented by the management committee as a sugar coated pill hammering citizens and asked the council to reject it.

His rejection call was based on the budget's not eliminating the wage gap between black and white municipal workers, not implementing a plan to save the central business district, and not revising a method of rates assessment.

He agreed homeowners could not pay further rates increases without a drop in living standards, but said it was "a cynical short-term policy to soothe the home-owner by piling pressure on the business community".

Mr Moss called on the management committee to commit itself to closing the wage gap soon.

"If the financial situation is going to be used every year as an excuse for not closing the wage gap, this situation will remain ad infinitum," he said.

Five-year plan ahead

Staff Reporter

THE HIGH costs of capital expenditure have forced the Johannesburg City Council to draw up "a realistic five-year capital programme" to keep expenditure as low as possible.

This was announced by Mr J F Oberholzer, chairman of the management committee, in his budget speech last night.

R948 000 in preliminary expenditure has been provided for work on a second gas turbine for the Electricity Department.

The Sewerage Branch will get R12 359 000, more than half of which will be spent in sewage purification works.

Mr Moss demanded that the management committee get a firm commitment from the Minister of Agriculture to subsidise fully the losses of the national fresh produce market.

The market lost R693 000 in 1977-78 and is expected to lose a further R811 000 in the coming fiscal year.

Mr J F Oberholzer, chairman of the management committee, said in his budget speech earlier that Johannesburg's ratepayers should not be expected to bear the losses of a national market.

He has also indicated that the Minister of Agriculture supports this view and is likely to subsidise the losses next year.

...ould cost council R5m

...in... cost R5... fin... by ...tee, ...tol... its ex... be...

tween the State and local authorities, he said. It would effectively cancel out financial benefits local government had obtained.

He said if GST was applied to local government, it would mean the council would have to pay R3,8-million more per year on operating expenditure and R1,2-million more on capital expenditure.

He said the United Municipal Executive (UME) — which represents South African local authorities — had made strong representations to the Minister of Finance, Senator Owen Horwood, against the principle of GST being applied to local authorities and had objected to the principle of one State authority — the Government — taxing another State authority — town council.

He said the UME had pointed out that although the object of GST was to secure a broader taxation base, the effect of making local authorities liable for sales tax was to put an extra tax burden on the narrowest category of taxpayers in the country — local ratepayers.

The UME had pointed out to the Minister that in the United Kingdom sales tax (value added tax) was paid by the local authorities but that they were entitled to claim back.

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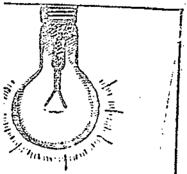

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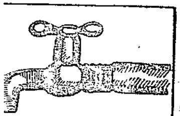
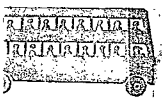
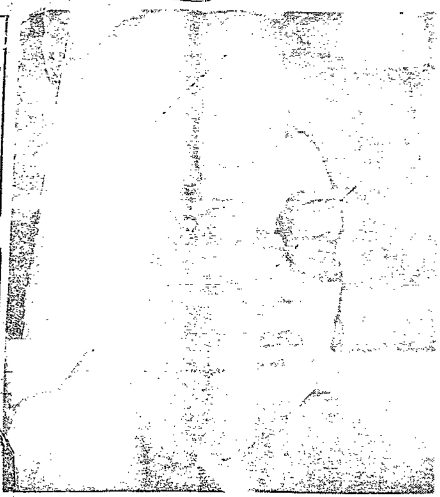


...ATER: up 9,5%



...S FARES: up ...%



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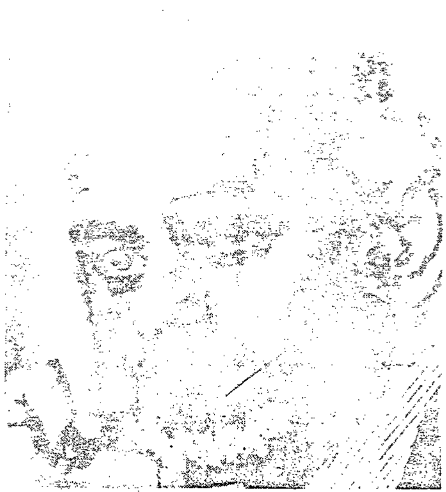

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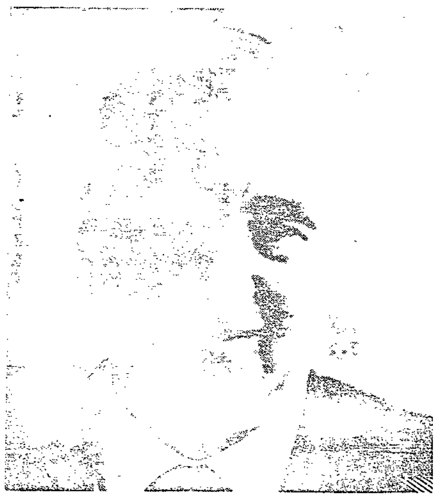

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RDM 23/6/78 320

Budget for Jo'burg

Blows

By PAUL BELL

JOHANNESBURG ratepayers are reeling under a triple combination blow of higher rates, higher service costs and the 4% general sales tax to be introduced next month.

The city's record R372-million budget introduced at a special city council meeting yesterday pushed up property rates and costs of water, electricity, and municipal transport and parking. And the CST will add another R5-million to the cost of running Johannesburg.

The leader of the opposition Progressive Federal Party in the council, Mr Sam Moss, described it as "a sugar-coated pill" which hammered Johannesburg's citizens while telling them they should be grateful.

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Budget highlights include:

- A R5-million jump in the rates bill to R64-million. The new rate will be 3c in the rand, up from 2,83c last year — an average 8% increase;
- Bus fares higher by up to 20%, and municipal parking tariffs up to a third higher. Bus coupons will cost an average 12,5% more and black bus fares will jump by 10 to 20%;
- An average 9,5% increase in the city's water bill. A new differential tariff will favour consumers using less than 25 kilolitres a month. For larger consumers there will be a 13,8% tariff increase;
- Slightly higher electricity tariffs. The new differential tariff will favour low-consumption consumers who will pay 7,2% less. But the average homeowner will pay 0,3% more;
- An estimated R5-million a year added by the GST to the costs of running Johannesburg.
- A 6,3% pay rise for municipal workers to take effect on July 1.

Introducing the budget yesterday, Mr J F Oberholzer, chairman of the management committee, said it was only slightly less austere than last year's, but added that the council had tried to leave the spending power of Johannesburg's home-owners "as stable as possible".

Some homeowners' costs would actually decrease, while those of others would be "marginally higher".

"We have put the home-owner first. He is vital to our city's growth and stability, and therefore he is entitled to expect prior consideration," he said.

The city begins the new financial year more than R1-million in the red. The anticipated 1977/78 year-end surplus, based on assessment rates for the new provisional valuation roll, turned into a deficit after successful appeals by some property owners against the council's valuations.

Included in the budget is nearly R18-million for coloured housing programmes in Eldorado Park, Riverlea, Motorway Reserve, Klipspruit West and Klipriversoog.

The Coloured and Asian Affairs Department has received an allocation of R13,3-million — 15,6% of the council's R85,8-million capital budget for 1978/79. This is 83% higher than last year's allocation.

The 6,3% pay increase to municipal workers provides that all workers move up one notch on the key scale. They will receive a bonus at the end of July equal to the value of one notch on the scale for the period January 1 to June 30 this year.

About R400 000 has also been provided for an additional pay rise for black council workers—R250 000 for the top nine salary levels, staffed mostly by professional people, and R150 000 for labourers.

This was in line with the management committee's policy of closing the wage gap, Mr Oberholzer said. Coloureds and Asians now received an average 91,8% of whites rates, and blacks an average 80,4%. In the top professional posts the gap had been closed entirely, he said.

● The budget and you — See Page 2

W/C ARGUS 24/6/78

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Business anger at sales tax confusion

Tom Hood, Argus Sales Tax Bureau

WITH sales tax only nine days away, thousands of businessmen are angrily demanding to know how they fit into the new system.

Organisations ranging bottle store associations and the Finance House Association to television manufacturers are planning emergency meetings to sort out the 'frightening' problems the new tax will bring.

Overnight, 250 000 vendors throughout the country will become tax collectors on July 3, reporting and paying tax to Receivers of Revenue every monoth.

700 PEOPLE

Nearly 700 people phoned The Argus Sales Tax Bureau in the past four days to find out whether they will pay tax, escape tax or charge their customers tax. Some wondered whether the rent on their house or flat would be taxed.

A mountain of 5 000 letters to Inland Revenue offices forced top officials in the Cape Town parliamentary office to delay their return to Pretoria by two weeks.

The main cause of trouble? The rush to bring in the tax by July, leaving too little time for proper arrangements.

THREE YEARS

Britain took three years to bring out its sales tax.

South Africa started a year earlier than the Inland Revenue expected.

The complicated Sales Tax Bill saw the light of day on June 14, leaving just 19 days to implement the tax.

Anomalies and grey areas are still coming to light and could take a long time to resolve.

Lack of time has led to contradictory rulings.

One ruling concerned people paying off teleivsion sets. It was officially stated that those with hire-purchase agreements would not be affected by sales tax, while others renting or leasing sets would have the instalments increased by the 4 percent tax on July 3.

SOME WILL PAY

Later, after discussions with the Johannesburg Receiver of Revenue, a finance house announced a 'clarification' of the leasing regulations. Some families renting sets will pay tax and others will escape tax — it all depends on the nature of the lease, service agreements and other factors.

Finally the men ... ie townships do not necessarily ... :ates. If a company has it: ... house workers outside the townsl ... company in the city. Were the compar ... ıld house its workers on the site, sc ... are licensed for a particular ar ... sed in a completely different area. ... cation.

AN OVERVIEW OF ... TION:

The four broad ... ıre Langa, Nyanga, Guguletu and Ar ... are outside the townships althc ... ga. They are included as a ... The different kinds of housi ... ed in this chapter. The detailed d ... rate chapters on each area.

LANGA:

In Langa there ... ı for men living singly. There ... racks and the Main Barracks. ... nitories. These were intended a ... esent scant chance that the ... ıture. They in turn divide bet ... those built with brick walls. Thirdly there are ... f Bachelor Quarters, and fourthly the Four-storey ... have single or double rooms. Finally there are t ... nes, in which live the great majority of Langa's contr ... Table 1 overleaf).

NYANGA:

In Nyanga there are only two types ...
On the one hand there are the tempo ...
on the other there are the hostels. ...
the Divisional Council and the othe ...
design by employers, both now being ...
(See Table 2 overleaf).

JUNE 25, 1978.

(320)

Tax shock for rich — loophole plugged

BUSINESS TIMES REPORTER

THE Secretary for Inland Revenue has agreed in a confidential letter not to apply retrospectively amendments to the Income Tax Act, which were rushed through Parliament in the last few days before the recess.

His move came after tax experts had predicted chaos and financial disaster for thousands of wealthy families throughout South Africa following amendments to Section 103 of the Act. This deals with anti-tax-avoidance measures.

The amendments were aimed at closing a loophole in the legislation which, for more than 20 years, has enabled wealthy families to build up many millions of rands in family trusts set up with children and grandchildren as beneficiaries.

The Secretary rushed the amendments through Parliament after his department lost a case in the Appelate Division in which a former senior Anglo American executive, Mr W.S. Gallagher, contested the Secretary's right to claim income tax on funds which flowed into trusts set up for Mr Gallagher's children and grandchildren. Mr Gallagher is father-in-law of Anglo American director Gordon Waddell.

The Secretary lost a similar case in the Special Tax Court. In the Gallagher case the court ruled that, although Mr Gallagher did avoid income tax through the mechanism of the family trusts such avoidance was not the primary aim of the formation of the trusts.

The principal aim of the trusts was to avoid estate duty and thereby enable the heirs to inherit larger amounts than would be the case if the moneys were exposed to estate duties.

The amendment to Section 103 provides that any kind of tax avoidance will no longer be permitted and it was thought by numerous tax experts and wealthy families which had formed such trusts that the new legislation would be applied retroactively, particularly in respect of numerous trusts in which assessments had not been settled due to differences with receivers of revenue throughout the country for many years.

The tax liablities potentially involved would have run into millions of rands and, in the opinion of a leading Johannesburg tax consultant, could have ruined many family fortunes.

Not sure

In his confidential letter, the Secretary has apparently agreed not to apply the amendments to any returns made before the end of the current tax year.

A tax authority said he was not sure if the amendments could have been applied retroactively as the wording was "obscure."

He added that, in his view, the Department of Internal Revenue was to blame for much of the uncertainty surrounding tax law in South Africa. He said it allowed situations to develop which permitted legal tax avoidance and then acted after such loopholes had been exploited by schemes and arrangements, all within the law, involving thousands of families and many millions of rands.

He said there were definite signs that the Department was adopting a tougher attitude on tax matters. Several leading business men have been asked to explain details of share transactions that took place several years ago and it is clear that Inland Revenue is determined to close loopholes wherever it can find them.

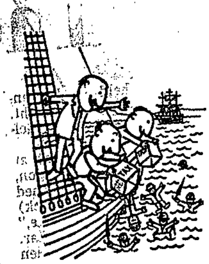
However, some of the most able legal and accounting talent in the country is constantly seeking means of enabling wealthy clients to legally avoid tax, and it is unlikely that all loopholes will ever be plugged, adding weight to the arguments in favour of tax reform towards a system where all individuals pay a flat proportion of tax and no loopholes are permitted for any but the genuinely poor and indigent.

Studies in the United States have shown that such a tax system actually yields more to the Government than the progressive method of taxation, and by simplifying the system releases significant numbers of civil servants and private sector lawyers and accountants for more productive endeavours.

26/6/78

Too much taxation corrupts

Governments, especially those prone to lavish spending on inefficiently run social services, must learn there is a limit to how much they can soak the taxpayer before he revolts. Already many decent people have gone in for tax evasion, reports the Economist.



The revolt against taxes is in its infancy. It will grow to a rude universal manhood if two things do not quickly happen in the western free-enterprise world.

The tax revolt will spread, first, if the growth in personal income and wellbeing does not begin to outstrip again the remorseless growth in taxation to pay for public services. And it will spread, rowdily, if the growth in the tax-take itself does not diminish; then halt, then, very soon go into reverse.

The lesson sent out by the voters of California on June 6 was much more about the long-run history of taxation, past and future, than it was about the present.

The history of taxation is simply that for most people in western Europe, though less in America, tax has grown from virtually nothing a century ago to the point where it takes, in varying forms, up to a quarter of total personal earnings and between a third and a half of gross domestic product today.

Its impact is uneven within countries and between them. In some places it has become confiscatory for upper income-earners even where, as in Britain, those upper income-earners earn very little by most other standards. Virtually everywhere in Europe inflation has caused income taxes designed as "progressive" to bite into the incomes of middle income-earners they were never designed to catch.

But it is in more prosperous, less patient America, interestingly, where the share of income handed over to the taxman to pay for the public realm is significantly less than in Europe, that the most vivid protest has now, the Lord be praised, erupted.

Not that California's referendum vote against property taxes, which have over 10 years increased at twice the rate of inflation, was entirely new: A sizeable losing anti-tax vote was notched up weeks earlier in Switzerland; a 44-year government fell in Sweden in 1976 largely over the taxation issue; property-tax ratepayers' strikes are no longer seen as a criminal rarity even in Britain; evasion and avoidance by decent people have become standard.

California's vote, like most things Californian, was just bolder, better, more innovative, in short a harbinger of things to come.

Unless, that is, governments learn in time the lesson that the tax-take cannot just steadily grow over a 200 year period from nought percent of personal income to 100 percent. Somewhere, the process has to stop ordinary people will say where.

The point is one that sensible social democrats will or should take as readily as do conservatives or extreme centrists. Public services require money. Many public services in many places could, and some should, be improved. Where, as in California, the voters elect to cut the money available for public spending, those services — schools, public swimming baths, police — far from being improved will immediately come under the axe.

Social democrats, more than conservatives, therefore have now to achieve several things if they are to avoid that axe. They have to find a way of promoting an inflation-free growth in real income to finance their plans for social justice and wellbeing: which will depend, pretty clearly, on their rediscovering and promoting the sense of less fettered private adventure and profit in the private sector that has made the West so strikingly better off than the collectivist East.

They have, then, to define more closely what they really want to do socially: they cannot, when voters are for the first time imposing tax ceilings, simply spend, spend on everything at once. And they have, lastly, to find ways to provide more public service than is so lamentably provided now for each tax-thaler, tax-dollar or tax-pound.

We suspect that, over the dead bodies of public-service trade unions and cartels, there will be an increasing trend towards privatising social and other services, that is, putting them out to tender by private suppliers working to stringent, publicly imposed standards.

What will be the alternative to such voter-imposed commonsense? It will be twofold: a long, embittering public battle between entrenched tax-spending government and the private man, manifesting itself eventually — say, inside 20 years — in violence; second, a growth in the private guerilla warfare of tax avoidance.

In Britain what was once an almost endearing Latin malady, tax avoidance, has become a widespread epidemic. It is not just business executives who seek to be paid every morsel of extra income they can in kind, or the middle-class professional men, from journalists to lawyers, who welcome payment for freelance in cases of wine.

The only innocent in this play is the taxman himself, sometimes, it is true, a narky fellow, but usually forced into the honest task of dividing a nation on the dictates of politicians' ambitions and the incompetence of a public sector empowered to spend other people's money.

It is easy, in a single article such as this, to overdramatise a single far-off event in a single state in America. We doubt we overdramatise, for the precursors of California's vote have been there for many to see.

Its sequels will be just as obvious. The present, or coming, tax revolt will not be aimed like the Boston tea party at unrepresentative colonial or foreign government. It will be aimed at the efficiency of allegedly representative government at home.

STAR 27/6/78

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Pre-tax spree warning

Pretoria Bureau

Shoppers who plan to join the pre-sales tax buying spree should reconsider, economists have warned.

"There can be no doubt that people are rushing to meet the deadline," a Pretoria economist said today. "They are buying expensive items such as cars, furniture and domestic appliances.

"But they have forgotten, it seems, that existing sales duty is likely to come off many items later this year. This may have the effect of reducing post tax-prices to their current levels."

It was also inevitable that there would be a spending lull after the introdcution of the tax since many consumers would have over-extended themselves by buying expensive items now.

This meant it was likely that businessmen would be offering goods at bargain prices to maintain trade.

(320) 28/6/78

STAR

Tax challenge!

A tear-out-and-keep guide to how much you must pay . . .

By Roger Dean

Going to the shops will enter a new era when the four percent General Sales Tax comes into effect next Monday.

The new tax presents shoppers with a challenge they have never faced before. It is you, the consumer who must pay — and in the end it is you the consumer who must ensure that the tax is being fairly applied.

First and foremost, it is essential to know which method is being used to collect the tax.

The extra amount may either be included in the quoted price ("add-in") or it may be added to your total bill when you finally pay ("add-on") Both methods are fully approved — but they will vary from shop to shop, from dealer to dealer, from business to business.

A heavy responsibility

The new law puts a heavy responsibility on the seller to make it quite clear what method he is using. Once he has chosen, he must stick to it. There is no way, for example, that he can add-in the tax on some items and add-on with others.

The only exception to this rule is your local garage, should you buy petrol and also have repair work done or buy spares at the same time.

From Monday all petrol will be sold inclusive of the tax, whereas the motor trade has opted to add-on for all other sales and services.

To help you see which system a particular business is using, the SA Co-ordinating Consumer Council has distributed special signs and posters which are illustrated here. These will be prominently displayed on shop windows, at check-out points, and throughout stores and offices.

The overriding difference, which is not apparent in our reproduction, is in colour. **RED** for add-on and **BLUE** for add-in. The idea is that red will warn shoppers there is still something to pay on top of the quoted price.

All signs are in both official languages, but the colour alone should soon become immediately recognisable. It is hoped retailers will further emphasise the theme by using red or blue price tags, whichever is applicable.

Unless you are quite certain which tax method is being used, the price on the price tag will be meaningless. This applies not only to a packet of soap powder on the supermarket shelves, but to the price of a car, the cost of a hotel room and the fees quoted by a hairdresser or an optician.

Tax and the shopping list

Below is a sample "shopping list" of everyday grocery items showing just how much tax is payable on each. In this instance a shopping list which would amount to R11,86 today will cost R12,35 next week.

	Present price	Sales tax	New price
Margarine (500 g)	69c	3c	72c
Soap (500 g)	42c	2c	44c
Cooking oil (750 ml) ..	83c	3c	86c
Table salt	20c	1c	21c
Sugar (2,5 kg)	87c	3c	90c
Mealie meal (5 kg) ..	90c	4c	94c
Cheddar cheese (1 kg) ..	R2,00c	8c	R2,08c
Milk (2 litres)	72c	3c	75c
Sausages (500 g)	72c	3c	75c
Prime rump (1 kg) ..	R3,18c	13c	R3,31c
White bread	25c	1c	26c
Brown bread	16c	1c	17c
Butter (500 g)	92c	4c	96c
Totals	R11,85c	49c	R12,35c

There may be some slight variation between the "add-on" and "add-in" systems. For example, two litres of milk bought with the tax included will cost 37 cents each; if the tax is paid on the total amount the same purchase will cost 75 cents.

Computer can help

Once you have determined whether the tax is being added-on or added-in, you might think only a computer can help you. It is true that a simple pocket-calculator has now become almost essential if you want to do real comparative shopping; but if you don't fancy pushing your trolley round the aisles with one finger on the adding machine, there are still a number of points to bear in mind.

In shops using the add-in system

The quoted price will include tax, so nothing will be added to your bill at the till. This makes it easier to tot up your purchases as you go around and budget for the exact amount. There is no need to work out the extra four percent: the retailer will already have done it for you.

Under this system you will benefit directly from the exemption on goods under 13 cents. There is no need to buy them one at a time to avoid tax.

The main disadvantage of adding-in is that it is far harder to see the exact amount of tax being paid. In order to work out the price of an article less tax — to compare, for example, with the price in another shop — you really do need a calculator. You must subtract 3,8445 percent from the quoted price — the equivalent as near as possible to adding on four percent.

One thing cannot be said too often: if any familiar price has been increased by more than four percent, query it with the merchant. **No increase of more than four percent can be passed off as sales tax.**

In shops using the add-on system

Always check the tax tables with the cashier. In big supermarkets the extra four percent will probably be added automatically by the electronic till; but the cafe-owner on the corner and many others will calculate the tax with the help of special tables provided by the revenue department.

Always make sure you have enough money to pay the tax. As a rough guide, for every R10 you must have an extra 40 cents. To make a quick mental calculation, divide by 100 and then multiply by four to get the extra amount.

Under the "add-on" system you will get no exemption for articles under 13 cents unless the retailer is using a till specially set to do this. But you will save tax if you can buy items under 13 cents one at a time — so it pays, for example, to get your children to buy their sweets singly rather than in bulk.

Watch out for those tricks . . .

There are a few other tricks that shoppers would do well to watch out for wherever a cash register is in use:

● Beware of the shopkeeper who covers the window on his till. Anybody not prepared to publicise what he is charging has something to hide. If he neglects to ring up the correct amount for a sale he may be defrauding YOU as well as the Receiver of Revenue.

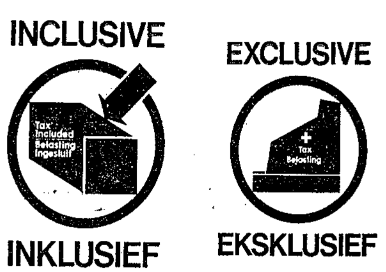
● Always ask for a receipt and check it where possible before leaving the shop. Check the date, check your purchases against those listed, and check that the tax is properly entered wherever "add-in" is advertised. This is one of the best safeguards against malpractice.

● Where "add-in" is used, ask how much tax you are paying. Some merchants may simply push up prices by five or 10 percent to cover themselves — but only four percent will go to the taxman. You are fully entitled to know what tax you are paying.

● Beware of cashiers who do not close the drawers of their tills after each customer. It is possible in this way to charge two customers for the same items: a few articles bought by the first customer are subtotalled only, and then go on to the next customer's bill as well. If the cash drawer is closed on most registers, the deal must be finalised and this cannot happen.

● Finally, now more than ever, check your change. Surveys have shown that four out of every 100 customers are given the wrong change through normal error — and this without deliberate short-changing. If the shopkeeper is confused by the new tax as well, the chance of a mistake must increase.

Traders who will deliberately try to dupe their customers are probably few and far between. But remember, making sure that they don't get away with it is entirely up to you.



These are the symbols designed by the Consumer Council to differentiate between "add-in" (inclusive) and "add-on" (exclusive). The first is blue and the second red — colours which should be reflected in individual price tags.

Star
28/6/78 320

A sample of how these tables look is given here. Note that tax is payable on a sliding scale even on items below R1. Only articles below 13 cents are exempt. From 13 to 37 cents the tax is one cent, from 38 to 62 cents it is two cents, from 63 to 87 cents three cents — and so on.

To calculate the tax on a large amount, first work out the tax on the rands and then on any odd cents. For example, the tax on R67,42 would be R2,68 on R67 plus two cents on 42 cents equals R2,70 in all. The total amount payable would then be R70,12.

RANDS

R	Tax R c	R	Tax R c
1	0,04	51	2,04
2	0,08	52	2,08
3	0,12	53	2,12
4	0,16	54	2,16
5	0,20	55	2,20
6	0,24	56	2,24
7	0,28	57	2,28
8	0,32	58	2,32
9	0,36	59	2,36
10	0,40	60	2,40
11	0,44	61	2,44
12	0,48	62	2,48
13	0,52	63	2,52
14	0,56	64	2,56
15	0,60	65	2,60
16	0,64	66	2,64
17	0,68	67	2,68
18	0,72	68	2,72
19	0,76	69	2,76
20	0,80	70	2,80
21	0,84	71	2,84
22	0,88	72	2,88
23	0,92	73	2,92
24	0,96	74	2,96
25	1,00	75	3,00
26	1,04	76	3,04
27	1,08	77	3,08
28	1,12	78	3,12
29	1,16	79	3,16
30	1,20	80	3,20
31	1,24	81	3,24
32	1,28	82	3,28
33	1,32	83	3,32
34	1,36	84	3,36
35	1,40	85	3,40
36	1,44	86	3,44
37	1,48	87	3,48
38	1,52	88	3,52
39	1,56	89	3,56
40	1,60	90	3,60
41	1,64	91	3,64
42	1,68	92	3,68
43	1,72	93	3,72
44	1,76	94	3,76
45	1,80	95	3,80
46	1,84	96	3,84
47	1,88	97	3,88
48	1,92	98	3,92
49	1,96	99	3,96
50	2,00	100	4,00

CENTS

Cents	Tax c	Cents	Tax c
1	—	51	2
2	—	52	2
3	—	53	2
4	—	54	2
5	—	55	2
6	—	56	2
7	—	57	2
8	—	58	2
9	—	59	2
10	—	60	2
11	—	61	2
12	—	62	2
13	1	63	3
14	1	64	3
15	1	65	3
16	1	66	3
17	1	67	3
18	1	68	3
19	1	69	3
20	1	70	3
21	1	71	3
22	1	72	3
23	1	73	3
24	1	74	3
25	1	75	3
26	1	76	3
27	1	77	3
28	1	78	3
29	1	79	3
30	1	80	3
31	1	81	3
32	1	82	3
33	1	83	3
34	1	84	3
35	1	85	3
36	1	86	3
37	1	87	3
38	2	88	4
39	2	89	4
40	2	90	4
41	2	91	4
42	2	92	4
43	2	93	4
44	2	94	4
45	2	95	4
46	2	96	4
47	2	97	4
48	2	98	4
49	2	99	4
50	2	100	4

111-7 (road project)

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REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

Registered at the Post Office as a Newspaper *As 'n Nuusblad by die Poskantoor Geregistreer*

Price 20c Prys
Overseas 30c Oorsee
POST FREE—POSVRY

VOL. 156] CAPE TOWN, 28 JUNE 1978 KAAPSTAD, 28 JUNIE 1978 [No. 6085

DEPARTMENT OF THE PRIME MINISTER

No. 1346. 28 June 1978.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 103 of 1978: Sales Tax Act, 1978.

DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1346. 28 Junie 1978.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 103 van 1978: Verkoopbelastingwet, 1978.

ALGEMENE VERDUIDELIKENDE NOTA:

________ Woorde met 'n volstreep daaronder, dui invoegings in bestaande verordenings aan.

WET

Om voorsiening te maak vir die heffing van verkoopbelasting; om die Insolvensiewet, 1936, te wysig ten einde voorsiening te maak vir 'n voorkeur ten opsigte van verkoopbelasting; om die Wet op Registrasie van Verkopers, 1978, te herroep; en om vir bykomstige aangeleenthede voorsiening te maak.

(Engelse teks deur die Staatspresident geteken.)
(Goedgekeur op 20 Junie 1978.)

INDELING VAN ARTIKELS

GENERAL EXPLANATORY NOTE:

__________ Words underlined with solid line indicate insertions in existing enactments.

ACT

To provide for the levying of sales tax; to amend the Insolvency Act, 1936, so as to provide for a preference in respect of sales tax; to repeal the Registration of Vendors Act, 1978; and to provide for incidental matters.

(English text signed by the State President.)
(Assented to 20 June 1978.)

ARRANGEMENT OF SECTIONS

Section

DEEL V

Besware en appèlle

DEEL VI

Betaling en verhaling van belasting

DEEL VII

Verteenwoordigers

DEEL VIII

Diverse

BYLAE 1

Dienste

BYLAE 2

Vrystellings: Sekere verkope van goed en belasbare dienste

PART V

Objections and Appeals

PART VI

Payment and recovery of tax

PART VII

Representatives

PART VIII

Miscellaneous

SCHEDULE 1

Services

SCHEDULE 2

Exemptions: Certain sales of goods and taxable services.

BYLAE 3

Konstruksiebedrywighede

BYLAE 4

Bruikhure en huurooreenkomste

BYLAE 5

Vrystellings: Sekere goed in die Republiek ingevoer

DAAR WORD BEPAAL deur die Staatspresident, die Senaat en die Volksraad van die Republiek van Suid-Afrika, soos volg:—

Woordbepaling.

1. In hierdie Wet, tensy die samehang anders aandui, beteken—

(i) „aanvangsdatum" 3 Julie 1978; (iv)

(ii) „afslaer" 'n persoon wat 'n saak dryf in die gewone loop waarvan goed per veiling of uit die hand verkoop word ten behoewe van ander persone, en ook 'n plaaslike bestuur, vereniging of genootskap of 'n ander persoon wat gereeld of periodiek ten behoewe van ander persone, openbare veilings van goed hou of dit uit die hand verkoop, en enige persoon wat 'n openbare veiling van goed hou by die uitvoering van 'n hofbevel of in die loop van die likwidasie van die boedel van 'n oorlede of insolvente persoon of die likwidasie van 'n maatskappy; (ii)

(iii) „belasbare diens" enige diens wat ingevolge Bylae 1 geag word 'n belasbare diens te wees; (xxxiii)

(iv) „belasbare waarde" 'n belasbare waarde wat ingevolge artikel 7 bepaal is; (xxxiv)

(v) „belasting" die belasting wat kragtens hierdie Wet hefbaar is; (xxxii)

(vi) „belastingtydperk" 'n belastingtydperk ingevolge artikel 16 bepaal; (xxxv)

(vii) „bruikhuur" 'n ooreenkoms wat ingevolge paragraaf 1 van Bylae 4 geag word 'n bruikhuur te wees; (xii)

(viii) „geregistreerde ondernemer" 'n ondernemer wat die besitter is van 'n registrasiesertifikaat uitgereik ingevolge artikel 12; (xxv)

(ix) „goed"—

(*a*) liggaamlike roerende goed, met inbegrip van 'n aandeel in die eiendomsreg op enige bedoelde goed, maar uitgesonderd—

(i) munte wat Republikeinse munte is ooreenkomstig die betekenis van daardie uitdrukking soos in artikel 1 van die Wet op die Suid-Afrikaanse Munt en Munte, 1964 (Wet No. 78 van 1964), omskryf, en enige papiergeld wat ingevolge die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet No. 29 van 1944), 'n wettige betaalmiddel is;

(ii) enige wissel, bankwissel, posorder, poswissel of verhandelbare effekte;

(iii) 'n seël, vorm of kaart wat 'n geldwaarde het en deur die Staat verkoop of uitgereik is vir die doeleindes van die betaling van posgeld of 'n belasting of reg gehef ingevolge 'n Wet van die Parlement, behalwe wanneer, nadat dit verkoop of uitgereik is, dit as 'n versamelstuk besit of verkoop word;

(*b*) seëls, koepons of tekens wanneer verkoop deur 'n handelaar ingevolge 'n plan waarkragtens die waarde van bedoelde seëls, by die teruggawe van bedoelde seëls aan die handelaar, gebruik staan te word as betaling van die koopprys van handelsware wat deur die besitter van die seëls van die handelaar gekoop is of gekoop staan te word, maar

SCHEDULE 3

Construction activities.

SCHEDULE 4

Financial leases and rental agreements.

SCHEDULE 5

Exemptions: Certain goods imported into the Republic.

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Interpretation.

1. In this Act, unless the context otherwise indicates—

(i) "accommodation enterprise" means any business carried on in the Republic by any person in the course of which accommodation in any room, house, flat or apartment or on any caravan or camping site is regularly or systematically, without meals, let for residential purposes by such person to other persons for continuous periods not exceeding 45 days, in the case of each occupant; (xii)

(ii) "auctioneer" means any person carrying on a business in the ordinary course of which goods are sold by auction or out of hand on behalf of other persons, and includes any local authority, society or association which or any other person who regularly or periodically conducts public auctions or out-of-hand sales of goods on behalf of other persons, and any person conducting a sale of goods by public auction in the execution of an order of court or in the course of the liquidation of the estate of a deceased or insolvent person or the liquidation of any company; (ii)

(iii) "charitable institution" means any institution or organization of a public character which is registered or deemed to be registered as a welfare organization under the National Welfare Act, 1965 (Act No. 79 of 1965), and carries on charitable activities consisting of the provision of food, meals, board, lodging, clothing or other necessaries, comforts or amenities to aged persons, children or physically or mentally handicapped persons; (xx)

(iv) "commencement date" means 3 July 1978; (i)

(v) "company" means a company as defined in section 1 of the Income Tax Act; (xxii)

(vi) "connected person" means—

(a) in relation to any other person (other than a company)—

(i) any relative of that person contemplated in the definition of "relative" in section 1 of the Income Tax Act; or

(ii) any company which is recognized as a private company under section 38 of the Income Tax Act and of which the said person is a shareholder, and any other company which is a connected person in relation to such a private company; or

(b) in relation to a company (hereinafter referred to as the specified company)—

(i) any person in relation to whom the specified company is under the provisions of paragraph *(a)* (ii) a connected person; or

(ii) any company which is under the provisions of section 1 (3) of the Companies Act, 1973 (Act

SALES TAX SPECIAL

Daily Dispatch 28/6/78 / 320

What it means to man in the street

How will the new sales tax affect the man in the street?

Well, for a start, if your weekly grocery bill now comes to let's say R15,13, it will cost you an extra 61c (R15,74) from Monday.

You will also have to pay more for repairs to your car, to have your hair done, to have your clothes dry-cleaned or your picture framed.

And while you won't pay more to your doctor or dentist, you will pay more for the medicines your doctor prescribes and for that new set of false teeth.

Spectacles will also cost more — and so will the price of having them fitted.

Garage charges will rise. Labour costs of R10 an hour today will cost R10,40 from Monday.

If you pay R2 for a haircut now you will pay R2,08 from Monday.

A shampoo, cut and blow dry, round about R6 now, will cost R6,24.

There is no tax on private sales, PROVIDED the goods change hands at less than R1 000. This excludes all motor vehicles, aircraft and boats.

The Receiver of Revenue will want his share if you are selling any expensive item worth more than R1 000 or any goods which have to be registered — as motor vehicles, aircraft and boats.

While the tax does not apply to property sales, if you are building a house, the builder will have to pay sales tax on the materials he uses. And obviously he is going to pass the increased costs on to the buyer.

Public transport, water, electricity, telephones and raw materials used in production are exempt from the tax.

Existing lease agreements are exempt from the tax.

If you buy a newspaper costing less than 13c and don't buy anything else at the same time you won't pay tax on it.

School hostels are not eligible for tax registration certificates granting exemption and therefore must pay sales tax on all their purchases.

Headstone for a grave? — Yes, you must pay tax on it.

Going to the gym for exercises, a massage and sauna? — Yes, you must pay tax. In fact, sales tax is applicable to all health, strength or beauty services, including lectures, advice, massages, sauna baths, slimming and gymnasium facilities.

If any retailer charges the new tax before Monday you should report this to the police, but bear in mind the fact that many retailers, who have adopted the add-in system, are starting to remark their goods in preparation for the introduction of the tax on Monday.

Consequently there will be two prices on articles in some stores. Consumers should pay the lower price until the close of business on Sunday (July 2) and the higher price from Monday onwards.

Do not pay the sales tax on anything paid for in full before Monday even if it is delivered after Monday.

An interesting sidelight to the whole sales tax situation is the fact South African commerce records 6 000 million transactions a day and every one will have to be checked by auditors from Monday to ensure GST has been paid.

Dr F. Berkhout, a senior official of the Department of Inland Revenue in Pretoria, says that will involve an extra 2 billion ticks in the books and he expressed concern that at the moment auditors do not have adequate staff to cope with ordinary company tax returns.

Obviously a lot of people are going to be burning a lot of midnight oil in the next few months until the whole GST situation becomes a part of the normal way of life.

And at least there will be some relief for taxpayers in the months to come.

The Minister of Finance, Sen Horwood, said in the House of Assembly earlier this month that in due course the Government will abolish sales duty.

"It is not our intention to retain any sales duty for longer than we absolutely have to have it," he said then.

In addition, the 1972 loan levy will be repaid next month instead of next February.

And Sen Horwood has already abolished the surcharge on income tax.

As a generalisation, what you are going to pay in sales tax you will save on income tax so that, in effect, you will not really be worse off.

Every cloud has......

— [illegible]

... and the businessman

What are the main points the businessman especially needs to be aware of with the new tax legislation?

Let's have a look at some aspects ....

For a start, every trader must have a certificate of registration to purchase his stock-in-trade free of tax.

The same applies to manufacturers when they buy their raw materials.

Traders without certificates after Monday will have to pay four per cent when they purchase their stock-in-trade from wholesalers and again when they sell to the public.

This will mean an eight per cent loading if they hope to maintain profit levels.

All companies, firms and individuals selling goods or providing defined business services will not qualify for tax exemptions if they do not have registration certificates.

And if they haven't got them by now they've had it because the deadline for applying for the certificates was April 1.

Any trader attempting to suggest he will refund the tax on a sale faces a fine of up to R200 or imprisonment up to three months, or both.

The same penalties apply to any vendor advertising in any way that he will bear or absorb the tax or any part of the tax.

Any goods that are consigned to and subsequently sold in the Transkei will not be taxed.

Transport. Any delivery charge on goods transported to an end consumer must be added to the cost of the goods and taxed, unless separately invoiced.

There is no tax on the delivery charge between registered vendors, only at the point of sale to an end consumer.

The term 'end consumer' includes manufacturers who buy machines for use in a factory. They are the end users of these machines and will be taxed on their purchases.

The tax is applicable to all movable goods and movable goods include such items as television sets, cars or cranes, but it could also apply to machinery to be installed in a building.

Hire purchase agreements made before July 3 are exempt from sales tax because the tax is paid on the day of purchase, no matter what credit arrangements are made.

Finance charges are not taxable.

Where a seller delivers, repairs or maintains goods and the cost of these services is included in the purchase or lease price, the buyer or lessee has to pay the tax on these services.

Trades such as shoemaking, jewellery, panelbeating and tyre-retreading can tax their services.

Farmers and industrialists will be allowed to buy bulk fuel tax free, but this concession will not apply to hospitals or other organisations, including the Defence Force.

You will not have to pay tax for your cheque book.

And if you think you're badly off, bear in mind neither the State nor local authorities are exempt from sales tax.

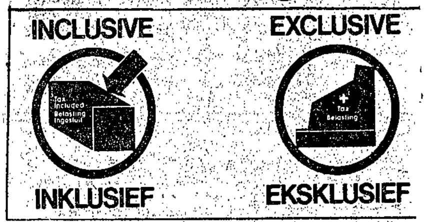
— BUSINESS EDITOR

Daily Dispatch

28/6/78

320

Look out for these tax signs



THESE will be the signs to watch from Monday. They indicate what system of collecting the tax is used by traders.

In the case of inclusive, the four per cent GST will be calculated on each item and shown as part of the price. In the case of exclusive the tax is added onto the total purchases.

The Consumer Council, Departments of Internal Revenue and Commerce, Assocom, Afrikaanse Handelsinstituut and the National African Federated Chambers of Commerce have accepted special coloured symbols — blue for inclusive and red for exclusive — to assist shoppers.

The three commercial organisations have called on their members to display the symbols in their stores and at cash registers.

The symbols are not intended to replace compulsory notices issued by the Department of Inland Revenue. The symbols are merely intended to complement these.

In fact, all vendors are compelled to display prominently at all entrances to business premises and points where payments are made an appropriate notice whether they are using the add-in or add-on method.

Where the add-on method is used, the tax added must be stated on any invoice, cash slip or other statement relating to the transaction.

Where several items are involved, the tax must be calculated on the total amount payable.

The new tax legislation also requires that advertisements must state whether prices are inclusive or exclusive of sales tax.

Vendors must also use the approved rounding-off tables (published elsewhere on this page) to determine tax additions.

AD 28/6/78 (320)

The tax tables

00c —	12c	00c
13c —	37c	01c
38c —	62c	02c
63c —	87c	03c
88c —	R1,12	04c
R1,13 —	R1,37	05c
R1,38 —	R1,62	06c
R1,63 —	R1,87	07c
R1,88 —	R2,12	08c
R2,13 —	R2,37	09c
R2,38 —	R2,62	10c
R2,63 —	R2,87	11c
R2,88 —	R3,12	12c
R3,13 —	R3,37	13c
R3,38 —	R3,62	14c
R3,63 —	R3,87	15c
R3,88 —	R4,12	16c
R4,13 —	R4,37	17c
R4,38 —	R4,62	18c
R4,63 —	R4,87	19c
R4,88 —	R5,12	20c
R5,13 —	R5,37	21c
R5,38 —	R5,62	22c
R5,63 —	R5,87	23c
R5,88 —	R6,12	24c
R6,13 —	R6,37	25c
R6,38 —	R6,62	26c
R6,63 —	R6,87	27c
R6,88 —	R7,12	28c
R7,13 —	R7,37	29c
R7,38 —	R7,62	30c
R7,63 —	R7,87	31c
R7,88 —	R8,12	32c
R8,13 —	R8,37	33c
R8,38 —	R8,62	34c
R8,63 —	R8,87	35c
R8,88 —	R9,12	36c
R9,13 —	R9,37	37c
R9,38 —	R9,62	38c
R9,63 —	R9,87	39c
R9,88 —	R10,12	40c
R10,13 —	R10,37	41c
R10,38 —	R10,62	42c
R10,63 —	R10,87	43c
R10,88 —	R11,12	44c
R11,13 —	R11,37	45c
R11,38 —	R11,62	46c
R11,63 —	R11,87	47c
R11,88 —	R12,12	48c
R12,13 —	R12,37	49c
R12,38 —	R12,62	50c
R12,63 —	R12,87	51c

R12,88 —	R13,12	52c
R13,13 —	R13,37	53c
R13,38 —	R13,62	54c
R13,63 —	R13,87	55c
R13,88 —	R14,12	56c
R14,13 —	R14,37	57c
R14,38 —	R14,62	58c
R14,63 —	R14,87	59c
R14,88 —	R15,12	60c
R15,13 —	R15,37	61c
R15,38 —	R15,62	62c
R15,63 —	R15,87	63c
R15,88 —	R16,12	64c
R16,13 —	R16,37	65c
R16,38 —	R16,62	66c
R16,63 —	R16,87	67c
R16,88 —	R17,12	68c
R17,13 —	R17,37	69c
R17,38 —	R17,62	70c
R17,63 —	R17,87	71c
R17,88 —	R18,12	72c
R18,13 —	R18,37	73c
R18,38 —	R18,62	74c
R18,63 —	R18,87	75c
R18,88 —	R19,12	76c
R19,13 —	R19,37	77c
R19,38 —	R19,62	78c
R19,63 —	R19,87	79c
R19,88 —	R20,12	80c
R20,13 —	R20,37	81c
R20,38 —	R20,62	82c
R20,63 —	R20,87	83c
R20,88 —	R21,12	84c
R21,13 —	R21,37	85c
R21,38 —	R21,62	86c
R21,63 —	R21,87	87c
R21,88 —	R22,12	88c
R22,13 —	R22,37	89c
R22,38 —	R22,62	90c
R22,63 —	R22,87	91c
R22,88 —	R23,12	92c
R23,13 —	R23,37	93c
R23,38 —	R23,62	94c
R23,63 —	R23,87	95c
R23,88 —	R24,12	96c
R24,13 —	R24,37	97c
R24,38 —	R24,62	98c
R24,63 —	R24,87	99c
R24,88 —	R25,12	R1,00
R25,13 —	R25,37	R1,01
R25,38 —	R25,62	R1,02
R25,63 —	R25,87	R1,03

R25,88 —	R26,12	R1,04
R26,13 —	R26,37	R1,05
R26,38 —	R26,62	R1,06
R26,63 —	R26,87	R1,07
R26,88 —	R27,12	R1,08
R27,13 —	R27,37	R1,09
R27,38 —	R27,62	R1,10
R27,63 —	R27,87	R1,11
R27,88 —	R28,12	R1,12
R28,13 —	R28,37	R1,13
R28,38 —	R28,62	R1,14
R28,63 —	R28,87	R1,15
R28,88 —	R29,12	R1,16
R29,13 —	R29,37	R1,17
R29,38 —	R29,62	R1,18
R29,63 —	R29,87	R1,19
R29,88 —	R30,12	R1,20
R30,13 —	R30,37	R1,21
R30,38 —	R30,62	R1,22
R30,63 —	R30,87	R1,23
R30,88 —	R31,12	R1,24
R31,13 —	R31,37	R1,25
R31,38 —	R31,62	R1,26
R31,63 —	R31,87	R1,27
R31,88 —	R32,12	R1,28
R32,13 —	R32,37	R1,29
R32,38 —	R32,62	R1,30
R32,63 —	R32,87	R1,31
R32,88 —	R33,12	R1,32
R33,13 —	R33,37	R1,33
R33,38 —	R33,62	R1,34
R33,63 —	R33,87	R1,35
R33,88 —	R34,12	R1,36
R34,13 —	R34,37	R1,37
R34,38 —	R34,62	R1,38
R34,63 —	R34,87	R1,39
R34,88 —	R35,12	R1,40
R35,13 —	R35,37	R1,41
R35,38 —	R35,62	R1,42
R35,63 —	R35,87	R1,43
R35,88 —	R36,12	R1,44
R36,13 —	R36,37	R1,45
R36,38 —	R36,62	R1,46
R36,63 —	R36,87	R1,47
R36,88 —	R37,12	R1,48
R37,13 —	R37,37	R1,49
R37,38 —	R37,62	R1,50
R37,63 —	R37,87	R1,51
R37,88 —	R38,12	R1,52
R38,13 —	R38,37	R1,53
R38,38 —	R38,62	R1,54
R38,63 —	R38,87	R1,55

R38,88 —	R39,12	R1,56
R39,13 —	R39,37	R1,57
R39,38 —	R39,62	R1,58
R39,63 —	R39,87	R1,59
R39,88 —	R40,12	R1,60
R40,13 —	R40,37	R1,61
R40,38 —	R40,62	R1,62
R40,63 —	R40,87	R1,63
R40,88 —	R41,12	R1,64
R41,13 —	R41,37	R1,65
R41,38 —	R41,62	R1,66
R41,63 —	R41,87	R1,67
R41,88 —	R42,12	R1,68
R42,13 —	R42,37	R1,69
R42,38 —	R42,62	R1,70
R42,63 —	R42,87	R1,71
R42,88 —	R43,12	R1,72
R43,13 —	R43,37	R1,73
R43,38 —	R43,62	R1,74
R43,63 —	R43,87	R1,75
R43,88 —	R44,12	R1,76
R44,13 —	R44,37	R1,77
R44,38 —	R44,62	R1,78
R44,63 —	R44,87	R1,79
R44,88 —	R45,12	R1,80
R45,13 —	R45,37	R1,81
R45,38 —	R45,62	R1,82
R45,63 —	R45,87	R1,83
R45,88 —	R46,12	R1,84
R46,13 —	R46,37	R1,85
R46,38 —	R46,62	R1,86
R46,63 —	R46,87	R1,87
R46,88 —	R47,12	R1,88
R47,13 —	R47,37	R1,89
R47,38 —	R4u,62	R1,90
R47,63 —	R47,87	R1,91
R47,88 —	R48,12	R1,92
R48,13 —	R48,37	R1,93
R48,38 —	R48,62	R1,94
R48,63 —	R48,87	R1,95

R48,88 —	R49,12	R1,96
R49,13 —	R49,37	R1,97
R49,38 —	R49,62	R1,98
R49,63 —	R49,87	R1,99
R49,88 —	R50,12	R2,00
R50,13 —	R50,37	R2,01
R50,38 —	R50,62	R2,02
R50,63 —	R50,87	R2,03
R50,88 —	R51,12	R2,04
R51,13 —	R51,37	R2,05
R51,38 —	R5,62	R2,06
R51,63 —	R5,87	R2,07
R51,88 —	R52,12	R2,08
R52,13 —	R52,37	R2,09
R52,38 —	R52,62	R2,10
R52,63 —	R52,87	R2,11
R52,88 —	R53,12	R2,12
R53,13 —	R53,37	R2,13
R53,38 —	R53,62	R2,14
R53,63 —	R53,87	R2,15
R53,88 —	R54,12	R2,16
R54,13 —	R54,37	R2,17
R54,38 —	R54,62	R2,18
R54,63 —	R54,87	R2,19
R54,88 —	R55,12	R2,20
R55,13 —	R55,37	R2,21
R55,38 —	R55,62	R2,22
R55,63 —	R55,87	R2,23
R55,88 —	R56,12	R2,24
R56,13 —	R56,37	R2,25
R56,38 —	R56,62	R2,26
R56,63 —	R56,87	R2,27
R56,88 —	R57,12	R2,28
R57,13 —	R57,37	R2,29
R57,38 —	R57,62	R2,30
R57,63 —	R57,87	R2,31
R57,88 —	R58,12	R2,32
R58,13 —	R58,37	R2,33
R58,38 —	R58,62	R2,34
R58,63 —	R58,87	R2,35

R58,88 —	R59,12	R2,36
R59,13 —	R59,37	R2,37
R59,38 —	R59,62	R2,38
R59,63 —	R59,87	R2,39
R59,88 —	R60,12	R2,40
R60,13 —	R60,37	R2,41
R60,38 —	R60,62	R2,42
R60,63 —	R60,87	R2,43
R60,88 —	R61,12	R2,44
R61,13 —	R61,37	R2,45
R61,38 —	R61,62	R2,46
R61,63 —	R61,87	R2,47
R61,88 —	R62,12	R2,48
R62,13 —	R62,37	R2,49
R62,38 —	R62,62	R2,50
R62,63 —	R62,87	R2,51
R62,88 —	R63,12	R2,52
R63,13 —	R63,37	R2,53
R63,38 —	R63,62	R2,54
R63,63 —	R63,87	R2,55
R63,88 —	R64,12	R2,56
R64,13 —	R64,37	R2,57
R64,38 —	R64,62	R2,58
R64,63 —	R64,87	R2,59
R64,88 —	R65,12	R2,60
R65,13 —	R65,37	R2,61
R65,38 —	R65,62	R2,62
R65,63 —	R65,87	R2,63
R65,88 —	R66,12	R2,64
R66,13 —	R66,37	R2,65
R66,38 —	R66,62	R2,66
R66,63 —	R66,87	R2,67
R66,88 —	R67,12	R2,68
R67,13 —	R67,37	R2,69
R67,38 —	R67,62	R2,70
R67,63 —	R67,87	R2,71
R67,88 —	R68,12	R2,72
R68,13 —	R68,37	R2,73
R68,38 —	R68,62	R2,74
R68,63 —	R68,87	R2,75
R68,88 —	R69,12	R2,76
R69,13 —	R69,37	R2,77
R69,38 —	R69,62	R2,78
R69,63 —	R69,87	R2,79
R69,88 —	R70,12	R2,80
R70,13 —	R70,37	R2,81
R70,38 —	R70,62	R2,82
R70,63 —	R70,87	R2,83
R70,88 —	R71,12	R2,84
R71,13 —	R71,37	R2,85
R71,38 —	R71,62	R2,86

R71,63 —	R71,87	R2,87
R71,88 —	R72,12	R2,88
R72,13 —	R72,37	R2,89
R72,38 —	R72,62	R2,90
R72,63 —	R72,87	R2,91
R72,88 —	R73,12	R2,92
R73,13 —	R73,37	R2,93
R73,38 —	R73,62	R2,94
R73,63 —	R73,87	R2,95
R73,88 —	R74,12	R2,96
R74,13 —	R74,37	R2,97
R74,38 —	R74,62	R2,98
R74,63 —	R74,87	R2,99
R74,88 —	R75,12	R3,00
R75,13 —	R75,37	R3,01
R75,38 —	R75,62	R3,02
R75,63 —	R75,87	R3,03
R75,88 —	R76,12	R3,04
R76,13 —	R76,37	R3,05
R76,38 —	R76,62	R3,06
R76,63 —	R76,87	R3,07
R76,88 —	R77,12	R3,08
R77,13 —	R77,37	R3,09
R77,38 —	R77,62	R3,10
R77,63 —	R77,87	R3,11
R77,88 —	R78,12	R3,12
R78,13 —	R78,37	R3,13
R78,38 —	R78,62	R3,14
R78,63 —	R78,87	R3,15
R78,88 —	R79,12	R3,16
R79,13 —	R79,37	R3,17
R79,38 —	R79,62	R3,18
R79,63 —	R79,87	R3,19
R79,88 —	R80,12	R3,20
R80,13 —	R80,37	R3,21
R80,38 —	R80,62	R3,22
R80,63 —	R80,87	R3,23
R80,88 —	R81,12	R3,24
R81,13 —	R81,37	R3,25
R81,38 —	R81,62	R3,26
R81,63 —	R81,87	R3,27
R81,88 —	R82,12	R3,28
R82,13 —	R82,37	R3,29
R82,38 —	R82,62	R3,30
R82,63 —	R82,87	R3,31
R82,88 —	R83,12	R3,32
R83,13 —	R83,37	R3,33
R83,38 —	R83,62	R3,34
R83,63 —	R83,87	R3,35
R83,88 —	R84,12	R3,36
R84,13 —	R84,37	R3,37
R84,38 —	R84,62	R3,38

R84,63 —	R84,87	R3,39
R84,88 —	R85,12	R3,40
R85,13 —	R85,37	R3,41
R85,38 —	R85,62	R3,42
R85,63 —	R85,87	R3,43
R85,88 —	R86,12	R3,44
R86,13 —	R86,37	R3,45
R86,38 —	R86,62	R3,46
R86,63 —	R86,87	R3,47
R86,88 —	R87,12	R3,48
R87,13 -	R87,37	R3,49
R87,38 —	R87,62	R3,50
R87,63 —	R87,87	R3,51
R87,88 —	R88,12	R3,52
R88,13 —	R88,37	R3,53
R88,38 —	R88,62	R3,54
R88,63 —	R88,67	R3,55
R88,88 —	R89,12	R3,56
R89,13 —	R89,37	R3,57
R89,38 —	R89,62	R3,58
R89,63 —	R89,87	R3,59
R89,88 —	R90,12	R3,60
R90,13 —	R90,37	R3,61
R90,38 —	R90,62	R3,62
R90,63 —	R90,87	R3,63
R90,88 —	R91,12	R3,64
R91,13 —	R91,37	R3,65
R91,38 —	R91,62	R3,66
R91,63 —	R91,87	R3,67
R91,88 —	R92,12	R3,68
R92,13 —	R92,37	R3,69
R92,38 —	R92,62	R3,70
R92,63 —	R92,87	R3,71
R92,88 —	R93,12	R3,72
R93,13 —	R93,37	R3,73
R93,38 —	R93,62	R3,74
R93,63 —	R93,87	R3,75
R93,88 —	R94,12	R3,76
R94,13 —	R94,37	R3,77
R94,38 —	R94,62	R3,78
R94,63 —	R94,87	R3,79
R94,88 —	R95,12	R3,80
R95,13 —	R95,37	R3,81
R95,38 —	R95,62	R3,82
R95,63 —	R95,87	R3,83
R95,88 —	R96,12	R3,84
R96,13 —	R96,37	R3,85
R96,38 —	R96,62	R3,86
R96,63 —	R96,87	R3,87
R96,88 —	R97,12	R3,88
R97,13 —	R97,37	R3,89

Cut these official tax tables out and keep them as a handy reference.

(a) Now ...

sists and write them in the spaces below. ... sentence you will have to supply a verb from the context. Indicate in each case whether the verb of the sentence is transitive or intransitive.

1. ______________________ (trans. or intransit)

2. " "

3. ______________________

4. ______________________

(b) Explain the case of te: ____________

(c) Explain the case of tibi: ____________

(d) Write down the adjectives that agree with the following nouns:

adventum

flores

session.

from the

Hansard 19 16 June 1978.
Question 747 Cols. 971 & 972.

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The MINISTER OF ... FAIRS:

(a) ...

(b) ...

Boats catching rock lobster

748. Mr. J. W. E. WILEY asked the Minister of Economic Affairs:

(1) How many boats (a) are (i) licensed to catch and (ii) actively engaged in catching rock lobster and (b) do not ... of their licences;

(2) whether consideration has been given to cancelling those licences which have not been used during the past two years; if not, why not.

The MINISTER OF ECONOMIC AFFAIRS:

(1) (a)(i) 3 7..;

(ii) and (b) in accordance with the regulations in terms of the Sea Fisheries Act, 1973 (Act 58 of 1973) an application for renewal of a licence ... lobster boat ... accompanied by ... that the ... engaged in catching ... during the ... meet these ... all the boats that ... present ... engaged in catching rock ... during the previous ...

(2) if the certificate referred to in paragraph (1)(b) cannot be ... licence is normally not ...

GST FM 30/6/75 (320)

Transkei style

Transkei's decision to apply a general sales tax (gst) on the same basis as SA's has left the BophuthaTswana government unmoved. Solomon Rathebe, BophuthaTswana's secretary for economic affairs, tells the *FM*: "We have deferred the issue of the introduction of the tax."

BophuthaTswana's stand has caused some concern in SA political circles. Progressive Federal Party finance spokesman Harry Schwarz has questioned whether the SA government will place restrictions on imports from BophuthaTswana after the imposition of the sales tax. The fear is that many SA citizens will drive to the former bantustan to buy and import goods tax free, which could help BophuthaTswana's economy.

Secretary for Inland Revenue Mickey van der Walt is not concerned, and doubts whether the amount saved by buying in BophuthaTswana would be equal to or more than the tax avoided. This is also the view of Assocom executive director Raymond Parsons. Even so, savings on purchases of high value goods can be substantial: especially if they are small in volume. For example, you could save R1.000 on, say, 100 expensive watches.

Transkei officials, however, seem to place more emphasis on the revenue that the state coffers will get from the tax than on the prospect of tax avoiding business setting up in their country. Estimates of revenue range from R5m to R30m. The exact amount will depend on how successfully the tax can be applied in the largely unsophisticated rural retail outlets.

This is one of the biggest headaches facing the inland revenue authorities in the Transkei. As one government spokesman put it: "Traders in the outlying areas are not accounting conscious." Many will not keep financial records and in these cases it will be nigh impossible to say who owes what.

Lack of financial sophistication has also affected the method of applying the tax. Unlike the SA legislation, which permits traders free choice between using the add-in and add-on method of tax collection — and which has caused some furore already — the Transkei has opted for compulsory add in. Exceptions may be granted by the Finance Minister in certain cases.

Thus, for example, the Transkei Development Corporation (TDC) chief, Franko Maritz, told the *FM* that the TDC's motor division will probably try for an add on collection system, but the remainder of the organisation will go for the add in version.

The Transkeian system — like that in SA — requires firms to register as vendors. Only then will certificates be provided to exempt such enterprises from paying tax on their purchases of stocks. So far roughly 800 (one third of the total anticipated number of vendors) have applied for certificates and been supplied with them.

This nearly matches the progress made in SWA, where the receiver of revenue has issued 5 000 certificates, out of an anticipated total issue of roughly 13 000; but is not nearly as good as in SA, where roughly 180 000 certificates have been posted to applicants out of the anticipated total of 220 000.

Business panics over tax deadline

STAR, 30/6/78

(320)

A last-minute panic has broken out among Johannesburg businessmen who now have only three days left in which to gear themselves for the new General Sales Tax.

Many are unclear about their obligations and technicalities of the new General Sales Tax to be introduced on Monday.

The Star's Fair Deal unit has been inundated with calls from frantic retailers, manufacturers and consumers. Many say that, while the tax has been explained in a general sense, they have been left to work out the detail themselves.

Said one angry caller: "This sales tax has been rushed through with very little thought for how it will be implemented."

"I don't know how we are going to manage all the administration in the few days left to us."

One retailer wanted clairification on whether tax should be charged on goods where customers had paid a deposit, but not completed payment before July 3.

PRIVATE SALES

A: If the customer has taken delivery of the goods before July 3, the sale is considered complete and no tax should be charged. This applies even if the final instalments are still outstanding.

A manufacturer wanted to know whether he had to charge tax on articles he sold to companies for the companies' own use (not for resale) and if so, whether he should calculate the tax over and above sales duty (the point of manufacture tax payable at present on a wide range of goods, excluding food).

A. If the companies are not buying for resale, they are regarded as end users and this manufacturer must charge tax. He must calculate that tax over and above sales duty.

● Cafe owners fear heavy tax losses — Page 11.

Cafe owners face heavy tax losses

Thirty percent of the new sales tax paid by Johannesburg cafe owners will come out of their own pockets.

This was the estimate given today by several cafe proprietors who said they stood to lose thousands of rands a year.

Mr D Nichos, chairman of the Tearoom, Restaurant Proprietors' and Caterers' Association, explained that about a third of their turnovers came from the sale of goods costing less than 13c and not liable to sales tax.

While the public would not be paying the cafe owners would because they would be liable on gross turnover regardless of the cost of individual items.

Mr Nichos also estimated that 95 percent of tearooms would use the add-on system, where the sales tax would be added on the price tag of the articles displayed.

This would avoid difficult explanations to young children who knew nothing about the add-on system. It would prevent, too, possible unpleasantness with less sophisticated adult customers who would find it hard to understand why prices marked on goods selected were suddenly increased at the pay counter.

The Association of Chambers of Commerce (Assocom) has issued a final reminder to businessmen to prepare for the general sales tax.

REMINDER

In a Press statement, Assocom reminded businessmen today that:

- Retailers must decide whether to adopt the exclusive (add-on) or the inclusive (add-in) system of collecting the tax.
- All shops and advertising must display clearly whether prices include or exclude the tax.
- All vendors must register with the Department of Inland Revenue to obtain tax-free purchases.
- Stores which have decided on the inclusive (add-in) system must re-mark all their stocks by July 3.

The president of the SA Federated Chamber of Industries, Mr J P Cronje appealed today to industrialists throughout the country to help with the introduction of the general sales tax by enlightening their employees, particularly their black workers.

NOTICE 512 OF 1978

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EMPLOYEES' TAX DEDUCTION TABLES

1. In terms of paragraph 9 (2) of the Fourth Schedule to the Income Tax Act, 1962 (Act 58 of 1962), as amended, it is hereby notified that employees' tax deduction tables (identified as Volume 18) have, in terms of paragraph 9 (1) of the Schedule, been prescribed for use by employers as defined in paragraph 1 of the Schedule.

The tables shall come into force on 1 July 1978 and shall remain in force until further notice.

It is further notified that the employees' tax deduction tables which came into force on 1 March 1977 shall be withdrawn with effect from 1 July 1978.

TAX TABLES FOR PROVISIONAL TAXPAYERS

2. In terms of paragraph 17 (6) of the Fourth Schedule to the Income Tax Act, 1962 (Act 58 of 1962), as amended, it is hereby notified that tables (identified as Volume 17), have, in terms of paragraph 17 (5) of the Schedule, been prescribed for optional use by provisional taxpayers.

The tables shall come into force on 1 July 1978 and shall remain in force until further notice.

It is further notified that the tables for provisional taxpayers which came into force on 1 July 1977 shall be withdrawn with effect from 1 July 1978.

3. The employees' tax deduction tables and tax tables for provisional taxpayers may be obtained by registered employers and provisional taxpayers from the offices of Receiver of Revenue on the establishment of the Department of Inland Revenue.

W. J. H. VAN DER WALT, Secretary for Inland Revenue.

(30 June 1978)

KENNISGEWING 512 VAN 1978

WERKNEMERSBELASTING: AFTREKKINGSTABELLE

1. Kragtens paragraaf 9 (2) van die Vierde Bylae by die Inkomstebelastingwet, 1962 (Wet 58 van 1962), soos gewysig, word hierby bekendgemaak dat aftrekkingstabelle (geïdentifiseer as Volume 18) ingevolge paragraaf 9 (1) van die Bylae vir gebruik deur werkgewers, soos omskryf in paragraaf 1 van die Bylae, voorgeskryf is.

Die tabelle tree op 1 Julie 1978 in werking en bly tot nadere kennisgewing van krag.

Voorts word dit bekendgemaak dat die aftrekkingstabelle wat op 1 Maart 1977 van krag geword het, teruggetrek word met ingang van 1 Julie 1978.

BELASTINGTABELLE VIR VOORLOPIGE BELASTINGPLIGTIGES

2. Kragtens paragraaf 17 (6) van die Vierde Bylae by die Inkomstebelastingwet, 1962 (Wet 58 van 1962), soos gewysig, word hierby bekendgemaak dat tabelle (geïdentifiseer as Volume 17) ingevolge paragraaf 17 (5) van die Bylae voorgeskryf is vir opsionele gebruik deur voorlopige belastingpligtiges.

Die tabelle tree op 1 Julie 1978 in werking en bly tot nadere kennisgewing van krag.

Voorts word dit bekendgemaak dat die tabelle vir voorlopige belastingpligtiges wat op 1 Julie 1977 van krag geword het, teruggetrek word met ingang van 1 Julie 1978.

3. Die werknemersbelastingaftrekkingstabelle en die belastingtabelle vir voorlopige belastingpligtiges is deur geregistreerde werkgewers en voorlopige belastingpligtiges verkrygbaar by die kantore van Ontvangers van Inkomste op die diensstaat van die Departement van Binnelandse Inkomste.

W. J. H. VAN DER WALT, Sekretaris van Binnelandse Inkomste.

(30 Junie 1978)

SALES TAX FM 30/6/78

Giveaway problem

320

At least one loophole in general sales tax (gst) legislation has already been found, Inland Revenue concedes. "They have us by the shorties," confirms a department spokesman. "We shall have to come back to it later."

The loophole has been found by publishers who give away magazines free. Nasionale Pers was first on to it with the launch of *Bonanza* (*FM* June 2). Now other publishers, like *Barclaycard* magazine, are on to it too. And others will surely follow.

On giveaways, the law is specific. Gst is payable either on cost or market value, whichever is less. So all the publishers of giveaways must do to minimise their tax payment is establish a fictitious "market value" by printing as low a cover price as they think they can get away with.

It makes no difference to the reader whether the cover price shows 30c or 10c, for he receives it free anyway. But it does make a difference to the publisher, who is liable for 4% tax on whatever cover price (market value) he decides to print. The lower the price, the less the tax.

Publishers of giveaways make their money from advertising revenue. They are not interested in a selling price. If they did have to charge for their publications, readership generally would drop to the point where they presumably would be unable to support their advertising rates, which makes "market value" a dubious and highly subjective concept in this connection.

Inland Revenue would be unhappy if it finds ridiculously low market values being established. States a Revenue spokesman: "If they try to *verneuk* us, we are going to clamp down."

Financial Mail June 30 1978

22. in verbs

(320)

DAILY DISPATCH, SATURDAY, JULY 1, 1978 — 7

Car sales peak as GST looms

EAST LONDON — Mention the four per cent general sales tax which comes into effect on Monday to the man in the street and all you'll receive is a scowl.

Mention it to a motorcar salesman and he will break out smiling.

And there is ample reason for many East London car salesmen to be smiling all the way to the bank during the past few weeks as, for some, sales have doubled as people rushed to buy cars before the sales tax comes into effect.

In fact, sales have been so good that the inspectors at the traffic department have battled to cope with the flood of cars in for roadworthy certificates, and they had to close their doors early yesterday morning, and again at 2.45 pm when all the applications that could possibly be accepted for the afternoon had been taken in and the yard was full of cars.

"Our full complement of inspectors has been operating continuously, and we have handled about 125 cars a day during this week," said the acting traffic chief, Mr N. J. Odendaal.

23 The manager of the motorcar sales division, Mr H. O'Mahoney, said he had doubled his sales during the past week. Salesmen were rushed off their feet and had to deliver cars late into the night.

Cars either have to be delivered or payment received before the tax deadline, and he said many people had bought cars which could not be delivered for 10 days or more.

"The fleet side has been particularly good, with fleet owners deciding to replace cars which they wouldn't have replaced until later in the year were it not for the tax," Mr O'Mahoney said.

Used cars were also selling well, but the private owner who was due to buy a new car was not worrying about the tax as it would only represent a few rands a month, he said.

An Automobile Association statement said it was inevitable the next few weeks would lead to increased confusion and misunderstanding among those engaged in registering vehicles they had purchased.

They appealed to officials to treat motorists with understanding when they inadvertently exceeded their deadlines.

They expect many motorists to complete their transactions in June, but not to have roadworthy certificates until well into July.

• The three motorcar plants in Port Elizabeth and Uitenhage are working overtime and taking on more staff to meet the demand for new cars.

This is in sharp contrast to a year ago when some plants were working short time and still reducing staff in the face of one of the severest depressions the Eastern Cape — and the country — had experienced.

The industry started gearing up some time ago to provide for the expected rush before the introduction of general sales tax on Monday.

Then came the launching of new models which required stepping up the production schedules. These include Volkswagen's Golf, Ford's new Granada, and two new models to be launched by General Motors this month.

The financial director of Ford, Mr Brian Ryaner, said yesterday that in August last year one plant was still working a four-day week which started in August 1976. "Sometimes it was even less."

In the last quarter of last year the situation improved and the plant reverted to a five-day week. It was now working overtime, he said.

The company's other plant started working to maximum production at the beginning of the year and Ford had to take on more men. "There are certainly a lot more wages around," he said. — DDC.

imicus,

(b) Homini fidelissimi sunt equus et canis

(The horse and the dog are most faithful to man)

(c) Ille mi par esse deo videtur

(He seems to me the same as a god).

NM 1/7/78

Beat-the-tax buying binge

(320)

Mercury Reporters

CONSUMERS are draining their cash reserves and relying heavily on credit in a desperate last-minute effort to beat the sales tax by buying before shops close today.

Durban shops reported yesterday far more customers than ever before were buying on credit cards or hire purchase.

The credit card section of a leading bank reported yesterday that it was "snowed under" trying to process authorisations for credit purchases of over R100.

The money being spent in these large amounts was yesterday about 10 times the figure for a normal day, after rising steeply from the start of the week.

The spending spree has also exhausted stocks of basic foodstuffs — such as cooking oil and sugar — in some supermarkets.

The managing director of a large discount store said yesterday that sales for this month had topped the December mark on Wednesday and were likely to be 15 percent higher by today.

Buyers are concentrating on expensive products to save greater amounts of tax and motor dealers were yesterday rushed off their feet.

A Pinetown dealer said that on Thursday for the first time ever he had banked more than R100 000 and yesterday this figure shot up to R150 000.

All but one of his saloon models was sold out and even commercial vehicles were scarce. Another all-time record was 117 vehicles sold in the month — the first time the monthly figure had exceeded 100.

The rush on cars meant a headache for the banks who had to process hire-purchase deals before Monday if their customers were to escape GST.

One bank said it would probably be unable to cope with the load.

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3/ Section 57 (1) (a) Table (page 58)
4/ Section 57 (3) "
5/ Section 40 "
6/ Section 58 (1) (page 59)
7/ Section 39 as amended in 1975 by Pr (page 59)
8/ Section 40 (1) op.cit (page 59)
9/ Section 41 op.cit "
10/ Section 42 op.cit "

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Bitter prys-pil versuiker

RAPPORT 2/7/78 (322)

Deur THINUS PRINSLOO

DAAR was gisteraand deur die land dankbare glimlagte: Die bitter pil van môre se verkoopbelasting van 4 persent is versuiker deur 'n belasting-pasella van R245 miljoen wat die Minister van Finansies, sen. Owen Horwood, aangekondig het.

Verkopers was ewe bly as verbruikers dat goed soos woonwaens, elektriese stowe, motoronderdele, bote en selfs reukwater en pruike, orrels en klaviere voortaan tog 'n bietjie goedkoper sal wees omdat die verkoopreg daarop afgeskaf is.

Die prysstyging van ander goedere soos motors en beeldradio's kan ook effens in bedwang gebring word omdat die ou verkoopreg na 'n aksynsbelasting verander word, en dit is verlaag.

Hierdie stappe is in die breë verwag, en word as nodige inspuiting gesien vir 'n ekonomie wat swaarkry.

Môre se verkoopbelasting van 4 persent sal nietemin nog vat aan die beursie, want die jaarlikse inkomste daaruit word op tussen R400 en R500 miljoen per jaar geraam. Sommige ramings is dat die Skatkis tot R1 000 miljoen per jaar uit die verkoopbelasting gaan kry.

Gister se toegewinge gaan die Skatkis net R150 miljoen in die huidige boekjaar kos.

In 'n verklaring gister in Pretoria sê sen. Horwood dat die ou verkoopreg van 28 persent nou omgeskakel word na 'n ad valorem-aksynsreg van nie hoër as 20 persent nie. Die verkoopreg op sommige ander goedere word van môre af heeltemal afgeskaf.

„Die kosteverminderings wat hieruit voortvloei, behoort binnekort in laer kleinhandelpryse van nuwe voorrade weerspieël te word op al die items wat tot dusver aan verkoopreg onderhewig was.

„In totaal sal hierdie toegewinge 'n verlies aan inkomste vir die Skatkis van nie minder nie as R245 miljoen per jaar meebring. Vir die huidige boekjaar sal die koste van hierdie toegewing ongeveer R150 miljoen wees.

„Die aansienlike toegewing sal die uitkringende uitwerking van prysstygings op alle goedere wat tot dusver aan verkoopreg onderhewig was, verminder. Dit sal ook grootliks bydra tot 'n vermindering van inflasionistiese druk uit daardie bron," lui sen. Horwood se verklaring.

Goedere wat van môre af nie aan verkoopreg of aksynsbelasting onderworpe is nie, is:

Onder meer buiteboordenjins, lugreëlaars, kantoormasjiene, elektriese stowe en verwarmers, woonwaens, skepe en bote, klaviere, orrels, motorvoertuigonderdele.

Verdere goedere wat geraak word, is:

Speelgoed, reukwater, gloeilampe, skeermesse, haarknippers, breimasjiene, skottelgoedwasmasjiene, grassnyers, tapyte, pruike, trommels, ens.

Die nuwe aksynsreg op motors wissel van 5 tot 10 persent afhangende van die grootte; vir groot motorfietse

* VERVOLG OP BL. 23 *

Oppas vir dubbeld betaal

MAAK seker dat u nie van volgende Sondag dubbeld verkoopbelasting op RAPPORT betaal nie!

Ons prys bly dieselfde, maar verkoopbelasting van 4 persent op 30c beteken dat die koerant van aanstaande Sondag af 31c sal kos.

*** By verkooppunte, soos op straat, waar die belasting klaar ingevoeg is, betaal u 31c vir u koerant, en die ekstra sent gaan na die staat.**

*** By verkooppunte soos sommige kafees, waar die belasting toegevoeg word, word die gewone 30c— nie 31c nie — vir 'n RAPPORT getel by die prys van die sigarette, brood of wat u ook al meer koop, en word 4 persent belasting op die totale koopsom bereken.**

In die regterhoek bo sal dit voortaan duidelik uitgespel word: u betaal 30c vir RAPPORT plus 1c verkoopbelasting.

Motors nie goedkoper

SEN. OWEN HORWOOD se belastingmeevallertjie op motors gaan nie veel verskil aan die pryse van motors maak nie, sê mnr. J. H. van Huyssteen, direkteur van die Motornywerheidsfederasie.

Hy verwag dat sekere motorvervaardigers nou kans gaan sien om pryse te verhoog. Voorheen was hulle bang hoër pryse dryf hul uit die mark uit. Hy verwag dat die vervaardigers die gaping gaan gebruik wat die belastingverpligting geskep het.

Dis vir hom ook duidelik dat die Regering die verkope van veral kleiner motors wil aanmoedig. Die aksynsreg op kleiner motors is nou 5 persent teenoor die 10 persent op groter motors. Voorheen was dit 7½ en 15½ persent.

Mnr. Ryamond Parsons van die Vereniging van Kamers van Koophandel sê die toegewing sal help om pryse op 'n kritieke tydstip te stabiliseer. „Geluk, sen. Horwood. Dis goeie nuus. Vir die verbruiker sal daar beslis voordele wees, hoewel dit ongelukkige gevolge vir handelaars met ou voorrade sal inhou."

Pil versuiker

* VERVOLG VAN BL. EEN *

is dit 15 persent, horlosies 15 persent, wapens en ammunisie 15 persent, grammofone, plate en bandopnemers 20 persent, kameras 20 persent, radio's en TV's 20 persent.

In die verklaring wat gister in Pretoria uitgereik is, word gesê dat vervaardigers daarop moet let dat goedere wat tot gister verkoop is, nog aan verkoopreg onderhewig is.

Die Sekretaris van Doeane en Aksyns het gister ook briewe aan alle vervaardigers gepos waarin verduidelik word hoe die nuwe toegewinge hulle raak.

As handelaars nie die nodige prysaanpassings maak waar nodig nie, sal dit in 'n ernstige lig beskou word, lui die verklaring.

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the position of the genitive

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Verkoopbelasting

DIEGENE SPEEL MET VUUR

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RAPPORT 2/7/78

Deur ALPHONS DU TOIT

HANDELAARS wat mense van môre af 4 persent ekstra op agterstallige rekenings wil laat betaal, speel met vuur. Daar is etlike gevalle onder die aandag van Sake-Rapport gebring van handelaars wat dreig om dit te doen.

Gevra hieroor het mnr. Micky van der Walt, Sekretaris van Binnelandse Inkomste, aan Sake-Rapport gesê: „Die wet sê uitdruklik dat goedere en sekere dienste wat voor 3 Julie gelewer is, nie aan die verkoopbelasting onderhewig is nie. Die kern van die hele verkoopbelasting berus op die datum waarop sekere dienste en goedere gelewer word. In die geval van kontanttransaksies is die kerndag die datum waarop die bedrag ten volle vereffen is."

Mnr. Van der Walt het dit baie duidelik gestel dat kredíettransaksies wat voor 3 Julie aangegaan is, beslis nie aan die verkoopbelasting onderhewig is nie. Winkels mag dus nie die verkoopbelasting van 4% op agterstallige rekenings hef nie.

Dieselfde geld huurkooptransaksies. Waar 'n persoon vóór 3 Julie so 'n kontrak onderteken het en die goedere ook vóór 3 Julie in ontvangs geneem het, is daar geen sprake van die belasting nie.

Maar as die kontrak lank voor 3 Julie onderteken is, maar die goedere eers ná dié datum afgelewer is, tree die belasting in werking. Mnr. Van der Walt het handelaars ook gewaarsku dat . . „die gebruikmaak van die verkoopbelasting as 'n verkoopfoefie streng teen die wet is. 'n Handelaar wat beweer dat hy die belasting nie hef nie óf dit self absorbeer, kan vervolg word."

Heelwat mense het RAPPORT geskakel en gevra of vaste eiendom, die verhuring en verkope daarvan, ook geraak word. Die antwoorde verskyn in die verbruikersrubriek op bl. 2.

'n Ander probleempunt blyk die belasting van dienste te wees. In dié verband is die volgende dienste wel belasbaar: Motorhersteldienste, asook enige ander hersteldienste soos 'n loodgieter, elektrisiën, haarkapperdienste, hersteldienste, klerema-kers, fotografiese dienste of byvoorbeeld dienste gelewer deur gimnasiums en selfs maseersalonne.

Professionele dienste, soos dié van 'n dokter, argitek, tandarts, veearts of rekenmeester is nie belasbaar nie. Máár wanneer u 'n dokter besoek en hy skryf 'n voorskrif uit, dan moet jy koopbelasting by die apteek betaal.

Finansiële dienste van banke, bouverenigings assuransiemaatskappye ens. is ook van die belasting vrygestel. Dieselfde geld vir munisipale tariewe, elektrisiteits- en waterdienste, asook kommunikasiedienste en alle vervoerdienste.

Mnr. Van der Walt sê dat sy departement geen wanpraktyke of ongerymdhede sal duld nie. Pogings om verbruikers deur middel van die verkoopbelasting uit te buit, moet onmiddellik by die Departement van Binnelandse Inkomste aangemeld word.

„Ek wil die publiek graag die versekering gee dat geen misbruik van die verkoopbelasting toegelaat sal word nie. Daar is twee stelsels wat toelaatbaar is, die ingevoegde (waar die belasting by die prys ingevoeg is) en die toegevoegde (waar die belasting by die verkooppunt by die verkoopprys toegevoeg is). Handelaars kan een of die ander kies maar nie albei nie," sê mnr. Van der Walt.

Motorhawes is 'n uitsondering. Vir petrolverkope sal hulle die ingevoegde stelsel gebruik en in alle ander afdelings die bygevoegde stelsel.

2 h which noun

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examples

are non-existent. Latin would in such cases use either a genitive dependent on another noun or an adj. in agreement with a noun: e.g. via Misena 'the road to Misenum'; Roscius Amerinus 'Roscius of (from) Ameria'; Damascus Syriae 'Damascus in Syria',

29. In addition to the use of the Genitive as a case to express the relation or connexion between one noun and another, the genitive can also be found depending on certain verbs and adjectives. This can be looked upon as an adverbial use of the Genitive as opposed to its adjectival use exemplified above. The following examples will suffice:

Now the good tax news

Sun. Tribune 2/7/78

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Horwood's price-cut promise

Tribune Reporter

TAX and excise-duty concessions to counter the effects of the four percent General Sales Tax were announced by the Minister of Finance, Senator Owen Horwood, yesterday.

The concessions mean many items from cars to shoes and jewellery will cost less.

Senator Horwood has promised his department will make sure the benefits are passed on to the public.

"I feel that it is now time to implement the recommendations of the standing commission on tax policy and to convert the sales duties on luxury goods into add-on excise duties," he said

Senator Horwood

"The maximum excise duties on these goods will now not exceed 20 percent compared with the present 28 percent sales duty."

The General Sales Tax had also made it necessary to abolish the sales duty on all other goods.

The concessions, which would cost the Exchequer R150 million this year, would reduce the escalating effect of price increases on all goods formerly subject to sales duty and would also fight inflation.

He said: "The resultant cost reductions should soon be reflected in lower retail prices on new stocks of all items that have so far been subjected to sales duties. An extremely serious view will be taken of any move by traders not to pass on these price reductions."

Goods that will be reduced in price — expect to pay about 4 percent less — include stationery, typewriters, tableware, suitcases and hand luggage, stoves, refrigerators, washing machines, caravans, toys and motor spare parts.

The add-on exise duty will mean a reduction in the price of cars, aircraft, pearls, precious and semiprecious stones, precious metals, electrical equipment, photographic equipment and arms and ammunition. Because excise duty varies on these items from 5 percent to 20 percent savings cannot be calculated at this stage.

3/1/78. R.D.M. (320)

Saturday morning fever to beat GST

By VITA PALESTRANT

FOR retailers it was a June Christmas. For consumers it was the shoving, bending and hopping of Saturday morning fever as they valiantly fought off general sales tax.

But some will regret it: Certain consumer goods will be cheaper this week because of reductions in sales duty. The announcement was made on Saturday while unsuspecting consumers bought in a wild frenzy.

But back to Saturday fever, and the Killarney centre, in Johannesburg, where shoppers stockpiled medicines that would be dated by the time they used them and food that would be rancid by the time they ate it.

Elderly Mrs E Franks waved her hands at heavily loaded trolleys as they wobbled past her in a supermarket.

"It's idiotic — absolutely ridiculous. Most of these people got reductions in personal income tax and won't be affected by GST."

Asked why she was buying more, Mrs Hilda Molotsane said: "There is a price war on, somebody told me."

Mrs E Swanepoel was upset: "I don't have enough money to buy what I want. I'm a pensioner's wife."

Said Miss Nana Moyanage: "I'm very wroried about this. I live in Soweto and things are expensive enough as it is."

A pharmacist dashed from one of his customers to another.

The whole world is going mad. My customers have stocked up with a year's supply of medicine which will be dated by the time they use it," he said.

Mr A Batzofin, a butcher, said: "I've warned my customers about stockpiling food that will go rancid. Its crazy."

A tobacconist looked despairing: "My vendor's certificate hasn't arrived and, between now and Monday morning, I have to remark thousands of items. It's a nightmare, I've got two shops."

A sweetshop owner, Mr J Lapin, concentrated his gaze on a large jar of black balls: "Thats 30% of my business, items under 13c, and I have to give the receiver 4% of my turnover."

Supermarkets agreed that Saturday's morning rush was worse than the normal Christmas rush.

"Our sales were way above Christmas figures. Our Hypermarkets beat Christmas figures by 25% and so did 25 of our 40 supermarkets," said Mr Raymond Ackerman, chairman of Pick 'n Pay.

Mr Allan Fabig a director of OK Bazaars, said: "We had an outstanding month."

And Mr Bob Harvey, vice-president of Checkers, said his stores had a rush that was worse than at Christmas.

3/7/78 R.D.M (320) ~~243~~

Praise, but also a rap for Horwood

By GERALD REILLY
Pretoria Bureau

COMMERCE and industry yesterday welcomed the announcement by the Minister of Finance, Senator Owen Horwood, that selective sales duty is to be abolished on a large range of goods and significantly reduced on others.

However, the Minister was strongly criticised by other sources for leading the country "blindfolded" into a buying spree to beat the introduction of the 4% General Sales Tax which comes into operation today.

In fact, many of the commodities consumers rushed to purchase to beat the GST deadline will soon be cheaper.

Before the Minister's weekend announcement, commerce and industry feared the shrinking of consumer demand by R1 000-million a year — the effect of GST — would further depress the economy.

Economists agreed yesterday however, that the abolition or reduction of sales duty would lead to significant reductions in the prices of a wide range of commodities, even after taking GST into account.

The chief economist of the Federated Chamber of Industries, Mr Hammond-Tooke, said the move would make possible an increase in consumer spending and strengthen the Government's aim of a consumer-led climb out of the recession.

The Rand Daily Mail's Financial Editor, Howard Preece, writes that the South African economy is struggling to emerge from its longest recession in 40 years.

Some economists recently warned that the economic growth rate in 1978 was again flagging. They warned that GST would add to the dangers by reducing the real value of consumer spending power.

Senator Horwood's decision on sales duty will help meet some of these fears.

Sales duty has been abolished on such items as stoves, carpets, refrigerators, and typewriters.

The duty has been reduced on items including cars, cameras, television sets, radios, record-players and clocks. It is estimated this will cost the Treasury R245-million in a full year.

There will still be some criticism, however, of Senator Horwood's economic strategy. Some businessmen and opposition politicians believe he should have given priority to exempting basic foodstuffs from GST.

They argue that this would have given more assistance to the poorest sections of the community.

Labour leaders, including the president of the Artisans Staff Association, Mr Jimmy Zurich, welcomed the abolition of the sales duty but criticised the Minister for failing to give consumers ample notice of his intention.

"People were panicked into buying beyond their means and the Minister could have stopped this had he wanted to," Mr Zurich said.

The Minister said that sales duty applied up until Saturday.

This means that goods which left manufacturers or warehouses on Saturday are still subject to duty and the effect of the concessions will be felt only when the existing stocks are sold out.

See Page 2

320 3/7/78

So what's new about sales tax?

It's T Day today — Tax Day. The introduction of the new general sales tax. Most people think it's something new. In fact, they were thinking about sales tax back in 1922. MR DAVID LAZARUS, former MPC for East London City, throws some new light on an old subject . . .

It may not be generally known that as far back as 1922, the then Administrator of the Cape, Sir Frederick de Waal, sought to introduce a draft ordinance to impose a tax on "the sale and other transactions in respect of goods, wares and merchandise" within the province of the Cape of Good Hope.

His proposed ordinance was known as the "Provincial Sales Tax Draft Ordinance", but sales tax being indirect taxation, the Provincial Council was not empowered to impose it.

However, a provincial council could recommend that Parliament pass any law relating to any matter for which a council was not competent to make ordinances.

The Cape at that time then levied an additional licence duty, calculated on gross receipts. This turnover tax was subsequently abandoned.

When a sales tax was introduced in 1969 it was received with mixed feelings and faced strong opposition.

Although it had been indicated that it would not be imposed on articles required by lower income groups, in practice the tax was levied on items which came under the category of essentials.

One of the reasons for the imposition of the tax was obviously to include people from all walks of life, irrespective of their incomes.

The principle of a sales tax was one of the provisions recommended by the Franzsen Commission. The recommendations, however, did not envisage a tax on food, footwear, clothing or household and health expenditure.

In fact, the Franzsen Commission's report repeatedly made the point "that any change should be made as painless as possible, and that the burden on the lower income groups should be as light as possible."

It had been expected that the tax would apply to "luxury, semi-luxury and durable goods", but the actual list of goods taxed did not in any way bear much relation to these categories.

The 1969 sales tax comprised a tax of 20 per cent on luxuries, a lower tax of five per cent on certain other goods, and a basic tax of 10 per cent.

It was obviously intended as a means to compensate for individual tax concessions — concessions which amounted to about R88 million in lost revenue.

The then Parliamentary Opposition did not disagree with the Minister of Finance at the time, Dr Diederichs, lowering direct taxation and increasing indirect taxation, but it disagreed with his choice of items for indirect taxation.

They favoured the readjustment of income tax scales and the imposition of a sales tax on a more selective basis.

Now, nine years later, a new general sales tax of four per cent has come into being.

It has proved to be as controversial as the 1969 sales tax.

In his Budget speech, the Minister of Finance announced reductions in sales duty. He indicated that he wanted to cause the least possible disruption at the change-over from one duty to the other, and to ensure that the reduction in sales duty was passed on to the consumer in the form of lower prices.

The Sales Tax Act of 1978 is a lengthy document and its provisions indicate that these will become a permanent feature of our taxation.

NM. 3/7/78

Cut in sales tax drops some prices

320

The Financial Editor

ORGANISED commerce and industry yesterday welcomed the announcement by the Minister of Finance, Senator Owen Horwood, that the sales duty is to be abolished on a large range of goods and significantly reduced on others.

This move will soften the blow of general sales tax introduced today.

This was the view of members of commerce and industry to whom I spoke in Durban yesterday.

They said that although it would take time for the benefits from the elimination of sales duty on various goods to filter through to the consumer, it would be to the advantage of people in all income groups.

Senator Horwood had previously accepted a recommendation to convert the sales duties on certain less essential high rated goods into ad valorem excise duties later this year.

Senator Horwood at the weekend said: "I feel that it is now opportune to implement this recommendation and to go even further in the process by reducing the rates of all goods affected.

Maximum

"The maximum excise duties on such goods will not exceed 20 percent, compared with the present 28 percent sales duty and 33 percent, before the budget."

The Minister made the following points:

- The sales duty on all goods, other than certain less essential high rated goods mentioned in his Budget speech, would be abolished;
- This concession would reduce the escalating effect of price increases and reduce inflationary pressures;
- The government's policy of a gradual stimulation of the economy would continue;
- In total the concessions would entail a loss of revenue to the State of R245 million over a full year but for the current year the loss would be R150 million and
- Goods removed from manufacturers' warehouses up to and including July 2 were still subject to sales duty at the old rate.

Mr. Roland Freakers, the director of the Natal Chamber of Industries, said that his chamber had anticipated a further reduction in sales duty.

Mr. Ken Hobson, general manager of the Durban Chamber of Commerce, said there had been some "stupid" buying recently and people would have been better off if they had waited.

Bank

A Durban bank manager said that he nearly ran out of money on Friday.

Our Pretoria correspondent says economists agreed yesterday that the abolition of the sales duty would lead to significant reductions in the prices of a wide range of commodities even after taking into account the 4 percent sales tax.

The chief economist of the Federated Chamber of Industries, Mr Hammond-Tooke, said the abolition of the sales duty on a wide range of goods and the significant reduction of duty on other goods — mostly luxury goods — would make possible an increase in consumer spending and strengthen the Government's aim of a consumer-led climb out of the four years of recession.

The duty had to go because it had been exploited to its limits as a revenue source.

Increase

The sales duty applied at the manufacturing end had also led to an escalation of prices as it passed through the pipeline to the retailer.

The actual duty increased by an average of about 40 percent by the time it reached the consumer.

The ad valorem duty now to be imposed on certain luxury and semi-luxury goods, from perfumes and cosmetics to motor cars would lower the tax rate to between 5 and 20 percent.

Labour leaders, including the president of the Artisan's Staff Association, Mr. Jimmy Zurich criticised the Minister for failing to give consumers ample notice of his intention.

Stampede

By leaving the announcement to the last minute the Minister has stampeded consumers into a costly spending spree on overpriced goods.

Sales duty has been abolished on such items as stoves, carpets, refrigerators, and typewriters.

The duty has been reduced on items including cars, cameras, television sets, radios, record players and clocks.

A Mercury reporter says that with the introduction of general sales tax today customers are expected to be the most likely hold-up, but should get used to the tax by the end of the week.

Pick 'n Pay's Mr. Alan Gardiner said that his staff has been trained for a month and all the cash registers would be replaced by tomorrow for their add-on method.

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Sales tax chaos

9 000 shops in city not registered

General Sales Tax got off to a bad start today with hundreds of smaller shopkeepers still floundering over how to take the tax.

Nearly 9 000 Johannesburg traders had still not registered with the Johannesburg Department of Inland Revenue — vital to the implementation of the new tax.

Many had not yet decided whether to use the inclusive or exclusive system of levying the tax.

Major stores had geared themselves with computerised cash registers, tax tables, signs indicating either the "exclusive" or "inclusive" systems, but many small businesses were found completely unprepared.

Of 13 shops surveyed in Commissioner Street, Johannesburg, only two were displaying tax tables, as required by law.

GST and The Star

From today, how you buy your copy of The Star will affect what you pay for it.

If you buy one copy of the paper, by itself, you will not pay the new sales tax, because you do not pay tax on individual items costing less than 13c.

But if you buy The Star together with other items at an outlet applying the new tax on an add-on basis, you will pay 4 percent tax on your total bill, including The Star.

Johannesburg chemist Mr E Melamblowitz . . . "my first customer was an aggressive man with a headache who did not want to pay the one cent extra for his bills."

Chaos as GST starts

From page 1

ing days of the year on Saturday.

Checkers Southdale reported takings 15 percent up on a normal month-end Saturday.

Mr Raymond Parsons, executive director of the Associated Chambers of Commerce, said today that Assacom would be monitoring the introduction of the new tax country-wide.

Checks would be made to see if shopkeepers were displaying the "inclusive" and "exclusive" tax signs, whether there were any delays at store checkouts, and how consumers were reacting to the different systems.

Mr Parsons appealed to the public to show patience during the first stages of the new tax.

He said there were "bound to be teething problems" since both businessmen and consumers were having to get used to a completely new system.

President Street, Johannesburg, butcher Mr I Kirchner . . . "we're geared for any problems." The general sales tax notice is displayed on the cash register.

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Star 3/7/78

Waiting

Several Indian traders said they were still waiting for their bookkeepers to advise them which system of collecting the tax they should use. Some sales assistants were unaware which system was being used.

Although the supermarkets maintained that consumers were well prepared for GST, many small shopkeepers reported resistance to the tax.

There was also widespread confusion in black townships because many black traders and consumers do not understand how it works.

Most traders interviewed by The Star at the weekend appeared cofused about all the implications of the tax.

A few did not yet know the difference between the "inclusive" and "exclusive" systems. Interviews with many black consumers showed they knew little about the new tax and its implications.

In Soweto

Mr Veli Kraai, chairman of the Soweto Traders' Association, predicted that confusion could result from its introduction. Efforts were being made to organise lectures for Soweto traders soon to help them overcome problems created by the tax, he said.

Some of the bigger supermarkets in Johannesburg had staff working through the night last night in preparation for the new tax.

Not only were they remarking goods, but replenishing stocks after one of the heaviest trad-

To Page 3, Col 10

Chelton Pharmacy in President Street had problems this morning with a man who argued about having to pay one cent extra on a packet of headache tablets.

Pharmacy owner, Mr E Melamblowitz, said the man threatened to "assassinate those f . . . . who keeps putting up the price."

"I remained cool and gently got him to pay the inclusive cent," Mr Melamblowitz added.

A salesman at Continental Bakery in President Street, said a "rich white woman" refused to pay one cent on a chelsea bun, this morning. After an argument, she stormed out of the shop.

Continental Bakery used to sell its chelsea buns for 12 cents until today, when all 12 cent cake prices were raised to 13 cents.

"It's our own new price," a salesman said, "and we're not adding the usual one cent sales tax on the new 13 cents."

A President Street cafe owner charged a Star reporter 12 cents tax on a R1,87 bill this morning. He should have charged eight cents.

The cafe owner had obviously worked out the tax in his head.

He did not consult a tax table and had no signs in his store stating whether he was using the exclusive (add-on) or inclusive (add-in) system of collecting. The cafe owner later conceded that he had made a mistake and promised to refund the four cents owed.

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Government blunts impact on new motor vehicles

By Harvey Thomas, Motor Editor

New cars will not automatically cost another four percent now that General Sales Tax has been introduced.

The Government has blunted the impact of GST on new motor vehicles by reducing the sales duty on cars — from 15,5 percent to 10 percent on the more expensive models and from 7,5 percent to 5 percent on the medium-sized and smaller cars.

But this sales duty was paid, by the manufacturer, on what is known as the "neutral value" of a car, a value established by a formula that is based on the dealer price, less an allowance of 15 percent and then subject to certain variants.

This means that because of the lower sales duty a more expensive car will cost 3,4 percent less while a smaller car will cost 1,6 percent less — if the manufacturer passes on the saving. These new retail prices will then be subject to the new four percent GST.

In practical terms the cost of new cars will go up, but by less than four percent.

However, this will not apply to all cars as most manufacturers will use the lower sales tax to cushion impending price increases and will probably pass on only part of the reduction.

Some will use the lower tax duty to hold the old retail price. Today VW announced reductions of between 1,7 percent and just more than three percent o nmost VW and Audi models, but not for the new Golf range.

VW's sales director said that proposed price increases for the Golf range had been avoided because the duty reductions had been used to offset them.

The cars now in the dealer showrooms and in the pipeline after they have left the factory will still cost more as the lower duty applies only to cars being manufactured as from today. But VW has said that models affected by the new lower retail prices would include those already in dealer's stock.

Confusion over sales duty

Lower excise tax on luxuries

Total confusion among customers was reported by shopkeepers today after the announcement that sales duty was being scrapped and replaced by a lower excise tax on luxury items.

Consumers were just beginning to understand what the 4 percent general sales tax was all about, said Mr Neil Werbeloff, chief buycr for the Pick 'n Pay group.

"Now they are totally confused."

He said the scrapping of sales duty which will cost the Government about R150-million this fiscal year, would:

- Have little effect on consumers earning breadline incomes.
- Allow unscrupulous retailers to take advantage of consumers as when sales duty was reduced earlier this year.

Only new supplies from manufacturers or importers would show the reduction if the manufacturers and importers had not paid tax on these supplies.

A spokesman for the Department of Customs and Excise stressed that the Minister of Finance, Senator Horwood, had warned that "an extremely serious view" would be taken of traders who did not reflect the reductions in their prices.

He said items, which had been exempted from sales duty as well as excise duty included:

Candles, glues, varnishes, suitcases, motor vehicle parts, toys, boats, caravans, musical instruments, typewriters, lawnmowers, refrigerators, stoves, washing machines, shavers, air conditioning machines, wigs, umbrellas and kitchen and household goods made of plastic, wood and steel.

Reduced excise levies now apply to a wide range of other goods.

● GST, your questions answered — Page 6.

Tax muddle over those empties cleared up

Confusion over the refunding of General Sales Tax on returned soft drink and other bottles has been cleared up after a lost-minute panic at the weekend.

Bottle store and cafe owners did not know whether they should refund the tax on returned bottles.

But the Department of Inland Revenue has decided that consumers will be taxed on the full amount, bottle and contents, and no tax will be refunded when the bottle is returned.

"This simplifies everything," said Mr Schalk Schoombie, executive director of the Federated Hotels Association of South Africa.

"We had a last-minute panic on Friday and Saturday. Dealers were worried in case they had to refund the portion of tax paid on a bottle.

"If a person buys a cool drink — contents worth 15 cents, bottle worth four cents, he will pay an extra one cent tax. He will only get four cents back for the bottle," said Mr Schoombie.

Monday, July 3, 1978

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DAILY DISPATCH

Founded 1872
Price 10c

Sales tax softened by sales duty cuts

PRETORIA — Organised commerce and industry yesterday welcomed the weekend announcement by the Minister of Finance, Sen Horwood, that sales duty is to be abolished on a large range of goods and significantly reduced on other goods — mostly luxury items.

However, the Minister was strongly criticised by other sources for leading the country "blindfolded" into a buying spree to beat the introduction of the four per cent sales tax which comes into operation today.

Economists agreed yesterday that abolishing sales duty would lead to significant reductions in the prices of a wide range of commodities, even after taking GST into account.

The duty has been abolished on about 150 consumer items and reduced on about 40 others.

The chief economist of the Federated Chamber of Industries, Mr J. Hammond-Tooke, said the move would make an increase in consumer spending possible and would strengthen the Government's aim of a consumer-led climb out of a four-year recession some economists believe is the longest in 40 years.

Welcoming the move, industry felt it would have been an impossible situation had sales duty and the sales tax overlapped. That would have meant an escalation of prices and a penal tax rate.

The duty had to go because it had been exploited to its limits as a revenue source.

The sales duty applied at the manufacturing end had also led to an escalation of prices as it passed through the pipeline to the retailer.

The actual duty increased by an average of about 40 per cent by the time it reached the consumer.

The ad valorem duty which is to be imposed on certain luxury and semi-luxury goods, from perfumes and cosmetics to motor cars, will lower the tax rate to between five and 20 per cent.

The PFP's economic spokesman, Dr Zac de Beer, welcomed the move, but said he hoped the Minister was not relying too heavily on the recent strengthening of the gold price. "This would be extremely unwise," he warned.

In terms of the announcement, the duty on cars valued at up to R4 250 for duty purposes will be reduced from 7,5 to five per cent and on bigger cars from 15,5 to 10 per cent.

The cost of a R10 000 car will probably rise by only R25, including GST. Certain items of jewellery will actually drop in price, depending on retail mark-ups or rise marginally.

The director of the National Association of Automobile Manufacturers, Mr Frank Lock, said yesterday he expected every manufacturer would decide early this week on the adjustment he would be making to the recommended retail price of his product.

However, even if the full concession announced by Sen Horwood was passed on to the buyer, it would not equal the four per cent the price would increase from today because of the general sales tax, he said.

Mr Lock emphasised that the sales duty concessions applied only to cars and mini-buses because commercial vehicles, including LDVs and trucks, had never been subject to sales duty.

Sales duty has been abolished on such items as stoves, carpets, refrigerators and typewriters. The duty has been reduced on such items as cars, cameras, television sets, radios, record players and clocks.

The president of the Artisans' Staff Association, Mr Jimmy Zurich, welcomed the abolition of sales duty, but criticised Sen Horwood for failing to give consumers ample notice of his intention.

By leaving the announcement to the last minute he had stampeded consumers into a costly spending spree on overpriced goods.

"I believe people have run themselves into debt in an effort to beat the sales tax," he said.

"The minister and his advisers must have known that a large range of goods would be cheaper after the abolition of the duty, even after the imposition of the new sales tax.

"People were panicked into buying beyond their means and the minister could ~~have stopped~~ this had he wanted to," Mr Zurich said.

The executive director of the Association of Chambers of Commerce, Mr Raymond Parsons, said Sen Horwood was to be congratulated on a bold and positive step on the eve of the introduction of the sales tax.

What does the move mean to the man in the street?

It means that all goods previously subject to sales duty, excluding some luxury items, will be cheaper.

In fact, removing sales duty on a wide range of consumer goods means some goods bought in the pre-GST weekend sales rush will actually be cheaper from today — even with GST.

But the concessions on goods which left manufacturers or warehouses up to Saturday, on which sales duty has already been paid, will only be felt once existing stocks are sold out.

(NOTE: When Sen Horwood refers to "ad valorem excise duties" he is referring to the duty on the value as against the volume of goods moving in and out of the country). — DDC-DDR.

A big saving

EAST LONDON. — Welcoming the move, the president of the East London Chamber of Commerce, Mr Jack Snell, said: "Abolishing sales duty will go a long way to alleviating the high cost of living.

"And in view of the new general sales tax being introduced today, the Minister couldn't have picked a better time to make the announcement.

"From a manufacturer's point of view, to a large extent it will also mean big savings in costs and time, particularly as he will not need to keep a sales duty register any more."

The chairman of the East London Sakekamer, Mr Frans Meisenholl, also welcomed the concessions.

He said: "With the terrific increase in expenditure over the last month prior to GST, if sales duty had been retained, there might have been a dip in the economy.

"By abolishing sales duty, the economy has received a much-needed injection, though it will probably be a few weeks before the consumer feels the benefit.

"I personally welcome it because it means prices will not escalate any further immediately and, in fact, prices should come down which will stimulate growth."

Mr Max Phillips, president of the Border Chamber of Industries, said: "The Minister has been under pressure to even out the tax structure with the introduction of GST so that what he has, in fact, done by lifting sales duty is to tidy up the existing tax structure and remove some of the anomalies. It's a welcome gesture." — DDR.

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GST—your questions answered

The Star's Fair Deal team has been taking hundreds of calls from consumers and retailers seeking clarification on the new general sales tax. Here is a guide to help readers.

● How will General Sales Tax be applied and collected?

The tax is applied at the point of final sale. Businessmen who buy goods to resell will not pay tax on these goods, but will be obliged to collect the 4 percent tax when they sell the articles to their customers who actually intend to use them.

Each shopkeeper, businessman or serviceman must collect the tax every day from each of his customers and pass it on to the Receiver of Revenue at the end of the month. Retailers have been allowed to choose what system they will use to collect the tax — the inclusive method or the exclusive method.

● What's the difference between the inclusive and exclusive methods?

The trader who adopts the inclusive (add-in) system will include the sales tax in the price of each individual article that he has for sale.

The price marked on the item will include the tax and there is nothing additional to pay. He may also show the tax separately on each item if he wishes. If the selling price of an article is R5, the 4 percent tax will be 20 cents. The marked price of this article may be shown as R5,20 or it could be marked:

	R5,00
	20
	R5,20

The trader who adopts the exclusive (add-on) system will not alter his prices to include the tax.

The tax will be paid when all the purchases are paid for. The shopkeeper will therefore add up all your purchases and then add on 4 percent of the total amount to cover the sales tax.

The basic difference between these two systems is that with the inclusive method the tax is applied individually to each item and with the exclusive method the tax is calculated on the total transaction, that is, all your purchases at one time in one particular store.

● How will I know which method is being applied in which store or business?

All sellers are obliged by law to display notices, indicating which system is being applied, at their pay points, in their display windows, in their advertisments and at other prominent places on their premises.

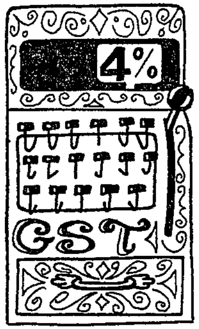
To make it easier for consumers to identify which system is being used, the Consumer Council, in conjunction with organised commerce and the Department of Inland Revenue and Commerce, has developed two distinctive symbols.

You will notice that these symbols are printed in different colours for immediate recognition and, to make things even easier, many stores are planning to print their actual price tickets in the relevant colour — red if they have chosen the exclusive system and blue if they are using the inclusive method.

What happens if . . .

How do add-in and add-on work? What happens if you buy on terms — or hire something? And what about repairs and other services? What services are not taxable? What about private deals?

If you have a problem about the new general sales tax, which comes into effect today, perhaps you'll find your answer here.



● How is the tax calculated?

The tax is based on the actual selling price agreed to at the time of the transaction.

This means it will amount to 4 percent of the price you agreed to pay.

If you have negotiated a discount, the tax should be based on the final price after the discount has been taken off.

But if you have traded some article in, its value will be included in the final price on which the tax is calculated.

Let's say, for example, you decide to buy a R550 refrigerator. You agree to a R50 trade-in on your old refrigerator and negotiate a further R50 discount. The tax will be worked out as follows:

Price	R550.00
less discount	R50.00
Final price	R500.00
+ 4% tax	R20.00
	R520.00
less trade-in	R50.00
You pay	R470.00

If you should however, get a further discount at some later date, perhaps because the refrigerator was scratched during delivery, there will be no reduction in the sales tax!

The last-minute rush to beat the General Sales Tax saw shops and supermarkets throughout the country jammed at closing time on Saturday. Here shoppers queue at tills in the Norwood hypermarket in Johannesburg.

● If I buy on terms?

In the case of a credit agreement, the tax is levied on the cash price as agreed, before any finance charges are added.

This means that you do not pay tax on interest or finance charges.

The act also clearly states that if you bought an article on terms and took delivery of it before July 3, 1978, there is no sales tax to be paid, even though you might still be paying for it after July 3.

Similarly if you bought an article and paid for it in full before July 3, there is no sales tax to be paid, even if the article is only delivered after July 3.

● What happens if I hire something?

The hiring of movable goods (motor cars, TV sets, etc) is subject to sales tax. This tax will be levied on all hire payments made on or after July 3, 1978.

In this case, it makes no difference whether hire agreement was signed and/or delivery made before July 3, 1978.

● If goods need repair?

Services such as repairs are subject to the 4 percent sales tax regardless of whether they are provided by the seller, manufacturer or outside party. The same applies to any charges made for delivery, installation or maintenance.

The Act specifically states also that any repair, maintenance by a shoe repairer, shoemaker, watchmaker, jeweller, repairer of motor vehicles, photographic equipment, domestic applicances, panelbeater or tyre retreader is also subject to tax.

● What of other Services?

The 4 percent tax will also have to be paid on services provided by people engaged in the following businesses: Dress-making, tailoring, millinering, barber, hairdresser, drycleaner, dyer, launderer, blacksmith, locksmith, printer, engraver, photographer, photographic processor, picture framer, duplicating services, tanner, taxidermist, motor vehicle towing, fumigation and peat control, and animal care services other than veterinary.

Services provided by dental mechanics, opticians and chemists are also subject to tax.

● What services are not taxable?

The services of a registered medical practitioner, dentist, veterinary surgeon, optometrist, homeopath, naturopath, herbalist, nurse, physiotherapist, chiropractor or ortoptist are not subject to tax.

But tax is payable on any medicines or other goods they might supply.

● What happens if I import something?

Any goods which you import for your own use are subject to the 4 percent sales tax as well as any relevant duty and import surcharges.

● And when I sell or buy privately?

Private sales of any items which have to be registered (such as cars, caravans and motor boats) are subject to sales tax regardless of the price paid. All other private sales which amount to more than R1 000,00 are also subject to tax. It is the seller's responsibility to collect and pay in the tax.

● What is involed with motorcar sales?

Sales of both new and used motor cars are subject to sales tax.

In fact you will find that it is impossible to register a car in your name unless you are able to produce a certificate showing that the tax has been paid.

When you buy a car you do pay tax on the trade-in price but not on any discount you might be able to negotiate. Even if you decide to swop cars with someone you will find that you will both be obliged to pay the tax on a calculated value before the car can be registered in your name.

● What about buying or selling a house?

The sale of fixed property such as a house is not subject to the tax. This tax will not, therefore, affect the price of existing houses. But if you intend building a house, you will find that the tax has to be paid on most of the building materials.

● If I live in a flat?

The rent for flats is no[t] taxable.

● If I live in a board[ing] house or hotel?

There are two scales o[f] taxation for people livin[g] in boarding houses o[r] hotels:

If board and lodging i[s] supplied to a person cont[i]nuously for a period no[t] exceeding 45 days, the percent sales tax must b[e] paid in full. Similarl[y] where accommodation i[s] supplied at a daily o[r] weekly tariff, regardles[s] of the length of time yo[u] stay the tax must be pai[d] in full.

In all other cases, i[n] other words, board an[d] lodging for a period e[x]ceeding 45 days or at monthly tariff, the percent tax will only b[e] paid on 30 percent of th[e] total rate.

● And when I eat out?

Basically everything i[n]volved in going out for meal is subject to tax.

A shambles as buyers greet GST

NM 4/7/78 (320)

Financial Editor

UTTER confusion greeted the general sales tax introduced to South Africa yesterday. Many retailers weren't ready, businessmen hadn't received their tax exemption certificates and the buying public was bewildered and suspicious of the new system many didn't understand.

The decision by Minister of Finance Senator Owen Horwood to cancel sales duty on a wide range of products added to the problems because retailers and consumers must now wait to see how prices will be affected. This must have a depressing effect on the market.

Mr. Roland Freakes, the director of the Natal Chamber of Industries, said it could take some time for the reductions to move through the pipeline even though the pre-GST buying spree reduced stocks considerably, making way for lower-priced replacements.

Among the problems experienced in Durban with the administration of the GST yesterday were:

Cars — A second-hand car dealer found he could not register a car which had just been sold because a form VB 16 had to be completed at the Receiver of Revenue's office to certify that sales tax would be paid. The forms are not available in Durban.

Supermarkets — A customer at a supermarket, which is adding in the tax, demanded 20 half loaves of bread to avoid GST. The owner of the store refused to supply him.

Television — The user of a television set has discovered that as his set is rented and not leased he will have to pay GST on future rental payments.

Traders

Goods — A woman who had partly paid for some goods earlier this year but who had not taken delivery found she will have to pay GST on the deal.

The picture in Johannesburg was not any clearer, reports Sapa.

With a reported 9 000 Johannesburg traders still not registered with the Department of Inland Revenue GST on the Rand began in confusion and uncertainty.

Many stores have not yet decided whether to use the inclusive or exclusive system of levying the GST and of 13 shops surveyed in Commissioner Street only two displayed the tax tables required by law.

Several Indian traders said they were still waiting for their bookkeepers to tell them which system to use, and some sales assistants had not received instructions.

Supermarkets said many of their customers were well-prepared but a chemist commented: "My first customer was an aggressive man with a headache who didn't want to pay one cent extra for his pills."

In Soweto, Black traders said they were confused and Mr. Veli Kraai, chairman of the Soweto's Traders' Association, said lectures were being organised to help overcome problems.

Mr. Neil Werbeloff, chief buyer for one leading supermarket group, said customers were just beginning to understand what the GST meant when the decision to scrap the sales duty hit them. "Now they are totally confused," he said.

He forecast that scrapping sales duty would cost the Government about R150 million a year, that it would have little effect on low wage earners and that it would allow unscrupulous retailers to take advantage of customers.

One issue cleared up at the weekend was tax refunds on empty bottles. The Department of Inland Revenue has decided customers will be taxed on the full amount — bottle and contents — and tax will not be refunded when the bottle is returned.

A spokesman for a large soft drink manufacturer said, however, that the situation was "ridiculous." Consumers were being made to pay tax on something non-consumable.

He said the average life of a bottle was 20 trips — the number of times it was returned to the manufacturer.

"Millions of bottles are handled every year and the Receiver is going to be getting in a lot of money if the bottles are taxed each time they are sold. Consumers should be made to pay tax on the contents only," he said.

Problem

In Durban shoppers appeared to prefer the 'add in' tax system.

There was no uniformity among shopkeepers but a snap survey by the Mercury showed shoppers preferred the 'add-in' tax because it allowed them to spend their budget without having to make allowance for additional payments at the till.

A problem encountered by many businesses occurred when customers attempted to buy several items individually priced below the GST limit in an effort to avoid the tax.

"Obviously two items priced at 12 cents, which individually are below the taxable limit, totals 24 cents which is taxable," said a spokesman for a major chainstore.

Our Cape Town correspondent reports that dry cleaning and shoe repair businesses encountered problems when customers refused to pay the GST on their goods.

Mr. Allen Maddock, owner of a small shoe repair firm, said many customers thought that because their shoes had been left with him two weeks ago they did not have to pay the tax.

"I had a terrible morning arguing with people and getting phone calls from their employers. I know I'm right, but this is all very bad for business because people think I'm trying to cheat them."

26. In the fc ... rovided with which noun each geni ...

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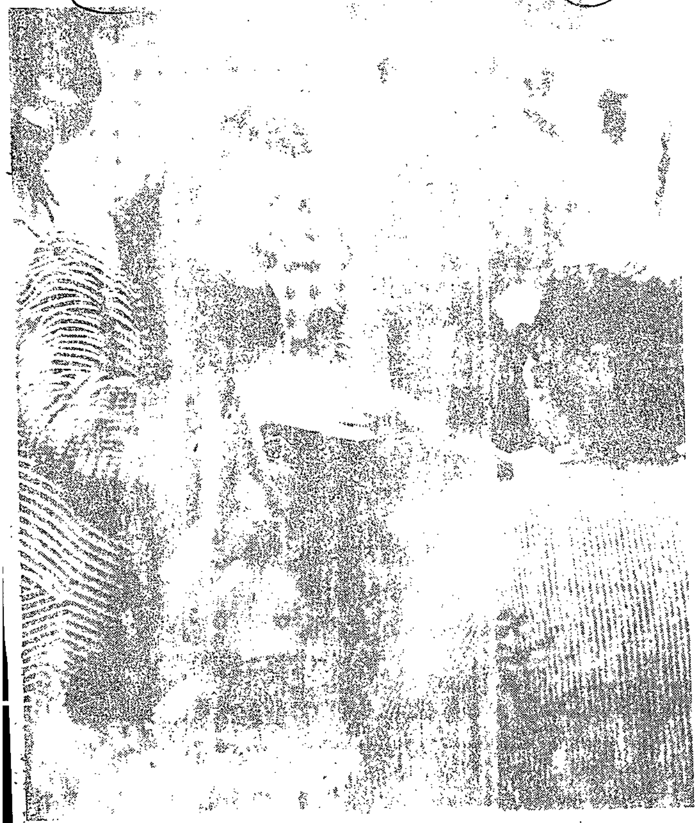

De... have ... out ... some shoppers man-
... smile
Picture: MIKE McCANN

Feelings mixed over sales tax on basic foods

By JAYNE LA MONT

SOME people greeted the lower exise tax with mixed emotions. They considered more good would have been done by retaining the original sales duty on luxury items and not including basic items in the General Sales Tax.

Mr Raymond Ackerman, chairman and managing director of a chain of hyperstores, said yesterday he welcomed the news that sales duty was to be reduced as it meant "one is no longer paying tax on tax."

"But I feel it would serve a better purpose to leave sales duty on luxury items and put that money to work where it is needed most — by subsidising basic foodstuffs for the man in the street," he said.

"For instance, if somebody paid 20% on a luxury item before, and it has now been reduced to 10% sales duty, why can't it be raised by half, to 15% and the rest used to subsidise basic food items."

Mr Ackerman said consumers who had been on a wild spending frenzy before the introduction of sales tax might find they could have saved a few rands if they had waaited for the lower excise tax to come into operation.

"Of course this isn't true if he went out and bought the item today as the merchandise still in the pipeline isn't subject to the reduced tax, but he would probably have saved on items such as home appliances if he waited a few months," he said.

Mr Ackerman said his stores would be quite happy to drop the price of basic foods tomorrow if it would help sections of the community who need it.

Mr Bob Harvey, executive vice-president of another chain store group said he was still trying to find out exactly which items were subject to the new excise duty, but things would only become clear once the dust had settled.

Mr Harvey said he felt the retention of the original sales duty on some luxury items, and the exclusion in the General Sales Tax on basic goods, would have been a stimulus for the economy. "But who can say which system will be better for all concerned?"

"I would be very happy if, in three months, or so the Minister decided to take off the GST on basic items, but we will have to give it a chance. I personally welcome the thought that any tax is coming off," he said.

Old milk coupons valid

Staff Reporter

IN spite of pamphlets stating otherwise, old milk coupons can be used as before — until they run out and the new coupons have to be bought at the new General Sales Tax price, said Mr S B Lombard, chairman of the Rand Milk Association.

Our GST watchdog has received numerous complaints from consumers confused by the new sales tax. To add to the general confusion; pamphlets were sent out to some consumers saying that their old milk coupons would only be valid with an additional one cent cash.

"This is not true. The pamphlets were sent out when we were under the impression that the Department of Inland Revenue was going to impose the sales tax on the old coupons. We since discovered the tax would not be imposed on old coupons and by that time we had already sent out pamphlets with the now wrong information," said Mr Lombard.

The Rand Milk Association has issued a statement saying that milk coupons sold before July 3 will be redeemed without tax and submitted to the Department of Inland Revenue as such.

New price rises an 'add on' burden

Staff Reporters

GENERAL Sales Tax has arrived and with it price increases ranging from drycleaning to bread rolls.

Dry cleaners operating under the Dry Cleaners Association will increase their prices following a decision taken last week.

"This has got nothing to do with the sales tax," said Mr C N Costas, director of a Booysens firm.

Penguin Dry Cleaners will increase the price of cleaning a suit from R1,10 to R1,20 Jackets were 60c and are now 65c.

But Kings Ransom Dry Cleaners of Joubert Park claim their prices will remain the same — R1,50 a suit and 80c for a jacket.

The Landdrost Hotel, Johannesburg, has applied GST on an add in basis, but has also introduced a mid-year increase.

A hotel spokesman said it was a pity that GST coincided with the price increase. Prior to the increase and GST, a single room went at R28. From yesterday the price rose to R31. A double room increased from R37 to R40.

At the Milpark Holiday Inn, Johannesburg, GST will be included in the tariff. There have been no further increases.

A single room has increased from R17 to R19, and a double from R21 to R23.

Tariffs remain the same at the Rosebank Hotel, Johannesburg. A single room remains R20,50 per night to which 82c GST will be added. GST will be added into the price of food and drinks.

Some take-away chains and steakhouses have also increased their prices.

The Wimpy Bar chain will be imposing a further $1\frac{1}{2}$% to absorb the tax on items like crockery, serviettes, straws and packaging. This increase will not be included on all items.

The Captain Dorego chain has also increased its prices, but Kentucky Fried Chicken will only add sales tax.

"If we increased our prices now as well as sales tax it would be construe as a rip-off. In fact, w were due for a yearly in crease in prices but whe we heard of the sales ta we back-pedalled, said M Schwab, financial control ler for the chain.

The Coimbra Restauran in President Street, Johan nesburg will add in th 4% GST with no furthe price increases. "Eve though the price of prawn has risen sharply, we wil be charging only the GST,' said the owner, Mr Ton Amaral.

The White Horse In in Randburg has also add ed in with no additional in creases. Before GST a fil let steak cost R5, and wil now cost R5,20.

Le Stagione restauran in Delarey has adopted the same add in policy, withou further price rises.

Many bakeries are im posing additional price hikes to combat the ris ing prices of flour, suga and dairy products. A most bakeries, the price of a bread roll is up from 5c each to 6c.

Mr P Demetriou of Allor to Bakeries claims that i has nothing to do with GST. "We were supposed to raise the prices two months ago," he said.

None of the bakeries interviewed were able to give reasons for choosing yesterday, D Day for sales tax, to increase their prices.

9 000 tardy traders get some GST leeway

Staff Reporter

NO immediate action is to be taken by the Department of Inland Revenue against the 9 000 Johannesburg traders who still have not registered for the GST.

Johannesburg's Receiver of Revenue, Mr M A Chemaly, said yesterday he was hoping they would take it upon themselves to register, not force the department to seek them out.

"We have had 24 933 traders who registered by last Friday night and there are about 9 000 still to come. We have not yet allocated inspectors to check if traders have registered," he said.

Inspectors would be appointed once the system had settled down but the department still had its hands full answering queries on the new tax.

"I have a staff of between 12 and 15 people working from 7.45 am right through lunchtime, and ending up at about 5 pm. My boys haven't had a minute free for five days," he said.

GST pill gets a sugar coat

RDM 4/7/78

(320)

Pretoria Bureau

THE country's sluggish economy will get another mild injection of spending power — about R180-million — from July 15 when the Government repays the 1972 savings levy.

The payment of the levy six months before the due date was part of the sugar on the General Sales Tax pill announced by the Minister of Finance, Senator Horwood, in his Budget speech in March.

Another part of it was the abolition of the 10% income tax surcharge.

The 1972 levy payout means that 666 636 individual taxpayers will share R68 598 076 plus R23 462 055 in interest — a total of R92 060 131.

The payout is tax free.

But, according to the chief economist of Barclays Bank, Dr Johan Cloete, consumers could still be on the losing side when the levy pay-back, the reduced PAYE deductions, and the abolition of the sales duty, are weighed against the effects of the General Sales Tax.

The Natal Mercury

TUESDAY, JULY 4, 1978

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STRANGE TIMING

THE MINISTER of Finance seems determined to hold the stage for as long as possible as the producer and star performer in the sales tax drama. Not content with the web of confusion that he managed to spin as the witching hour for the levy drew nigh, he has now added a post-deadline touch of genius that must surely bring more uncertainty to the market place.

In essence, his announcement that the old sales duty is to be abolished on a large range of goods, and significantly reduced on others, is most welcome. It will certainly take some of the bite out of the general sales tax, and lessen the imposition of a tax on a tax on a number of commodities. That is always assuming, of course, that the benefits actually filter through to the consumer, and are not absorbed in higher manufacturing costs and a maze of other marketing factors that defy analysis.

However, the timing of the Minister's announcement was no less than extraordinary. In effect, he waited until hundreds of thousands of people had completed a "tax-saving" splurge of unprecedented proportions, before informing them that they had mostly wasted their time. It was expected that retailers would enter a period of famine after the feast, but this unrewarding era could well be prolonged now that consumers know that they may buy goods cheaper if they wait for the new sales duty concessions to take effect.

It is certainly no credit to the Minister that he has brought more confusion into the market place with yo-yo sales charts that give no clue to its true performance. With a little more preparation and far-sightedness, the change to GST could have been a much smoother operation.

Meanwhile, the decision to convert sales duties on certain luxury and semi-luxury goods into ad valorem excise duties seems to be no more than a skilful method of maintaining the sales duties under another name. The term excise duty has a distressingly permanent ring about it. However, it is still a tax, and to further add general sales tax is to impose a tax upon a tax.

What is particularly hard to accept, however, is that the Government seems prepared to entail a loss of R245-million a year with its sales duty concessions, yet is not ready to spend a bean on reducing the tax on basic foods. It is no consolation to the poor, and no credit to the Government, that the underprivileged must pay their full levy on a loaf of bread while the affluent can look forward to concessions on a new car.

(320) 4/7/78

RDM 4/7/

Price rises add to GST shoc

245

By PENNY GORDON
Consumer Mail

CONSUMERS are angry, confused and indignant about many aspects of the General Sales Tax introduced yesterday.

Hundreds of calls were received by Consumer Mail's Watchdog Service, some to inquire about aspects of sales tax, others to complain about exploitation at some outlets.

Some businesses had made price increases not connected with GST, and people were also being taxed on items costing well below 12c.

USE the Consumer Mail GST Watchdog service if you have any questions or complaints. Telephone 28-1500, ext 314, between 9 am and 12 noon, and 2 pm and 4 pm.

The GST does not apply to items costing less than 13c.

People said many prices had been hiked, and retailers had told them this was to offset the cost of administering the tax.

Dry cleaners operating through the Dry Cleaners' Association increased their charges following a decision last week.

Some well-known take-away shops and steakhouses also increased their prices over and above sales tax, as did many bakeries.

Several retailers phoned Watchdog to complain they had not yet received their vendors' certificates and could not obtain tax-free stocks from suppliers.

For consumers, the tax outlook was not all black. The reduction of sales duty by the Government means their vendors' certificates drop in price immediately.

Items immediately affected are cosmetics, toiletries and household paper products.

Mr Rex Glanville, a vice-

For consumers, the tax outlook was not all black. The reduction of sales duty by the Government means their vendors' certificates drop in price immediately.

Items immediately affected are cosmetics, toiletries and household paper products.

Mr Rex Glanville, a vice-president of Checkers, said as an example, a leading brand of shampoo would drop from R1,02 to 99c. A toothpaste now marked 99c would drop to 96c.

"This will offset the cost of sales tax on these items," he said.

See Page 2

Brown bread price to jump

RDM 4/7/78

WHEAT

By GERALD REILLY
Pretoria Bureau

A SUBSTANTIAL increase

320

Tax means big rise in medical expenses

Own Correspondent

The country's bill for medical and related supplies will rise sharply from this week under the new sales tax.

This was made clear by Mr A C Viljoen of the Department of Inland Revenue at a seminar in Pretoria.

He explained that while the actual services of doctors, dentists, veterinarians and related professions were not taxable, medicines, dentures, spectacles and other items they supplied were.

"A dentist buys dentures from a dental mechanic and supplies them to his patient, who is the end user. The patient must therefore pay tax," he said.

BUILDING COSTS

He also made it clear that building costs would rise.

While builders' services are not taxed, they pay tax just as does any consumer when buying their materials. They must recoup this tax from their clients.

Reacting to this news, Mr Attie Nieuwoudt, president of the SA Confederation of Labour, appealed for immediate relief for the poorer members of the public.

"We are deeply concerned about the plight of people who were having difficulty making ends meet before the introduction of the new tax," he said.

"I feel they should receive immediate relief in the form of subsidies on basic foodstuffs," he said.

However, all was not gloomy for taxpayers. The Secretary for Inland Revenue, Mr W H J van der Walt, hinted yesterday that this month's PAYE reductions could be followed by further cuts.

"Although the reductions are comparatively small at this stage," he told the seminar, the prospects for the future looked good.

Service charges 'illegal from September'

On September 1 it will become illegal for a licensed restaurant to make a service charge.

This was announced today by Mr D Michos, chairman of the Tearoom, Restaurant Proprietors' and Caterers' Association.

He said his association had been notified of the new regulations by the Department of Justice.

For the past three months the association had been telling members "any price adjustments that have to be made regarding the withdrawal of the present 10 percent service charge should be made at the same time as Sales Tax to avoid having to reprint menus and avoid a further escalation in prices in two month's time."

Reacting to consumer complaints that restaurants and take-away shops had increased their prices beyond the four percent GST, Mr Michos said official price rises were likely culprits.

Mr Michos said: "If there have been price hikes they are likely to have been caused by the recent increases in the prices of sugar, certain dairy products and cigarettes.

"We also have the unusual position where items under 13c are not taxed to the consumer but are still taxable for the shopkeeper. This is a turnover tax," he said.

Mr Michos said his association would "take up" complaints against dealers who took advantage of the new sales tax.

Half-loaf taxing tearoom owners

Own Correspondent

Several Pretoria cafes are refusing to sell half-loaves of bread and other items under 13c because they cannot pass the sales tax on to the public.

One cafe in Eersterus will sell a box of matches only if it is bought with six others.

A cafe owner said: "If we sell half-loaves we may not add on the tax because the price is controlled at 12,5c. On every two halves sold the cafe owner has to pay 1c in tax and with 300 loaves a day that is a lot of money."

A spokesman for the Wheat Board said cafe owners were not obliged to sell half-loaves of bread. He said people should report to the board cafes pricing half-loaves above 12,5c.

Mr Mike Hawkins, Public relations officer of the Consumer Council, advised people not to buy from cafes exploiting the public. "Stand up for your rights and take your business elsewhere."

State must pay too

Own Correspondent

The new tax headaches are not the exclusive preserve of businesses or consumers.

Government departments and other State organisations are also required to pay the new sales tax.

Even the Department of Inland Revenue is not able to avoid its own carefully spun web.

The department rents a computer and must pay tax on its monthly payments, one of its officials has revealed.

Honesty is the tax policy

Pretoria's Receiver of Revenue is relying on the honesty in car deals over the next three weeks.

For buyers of cars, with three weeks in which to register change of ownership, unscrupulous people could backdate it to a date in June so evading sales tax.

Pretoria's receiver, Mr J H Jooste-Coetzee, said today that only deals in which full payment had been made or in which a vehicle was delivered before July 3 were not liable for tax.

People who had signed hire-purchase agreements and paid deposits but who had not yet taken delivery of cars last week would have to pay tax, he said.

"As with all tax collections we must take declarations at face value unless and until they are disproved," he said.

- False declarations to evade tax can lead to a R1 000 fine or two years in jail or both.

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Tax band wagon

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Food shop 'rip-off' riles public

Small shopowners have angered hundreds of customers who claim that "exorbitant" and "totally unfair" price increases have accompanied the introduction of the general sales tax.

Most of the allegations received by The Star's Fair Deal consumer unit concerned fish and chip shops, take-away food counters, cafes and restaurants.

FAIR DEAL

Did you get a Fair Deal?

Did you get a Fair Deal when you went shopping today? If you were charged too much tax, tax on items which should be tax free, or if you noticed prices that had been raised beyond the four percent sales tax, you can telephone The Star's Fair Deal 838-2383.

Consumers said they felt the first bite of GST when they bought coffee and snacks on their way to work yesterday.

And from then on they paid . . . and paid.

"Coffee that cost 35c on Friday was 40c a cup yesterday," said Miss Rosemary Halle of Rosebank.

"The pie that was 40c last week, this week is 50c. Where is the four percent in that?"

Dismayed

Black workers in the industrial areas were also dismayed when everyday food prices soared. Some complained to their employers who brought the matter to Fair Deal.

An employer from Alrode said members of his staff had been charged 4c on every purchase they made from a nearby fish

Star 4/7/78

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Tax cheats: action is pledged

Pretoria Bureau

The Secretary for Inland Revenue and the Price Controller today urged consumers to report traders who cheat under the guise of the general sales tax so action can be taken against them.

The secretary, Mr Mickey van der Walt, said shoppers should immediately report any problems with GST to any of the department's 32 regional offices.

"I would like to know about anybody who ascribes an inordinate price increase to general sales tax. This would be blatant misrepresentation, absolute filching from the public," he said.

"If there are any reports of absolute crookery, I would like to see them so we can take action," said Mr van der Walt.

Price Controller Mr E G de Beer appealed to consumers not to be vague in their complaints. "Let them approach us and be explicit so that we can act."

SOWETO

Irate customers in Soweto were involved in heated arguments with shopkeepers applying the new tax yesterday.

Most shopkeepers, especially the small traders, did not know exactly how much to add on and some shortchanged their customers.

Mrs Esther Byembezi, former president of the Diepkloof Housewives' League, who owns a shop in Dube, said the sales tax was "utterly confusing."

It has been estimated that about 9 000 businesses in the Johannesburg area have not yet registered to obtain vendors' certificates.

● Tax leads to a big rise — Page 3.

they spent 20c, 40c, 60c or R1 — it made no difference," he said.

Costs

An electrical engineer from Kew complained that a Bramley cafe had charged 40c for a chicken and ham roll which was formerly 35c.

"That's a leap of 15 percent," he said. "And the manager's explanation is that three cents is for tax — the rest, he says, is to cover increased costs!"

Mrs J Majorosi of Brakpan complained of a 26 percent leap in the price of pepper at a store using the "inclusive" system of taxation. "On Saturday a tin of pepper cost me 46c," she said. "Yesterday it was up to 58c!"

Consumers were particularly concerned that almost every price on take-away menus was up more than the prescribed four percent.

Some dealers had even put up the price of buttered toast from 9c to 10c a slice, an increase of 11 percent on an item under 13c — on which no tax is payable.

Controlled

Even controlled price items such as bread came into the rip-off.

A Newlands housewife phoned Fair Deal after a Newlands cafe had charged her maid 9c for a half-loaf of brown bread.

The controlled price is 8c on half loaves of brown bread and there should be no tax. Another woman complained she had been charged 1c tax on half a loaf of white bread.

"Try to argue and you get nowhere," was the feeling expressed by many consumers who called The Star.

Mr Cyprian Mahlaba, a school inspector who telephoned from Ophirton, said he was charged 8c instead of 7c for vetkoek.

"When I tried to protest that goods under 13c were tax free the cafe owner told me: "I'm running this business — not you!'"

BY GEORGE!

"Where do you keep that GS Tea everybody's talking about?"

GST and The Star

How you buy your copy of The Star will affect what you pay for it.

If you buy one copy of the paper, by itself, you will not pay the new sales tax, because you do not pay tax on individual items costing less than 13c.

But if you buy The Star together with other items at an outlet, applying the new tax on an add-on basis, you will pay 4 percent tax on your total bill, including The Star.

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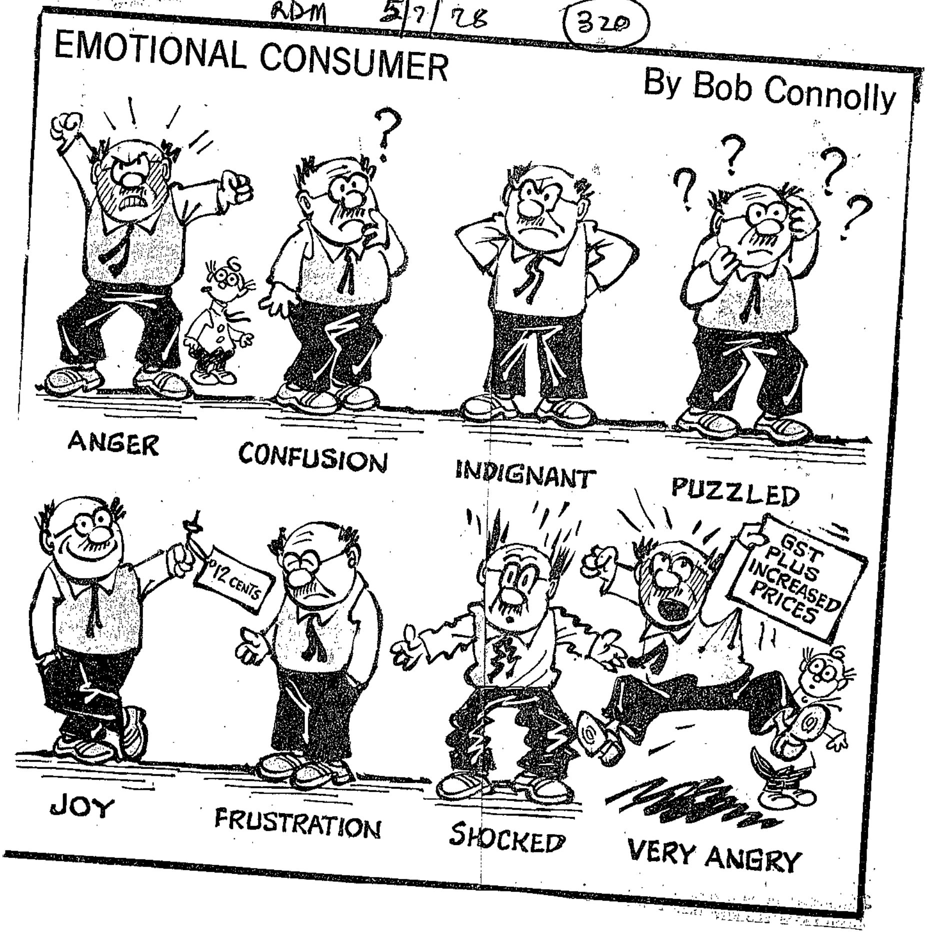
EMOTIONAL CONSUMER
By Bob Connolly
ANGER
CONFUSION
INDIGNANT
PUZZLED
12 CENTS
JOY
FRUSTRATION
SHOCKED
GST PLUS INCREASED PRICES
VERY ANGRY

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(320)

Tax concessions — but consumers still lose

By GERALD REILLY
Pretoria Bureau

CONSUMERS will still be on the losing end after sales tax concessions are weighed against the amount of spending power to be siphoned off by the general sales tax, and the increased inflation it will generate, according to economists spoken to yesterday.

The concessions are:

- The abolition of the sales duty on a wide variety of products.
- The R180-million 1972 loan levy which will be paid back to taxpayers from July 15.
- The scrapping of the 10% surcharge on income tax.

It was pointed out that in a full year the fisc will squeeze nearly R1 000-million from consumers through the GST.

The sales duty concession will cost the Government R245-million in a full year and the abolition of the 10% surcharge R206-million.

Thus the concessions amount to R631-million against the estimated R1 000-million a year revenue from the GST.

The Chief Economist of Barclays Bank, Dr Johan Cloete, said the effects of the sales tax had been softened by these measures but not countered by them.

Meanwhile, consumers will have to defend themselves against price exploitation.

Traders can charge what they please for their goods and services, and there is nothing the price controller can do about it. Government sources in Pretoria said yesterday the consumers only defence was to shop around.

The leaders of the country's two biggest trade union organisations — the Trade Union Council of South Africa and the SA Confederation of Labour — yesterday called on the Government for a "merciless crackdown" on traders exploiting the sales tax and sales duty confusion.

The president of the confederation, Mr Attie Nieuwoudt, said disturbing reports were being made of traders, including cafe owners, raising prices by up to 50%.

"Consumers have enough to put up with without having to fight unscrupulous traders."

Assocom survey has GST ticking

Staff Reporter

THE introduction of the GST is going smoothly for traders, according to a survey conducted by the Association of Chambers of Commerce (Assocom).

The survey, which sampled a cross-section of 15 chambers of Commerce throughout the country, found the majority of traders interviewed had been well-prepared for the new tax and were finding little difficulty in its implementation.

The survey also found that the majority of consumers, regardless of race, were well informed about the tax. The news media was mainly responsible for this.

Retailers find no serious delays at checkout points — partly due to a post-introductory trading downturn — and their relationships with customers has not been affected by GST.

Commenting on the survey's finding, the executive director of Assocom, Mr Raymond Parsons, said he was pleased with the way both retailers and consumers were handling the new tax.

1. Noen besc bete ... eeu (3)

2. Gee ... 1)

3. Noem en s taal ... e)

4. Skr: van ...)

5. Wat vir ... e)

6. Uit ...)

7. Van bete ... lige)

8. Uit van ... um

9. Noem tyde ... eenstra (5)

10. Gee 'n kort oorsig van die Afrikaanse geskrifte wat ons in die 19de eeu (na 1825 en tot ongeveer 1850) kry. (10)

11. Wanneer was Kommissaris-generaal van Rheede tot Drakenstein aan die Kaap? (1)

12. Van watter belang is C.H. Persoon vir ons kennis van 18de-eeuse Kaapse taal? (3)

13. Skryf 'n paar reëls oor die konklusies waartoe u gekom het oor die ontwikkeling van Afrikaans, na die bestudering van hoofstuk 8 van u handboek. (5)

TEACHERS CALL FOR EQUAL PAY FOR BREADWINNERS

Mercury Reporter

PIETERMARITZBURG – The Natal Teachers' Society annual conference yesterday called for women teachers, who are breadwinners, to be granted the same salaries and benefits as men.

The motion, which was proposed by Mrs. M. Flening, of the Highways branch, was passed by a large majority of the delegates attending the conference.

A call to the Government to open membership of the South African Teachers' Council for Whites to all races was made.

Delegates to the conference voted unanimously to direct the society's executive council to press for the deletion of the words "for Whites" from the council's constitution and title.

Although the motion was debated behind closed doors, a spokesman for the society said afterwards the 250 delegates felt very strongly that there should be one teachers' council under which all teachers, regardless of race, would fall.

He said the present system entrenched divisions in the country.

The spokesman said setting up different teachers' councils for the different racial groups would only drive teachers farther apart.

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Lease and rental 'in GST net'

Financial Editor

DURBAN'S Receiver of Revenue, Mr. J. J. Swanepoel, yesterday gave a ruling on the difference between leasing and rental agreements and when GST will be charged on these transactions.

Mr. Swanepoel said that in rental agreements the owner of goods hires them out and retains ownership. He has no intention of selling them at the end of the rental term.

Tax on the monthly payments in such agreements began on July 3 whether the agreement was signed before this date or not.

A financial lease extends over the major part of the useful life of goods and there is an option to return or buy them at the end of the term.

The instalments on leased goods under a financial lease delivered after July 3 will be subject to GST.

Features

A financial lease has the following features:

- A written agreement in which the cash value of the property is stated;
- The lessor is the owner of the property;
- The asset leased is goods or machinery — vehicles are included;
- The lease is for a period of at least 12 months; and
- The lessee is responsible for any damage and for the maintenance of the leased property.

Meanwhile there was confusion and delay at the Receiver of Revenue's new general sales tax offices in BP Centre, Durban, yesterday.

More than 50 people crammed into the small reception area on the seventh floor and waited patiently in two untidy queues as the staff tried to cope with wide-ranging questions. In the background senior members of the Receiver's team were trying to deal with more important problems.

Situation

Mr. Swanepoel said there was little that could be done to ease the situation.

"You should have seen the crowd yesterday. We'll just have to grin and bear it," he said.

"The telephone system will not be completed for another three weeks and then people wanting the GST department will have to ring the Receiver's office. At present we have only 15 incoming lines.

"I have most of the forms required for the administration of GST, but I'm still waiting for an assistant receiver to be appointed in charge of the sales tax department."

Mr. Swanepoel said 26 GST inspectors would be appointed to the Durban office. Some had already arrived.

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Report the tax cheats

Mercury Reporters

AS COMPLAINTS of overcharging since the introduction of the general sales tax continued to pour in yesterday Durban's Receiver of Revenue appealed to shoppers to report instances to the Receiver's office in the city.

But Mr. J. J. Swanepoel said last night he still wasn't sure what action would be taken against offenders.

If businesses claim excessive increases are due to the GST the matter would be referred to the Secretary for Inland Revenue, he said, but if the increases were attributed to other reasons such as rising costs it appears the Receiver is virtually powerless to come to the aid of harassed shoppers

Mr. Swanepoel said a number of cases had already been brought to his notice.

"We have just had a case of a retailer overcharging for bread."

Meanwhile a Durban tearoom owner has attacked the GST because of its "unfair weighting" against lower income groups and he has called for the introduction of a half cent tax on items under R1.

Mr. Jimmy Macdonald, proprietor of Ciro's Cafe in Clarence Road said the Government should adopt a more equitable approach towards GST because more tax was being paid by the public on items below R1 than the 4 percent stipulated by law.

He cited children buying sweets or many of his African customers who bought items costing about 14c, perhaps because they did not possess a refrigerator.

"They are in fact paying GST amounting to 8 percent whereas customers making problems — everyone is seeking salary increases to offset the cost of living, and so are we — we can't afford these losses."

Mr. Swanepoel, dealing with the controversy over tax on returnable items, said it had been decided to treat the sale and return of the items as separate transactions.

Asked how tax could be charged on an item such as a returnable bottle, Mr. Swanepoel said the bottle might not be returned.

"It could be lost or broken. For practical purposes the bottle has been sold because the customer may keep the bottle. He has no need to take it back."

Commenting on packaging, Mr. Swanepoel said organisations using packaging were considered to be end-users.

"It make no difference if the cost of the packaging has been included in the price of the products."

The end-user of packaging was the person who used it to pack goods. The goods and the packaging were separate transactions as far as sales tax was concerned.

Other points made by Mr. Swanepoel were:

- Religious organisations are not mentioned in the Sales Tax Act as being exempt from GST;
- The South African Railways should not be exempt from GST. There was no concession in the Act to this effect;
- If a welfare organisation wished to obtain an exemption certificate it had to apply giving its welfare registration number and a copy of its constitution. Approval would be given by the Receiver of Revenue's office in Pretoria;
- Kennels and stables will not have to charge GST on their fees. If any of these organisations had been given a tax exemption certificate this would have to be returned to the Receiver of Revenue;
- A needle in a knitting machine is classed as a spare part for GST purposes and is tax free if used in a manufacturing process;
- A tyre on a farmer's tractor is also classed as a spare and is tax free to farmers; but
- Lubricating oil is not classed as part of a machine and is not tax free.

In one of many instances of overcharging yesterday a Durban chemist charged 56c GST on a prescription costing R6,50 to process. When challenged by the customer he admitted the GST should have been 26c.

Another Durban chemist told his customers that no credit facilities will be allowed beyond the 15th of the month following the date of statement and that in future accounts would have to be paid every month in full.

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7. Extensions of ba

Summary.

(a) Adjective -
(b) Extensions

(c) Genitive a
(d) Apposition
(e) Prolative

8. Adjective-noun

Read the follow
(a) Amicu
(b) Troiu
ad ger
(c) ... ge
ossa t
(d) Rustic
accep
(e) Et ia
Maior
(f) Iuppi
car
forte
hos
atque

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Industrial exemptions could up sales tax

Sales tax could rise significantly in the next few months if industrial requests for exemptions are granted by the Department of Inland Revenue.

The prospect follows talks in Pretoria yesterday between the Federated Chamber of Industries and the Secretary for Inland Revenue, Mr W H J van der Walt.

The FCI told Mr van der Walt there were numerous industries in which items used in production were not exempt from sales tax. The items formed a significant part of overall production costs.

Mr van der Walt gave FCI representatives a sympathetic hearing and agreed to consider requests for exemption from individual industries.

Some economists believe that if exemptions are granted the revenue from sales tax could fall and would have to be raised to cover losses.

"We have done the pioneering work and now it is over to the individual industries," the FCI spokesman said.

DUTY

He agreed that Mr van der Walt might be forced to raise sales tax to make up for lost revenue if exemptions granted after the talks were widespread.

"We realise that ultimately remaining consumers will have to make up these funds. This is unfortunate, but our duty is to protect the interests of industry and we believe we have noe it," the spokesman said.

Mr Frank Lock, director of the National Automobile Manufacturers Association, said today his organisation would approach members to establish how they were affected. If there was a case for exemptions, Naamsa would take it up with Mr van der Walt.

Mr Mike Hawkins, public relations officer of the Co-ordinating Consumer Council, said today any increase in sales tax would meet with fierce resistance.

However, he thought it unlikely that the Government would deal further tax blows at this stage.

Half-loaf a taxing issue

Some Johannesburg shopkeepers are refusing to sell half loaves of bread — in spite of the risk of heavy penalties — because they claim they are unable to reclaim tax on items under 13c.

Their action is likely to hit thousands of black shoppers.

Shoppers and shopkeepers are demanding clarification on how the new general sales tax should apply to bread.

The Secretary for Inland Revenue, Mr Mickey van der Walt said: "Dealers are not allowed to charge tax on under 13c — this includes half loaves of white bread with the price of 12,5c."

WARNING

He warned that retailers could be fined up to R500 for charging tax where it is not payable.

In a snap survey The Star found Goodwill Supermarket selling half a loaf of white bread for 14c and a full loaf at 26c.

A sales assistant said: "I know 14c is illegal but I have to make up for the losses on brown bread."

Mr J Brazao of Senders Cafe in Edenvale, said he was selling half a loaf (brown) for 8½c and white for 13c.

"What must I do?" he asked. "We are losing the cent tax if we sell two halves without tax."

Mr D F van Aarde, manager of the Wheat Board, said the board was consulting legal experts to clarify the position.

In the meantime, no tax should be charged on half loaves as they were not in the taxable price range.

● Industrial exemptions — Page 3, and Shedding light on the GST — Page 6.

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Shedding light on the GST

Fair Deal gives you the answers...

General Sales Tax is now a reality.

As Assocom chairman Raymond Parsons said, this will take patience and goodwill both on the part of shopkeepers and shoppers.

The more people understand the legislation, the fewer hassles there will be.

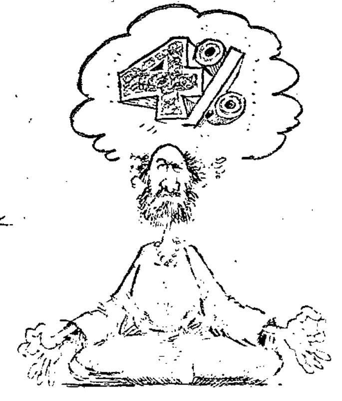
It seems to be the finer points of the law now that are worrying consumers.

Here are some of the questions put to Fair Deal by consumers and businessmen, answered by the Department of Inland Revenue and other relevant authorities and associations.

Q: Do we pay tax on subscriptions to magazines, periodicals and newspapers? What about overseas magazines? At present we send a bank draft. How will we go about paying the tax? To whom must it be paid?

A: Tax is payable on subscriptions to local newspapers and magazines. It is also payable on imported magazines where the value of the parcel is more than R10. However, individual magazines coming from overseas will not be taxable, they will be delivered as usual through the post. Where the magazines arrive in bulk and value is more than R12 tax will be payable at the Post Office of entry.

There will be no tax on golf club subscriptions, green fees or caddy fees. . . .



But there **WILL** be tax on yoga classes, exercise classes and lectures which are related to your health or beauty.

Q: Are subscriptions to a golf club taxable? Are green fees taxable? Are caddy fees taxable?

A: No — on all three.

Q: Is SWA/Namibia subject to the Sales Tax?

A: SWA has its own General Sales Tax Act. Walvis Bay, however, is subject to the South African Sales Tax.

Q: I have paid in full for a new car — not a specific vehicle but a specific type, model, colour. The car was still in production on July 3. Do I pay tax?

A: If the cost has been paid in full before July 3 there is no tax to be paid. Or if the car was delivered before July 3 there will be no sales tax.

Q: I bought a second-hand car last week and paid for it in full. The dealer was able to get it through the roadworthy test only on Friday and so I can only register the vehicle this week. Do I have to pay sales tax on the car before I can register it?

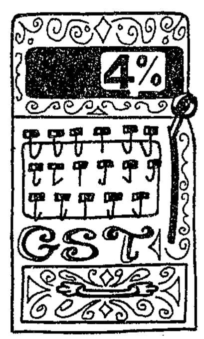
A: No. Mr C J Cronje, deputy chief licensing officer of the Johannesburg Licensing Department, assured The Star that car buyers would be able to register their vehicles after July 3 without having paid the tax, provided they could prove they paid for the vehicle in full or took delivery of the vehicle before July 3.

Q: My son bought a car last year on the lease plan. He has taken delivery of the car but is still paying instalments. Must be pay tax on these?

A: Yes, he must pay on any installment after July 3. He is paying in terms of a rental agreement.

Q: Does one have to pay sales tax on fees for yoga classes? For exercise classes? For music lessons? For nurseryschool tuition? For Highland dancing classes? For ballet lessons?

A: Certain types of tuition, including music and nursery school tuition and dancing lessons, are not taxable. But lessons that are an aid to health or beauty, including yoga and exercise classes, are taxable. Lectures on health or beauty are also taxable.



Q: I run a restaurant and am concerned about the use of credit cards and tax. I have to pay a percentage of each bill to the bank — about four percent. Now the banks want me to pay that percentage on the bill, plus tax. I am going to lose about one percent on each bill.

A: If you are a vendor and sell to buy-aid organisations, including Barclay Card and other credit cards, then the collection fee you pay to them cannot be offset against sales. You cannot deduct this from your sales for the month.

Q: I work at a training centre for blacks. Will the centre have to charge the trainees an extra four percent on their fees? Will the centre have to pay tax on purchases for use in the centre?

A: The centre must not charge tax on its fees but it must pay tax on any items it purchases for use in the centre.

Q: Do school tuck shops have to charge tax?

A: If a tuck shop's annual turnover is less than R5 000 it does not have to register with the Department of Inland Revenue as a vendor and does not have to charge tax. It will have to pay tax on its purchases and may recover this extra cost by increasing prices.

Q: I am a self-employed carpenter. Do I have to pay this four percent on items I buy for my work and do I have to charge the four percent to my customers?

A: In terms of the Sales Tax Act, carpenters are regarded as end-users and therefore they have to pay tax on items they buy for their work and do not have to levy tax from their customers. However, they may recover the four percent which they have to pay on their materials from their customers by increasing their prices.

Q: I want to have my house carpeted. Will I have to pay tax on this service?

A: You will, if your house is a "second-hand" or old house. If carpeting is installed in a new house, the service is not taxable. But if it is installed in an old house, it is.

Q: What is the position where a group or club holds a meeting or dinner at a restaurant or hotel and is charged a fee for the event — are they liable for tax?

A: Yes. You will pay tax to the restaurant or club where the event is held. The tax is collected by the party which provides the meal or accommodation.

Q: I paid a professional dressmaker in full for a wedding dress before July 3. The dressmaker will be able to complete and deliver the dress only later this month. Will I have to pay General Sales Tax?

A: No. One does not have to pay the tax on items which one either took delivery of before July 3 or paid for in full before July 3.

Q: Are parking garages allowed to charge GST?

A: No. A parking garage is fixed property and therefore is not taxable.

Q: I hire a television set. I entered the rental agreement before July 3. Will I have to pay tax on my rental payments?

A: Yes, says the Department of Inland Revenue, Pretoria. You will have to pay four percent extra on every rental payment you make after July 3.

It is NOT correct, as many believe, that only rental agreements signed after July 3 are subject to the tax.

Q: Can canteens charge tax?

A: If an employer runs a canteen for the benefit of his staff, whether the canteen is subsidised or not, the employer does not have to register the canteen with the Department of Inland Revenue. The employer will have to pay tax on all the commodities it buys for the canteen but must not charge tax on its sales. The employer may pass on the tax to the consumer in the form of increased prices.

'Some cheating on bread and bottles'

RDM 5/7/78 (320)

Consumer Mail

SOME shops are cheating people on the price of brown bread and deposits for soft drink bottles.

Consumer Mail's GST WATCHDOG service received many complaints yesterday that cafes were charging 8,5c for half a loaf of brown bread.

The price of half a loaf of brown bread is 8c—and that is official — says a spokesman for the Wheat Industry Control Board. Bread is price-controlled.

The confusion comes from a whole loaf costing 16c plus 1c tax, bringing it to 17c. However, half a loaf is 8c, and is not taxable.

A spot check conducted by a Consumer Mail team showed one in two shops were charging 8,5c for half a loaf of brown bread.

A white loaf costs 25c and there is tax of 1c. Half a loaf of white bread is 12,5c and is not taxable.

Consumers also complained they were taxed on soft drink bottles but the tax was not redeemed when they returned their empties.

All the complaints came from consumers who had bought their soft drinks in cafes. Many said they were shocked to be paying more than just 4% on their purchases.

Some said they had paid up to 20% more and the tax on returnable containers was just another instance of exploitation.

"It's very unfair that the consumer must pay GST on empties but not get it back when returning them," said Mr Sid Matus, executive director of Spar chainstores.

Both Checkers and Pick 'n Pay will pay out sales tax on returned empties.

"We feel morally obliged to do this — if we take tax with one hand we must give it back with the other. Our machines are programmed to give no refunds without tax. Consumers will receive the full 14c deposit plus one cent tax," Mr Rene de Wte of Pick 'n Pay, said.

Checkers, Pick 'n Pay and OK Bazaars spokesmen all expressed dissatisfaction with the system of tax," Mr Rene de Wet of Pick 'n Pay said.

The OK Bazaars spokesman believed the situation would probably be examined by the Department of Inland Revenue.

Corporate development manager of Coca-Cola, Mr J H Viljoen said he would like to see all deposits exempted completely from taxation [illegible]

"The [illegible] never

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loan transaction he
see page 3

Sales tax still confusing

Star 6/1/78

(320)

There is still much misunderstanding and confusion in Soweto about the general sales tax — four days after it came into force — with many shopkeepers still failing to display notices stating whether they use the add-in or add-on tax systems.

Most are also in breach of the law in that they do not have a general sales certificate.

Yesterday reporters visiting shops in Soweto still found many customers complaining about overcharging. Some shopkeepers defended themselves by admitting they did not know how the general sales tax worked.

In one shop at Diepkloof shopping centre, a 14-year-old girl was behind the till and she told reporters that she was told by her father to put up prices by up to 4c on goods.

In that shop a slice of bread which was sold with fish and chips before Monday cost 3c. It now costs 4c. A slice of polony, which cost 1c, now costs 2c. And cakes have also been marked up by 1c.

One shopkeeper at the Diepkloof shopping centre, Mr S M Mnguni, who runs an outfitter shop said he was not going to include sales tax in his goods. He said he was going to absorb the tax himself.

Customers interviewed generally felt bitter about the nex tax. Many accused shopkeepers of profiteering.

What's your opinion?

GENERAL sales tax is all right in theory but chaotic in practice. This was the concensus among members of the Durban public surveyed at the Receiver of Revenue's sales tax inquiry office yesterday.

Most people the Mercury spoke to were businessmen panicking because they had not received tax exemption certificate numbers and were liable to pay tax they could not recover.

A fruiterer spoken to — but not at the office — defiantly said he wasn't going to pay tax because in spite of repeated visits to the Receiver he still had no number.

He would calculate the four percent tax on his monthly turnover and, before paying it, deduct the tax he had been forced to pay his supplier before receiving his tax exemption certificate.

MR. E. S. MBATHA, Empangeni bottle-store owner, applied for tax exemption on May 22. "The tax is not a bad idea because everyone has to pay it. It helps the blind and crippled people who cannot work."

MR. Johannes Msomi, an Isipingo bookkeeper, came on behalf of 25 clients. "I applied weeks ago and they said they would send the numbers but I had to come in myself."

TONGAAT book-keeper Mr. Robin Moham: "I handed in the forms a month ago but my clients say nothing has come in the post. The business-man now has to pay an extra four percent because of poor ad-ministration."

MR. BRYAN Spence, photographer, was there to apply for tax exemption for his small part-time photography studio, which earns less than R5 000 a year: No complaints.

SALMA Jaffer, messenger for a clothing company: "Our firm has the word 'wholesalers' in its name, even though it is a retailer, so they gave us the wrong number."

MR. F. A. JACOBS, Umbilo general dealer: "We've had no problems. A few customers walked out but when they realised it was the same everywhere they came back."

MR. C. S. MUDLEY, of Stanger, secretary of the Natal Indian Cane Growers Association: "I submitted forms in March but there are still no numbers so they say we must pay tax. It's unfair."

Half-loaf sales create doubts

6/7/78 (320)

Mercury Reporters

SOME tearoom owners are doubtful whether they should sell half loaves bread before the Department of Inland Revenue and the Wheat Control Boa. have ironed out discrepancies in selling prices.

The chairman of the Tearoom, Restaurant Proprietors and Caterers Association, Mr. Demosthenes Michos, said in Johannesburg yesterday there was a discrepancy in the selling price of half loaves and the Wheat Control Board "will not allow us to take this into consideration."

Chairman of the Natal Tearoom Owners Association, which does not fall under the Johannesburg association, said yesterday he had not urged members to stop selling half loaves "as it was the staple diet of the poorer people."

But he said it was not a proposition to sell the half loaves, but members had not been urged to stop at this stage.

Africans

Many Africans bought a half loaf of bread and a half litre of milk, Mr. Vincent Lourenco said yesterday.

Mr. Michos said if loaves were sold at 8c for a half loaf of brown and 12½c for a half loaf of white, tearoom owners were selling at a loss.

"We don't mind breaking even when it comes to selling bread, but we won't sell at a loss," he said.

Up to now tearoom owners had been led to believe they could take the price of the loaf, add one cent for tax and halve the price. Now they were told this was not the case, Mr. Michos said.

The price for brown bread is 16c a loaf, and 25c for white bread, plus one cent sales tax in each case.

likely to get them into trouble with the Receiver of Revenue and their customers.

Typical is the Berea pensioner who complained that she was charged on the add-on system 3c GST for each pack of 67c cigarettes she bought. This is correct on the add-in system where normally no tax need be indicated.

But under the add-on system the tax payable on the sale at the till of R1,34 is 5c.

Other shopkeepers are over-estimating the effect of the tax.

One man wanted to know what he should charge for a plastic bag for wrapping bread. The price per 1000 had gone up by 16c to R4,11 – equivalent to 0,411 cents a bag.

Several readers reported that the price of chips had gone up from 12c a packet to 13c or 16c a packet.

Another reader reported that a Gale Street store was using the hybrid taxing system to add 1c on to the sale of a newspaper.

Complaints

Several readers complained that the price of margarine had risen in a supermarket chain by 10c to 66c a block.

On the South Coast consumers have complained that a Port Shepstone hotel has lifted its prices for a tot of spirits by 2c to 33c. GST is only 1c but the price has gone up 3c.

Mercury 6/7/78

(320)

A half loaf of brown should sell at 8c and a half white at 12½c.

Waiting

The chief inspector of the Wheat Control Board in Pretoria, Mr. P. Vermeulen said the board was still awaiting clarification from the Receiver of Revenue on the selling of half white loaves at 12½c, as goods up to 12c were not subject to tax.

A Durban tearoom owner, Mr. Fred Helmand is prepared to go to court to contest his selling bread at 8½c for half brown and 13c for half white.

"I work on the add-in system and that is 17c for a loaf of brown including the sales tax and 8½c for a half loaf. That is not above the control price according to my way of thinking," he said.

Durban price controller Mr. H. M. Kitchingham said yesterday tearooms selling above the control price could be prosecuted. He said however, his department had received no directive from the Wheat Control Board to prosecute.

The sale of bread was under the control of the board, Mr. Kitchingham said.

He added that the price of a half loaf fell below the sales tax minimum level and should not be subject to tax.

Mr. Vermeulen said the control board was receiving numerous complaints on the price of half loaves of bread but said given time the situation may settle down.

Both

He said if the tearoom owners went on contravening the control prices they would be proscecuted but said in the first instance they would be warned to lower prices.

He added the board hoped to have clarification today on the selling price of half loaves of white.

Regarding tax some cafe owners are using a hybrid system of add-in, add-on for the general sales tax which is

A slightly different problem arose for a welfare agency.

Although they have a welfare organisation number they are still required to apply to the Receiver of Revenue to get a certificate enabling them to buy the goods they give to the poor without tax.

Black businessmen attending the National African Chamber of Commerce meeting in Durban yesterday said GST was confusing to customers and to retailers.

Most of the men interviewed felt that there could have been an easier way to tax people — either by direct taxation on earnings or by having the manufacturer add the tax.

All up

The Reverend W. D. Sibisi, a Zululand shopkeeper said, "There are so many problems. If we use the add-in method people say we are too expensive. On the first day I forgot to add on the tax and now I will have to pay it out of my own pocket."

In Soweto the cost of transport and rents went up and sales tax was introduced all on the same day.

Councillor E. Manyosi pleaded for wages to be raised or for rents to be subsidised by employees.

"Black people in urban townships are already living below the breadline. They won't be able to meet their commitments."

This feeling was also expressed by the chairman of the Coal Traders' Association, Mr. D. Mtshaulana.

"People are going to need up to R5 a month more," he said.

Lebowa businessman Mr. T. J. Lekala, said the sales tax was very difficult for customers because they "feel we are cheating them when we add on to the price."

GST: it's hard on everyone... including shopkeepers

320

Star 6/7/78

Where do justified price rises stop and rip-offs begin? That's the question everyone has been asking this week.

Certainly it's not easy to reconcile the feelings of both consumers and shopkeepers on how the new general sales tax should be applied.

As shopkeepers point out, GST coincided with a spate of price increases from manufacturers and wholesalers.

There was the rise in the price of sugar, which affects confectionery, chocolates and biscuits and the dozens of other items using sugar as a sweetener.

Magazines, cigarettes, chickens and flour are among other items that increased in price.

LOSING

Shopkeepers also say that they are losing money on any items they sell under 13c.

They say they want to provide customers with the service of smaller packs — as with sugar and half loaves of bread.

While they are not allowed to recover tax on items under 13c they have to pay sales tax to the Receiver of Revenue on their total turnover.

One small shopkeeper said that in one day he lost R3 on items under 13c.

Consumers are having to sort out how they are affected by the lifting of sales duty.

"Do I buy now or next week?" some asked. Others felt resentful that they had outlaid money in the weeks leading up to GST Day.

"We would have been better off if we had waited," several said.

Ignorance of the new general sales tax legislation has caused many problems. One shopkeeper was not certain how to go about collecting the tax so he charged both ways. And a black woman, when asked to pay GST on items she had purchased, declared: "Black women don't pay tax — only black men."

Ignorance of the new legislation has caused many problems, especially in the townships.

Fair Deal has been inundated with calls from people wanting clarification on the technicalities of the law and with reports of overcharging.

One black woman declared to a shopkeeper: "Black women don't pay tax — only black men. . . ."

She felt certain she was right. Another shopkeeper was not so certain how to go about collecting the tax — so he charged both ways — Add-On and Add-In!

A hardware dealer fed up with the whole affair was reported not charging tax at all.

While Fair Deal heard hundreds of complaints perhaps the slice of bread that takes the cake was the one that cost a shopper 3c — 2c for the bread and 1c tax.

Everyone from the Housewives League to Assocom is appealing for patience until the system sorts itself out.

The Consumer Council has appealed to shoppers to turn their backs on traders they suspect are overcharging.

And the Price Controller has promised to investigate complaints.

Now it is up to consumers to report abuses of the GST.

Why weren't the chips as tasty as last week? Elizabeth and Gertrude Tebogo found they had to pay more because of the general sales tax.

Receiver warns new tax dodgers

N/M 6/7/78 370

Financial Editor

ATTEMPTS are being made to misuse tax exemption certificates, Durban's Receiver of Revenue, Mr. J. J. Swanepoel, revealed yesterday and warned: "We will hammer these people."

Mr. Swanepoel said that several suppliers had come to him yesterday for guidance.

In one example a baker had tried to use his tax exemption certificate to buy motor spares.

"Several people are trying to use these certificates illegally," said Mr. Swanepoel.

"The Act is quite clear. Manufacturers can only buy tax-free those products which are direct in-puts in the manufacturing process and spares for manufacturing equipment.

"In the case of the bakery spares for their delivery vehicles are definitely not included under tax-free purchases."

Mr. Swanepoel said that he could not expect people to **become policemen for the department.**

"However, my inspectors will be going out and if they find that certificates have been falsely used the firms concerned will be in trouble."

Mr. Swanepoel added that full provision was made in the Act for dealing with the misuse of certificates.

Payments

Asked when the GST Act would be available in its final form, Mr. Swanepoel said that it had been published but he did not have a copy.

He did not know of anyone in Durban who had seen it.

Meanwhile, no clarification seems to have been reached on the question of medical aid payments and GST.

While actual doctors', dentists' and veterinarians' services are not taxable, a problem arises because mediines, dentures, spectacles and other supplied items are.

★ TURN TO PAGE 2

'We'll hammer them'

Tell it to our tax team.

THE Mercury's GST Tax Team handled more than 100 calls yesterday. They covered a wide range of questions and complaints. Anyone who has any queries about general sales tax should speak to Jack Keir the Financial Editor, or his deputy, Jon Beverley between 9 a.m. and noon on telephone 319331.

Warning

N/M 7/7/78 (372)

★ FROM PAGE 1

"A dentist buys dentures from a dental mechanic and then supplies them to the patient. As end user the patient must pay the tax," the Pretoria Receiver's office explained.

It seems likely that medical aid societies will pass this increase in the cost of medical equipment on to the patient, — though indirectly, through increased premiums.

Medical aid societies said yesterday that they were still seeking guidance from the Government on his point, but the private view was that premiums would rise.

A Durban pharmacist said he did not think it would be legal for the aid societies to pass the tax on directly in the form of four-percent increase on each bill for supplies.

Pharmacies would charge sales tax on medicine to the aid society only where it was contracted to the pharmaceutical society, and if it was not, then the patient would pay on his levy and the aid society on the rest.

Star 6/7/78

(320)

Tax slip gives SAR a multi-million shock

A sales tax "slip-up" has dealt a multimillion-rand blow to the South African Railways and Harbour Administration.

Suppliers to the SAR this week received a notice from the Railways that the latter was exempt from paying general sales tax.

But an Inland Revenue official in Pretoria said there had been a slip-up as, broadly speaking, SAR was not a vendor and should not have been registered as such.

The exemption applied only to goods the Railways resold such as food and drink — a small part of the administration's huge billion rand expenditure.

An SAR spokesman said today there had been "a bit of a snarl-up" with regard to the issue of an exemption certificate to the Railways.

"We pay the tax the same as everybody else does."

He said he did not know how much the sales tax would add to expenditure, though earlier this week Mr Kobus Loubser, SAR general-manager, revealed that SAR spent R679-million on goods locally for operational requirements in the 1976/77 financial year.

Taking into account increases in expenditure since then, the sales tax would probably add between R20-million and R30-million to the Railways' bills.

Consumer Council prefers Add On

The South African Co-Ordinating Consumer Council today came out strongly in favour of the Add On method of collecting sales tax.

This is the first time they have indicated a preference and advised consumers to go for the principle of Add On.

Mrs Lynette Eybers of the Consumer Council explained: "If a tin of beans cost 15c last week, this week a dealer using the add in system can now levy 1c tax on each tin. To the consumer this means he is paying 16c a tin. If you buy six tins of beans under this system you will pay 96c at the till.

"On the other hand, if you are buying at an add on store the six tins of beans which last week cost 15c still cost the same, and the dealer will be levying only 4c tax at the till since the tax between 88c and R1 is four cents."

Mrs Eybers said the Consumer Council was trying to educate consumers to look for the system which would be to their advantage.

She said less sophisticated buyers might believe that the Add In system was less complicated.

"But what we want is to teach people to allow for tax at the till. At present many less sophisticated shoppers tend to buy right up to the amount they have in their hand."

If you are unsure of how the tax works on smaller items, here's a guide:

1c to 12½c	no sales tax
13c to 37c	1c tax
38c to 62c	2c tax
63c to 87c	3c tax
88c to R1	4c tax

Food price up 5,5 pc at Wimpey

6/7/78

320

Mercury Reporter

S.A. WIMPEY (PTY.) LTD., have introduced an increase of 5,5 percent overall on food sold in all their outlets throughout the country.

The increase, which includes the new sales tax, was introduced on Monday.

Mr. A. H. Barns, marketing director for Wimpey in Natal, said the additional price was necessary to offset increased expenses incurred by the individual operators as a result of the new sales tax.

The operators were faced with increased cost of laundry, maintenance, packaging materials and other related items as a result of the new sales tax.

Survey

Mr. Barns said a survey of a number of individual operators revealed that this increase would be an average of 1,5 percent and this had been passed on to the consumer.

Not all items sold in Wimpey outlets would be affected by the increase.

Some items have been increased by the stipulated 4 percent, while others have been increased by more than 5,5 percent.

"It is an overall increase," said Mr. Barns. He predicted that other firms would soon be forced to follow Wimpey's example when the full effects of the new tax became apparent.

Saved

The Mercury's Financial Editor reports that Mr. A. Beare, chairman of Beares Ltd., was able to bring a little joy to the grim GST scene in Durban yesterday — he paid the tax on a carpet which an African woman had been buying through his company for the past two years. The final instalment was paid on Monday, with the result that the whole deal was subject to tax.

The African woman, who is known as Abagail, had the carpet laid by at the Malvern branch of Beares in 1976. She has been paying R12 a month for the past 24 months.

Abagail was paid last Sunday. She went to Beares to pay her final instalment on Monday, to be confronted with the demand for a GST payment of R3,60 which she could not afford.

The store was correct in asking for the payment as the price had not been paid in full before July 3.

Abagail told her story to Mrs. E. Gries of Malvern, who contacted the Mercury tax service.

A call was put through to Mr. Beare, who said his company would pay the tax because of the special circumstances.

GST on empties 'unfair' claim

Financial Editor

THE controversy over the Receiver of Revenue's decision not to allow tax paid on returnable items, such as bottles and containers, to be refunded was still very much alive in Durban yesterday.

Mr. P. J. Coles of J. O. Shaw and Son, a firm which deals with Coca Cola and uses large returnable containers, said that he was prepared to take the matter to court.

"The guide to vendors, which was issued by the Receiver of Revenue, states that when empty containers and crates are returned, the tax levied on the deposit must be included in the refund.

"The Receiver now changes his mind at the last minute. We cannot keep paying GST on the same containers over and over again."

Mr. J. J. Swanepoel, Durban's Receiver of Revenue, said that he had received instructions from head office to reverse the previous decision and there was nothing he could do about it.

Asked how it was that the South African Railways were using a tax exemption certificate to buy goods tax free, Mr. Swanepoel said that a certificate had not been issued by his department.

"As far as I know the Railways are only entitled to buy goods free of GST for its catering service.

In the Natal Mercury's guide to GST, which was issued on Tuesday, it was stated that the tax paid on returnable items such as bottles, would be refunded but the Receiver of Inland Revenue reversed this decision at the last minute.

It was also stated in the guide that GST would not be levied "on a registered hospital or nursing home." This should have read "by a registered hospital or nursing home."

One percent, two percent, three or four . . .

STAR 6/7/78 (320)

New GST decision makes difference

Harvey Thomas

ON MOTORING

Your new car may cost you one percent more, two percent more, three percent more or the full four percent GST more because of moves made by the Government and the motor industry in the past few days.

It all depends on how much of the sales duty reduction the manufacturer has decided to pass on to the retailer and, vis a vis, to you.

The Government started the ball rolling by announcing a reduction in sales duty from 15,5 percent to 10 percent on the more expensive cars and from 7,5 percent to five percent on the medium-sized and smaller models.

But this reduction was on a "neutral value," a figure lower than the retail price and it translated to a reduction of 3,4 percent on the selling price of more expensive cars and 1,6 percent on all others.

Saving

The manufacturers are not compelled to pass on that saving although most of them obviously will to maintain their competitive place in the market.

However most companies may pass on only a percentage, as they will see the lower sales duty as a way of staving off impending price increases, increases that are scheduled for three monthly intervals.

The position is complicated by the fact that the new and lower sales duty will apply only to cars now being manufactured as this duty is paid by the companies at the time the car actually leaves the factory.

This means that, in theory, the cars now in the showrooms have already paid the old and higher duty — but at least one manufacturer has made arrangements to sell these cars at the new and lower price. VW announced that models affected by the reductions would include those already in dealer stock.

Other manufacturers may follow suit and hope to recover some of the cost by passing on a slightly smaller percentage of the duty reduction, or they may wait until present stocks are exhausted and the less expensive models move into the showrooms.

In some instances manufacturers will not pass on the savings at all as it will enable them to hold their prices stable for a little longer. VW has said that the Golf prices will remain unchanged as the lower duty has obviated scheduled increases — for the time being.

The Golf models will thus be subject to the entire four percent general sales tax as their base price was unaltered, but on other VW and Audi models, VW has announced decreases ranging from about 1,7 percent to just more than three percent . . . and so the impact of GST on these cars will be a little less.

The price that you pay for your new motorcar will very largely depend on how that particular model has benefitted, if at all, from the lower duties.

Three

At the moment it would seem that over the past week there have been three prices for any given car . . . the old retail price prior to the introduction of GST, the new retail price which could be the same as the old until present dealer stocks are exhausted plus the GST, or the new retail price which may be a little lower than the old if the manufacturer has decided to pass on the saving immediately.

This latter price would also be subject to GST.

Business Mercury

7/7/78

320

FCI seeks to ease sales tax

JOHANNESBURG — The exemption from general sales tax of items used by industry in processing now being sought by the FCI, would have an insignificant effect on the revenue of the sales tax, the chairman of the FCI special group on sales tax, Mr. S. Shlagmann, said in a statement here yesterday.

There would therefore have to be no change in the rate of tax if this adjustment was made.

"General sales tax was normally applied to products at final point of sale. All raw materials which form an "integral part" of goods manufactured are therefore automatically exempted from the tax.

"In addition, items such as fuel, oxydants and similar 'processing materials' used directly in the manufacture of goods are also exempted from the tax," he added.

"The problem arises only with those inputs which are 'used up' in the process of manufacture.

Cutting tools

"These include abrasives, sanding and buffing materials, cutting tools and oils and intermediate packaging materials."

Mr. Shlagmann said that in some cases relief had already been given where such non-exempt products made up a large cost element. This had been done in the printing, mining and fishing industries.

"Industry now seeks some widening of these exemptions to avoid the escalation of the tax to the consumer." (Sapa.)

DD 7/1/78 (320)

Tax muddle hits EL shoppers

EAST LONDON — Consumers here claim some shopkeepers are charging extra in the confusion over general sales tax.

Complaints have been pouring into the Daily Dispatch offices about shops using the add-on or exclusive method of imposing the new tax.

An irate Mrs Eunice Mxego claimed she had been charged 60c sales tax on R10,40 repairs to her paraffin heater at Slaters of North Street. The correct sales tax should have been 42c.

A spokesman for Slaters, Mr W. Winspear, told the Daily Dispatch it was possible he made a mistake. If Mrs Mxego brought documentary proof that she was overcharged he would "fix it."

At the Market Cafe in Caxton Street, Miss Lulama Jijana said she paid 22c for a ham and mustard roll which was 20c before sales tax.

With sales tax on a 20c roll the price would be 21c.

Miss Jijana also said she was charged 14c for half a loaf of white bread instead of 13c.

The manager of the cafe, Mr I. W. Foulkes, said a ham roll cost 20c. The cost of a ham and mustard roll was 21c and that was why he was charging 22c for a ham and mustard roll.

Mr Foulkes said he had been told by the Receiver of Revenue he could charge 13c for a sliced packed half-loaf of white bread.

With sales tax this would make the price for half a loaf of white bread 14c.

But Miss Jijana said she bought an unsliced loaf.

At Walters Delicatessen Miss Jijana paid 20c for half a litre of milk. In many shops milk costs 17c.

"Do we have to pay 3c sales tax on milk?" asked Miss Jijana.

A spokesman for Walters said there was no price control on milk in East London and they could charge any price.

In Mdantsane Mr Arthur Hogana said he paid 31c for a litre of cold drink and was told 3c was for sales tax. He was charged 2c more than the legal amount.

The assistant manager at the restaurant, Mr Babini Nqelenga, said yesterday it must have been a mistake by his saleswoman.

The normal charge for a litre of cold drink was 28c plus 1c sales tax.

A spokesman for the Receiver of Revenue said he had received few complaints about shops cashing in on sales tax. He appealed to shops not to take advantage of the situation. — DDR.

SALES TAX

If you buy one copy of this newspaper by itself you will not pay sales tax.

If you buy this newspaper and other items at a selling outlet which has decided to apply tax on the add-on basis, you will pay 4 percent on your total bill including the price of the newspaper.

The Star Friday July 7 1978

GST: plea for items to be exempted

(320)

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There would therefore have to be no change in the rate of tax if this adjustment was made.

Mr Shlagmann said that in some cases relief had already been given where such non-exempt products made up a large cost element. This had been done in the printing, mining and fishing industries.

"Industry now seeks some widening of these exemptions to avoid the escalation of the tax to the consumer.

"The 'tax on the tax' could cause a tangible increase in the cost of certain products. But the amount lost to Government if these exemptions were made would be barely noticeable," said Mr Shlagmann.

Total exemption of all materials used in the process of manufacture would be likely to lose the fiscus less than R10m in a full year.—Sapa.

STATE'S HALF LOAF COST RULE

7/7/78
T. 3 WHAPT
(2) 320

Mercury Reporter

THE secretary for Inland Revenue has ruled that it is illegal for dealers to charge sales tax on half loaves of bread.

Mr. A. A. Liebenberg, assistant manager of the Wheat Board in Pretoria, said yesterday that any dealer who charges sales tax on half loaves of either white or brown bread is breaking the law.

He said this decision had been made by the Secretary for Inland Revenue, Mr. N. van der Walt.

"Dealers are not allowed to charge tax on goods sold under 13c. This includes half loaves of white bread with a price of 12½c" said Mr. Liebenberg.

He said because of the "chaos" caused by the introduction of sales tax, no decision had been taken by the Wheat Board on whether or not dealers who charged tax on half loaves were to be prosecuted.

Mr. Vincent Lourenco, chairman of the Natal Tearoom Owners' Association, said in Durban yesterday that his association was considering the possibility of stopping the sale of half loaves of bread. "We feel very strongly about this," he said.

He said the Government's decision would encourage people to buy bread in half loaves to avoid paying tax. He claimed that this would cost tearoom owners money.

Rise in price of magazines

(1) 320
(2) ~~243~~

7/7/78

Mercury Reporter

THE pre-tax prices of several South African magazines rose this week, following the introduction of the general sales tax.

Scope went from 40c to 43c plus 2c tax; Farmers' Weekly from 25c to 29c and 1c tax; Rooi Rose, 40c to 48c and 2c tax; Living and Loving from 40c to 48c plus 2c tax.

All these are Republican Publications magazines. Fair Lady of Nasionale Koerante Bpk., rose from 40c to 48c plus 2c tax.

Republican Publications dropped the pre tax price of three of its major magazines so that they will now cost the same as before – after the inclusion of tax.

They are Family Radio and TV – was 40c, now 38c plus 2c tax; Darling – the same; and Garden and Home – was 50c, now 48c plus 2c tax.

The Mercury was unable to reach the directors of RP for comment on the price change but was told by a manager that the price increases "should not be connected with GST."

He said the increases had been planned long before the tax was int[illegible]

Taking law into their own hands

N M 7/7/78

(i) 320 (2) ~~248~~

Financial Editor

TEAROOM owners and the managers of bottle stores are taking the law into their own hands over the Receiver of Revenue's decision not to allow GST paid on bottles to be returned to customers when the bottles are brought back.

A tearoom owner, who does not wish his name to be published, said yesterday that a bottle of Coca Cola cost 42c to which 2c GST had to be added.

"When the customer comes back with the bottle I refund 14c but, as I am not allowed to give him back 1c in tax, he has paid 2c on a transaction which cost 30c.

"This is not in accordance with the Receiver of Revenue's rounding-off table and it leads to charges that tearooms are cheating their customers.

"I am not prepared to put up with this and have decided to refund 1c in addition to the 14c deposit refund."

Meanwhile, Mr. Trevor Pearman, regional manager for Rebel Discount Liquor Stores, said that he would give an additional 4 percent on any refunds of any nature that are made on bottles regardless of how they were acquired.

Transaction

The view of Mr. J. J. Swanepoel, Durban's Receiver of Revenue, is that the sale of bottles and contents is one transaction. The return of empties is another.

If the contents of 12 bottles is R2,54 and the total deposits on the bottles is R1,68, giving a total of R4,22, the tax will amount to 17c.

When the bottles are returned, the customer gets R1,68 and nothing more.

Mr. J. E. Lansley, owner of the Honey Bun Tearoom, has pointed out that although items costing less than 12c are not subject to tax, if a number of small items are bought together GST must be levied on the total cost.

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(A 320

7/7/78

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He said the increases had been planned long before the tax was introduced.

Tax topics

IN M

Authorities cannot stop price rises

7/7/78

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② 320

Mercury Reporter

THE authorities are powerless to prevent the spate of price increases that has occurred, following the introduction of the sales tax on Monday.

Durban's price control inspectors have been working flat out tending to complaints from the public since Monday.

In most instances the increased prices involved products not covered by the price control regulations and were therefore quite legal.

"A shopkeeper can charge whatever price he chooses for items not covered by our regulations," says Mr. H. M. Kitchingham, Durban's price controller.

However, a number of contraventions of the price control regulations had ben discovered and the traders concerned face prosecution.

His department has recently been empowered to issue admission of guilt fines and these would be used to the full, once details have been finalised.

NM 7/7/78 (321)

Traditions we don't want

JUST A year after achieving its own multi-racial status, it is gratifying to see the Natal Teachers' Society calling on the Government to open the all-White South African Teachers' Council to all races. For as long as the Council remains racially orientated, a large body of professional men and women will carry a stigma of inferiority because of their colour and that, surely, can only help to stoke racial divisions.

The argument that it is "traditional" in South Africa for education to be conducted in racial compartments, and that an all-White teachers' council is merely a progression of that pattern, is beginning to wear thin.

It has also been a "tradition" for White teachers to receive higher pay than their similarly-qualified African, Indian and Coloured counterparts. However, as the pay gap is narrowed and the process of dismantling racial discrimination accelerates from its present stumbling pace, it must be expected that these morally-indefensible customs will disappear.

Meanwhile, the outlook for reaching pay parity among races in the near future is made depressing by officialdom's continuing reluctance to move towards uniformity of pay among the sexes. The lot of women teachers, particularly those who are breadwinners, leaves much to be desired. Not only do they suffer from salary discrimination, but in some provinces a married woman is in danger of losing her post when an unmarried teacher applies for it.

The Natal Teachers' Society is right in demanding that women teachers, who are breadwinners, should be granted the same salaries and benefits as men. That is no more than in accordance with the policies of most other professions.

In the final result, pay structures should relate to such things as qualifications, experience and the type of work performed. Sex and race should have no bearing on the matter.

Traders drag feet over GST

Star 17/7/78

320

About 6 500 Johannesburg businessmen have still not applied for certificates to exempt them from paying the General Sales Tax.

This was estimated today by a spokesman for the Johannesburg branch of the Department of Inland Revenue.

From July 3, retailers have had to produce a certificate proving their vendor's status or quote their certificate number to be exempt from paying the four percent tax — even when buying from a wholesaler or supplier.

To obtain these certificates they had to register with the Department of Inland Revenue.

The Johannesburg branch of the department has estimated that about 33 000 Johannesburg businessmen should register as vendors.

But by today only 26 500 had done so, said the spokesman.

A spokesman for Inland Revenue, Pretoria, has told The Star that retailers who did not receive their certificates by July 3 would have to pay the tax on their purchases until they did get their certificates, but could later apply for a refund of the tax paid.

He said they would be refunded if they could satisfy the department that they had applied for the certificate in good time and had paid the tax.

Both the Johannesburg and the Pretoria offices have been flooded with queries about the new tax.

"We get telephone calls from morning till night from people wanting information," said a spokesman for the Johannesburg office.

The department had also received many complaints of over-charging although there was little it could do about them, the spokesman said.

People should report complaints of overcharging to the Price Controller, he said.

Try the

Shoppers and shopkeepers with queries and complaints about the sales tax have complained to Fair Deal that they have spent up to two hours trying to telephone the Johannesburg Department of Inland Revenue.

And one woman said:

Forecast PA

The Star Friday July 7 1978

GST: plea for items to be exempted

320

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"Industry now seeks some widening of these exemptions to avoid the escalation of the tax to the consumer.

"The 'tax on the tax' could cause a tangible increase in the cost of certain products. But the amount lost to Government if these exemptions were made would be barely noticeable," said Mr Shlagmann.

Total exemption of all materials used in the process of manufacture would be likely to lose the fiscus less than R10m in a full year.—Sapa.

VITA PALESTRANT reports

Your problems with GST

GST's teething problems still abound. Both consumer and retailer are confused and angry about certain aspects of the tax.

Some over-anxious cafe owners and small traders have been hiking their prices to offset losses they claim they will incur on items under 13c. They say that since they have to calculate the tax on their complete turnover they will lose out. Inland Revenue, however, says that the rounding off tables will even out these losses.

There are also some grey areas. Retailers and consumers have been left to sort out what happens to GST paid on empties.

If GST is not refunded, liquor and softdrink outlets stand to gain millions of rands at the consumer's expense.

Another area that needs to be clarified is what happens to the bank's commission on credit cards. Is the commission calculated on the bill alone or the bill plus tax?

Retailers say banks will gain if they calculate their commission on the bill, plus tax.

Most of the questions put to Consumer Mail's GST WATCHDOG service have straight forward answers. Here are some of the questions.

VENDORS who have not yet received their vendors' certificates anxiously phoned Consumer Mail's GST WATCHDOG service to say they didn't know whether they had to collect the tax from their customers. They also said their suppliers had demanded GST from them because they did not have vendors' certificates.

A spokesman for the Department of Inland Revenue says that where certificates had been applied for in good time but hadn't arrived through delays in his department, tax paid by vendors to their suppliers would be refunded.

He said that the vendor was obliged to levy the tax on his customers purchases. "Vendors will receive their certificates in due course. They must carry on as normal."

I am a small shopkeeper who is using the add-in system. Can I use add-on on items under 13c?

No. It is illegal to use both systems. If you have chosen add-in you must stick to it.

Do all vendors have to register?

All those whose turnover is R5 000 a year or more are obliged to register.

What happens if I am a trader with a turnover of less than R5 000 a year?

You will have to pay GST when you buy your supplies but you will not have to levy the tax when selling your goods.

Is there tax on old stock, price controlled items and basic foods?

Yes. There are no exemptions.

I have a men's outfitters shop. We have a tailor who does alterations. Does he charge us GST for his service?

No. You are not the end user of those clothes, your customer must pay the tax.

If I buy a car through my company do I have to pay GST on it?

Capital goods are taxable. A car your company buys, office furniture, stationery and machinery are all taxable.

I am a retailer and have a certificate. Can I use it to buy goods tax free?

No. Inland Revenue will take a dim view of this.

I am a builder, do I have to pay GST on my materials?

Yes, you are considered to be the end user.

Does an electrician charge tax for his services, including labour, on household repairs?

Yes. Your whole bill is taxable. The same applies to a plumber or a mechanic.

I am a wholesaler and supply goods to South West Africa. Does my customer require a vendor's certificate?

No. There is no GST on exports. This includes places like Botswana, Bophutha-Tswana, Swaziland, Transkei, Lesotho and any homeland that becomes independent.

Do foreigners have to pay GST?

Yes, they are treated in the same way as any other customer.

Do I have to pay GST on a club membership?

No. There is no tax on club membership.

If I buy a car from a non-dealer do I still have to pay GST?

Yes. GST must be paid on all registered consumer goods such as caravans, trailers and aeroplanes. You must do so within 10 days of the purchase at your local Receiver of Revenue. You will have problems registering the vehicle unless you do so.

If I put a deposit on something before July 3 must I still pay GST?

There is no GST on goods paid for in FULL or DELIVERED before July 3. If you took possession of the goods before then, there is no tax.

I entered a rental agreement for a television set some months ago. Do I still have to pay GST?

Yes, as from July. This also applies to goods bought on a lease plan.

If I paid a deposit on goods before July 3 and they were delivered after that date, do I pay GST on the balance or whole amount?

You have to pay GST on the whole amount.

I hired a film for my daughter's birthday party and was asked to pay GST. Is this correct? I thought entertainment was exempt.

It is only on entertainment provided for the public as a whole that is exempt. When you use it for your own private purposes there is a tax.

I want to sign a hire purchase form. Do I pay GST on the price of the item plus interests?

No. It is only levied on the price of the item. If you are asked for both, refuse to sign.

'Empties' ruling confusion

NM 8/7/78 (320)

Mercury Reporter

THE mix-up over GST on bottles this week cost Durban consumer an estimated R25 000 in tax on soft-drink empties alone. With extra tax paid on wine and beer bottle deposits the figure goes much higher.

This stems from the Receiver of Revenue's decision not to allow sales tax paid on bottles to be returned to customers when the bottles are brought back.

Liquor and soft drink industry spokesmen said yesterday the position on refund tax was "a shambles" and they were still trying to get clarification.

Exact figures on the amount lost to the consumer were not available but the industry put out statistics giving a "rough idea" of the cost.

Confusion

The position was so confused yesterday that the general manager of a large soft drink company was unsure whether the Government or the retailers would be pocketing the tax on bottles.

But it was clear that either way, the consumer was losing.

Mr. L. Cork estimated that 500 000 bottles of soft drink were sold in Durban daily. On each the customer had paid an extra cent in GST because of the ruling that tax be paid on the price of the drink plus the deposit.

This amounted to R5 000 a day or R25 000 in the five days since GST was introduced in Durban alone, said Mr. Cork.

Wine sale figures give some idea of the way the extra amount adds up to a vast loss for the consumer — or profit to retailers or the Government.

A spokesman for the Cape Wine and Spirit Institute said that 300 million refundable bottles of wine were sold in South African in a year.

This meant that in the week since GST was introduced the consumer has paid extra tax on about 5 000 000 wine bottles — over and above the tax spent on the wine.

The institute was unable to calculate the cost because the total sales figure could not be broken down into figures for different bottle sizes.

Range

The deposits range from 5c for a 750ml wine bottle to 83c for a 4,5 litre jar.

If the average were 35c — the deposit on the popular 1,5 and 2 litre bottles — the consumer would have paid R70 000 in GST on empties this week.

This would be a conservative figure, arrived at by calculating the 4 percent sales tax on the total amount of deposit paid.

On the rounding-off table system, tax paid on purchase of individual bottles is generally higher than 4 percent.

For instance, the deposit on 750ml beer bottles is 10c. Total deposit on a dozen is R1,20, 4 percent of which is about 5 cents.

If the bottles are bought separately at 60c the 10c deposit pushes the price up to 70c, for which an extra cent has to be paid, according to the rounding-off table.

So, bought individually 12 bottles would cost the customer 12c in tax on deposit alone, compared with the 5c if bought by the dozen.

Other news on the sales tax front yesterday was that some tearoom owners are refusing to sell 250ml milk units which cost 10c because they cannot charge sales tax on them.

Mr. A. Geils, manager of the Durban Milk Association, said he was aware this was happening and would investigate.

Loaf loss

A Clover Dairies spokesman, Mr. P. J. Broad, said: "It is most distressing because milk in the smallest unit will not be available to the community which most needs it."

And the chairman of the Tearoom, Restaurants and Cafe Proprietors Association, Mr. D. Michos is to recommend to his 2 400 outlets that they no longer sell half loaves of bread.

"I don't think anybody has calculated which are the swings and which are the roundabouts," said Mr. Michos. "With GST and plastic bags, bread sellers are working at a 0,1c loss on each half loaf."

The manager of the Wheat Control Board, Mr. D. F. van Aarde, said yesterday: "Legally we cannot force anybody to sell any commodity in any particular way. But the competition should sort things out. The cafe proprietors make money on the tax in certain areas and I'm sure they'll get used to it."

320

NM 8/7/78

Double tax on containers clai

8/7/78

Financial Editor

THERE should be no double taxation with general sales tax. The principle of the new Act is that the end-user pays the tax. However, this is not the position with containers in which manufacturers pack their goods.

Mr. J. J. Swanepoel, Durban's Receiver of Revenue, has given a ruling that manufacturers are the end-users of the containers and they must pay tax on them.

However, the accountant of a manufacturing firm has pointed out that the cost of containers is included in the price of the products which go into them.

Therefore, the manufacturers pay GST on the cost of the containers and then the consumers of the products pay GST on the containers again when they make a purchase.

Tax-free snags

Several reports were received yesterday by the Mercury's tax answering service that tax exemption certificates were being used by organisations to obtain tax-free goods when it was clear the goods were for in-company or personal use.

Suppliers of goods have asked what their correct attitude should be when confronted with a situation of this kind. They do not wish to cause trouble with their customers or risk losing business.

Mr. Swanepoel says that he cannot expect companies to act as "policemen" for his department but the department will take a serious view of such incidents.

The tax team has pointed out to callers that the onus for the correct use of certificates lies with the holders. If a supplier believes that a certificate is not being correctly used he can make a polite reference to the matter as the holder may not be aware of the regulations.

No certificates

Further than that, the supplier can do no more than note that a warning was issued. This can be produced if there is an investigation by the Receiver.

Meanwhile, calls are still being received from firms, particularly in country districts, which have not received their tax exemption certificates.

The non-arrival of these certificates has created problems. Traders have to buy all their supplies plus GST and when their certificates arrive, they will have items on their shelves, which tax has been paid, and other stock which is tax-free.

Traders said this situation was creating increasing book-keeping difficulties.

Vehicle leases

A spokesman for the Motor Industries Federation in Durban said yesterday that motor vehicles were leased under two types of agreement and this had a bearing on how sales tax was paid.

The spokesman was commenting on a statement this week by Mr. Swanepoel on the difference between leasing and rental agreements.

Mr. Swanepoel said that in rental agreements the owner of goods hires them out and retains ownership. A financial lease extends over the major part of the useful life of goods and there was an option to return, or buy them at the end of the term.

The federation spokesman said the agreements used in his industry were:

- A rental agreement in which a dealer leased a vehicle on a monthly basis. The maintenance and service charges were "built-in." GST was levied on monthly payments.
- A financial lease in which case the dealer sold a vehicle to a finance house which, in turn, leased it to the customer. The finance house paid the dealer, including GST, and the dealer passed the tax to the Receiver.

On the other hand, the finance house could give the dealer its tax exemption number and take on the responsibility for paying the tax.

Durban Chamber of Commerce has attacked newspapers over "exaggerated headlines" accompanying the introduction of sales tax.

The Chamber says there must be teething troubles in an operation where overnight 200 000 organisations have become tax collectors and millions of consumers have to pay the tax. It calls for goodwill, patience and understanding.

STAR 8/7/78

Half loaves

Stores advised: Don't sell any

By Mignonne Crozier

Consumers may soon be unable to buy half loaves of bread.

The Tearoom, Restaurant Proprietors' and Catering Association, which represents more than 2 000 tearoom and cafe owners, is telling its members that with the new General Sales Tax they will lose money by selling half loaves of bread.

Mr D Michos, chairman of the association, said today that cafe owners were allowed a mark-up of 0,75 cents on a half-loaf of bread.

The bread had to be wrapped in plastic and a plastic wrapper costs 0,35 cents.

Although consumers did not have to pay tax on items under 13 cents, retailers had to pay GST to the Department of Inland Revenue on their total turnover.

This meant, he said that a cafe owner would have to pay 0,5 cents tax on every half-loaf of bread sold, while they could not recover this tax from shoppers.

As a result, Mr Michos said, every half loaf of bread sold meant a loss of 0,1 cents to the cafe owner. And this did not take into account the cafe owner's extra expenses: rental, assistance and the cost of the bread not sold.

"We are advising our members that, until such time as the Wheat Board and the Department of Inland Revenue sort this all out, they will lose money by selling half-loaves of bread," Mr Michos said.

HEAVY FINE

The association's recommendations have been welcomed by cafe owners.

A Yeoville cafe owner estimated today that he would lose two cents on every whole loaf of bread sold in half-loaves with the new tax.

He said cafe owners' problems were further complicated by a great difficulty in getting half cents from banks.

The price of a half-loaf of white bread is 12½c yet they could not get half cents to give as change and if they charged 13c they ran the risk of a heavy fine.

The Department of Inland Revenue has emphasised that because of the "rounding off" tax tables, any amounts which cafe owners might lose on items under 13c would be made up on transactions involving larger sums.

But cafe owners are not so sure.

The Yeoville cafe owner said that because items under 13c formed such a large percentage of his turnover, he would lose between 20 and 25 percent of his previous profit with the new tax.

Mr Michos said his association was surveying three different cafes to see just what percentage of a cafe owner's turnover is formed by transactions involving items under 13c.

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The Star

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Galloping Sales Tax

AFTER a week of GST the South African consumer is unhappy, confused, and lighter in the pocket—lighter by a good deal more than four percent. Helped by shopkeepers who are either equally confused or simply on the make, the "new era" of point-of-sale taxation has become what The Star predicted a couple of weeks back: Galloping Sales Tax.

Abuses are widespread. They range from "rounding-off" new prices to a convenient (and invariably higher) sum to the excuse that "we were about to raise our prices anyway"; from the refusal to sell a tax-free half-loaf of bread to the Soweto dealer who simplifies life by adding 4c to every sale.

Several other predictions have come true. Officialdom should never have allowed an option between two systems but settled firmly for one, probably the "Add-on" tax which at least tends towards clarity. It may not be too late to change this. Commerce was insufficiently prepared and the public insufficiently educated.

On the credit side, consumers have been made aware as never before of trade "rip-offs." Our advice: keep watching, querying and if necessary reporting those dubious prices.

10/7/78

When to pay GST on prescriptions

(32c)

GAIL WALTER and ALLISON GILLWALD report

Consumer Mail

MEDICAL AID members who are required to put down a part payment on medical prescriptions will have to pay GST on it.

The Mail's GST Watchdog service has received many calls from medical aid members confused about whether they pay tax or not.

Where the medical aid requires members to pay part of the prescription or a percentage of it, members will not escape paying GST

If, for example, the part payment comes to R1, the member will pay four cents tax.

The medical aid will then pay the balance and GST on it. Medical aids that pay the full bill will carry GST on the whole amount.

However, when the Consumer Mail GST Watchdog service phoned around some medical aids said they were not quite sure what the position was.

"We have not yet made a decision on our policy," said a spokesman for Medicaid Medical Aid Society.

Director of the Pharmaceutical Society of South Africa, Mr George Immelman, said that the policy of taxing on the part payments was correct according to the Department of Inland Revenue. Whether the medical aid societies decided to refund the four percent on the part payment was their concern.

It is disapp ... in the Report as to the manner i ... the tribal right to graze, has n ... ities in ranching as well as to t ... proportion of the population w ... nain, since Botswana is primarily ... that the traditional right has fa ... factorily. A serious disc ... ditional rights may have led to ... population who today have n ... lation who have less than th ... process akin to that of disinheri ... to graze originated under very di ... day. Presumably population wa ... were the mainstay of the econon ... e exercised their grazing right ... e "Mafisa" custom ensured that ... anged conditions today mean th ... exercise their right to graze. T ... 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 accomodate 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 up-grade the right to graze (that is, the right of access to land) into shares over communal land controlled equally by member households. The shares would refer to grazing units according to the grazing capacity of the communal land. In other words, the community would become a company in the modern sense, the asset base of the company being the land it controlled. In this way the right to grazing would be converted to a right over an asset i.e. land which has a certain grazing capacity. At annual general meetings of the company (the equivalent of the community) it would be decided what the carrying capacity

(320)

GST 'is used to raise prices'

MIGNONNE CROZIER *looks at the major problems of the new tax system*

The shopkeeper grabbed the half-loaf of white bread from the shopper's hands and hurled it behind the counter.

"If I don't charge you 13 cents, I will lose money. I'm sick of this tax", he shouted.

The frail, elderly housewife, who had asked only to be charged the correct, controlled price, picked up her 12½ cents and left.

This scene, witnessed by a Star reporter in a Yeoville cafe last week, highlighted what consumers seem to think are the major problem areas of the General Sales Tax.

"It's not the tax we mind," one man told Fair Deal. "It's the way prices are being pushed up beyond four percent. Why can't they just have the one system for collecting tax?

"This add-in, add-on business is just causing confusion."

And many of the hundreds of disappointed shoppers who telephoned Fair Deal to complain of overcharging echoed his opinion.

Just how has the new tax influenced prices? And what has been the result of the Government's much-disputed decision to allow retailers a choice between the exclusive and inclusive methods of collecting the tax?

Fair Deal surveyed 22 products at four major supermarkets in late June and then again on July 6 to check on any increases beyond the compulsory four percent.

We found a total of 10 price increases, the highest of which was about six percent, and was for sugar. But the sugar increase was justified as the manufacturers had put up the price from the end of June.

NO DIFFERENCE

We also surveyed 32 household appliances, ranging from stoves and refrigerators to kettles and irons at four major department stores over the same period.

We found no price increases (other than, of course, the compulsory four percent increase with GST).

In a separate survey, Fair Deal found, too, that there were no marked price differences between those supermarkets using the exclusive (add-on) system of collecting the tax and those using the inclusive (add-in) system.

The 22 products were surveyed at branches of the four major supermarkets, Pick 'n Pay, Spar, OK Bazaars and Checkers.

There were some substantial price differences between stores for particular items. For example: Snowflake cake flour (5 kg) cost R1,52 at OK Bazaars, Malvern (excluding tax) and only R1,15 at Checkers, Malvern (including tax).

But on an overall shopping basket, there was little difference between the stores. A basket of 22 identical items cost R19,31 at Pick 'n Pay, R20,47 at Spar, R20,37 at OK and R19,27 at Checkers. (These totals include tax).

So where are consumers encountering the problems they complain about?

The bulk of their complaints refer, not to the large stores and major chains, but to small businesses where they found that shopowners were often ignorant of the details of the General Sales Tax legislation, and shoppers, often blacks were far from informed about it themselves.

The elderly housewife who left the Yeoville shop without her half-loaf of white bread thought that the correct price was 12½ cents, but she was not sure.

The cafe owner firmly believed that because he had to pay tax on his total turnover, he would lose money if he did not charge this shopper 13 cents for her bread.

He believed this, despite insistence by the Government that the rounding off tables more than made up for any money he should lose on such deals.

Many shoppers who complained to Fair Deal did not realise that it was legal for shops using the exclusive system to charge tax on purchases of items under 13c when bought with other items, but illegal for a shop using the inclusive system.

And when told that this was the position, they condemned the fact that the Government had allowed two systems of collecting the tax. If given the choice, they said, they would opt for the add-on system only.

"At least you know then what is the tax and what the price" they said

It's never cheap in Soweto

It's never been cheap to shop in Soweto and with the new General Sales Tax the situation hasn't changed.

Shops in Soweto are mainly small, one-man businesses. Unlike the large supermarket chains found in white areas, they have to buy their stock in small quantities. As a result they are unable to get the discounts and cheaper prices for bulk buys which the supermarkets get from their suppliers. The prices they have to pay for their stock are high — and the prices they charge their customers are just as high.

How do these stores compare now there is General Sales Tax?

● In Soweto the cheapest **MEALIE MEAL** we could find was 22c for a 1 kg pack. The supermarkets did not stock the 1 kg size, only 2,5 kg packs.

The cheapest mealie meal in Rosebank was 47c for a 2,5 kg pack. This worked out to 18,8c a kilogram — 14 percent cheaper than the Soweto price.

● The cheapest **TEA** we could find in Soweto was 28c for 50 g. There were no 50 g packs of tea in the supermarkets — their smallest packs were 125 g.

In Rosebank, the cheapest tea was 46c for 125 g. This worked out to 18,4c for 50 g — 34 percent cheaper than the Soweto price.

● The cheapest **SUGAR** in Soweto cost 20c for 500 g. The supermarkets did not stock 500 g packs. Their smallest packs were 1 kg.

The cheapest city price was 37c for 1 kg, or 18,5c for 500 g — about seven percent cheaper than the Soweto price.

● The cheapest **SALT** we could find in Soweto cost 10c for 500 g. In Johannesburg and Rosebank, the cheapest price we could find for that size was 11c — 10 percent more expensive than the Soweto price.

● In Soweto, the cheapest **CANDLES** were 33c for a 450 g pack. The cheapest city price was also 33c, but the cheapest Rosebank price was 32c — three percent cheaper.

● The cheapest loaf of **BROWN BREAD** we could find in Soweto cost the maximum controlled price of 17c. In central Johannesburg we could buy a similar loaf for 16c — five percent cheaper.

In Rosebank we could buy one for 15c — 11 percent cheaper.

● A 420 g tin of **BAKED BEANS** in Soweto cost a minimum of 29c. In central Johannesburg we could buy a 410 g tin for 26c — nearly seven percent cheaper. In Rosebank we could buy a 425 g tin for 24c — 17 percent cheaper.

[redacted]

	Pick 'n Pay, Kensington	Spar, Kensington	OK, Malvern	Checkers, Malvern
Floro Margarine, 250 g Tub	36	37	36	37
Rama Margarine, 250 g Brick	64	64	65	68
Nestlé fat-free Cottage cheese, 250 g	60	54	58	58
Lux Soap, 150 g	29½	29	29	30
Vim 99, 500 g	27	27	27	30
Tastic Rice, 1 kg	78	85	79	82
Tastic Rice, 2 kg	1,52	1,75	1,55	1,53
Black Cat Pea-nut Butter, 410 g	56	65	55	63
Five Roses Loose Tea, 500 g	2,32	2,69	2,30	2,65
Five Roses tea bags, (with tags)	1,65	1,65	1,57	1,61
Lion Matches, 10 boxes	16	18	17	16
Sunlight Soap, 500 g	39	46	42	39
Cobra Polish, 400 ml	43	52	45	51
Buffalo Table Salt, 1 kg	20	20	20	21
Lion Haricot Beans, 500 g	39	39	42	44
All Gold Tomato Sauce, 375 ml	33	38	44	35
Impala Mealie Meal, 5 kg	89	99	97	93
Ricoffy Instant Coffee Granules	2,75	2,79	3,50	2,79
Frisco Instant Coffee, 250 g	1,25	1,48	1,25	1,45
Snowflake Cake Flour, 5 kg	1,49	1,19	1,52	1,15
Sunlight Liquid, 400 ml	43	45	43	46
Colgate Tooth-paste, 100 ml	87	95	91	96
	R18,57	R19,68	R19,59	R19,27
Tax	0,74	0,79	0,78	Included
TOTAL	R19,31	R20,47	R20,37	R19,27

Add-on or add-in? In this survey of branches of the four major supermarket chains, Fair Deal found some substantial price differences on individual items. But on a total shopping basket there was little difference in price between those stores using the add-on or exclusive system of collecting GST (Pick 'n Pay, OK and Spar) and that using the add-in or inclusive system (Checkers).

The Natal Mercury, Tuesday, July 11, 1978

Sales tax cut saves public R400 million

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Financial Editor

THE Natal Chamber of Industries has estimated that the abolition of sales duty will save members of the public R400 million a year.

This was notwithstanding the impact of general sales tax.

The weakness of sales duty, which was imposed at the manufacturing end, was the manner in which it escalated up to the final point of sale.

GST contained no such element of escalation. The fact that GST had been pitched to yield, on an annual basis, nearly three times as much as sales duty, was indicative not of any structural fault in the tax but rather of the needs of fiscal policy, the Chamber adds.

On the other hand, a Pinetown caravan dealer has told the Mercury's Tax Answering Service that his showroom floor is full of caravans which were manufactured before July 3 and are loaded with sales duty that has already been paid.

Vehicles

"The duty on our small vans is R443 and on our large vans R694. How can I expect people to buy these vehicles when they know that sales duty has been taken off?

"Dealers in all parts of the country are in the same position."

Another bad feature of the introduction of sales tax has been the sharp rise in prices of many goods.

The buyer of a large industrial company said yesterday that he had estimated that the prices of goods he requires for the manufacturing process in his company have risen by eight percent since July 3.

A consumer on the South Coast of Natal rang to say that before July 3 she paid 74c for a 2,5gm packet of sugar. The price was now 84c in the local shop. A packet of tea was R1,04. It had now risen to R1,20.

NM 11/7/78

(320)

New turn in bread row

Deputy Financial Editor

THE baking industry has been told that it can round out the price of a half-loaf of white bread by a half-cent to cover GST giving a sale price of 13 cents.

A half-loaf of brown bread at 8 cents is not subject to GST unless it is bought with other items at an add-on shop.

A senior executive in the baking industry in Durban said that the S.A. Chamber of Baking had issued a circular to its members which it had cleared with the tax authorities in which it pointed out that the tax rounding-up tables had to be used where the price exceeds 12 cents and that it should be rounded up to the nearest cent.

His understanding of the matter was that white bread could be sold at 13 cents for a half-loaf.

Meanwhile our Johannesburg correspondent reports that the South African Consumer Council has called an emergency meeting today to discuss the Tearoom, Restaurant and Caterers Association's decision to advise its members not to sell half loaves.

Executives of the association have refused the council's request to reverse their decisions, but will attend the meeting today with representatives of the Wheat Board and Department of Inland Revenue in an attempt to iron out the tax problems.

Cafe owners and confectioners were advised to stop selling half loaves at the weekend because it was not clear whether they could charge the 4 percent general sales tax on a half-loaf which costs 8c.

This follows complaints from the public that shopkeepers were halving the one-cent tax on whole loaves and charging 8-and-half cents for half loaves.

Yesterday the chairman of the Tearoom Restaurant Proprietors and Caterers Association, Mr. D. Michos, said cafes were losing 0,1c on every half loaf they sold at the controlled price of 8c.

Cutting

But he added that it was up to the individual shopkeepers to decide whether to continue or stop selling half-loaves.

Several cafes have already stopped selling half-loaves but some are still cutting loaves in half for customers.

A number of traders are confused by the situation.

Meanwhile the Consumer Council has been inundated with angry complaints from consumers who say they can no longer buy half-loaves or that they are being charged the extra-half-cent.

The Mercury tax team was told yesterday that the forms used by shopkeepers to pay their GST would be sent out from Pretoria each quarter. There would be forms for each month.

An expanded guide to GST taxpayers would also be sent out.

Gift parcels from abroad are not subject to tax but a Durban resident said he had to pay 28 cents at the Post Office on a R7 gift parcel from Britain.

This is not authorised.

Dentists and doctors and other persons who are members of medical aid organisations have a problem because they have to absorb the GST on their purchases of drugs and other requirements and cannot raise their fees to cover the increase.

Fees for school and technical college hostels may be subject to GST. But it is a grey area which the Durban office of the Receiver of Revenue is investigating and will issue a ruling on soon.

Meanwhile it has been confirmed that the policy on "empties" has been changed.

Where an empty bottle or container is swopped for a full one there will be no tax on the deposit for the bottle. The contents will be taxed.

But the decision does not apply to swops of more than one empty bottle for a single bottle. It must be on a bottle for bottle basis.

In Pretoria, reports S..., the Secretary for Inland Revenue, Mr. W. J. H. van der Walt, said yesterday that goods exported from South Africa to neighbouring States were not subject to sales tax although these States formed part of the common customs area, Botswana, Lesotho and Swaziland were outside the Republic and accordingly the sale and confinement or delivery of goods to a purchaser at an address in any of these countries was for sales tax purposes regarded as an export.

The same applied in the case of Bophuthatswana, South West Africa and Transkei.

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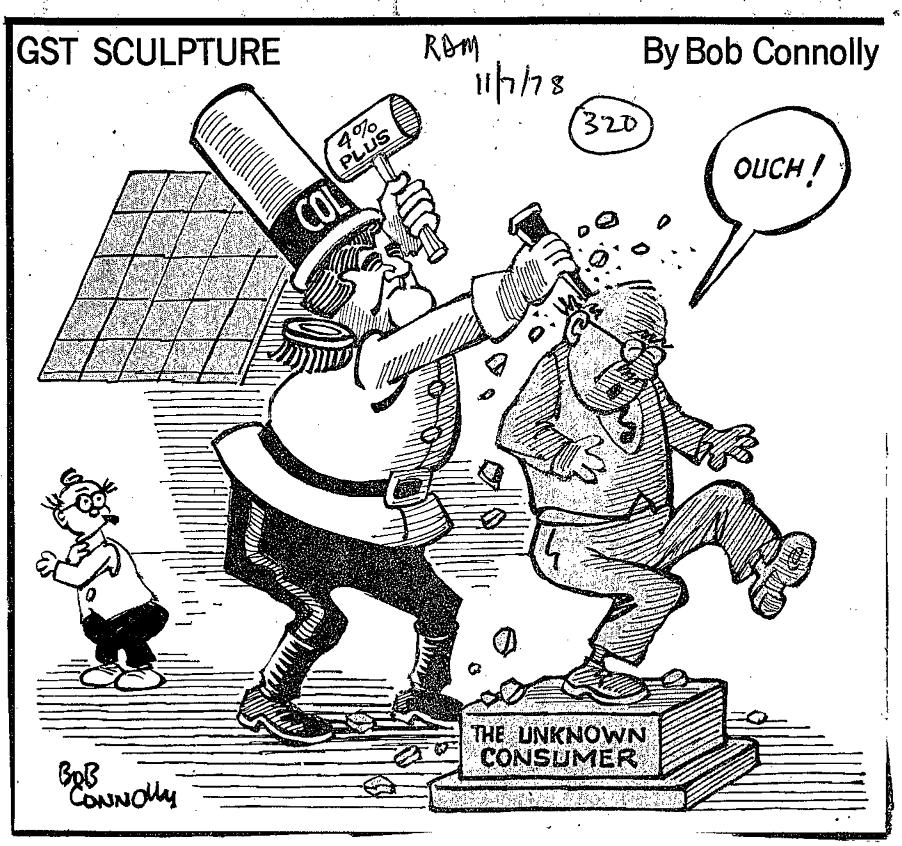
GST SCULPTURE
By Bob Connolly
RDM
11/7/78
320
4%
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OUCH!
THE UNKNOWN
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A matter of dough

RDM 11/7/78

(320)

IT IS untenable that cafes and tearooms should stop selling half loaves of bread. Even more than mealie meal, the half-loaf is the staple unit for the great majority of South Africans — for white pensioners as much as black labourers.

From the time the general sales tax was mooted, we have urged that basic foodstuffs should be excluded. That never happened and this situation is the first result, though the authorities have yet to give an adequate reason for not exempting items like bread, milk, sugar and mealie meal.

Members of the Tea Room, Restaurant and Cafe Proprietors' Association claim that, while they used to make 6% profit on half loaves, the 4% sales tax puts them in the red. Though that arithmetic is hard to follow, we accept their prerogative as free agents to sell what they like. So if they believe half loaves are unprofitable, they are under no obligation to sell them.

The onus then resorts to the Government. Somehow, it must ensure that half loaves of bread continue to be available.

To us, an obvious solution would be to use some of the revenue from the GST to increase the subsidy on bread, and so underwrite the profits of the retailer. Isn't it as simple as that?

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RDM 11/7/78 (320)

Consumer Council joins the half loaf quarrel

Staff Reporter

THE South African Consumer Council has called for an emergency meeting today to discuss the Tearoom, Restaurant Proprietors and Caterers Association's decision to advise its members not to sell half loaves of bread.

Executives of the Association have refused the council's request to reverse their decision, but will attend the meeting today with representatives of the Wheat Board and Department of Inland Revenue in an attempt to iron out the sales tax problems relating to the selling of half loaves.

Cafe owners and confectioners were advised to stop selling half loaves of bread at the weekend because it was not clear whether they could charge the 4% general sales tax on a half loaf, which costs 8c.

This follows complaints from the public that shopkeepers were halving the one cent tax on whole loaves and charging 8½c for half loaves.

Yesterday the chairman of the Tearoom, Restaurant Proprieters and Caterers Association, Mr D Michos, said cafes were losing 0,1c on every half loaf they sold at the controlled price of 8c.

But he added that it was up to individual shopkeeppers to decide whether to continue or stop selling half loaves.

Meanwhile, the Consumer Council has been inundated with angry complaints from consumers who say they can no longer buy half loaves of bread or that they are being charged the extra half cent.

Many employers have also complained on behalf of their labour forces.

Yesterday Mr Mike Hawkins, head of the Council's public relations department, said the implications of the situation were very serious and could result in a considerable waste of basic foodstuff.

● The General Sales Tax did not apply to goods sold for export from South Africa, the Department of Inland Revenue announced yesterday.

This meant that the sale and consignment or delivery of goods to a buyer in Botswana, Lesotho, Swaziland, BophuthaTswana, South West Africa and Transkei was, for sale tax purposes, regarded as an export.

"The exemption also applies where goods are sold and delivered to a person in the Republic if the seller is satisfied that the prchaser carries on business outside the Republic and the goods will be conveyed forthwith to his place of business for resale, use or consumption in the course of his enterprise." the statement said.

Weather Mail

Cit 11/7/78 (320)

Bread price war erupts

Pretoria Bureau

Consumer protest has flared throughout the country at the threatened ban on sales of half loaves by cafe owners.

The Consumer Council held an emergency meeting yesterday with representatives of the Tea-room and Restaurant Proprietors' and Caterers' Associations to thrash out the issue.

Representatives of the Department of Inland Revenue, and the Wheat Board also attended.

The Tea-Room Association said retailers were not allowed to charge tax on half-loaves (or any other items under 13 cents), yet had to pay in GST on their total turnover.

But the Consumer Council has been inundated with complaints as consumers found it almost impossible to buy half loaves.

Mr Michael Hawkins, from the council, said consumer reaction had been country-wide. Many employers had complained on behalf of workers.

He said the situation could result in a "severe deterioration" in relations between consumers and cafe owners.

The meeting aimed at finding a quick solution to the problem.

"We also asked the associations to advise members to continue selling half loaves until we had met, but they felt unable to do so at this stage," Mr Hawkins said.

A price war on half-loaves of bread was launched in Durban today, with two major supermarkets declaring they would sell brown at 7c and white at 12c permanently and add no tax.

Mr Geoff Gilzean, Checkers' top Natal executive, said his stores would be selling half loaves of bread at 8c for brown and 12c for white.

"In fact it would pay a customer to buy two half loaves of white bread for 24c rather than a full loaf for 25c, as this price includes 1c tax.

Mr Alan Gardiner, of Pick 'n Pay supermarkets, said his stores would be selling a half loaf of white bread for 12c and a half loaf of brown for 7c.

In Johannesburg the position is unchanged.

Tax muddle hits police

(320)

NM 12/7/78

Financial Editor

THE South African Police are incorrectly charging general sales tax on inquiries made about third party insurance discs.

This is the latest in a number of strange situations created by the tax.

Mr. V. Carkeek, of Natal Motor Accident Claims Advisers, told The Natal Mercury Tax Answering Service that he had made an inquiry at the Greenwood Park Police Station about a client's third party disc.

"I knew that I would have to pay a fee of R1,50 but the police officer told me that he would have to add GST.

Instructions had been received from Pretoria that this had to be done. He said that no information would be given until GST was paid."

The Mercury's crime reporter confirmed with the police that this was the position.

Mr. A. Mather, acting head of the Receiver of Revenue's sales tax department in Durban, said that such information given by the police was not a taxable service. He promised to take the matter up with Police Headquarters.

Meanwhile, South Africa's bread tax muddle took another twist yesterday with a hint from the Wheat Board that the price of bread could soon rise and a ruling that any dealer who charges sales tax on half-loaves is liable to prosecution.

The general manager of the Wheat Board in Pretoria, Mr. D. F. van Aarde, yesterday dismissed as a "misunderstanding" an earlier statement made by the baking industry that it can round out the price of a half-loaf of white bread by a half cent to cover GST giving a sale price of 13 cents.

Mr. van Aarde said as far as the Wheat Board was concerned, a half-loaf of white bread was a single unit which, as it sold for less than 13 cents, was exempt from sales tax.

He said dealers must comply with this ruling and anyone who charged sales tax on half loaves of white bread was breaking the law.

"We will issue them with a strong warning and if they persist in charging tax we will have no option but to prosecute them."

Mr. van Aarde said he realised the decision would mean some dealers would be put in "a predicament" because of what he described as the no-man's land which existed between tax on items falling between 12½ cents and 13 cents.

He said that a meeting called to discuss the refusal by cafes and tearooms to sell half-loaves of bread had been postponed yesterday.

Asked about the possibility of there being an increase in the price of bread, Mr. van Aarde said the R25 million set aside by the Government for a subsidy on brown bread was running out fast.

He said this was because the nation's bread eating habits had changed over the past few years.

He said the previous trend of 64 percent white bread to 36 percent brown bread had been reversed. "We now eat 65 percent brown bread to 35 percent white bread."

Meanwhile in Durban yesterday, Mr. Alan Gardiner, head of one of Natal's supermarket chains, said all supermarkets would continue to sell half-loaves of bread.

He said cafes who refused to do so were not acting in the interests of their customers.

Greek history

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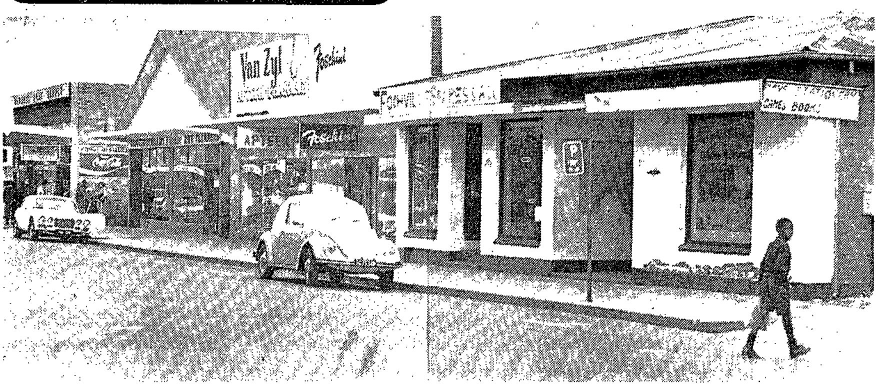
Inside Mail



Fochville CBD where business can't be jeopardised.

A black eye for GST in Fochville

RDM 13/7/78

320

VITA PALESTRANT

"I GOT a cut lip and a black eye." That was a Fochville hotelier's reply to the question: "What has been your experience of GST?"

It all had to do with a bar lunch special, once R1, a price increase of 5c, GST 5c and a Fochville man who could not take it.

"He threw his dishes at me, and hit me here and there." The hotelier — who did not want to be named — pointed at his eye and his lip.

The customer is not always right and the problem was sorted out to the hotelier's satisfaction. "He is now in hospital. I drove him there, paid the medical bill and explained the price increase."

Traders and customers in this small mining town west of Johannesburg have a basic, if earthy, respect for each other.

And sometimes it may be taken too far. For instance, Mr O Brits, the only pawnbroker in town, was persuaded by a farmer that the watches he bought for his "labourers" were part of his farming operation. "Farmers have privileges so I didn't charge him tax."

Any chance of malpractice and someone is bound to get wind of it.

"We've warned our 'NEs' not to pay tax on last month's accounts," says matronly Mrs Barbara Wood, a dress shop manageress. She had heard of a small shopkeeper who had thought of doing precisely that. (NEs? Non-Europeans).

There is little room for GST exploitation in a small town such as Fochville. Mrs

Mrs Barbara Wood with a rounding off table. "We all co-operate here."

Lorraine Henderson, a hairdresser, puts it this way.

"We all use each other's shops. If we cheat them they'll cheat us."

"It's a small town so you have to keep your nose clean," says a pharmacist. "You can't afford to jeopardise business. You know your customers and have to lean over backwards to keep them."

Word-of-mouth has not lost its power in Fochvile.

"Everyone knows everyone else here, and they talk a lot," says the cut-lip hotelier. "You can't cheat".

Add to that a point made by the only butcher in town. Mr W Wolder estimates that there are approximately 5,000 whites living in the town but "a lot of money is spent in other places and it's kiling traders here."

"Even the blacks knew what to expect," says Mrs M Marais who runs a furniture shop.

Mrs Eva Jongo, the pharmacist's assistant, has been educating her customers about GST for some time: "I explained to them beforehand what it is and how it works."

A cafe owner, Mr Manuel Gomes, says he [illegible] few problems: "The blacks understand better than the whites sometimes."

Mr Brits, the pawnbroker, says some of his black customers don't understand. "I explain to them and they just laugh."

How did Fochville traders go about organising GST? By meeting a month before it was introduced in one of Fochville's two hotels.

The hotelier said: "I think someone from Johannesburg came down to talk." The pharmacist says, "No one knew much at that stage."

But even if, that wasn't much use, information picked up in the Press about GST was probably widely circulated among Fochville traders.

That's not difficult when the Central Business District occupies three streets.

"Everyone helps everyone else here," says Mrs Wood. She gave her extra rounding-off tables to one of her trading neighbours.

And Fochville business ethics did indeed seem to be impeccable. Black "Mail" journalist, Diago Segola, proved it.

He was able to buy neatly wrapped half loaves of bread at the CORRECT price. Only one cafe refused to sell him half a loaf.

"I've never sold them," the proprietor said apologetically.

Closer to Johannesburg, the more familiar GST problems cropped up again. Vereeniging's Good Luck Fish and Chips was not kind to Mr Segola. He was charged 9c for half a loaf of brown bread — correct price 8c — while I was charged 10c for a 10c bar of chocolate.

TAX (320) FM 14/7/78

Some comes back

Taxpayers in the upper income brackets should have an extra R195m to spend at the end of this month. Repayment of loan levies will account for about R180m of that while reduced income tax deductions will add another R15m (R9m of which will be in the form of reduced Paye deductions).

Income tax deductions have fallen because of the removal of the 10% surcharge that applied to individuals and the 1% surcharge applicable to companies. New (Paye) tables and tax tables for provisional taxpayers came into effect on July 1.

The application of these tables will reduce individuals' tax burden by one-twelfth. The measure only applies to those who were paying surcharge before, that is, to persons who were paying more than R150 a year in normal income tax.

This means that individuals who were paying about R160 a month in tax will now pay roughly R147 while higher income earners paying R300 a month before will now pay R275. Provisional taxpayers will adjust their payments according to the new tax tables applicable to them, with individuals paying one-twelfth less and companies paying one-forty-ninth less.

From these reductions Finance Minister Owen Horwood estimated in the budget that total tax payments by individuals would be reduced by R132m and those by companies by R48m.

Altogether 667 000 individuals and 46 000 companies will benefit from loan levy repayments. A total of R92m will be put into the pockets of individuals (R69m capital repayments plus interest of R23m) and R88m will go into company purses (capital — R67m; interest — R21m). The cheques are already in the post so they should start arriving late this week or early next week.

The result of all this could be yet another Christmas-type spree (see story above) With the loan levy repayments to individuals alone putting an average of R140 into 667 000 pockets the money is clearly there. Average monthly disposable personal income last year was roughly R1 800m. The extra cash available to individuals at the end of this month represents a 5,5% increase on that monthly average.

Repayments of loan levies and surcharge reductions that benefit companies will probably filter through to individuals over the next two to three quarters in the form of dividend payments and swell the buying power of the upper income groups even more.

To top it, the extra liquidity in the money and capital markets may bring more downward pressure to bear on in

LATIN III

Tacitus Annales XIV

A. We shall concentrate on sections 1-39, 48-56 and 60-64.

B. Summary of the sections to be covered.

1-13: The death of Agrippina

Dawson, A. Whatever happened to Lady Agrippina, Class. Jnl. lxiv, 1969 253-267

Katzoff, R. Where was Agrippina murdered? Hist. xxii, 1973 72-78

Scott, R.D. The death of Nero's mother, Latomus xxxiii, 1974 105-115

Quinn, K. Latin explorations 1963 esp. pp. 110-120

14-22: affairs in Rome and Italy

Moeller, W.O. The riot ... 84-95.

23-26: Corbulo and the Parthians

Gilmartin, Kristine, Corb... 583-626

27-28: Nero's administration in ...

Note references in F. Mill...

29-39: Britain and Boudicca's rev...

Dudley, D.R. and Webster, ...

48-56: treason trials and the ecl...

Bradley, K.R. Tum primum ... xciv, 1973

Baldwin, Seneca's potentia ...

Bastomsky, S.J. Latomus ...

Henry, D. and Walker, B. ... 1963 98-11...

60-64: Octavia's demise.

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Quinn, K. <u>Latin explorations</u> 1963 esp. pp. 110-129.

14-22: affairs in Rome and Italy: games, riots, deaths etc.

Moeller, W.O. The riot of A.D. 59 at Pompeii, <u>Hist</u>. xix, 1970 84-95.

23-26: Corbulo and the Parthians

Gilmartin, Kristine, Corbulo's campaigns ... <u>Hist</u>. xxii, 1973 583-626

27-28: Nero's administration in action

Note references in F. Mill[illegible] 1977

29-39: Britain and Boudicca's rev[illegible]

Dudley, D.R. and Webster, [illegible]

48-56: treason trials and the ecl[illegible]

Bradley, K.R. Tum primum[illegible] xciv 197[illegible]

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[illegible] x,

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C. <u>Gen</u>

Ber[illegible] <u>Tacitus</u> Athens (Georgia), 1975.

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2. .../

GST (32e) FM 14/7/75

Who's taxing who?

The fuss about cafe owners not wanting to sell half-loaves of bread is the tip of what could turn into a nasty iceberg.

On Tuesday the cafe owners told the SA Co-ordinating Consumer Council that the same problem applies to dozens of items sold by cafes — items whose value makes up as much as 40% of cafe sales, they claim. The "problem" is that the cafe owner cannot recover tax from a customer on an item costing less than 13c, even though he (the cafe owner) has to pay that tax to the Receiver.

Since last Monday many cafes (and to be fair other types of businesses too) have been taking the obvious remedial action unilaterally — by simply putting up the price of everything not price-controlled by as much as the market can bear. Everyone has a rip off story to tell and the Consumer Council says complaints are pouring in.

Putting up prices may be unpatriotic and inflationary, but it's certainly legal, and arguably good capitalism to boot. Nobody in his right mind is going to argue that the corner cafe should now begin to subsidise the man in the street for his newspaper, matches, sweets and buns. If cafes get catty about selling those items, it will be the poorer blacks, whose buying is weighted towards that very low price bracket, who will suffer most.

Clearly the no tax under-13c provision is inadequate. Equally clearly, what is needed is a revised rounding off formula that makes *all* tax recoverable, albeit at the cost of a fractional overtax on the low, low, cost items.

This week and next the cafe owners, consumer organisations, government departments and the Inland Revenue department will be meeting and talking. There is no reason why they should not come up with a remedy.

terest rates.

In black and white...the big 'tax-up'

By Rodney Haxton

THE General Sales Tax-up is in full swing, and you're beginning to feel the pinch a little? Beginning to think the whole thing was a little ill-conceived, badly planned and mishandled?

Sure you do.

But in among all the hot air that has risen from the ranks of experts (ad nauseum on TV) and politicians you've heard that little magic phrase — "A fair distribution of the tax burden."

So you feel a little better about it all. Now everybody pays tax, even those who have no income; but at least "the tax burden is being shared".

That's a very comforting phrase. What a wise Government we have — all that justice, that wisdom, that foresight.

It makes you feel a little humble.

But put this in your pipe and smoke it : There are some black people who pay *more tax* than whites earning the same salary.

Does that surprise you? Of course it does — after all, there's been so much talk about "sharing the burden" that your favourite TV tax expert merely forgot to tell you about that one.

The reason: Though the percentage rate on tax for blacks is lower than for whites, blacks are not entitled to abatements on children, medical aid, marriage, dependents or insurance.

Why that should be so, I wouldn't know. Perhaps we should ask Finance Minister Horwood to get TV talker Cliff Saunders to explain it. He does that kind of thing so well.

The Institute of Race Relations went into the matter and discovered that two families, one black and one white, the same size and with the same income, were paying vastly different amounts in tax.

Each family earned R6 000 a year, had four children and a dependent invalid mother. Both paid medical aid and insurance.

After abatements the white family's taxable income was R1 950. The black family paid tax on R6 000 . . . and ended up paying more than twice as much as the white family.

Still feel a little humble? Or just downright ashamed?

☆ ☆

YOU'VE got to hand it to Johannesburg city councillor David Neppe. That suggestion of his that the council should use toilet rolls in municipal loos for advertising is an ingenious way of earning a rand to reach people who go to spend a penny.

Here's another great idea for you, councillor: Why not print all those committee agendas on rice paper — and serve them with curry at civic receptions?

Do that, and you will have tackled the problem of rising costs from the top as well as the bottom.

☆ ☆

ANDREW KNIGHT, editor of The Economist, once remarked: "I have inquired into the affairs of the National Party and all I can discover without fear of contradiction is that a verligte is a verkrampte who has put headlights on his ox-wagon."

The above was reflected in a column written by Post Johannesburg editor Percy Qoboza — and I shamelessly plagiarise Percy in the interests of fostering a better understanding of South African politics.

Morty Mouse the Voortrekker

A GEM FROM WALT'S MUISE

POOR old Walt, resting up there in that Big Disneyland in the Sky, would be excused if he felt South Africans were taking the Mickey out of that famous Mouse of his.

I came across a gem in an Afrikaans - language newspaper this week in which the strip was translated into "Miekie Muis" — which is fair enough. It has Mickey's little nephew, Morty (named "Klits" in the Afrikaans version) crossing a street with a little girl.

Says she: "You may hold my hand while we cross the street, Morty."

He replies: "No way . . . I haven't got my Voortrekker uniform on."

That's what he said. Scout's honour!

☆ ☆

WHEN it comes to saying a thing as it should be said in good old Anglo-Saxon, you just cannot hold back the British.

In that newspaper among newspapers, the Sunday Times of London, a full-page advertisement appeared recently urging lads to join the armed forces.

Said the ad: "Are you a patriot?

"In 1775 Dr Johnson said patriotism was the last refuge of a scoundrel. Today many people who shelter behind the word could better be described as chauvinists, jingoists or rabid nationalists.

"We would like you to ask yourself what your patriotism amounts to. Love of the countryside? Or the people? Or the political party in power? Or the whole lot?

"As far as we are concerned it means, are you prepared to fight if necessary to keep democracy safe in this country?

"If you can answer yes to that question, read on," says the advertisement.

Ah, yes, those Englanders sometimes understand things so much better than we South Africans do.

☆ ☆

THE prattle from South Africa's politicos is beginning to make some of them sound like refugees from a building contractors' conference.

All that talk of "foundations" and "doors" and "cement" — as in:

- "Building our future on a sound foundation."
- "Cementing relations between English and Afrikaner."
- "Opening doors for South Africa abroad" — or, in Pretoria, "keeping them closed to black theatre-goers."

Now Foreign Minister Pik Botha has picked up the habit. Berating Chief Buthelezi for "following the fashion of talking about violence," the Minister turned to window panes to make his point.

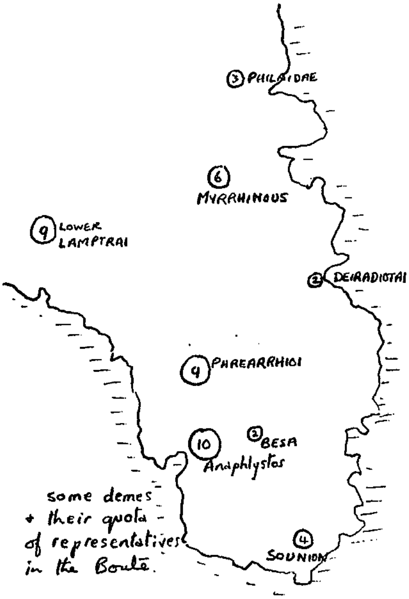
Warning that violence works two ways, he pointed out that "if a window pane breaks, it breaks on both sides."

I am in a position to back up the Minister. I, too, have noticed that when a pane breaks it's just as broken on the outside as the inside.

I have also noticed, though, that the people most affected by the breakage are those on the inside!

Questionnaire to workers

REGULATIONS OF THE 'DEME' OF MYRRHINOUS
(2nd half of the 4th century) (see Introduction, pp. 16ff.)



This text as we have it seems to present a rather heterogeneous set of regulations for the running of the *deme* of Myrrhinous, in the south-east of Attica. *Demes* varied greatly in size, and could also vary in the extent of their local administration and the number of officials they found they needed. It is unfortunately not clear how far the regulations detailed here are changes to the existing rules, or republication: but what does emerge from this text is, firstly, the various types of business that a *deme* and officials conducted, and secondly the extreme care the *deme* takes to minimize corruption and to trust nobody.

When our fragment starts, it is giving the oath to be sworn by the *euthunos*, the magistrate appointed by the *deme* to supervise the procedure of scrutinizing the conduct of officials, above all that of the *demarch*. The *euthunos* is aided by an accountant, by advocates to assist the prosecution, and by a special panel of ten who vote. An official who is condemned can still appeal to a court of all the demesmen. Every one at every stage has to act under oath, and penalties are automatic for misuse of any procedure. The other regulations hint at the other business of the *deme*, concerned with their surplus money, their sacrifices and their festivals (including here the Rural Dionysia in mid-winter, at which many *demes* held dramatic festivals). The organization of this decree seems very strange: it is also badly written, with many mistakes, and no doubt *demes* tended to use cheaper masons than did the *polis*.

'. . . I shall not take bribes myself, nor will anyone else on my behalf, nor on anyone else's behalf while I am aware of it, not in any way or by any means whatever. If he seems to me to be in the wrong, I shall condemn him at the scrutiny and punish him as the offence seems to me to deserve. By Zeus, by Apollo, by Demeter, may many blessings fall to me if I keep my oath, but the reverse if I perjure myself.' And the accountant shall swear the oath, that 'I shall calculate what appears to me to have been spent'. The advocates (*sunegoroi*) shall swear to act as advocates justly for the *deme*, and that 'I shall vote as seems most just to me'. It shall not be permitted for the scrutineer to complete the scrutiny (*euthuna*) unless it is approved by a majority of the elected committee of ten voting secretly. The ballot shall be given by the new *demarch* and he shall administer the oath
demesmen. There shall be righ
demesmen. If anyone appeals, th
oath to the demesmen and shall g
there are present not less than 30
him, he shall pay in addition ha
condemned to pay by the elected
shall not be permitted to release t
demarch has submitted to the scr
the rest of the business prescr
release them he shall pay a fine o
money, the priests may lend m
land or house or multiple-dw
marker [4] on which they shall i
whom the money belongs. If
marker, he shall owe money to
and his property shall be mortg
been made priest. On the fifth
hold the sacrifice of the Plerosi
500 drachmae, and shall distrib
month to those present, those v
who join in seizing a pledge
Posideon (*November/Decembe*
Dionysia shall be held . . . (*I*

RDM 18/7/78

Decision soon on 13c barrier

320

Pretoria Bureau

THE Department of Inland Revenue is likely to decide next week whether to amend the General Sales Tax regulations to permit the taxation of items costing less than 13c.

Meanwhile, most cafe owners will continue to refuse to sell half loaves of bread to avoid a situation in which they, not the customer, pay the tax.

The department's decision will be based on results of a survey being taken by the Tearoom, Restaurant Proprietors and Caterers Association, to determine what percentage of cafe turnover is made up by items costing under 13c.

The secretary of the association, Mr Demetrios Michos, said the survey was covering the Reef, Johannesburg and Pretoria areas and the results were expected near the end of this week.

He said it had been found that in rural areas 40% of the turnover of some cafes involved commodities costing under 13c.

"We are not making a noise about nothing. The present system means substantial losses for cafe owners," he said.

He expected a meeting with the Department of Inland Revenue would be set for early next week.

POLITICAL comment in this issue by Allister Sparks, Benjamin Pogrund, Trevor Bisseker and Chris Day; newsbills by John Ryan; headlines and sub-editing by Mike Stent, cartoons by Bob Connolly; all of 171 Main Street, Johannesburg.

GST rush lifts June shop sales to over R1 000m

320

Star 17/7/78

By Michael Chester, Financial Editor

Consumer spending in the retail stores in the June buying spree to beat the new general sales tax broke all records to surge over R1 000m, it is revealed today in a provisional count by the Department of Statistics.

Allowing for seasonal trends, which means ironing out freak peaks like the Christmas-time flings to show a more dependable pattern, it was the first time ever that the billion-rand level was broken in a single month.

Even retailers themselves were astonished by the dimensions of the shopping spree. Though they anticipated a lift from pre-GST sales, they had forecast June spending going no higher than R926m.

In fact, the actual value of sales rocketed almost 10 percent over the May total to go over R1 004m.

Added to that, sales by the motor trade retailers also broke all records to sweep above R440m — also a 10 percent jump — as bargain hunters came in to buy new and second-hand vehicles and motor accessories ahead of the GST deadline.

Neither store retailers nor motor traders expect their sales tills to fill as fast in the current month. But both sectors have trimmed down the size of the sales tumble they had earlier predicted in the July hangover.

The optimism over the chance of sales staying relatively buoyant a few more weeks was kindled by estimates that the Inland Revenue pay-out of 1972 loan levies to individuals and companies will amount to nearly R200m.

Also likely to soften the impact of GST is the cutting of sales duties from the start of July as announced by the Minister of Finance.

On a Department of Statistics survey, store retailers now expect the value of July sales to slip no worse than 6,3 percent to hold around R942m — still the best on record apart from the Christmas shopping bouts of the past three years.

However, in perspective, though that means a 5,6 percent improvement on July 1977, it still means a dip in real terms compared with 12 months ago when inflation is counted.

Moreover, even if the loan levy bonus cushions sales this month, the economy axe on the shopping basket is inevitable sooner or later.

By hints dropped at the weekend, Senator Owen Horwood agrees with the bulk of economists that a further round of stimulants — even if in only small rations — is essential if the recovery is not to run out of steam.

NM 18/7/78 (320)

GST boost for some big stores

Financial Editor

THE O.K. Bazaars, Pick 'n Pay, Metro Cash and Carry, Pep Stores and others which deal for cash will receive a substantial boost to their liquidity because of the introduction of general sales tax.

During the financial years which ended in February and March, 1978, the OK had a turnover of R540 million. The figure for Pick 'n' Pay was R330 million, Metro Cash and Carry had R243 million and Pep Stores R109 million.

It is on the turnover figures that the Receiver of Revenue requires the tax of 4 percent. It has to be paid to the Receiver on the 20th of the month following the month in which it was collected.

With effect from July 3, GST has been flowing in continuously and the large stores will place the money in the bank on call.

If it can be kept there for 31 days it will earn 8 percent in interest. For lesser periods a return of at least 5 percent should be received.

Meanwhile Barclays National Bank has estimated that GST will increase the cost of living by slightly below 2 percent.

The bank has just carried out a survey and its conclusion is that the effect of the tax on prices and the rate of inflation could be "quite substantial."

However, changes in sales duties, announced recently by the Minister of Finance, could reduce the inflationary effect of GST.

Pre-tax sales spree

PRETORIA. — The pre-sales tax spending spree in June boosted retail sales throughout the country to more than R1 000 million, according to figures released here yesterday by the Department of Statistics.

This is the first time — except Christmas periods — that retail sales have climbed beyond R1 000 million in one month.

During June store managers predicted record sales. They said it was like a middle-of-the-year Christmas rush.

According to the Departments returns for June some of the smaller stores doubled their turnovers.

Economists pointed out, however, that if the Minister Owen Horwood, had given notice of his intention to abolish the sales duty on a large range of goods, and to reduce it on others from July 1, buying would not have reached the R1 000 million proportions.

The abolition of the sales duty meant that even after the imposition of the sales tax from July 3 a large range of commodities were actually cheaper then they were in June. — (Sapa.)

	HYPERAMA		PICK 'N PAY		OK BAZAARS		MULTIMARKET		CHECKERS		HYPERMARKET	
	Pre GST	Post GST	Pre GST	Post GST	Pre GST	Post GST	Pre GST	Post GST	Pre GST	Post GST	Pre GST	Post GST
Jungle Oats 1 kg	53c	53c	52c	55c	53c	53c	53c	53c	57c	57c	52c	52c
Kellogs Cornflakes 500 g packet	47c	47c	46c	46c	48c	48c	—	47c	—	58c	44c	44c
Flora Margarine 500 g tub	71c	71c	—	69c	71c	71c	69c	69c	—	71c	66c	66c
250 g tub	37c	37c	36c	36c	36c	36c	35c	35c	36c	36c	—	—
Karmel choice butter 500 g	90c	90c	90c	90c	91c	91c	90c	90c	90c	90	92c	90c
Tasti Rice 1 kg pkt	—	—	78c	78c	84c	84c	77c	79c	82c	79c	78c	78c
2 kg pkt	R1,62	R1,56	R1,56	R1,52	R1,64	R1,64	R1,52	R1,52	R1,53	R1,53	R1,55	R1,55
Huletts sugar 2,5 kg	—	—	83c	88c	85c	85c	84c	88c	94c	—	79c	84c
Epic Oil 750 ml	87c	87c	79c	83c	89c	89c	77c	77c	79c	79c	—	—
Impala Maize Meal 12,5 kg pkt	R2,25	R2,19	R2,39	R2,39	R2,25	R2,35	R2,18	R2,23	—	R2,26	—	R2,15
5 kg pkt	82c	89c	89c	89c	97c	R1,00	—	89c	—	93c	88c	88c
Cerebos table salt 1 kg container	47c	39c	45c	41c	49c	49c	45c	45c	48c	48c	38c	38c
Buffalo table salt 1 kg container	37c	23c	42c	42c	45c	43c	45c	45c	47c	47c	39c	39c
1 kg pkt	18c	18c	20c	20c	20c	19c	—	—	20c	—	18c	18c
Five Roses 100 teabags with tags	R1,59	R1,59	R1,65	R1,65	R1,72	R1,72	R1,69	R1,69	—	R1,66	R1,65	R1,65
Telly 100 tagless teabags	R1,09	R1,09	99c	99c	—	95c	—	95c	R1,19	R1,19	99c	99c
Frisco Instant coffee 750 g	R2,73	R2,75	R2,75	R2,75	R2,69	R2,89	R3,39	R2,72	R2,79	R3,50	R2,64	R2,64
250 g	R1,19	R1,19	R1,25	R1,25	R1,25	R1,29	R1,36	—	R1,39	—	—	—
Unox Minestrone soup 410 g	42c	42c	42c	42c	42c	30c	42c	42c	41c	—	39c	39c
Close Up toothpaste 100 ml	95c	84c	84c	85c	91c	85c	99c	92c	R1,05	91c	82c	82c
Lux Soap 150 g	30c	30c	29c	29c	29c	29c	29c	29c	29c	29c	27c	27c
Jills dishwashing liquid 1 litre	32c	42c	—	44c	—	36c	44c	44c	45c	45c	—	42c
750 ml	—	—	32c	32c	31c	31c	35c	31c	—	—	29c	29c
Surf Powder 1 kg	R1,10	R1,10	R1,05	R1,05	R1,12	R1,10	99c	95c	R1,19	—	R1,08	R1,08

Before and after

Consumer Mail

THE effect of GST on prices at leading supermarket chains and hyperstores appears to be minimal — little more than the normal in store price discrepancies.

Before and after GST surveys, conducted by Consumer Mail researchers, show that the supermarkets are not taking advantage of the introduction of GST to hike prices.

Both the OK Bazaars and Pick 'n Pay have adopted the add-on tax system where the 4% tax is added on at the till points. Checkers and its Multimarket are using the add-in system where the price you see is the price you pay — tax is included in the price on the label.

For the readers' convenience and to help with price comparisons, Consumer Mail has deducted the tax from the add-in stores, Checkers and the Multimarket, in the table.

The survey shows that consumers are not being taken for a ride. Most prices remain the same and some have even been reduced.

The price of Close Up toothpaste has gone down in most supermarkets — and by as much as 11c at the Hyperama.

Margarine and butter prices have remained constant in all stores, while sugar prices have been hiked by 5c at Pick 'n Pay and the Hypermarket and by 4c at the Multimarket.

Impala Maize meal prices have gone down by 6c at the Hyperama and up by 10c and 5c respectively at the OK Bazaars and the Multimarket. The price of salt has remained the same or dropped.

N M 19/7/78

Food-price hike since sales tax

(320)

Financial Editor

FOOD products sold in tearooms have increased in price by about 10 percent since the introduction of general sales tax.

This is the finding of a survey carried out by The Natal Mercury's tax answering team which has received a large number of complaints about price hikes in tearooms.

Mr. Freddie Helmand of Mabel's Tearoom in Bellair, confirmed the figure of 10 percent but added that the tearooms should not be blamed for these increases.

"There are very good reasons for the price rises. The manufacturers are charging us more for chocolates, biscuits and other products. All processed meats went up by 15 percent on Monday. Now the tearooms are being used as a scapegoat.

"I have estimated that I have lost R3 a day since GST was introduced two weeks ago as I am not allowed to charge the tax on chips, cold drinks, milk and newspapers."

A spokesman for National Cash Register, whose company is re-equipping tearooms with new machines to enable them to cope with GST, also confirmed the tax team's findings.

He said that the small shopkeeper not only felt that he was losing money over GST but, he was also worried that he would not be able to find the 4 percent turnover that he would be required to pay, on the 20th of every month.

"As a result they have pushed prices up right across the board. On some items it has been as much as 25 percent."

On the other hand, Mr. Desmond Weiss, joint managing director of the Knowles Hypermarket at Pinetown, said that it had been a different story at the large stores where there had been little change in food prices since July 3.

"Tearoom prices have always been higher. They provide a service and the consumer has to pay for it.

"Our suppliers have played the game since GST was introduced and there has been no increase in our costs."

Meanwhile, the Minister of Finance, Senator O. P. F. Horwood, speaking in Pretoria this week, said GST would exercise a "one time" upward pressure on prices.

This should be neutralised by the scaling down or abolition of sales duty.

Mr. Vincent Lourenco, chairman of the Natal Tearoom Owners' Association, confirmed last night that prices from the manufacturers to the tearooms had been increased.

GST confusion and the building industry

320

20/7/78

R.D.M.

VITA PALESTRANT reports

YOUR GST WATCHDOG

Consumer Mail

WHILE GST confusion has largely been sorted out, the public is still puzzling over certain aspects of the tax in the building industry.

Some of the questions put to Consumer Mail in the past week are: Do I pay GST on a tennis court or pool? What happens if I commission a landscape architect to design and construct a garden? Electricians sometimes charge their customers GST and at other times do not, why is this the case?

Basically all these questions can be answered by keeping the following in mind.

Firstly, fixed property and services related to it are NOT taxable.

Only materials used in the building of fixed property are. However this is paid for by the building contractor or sub-contractor. They are considered the end users of the materials and it is they who pay GST.

But they are able to recover the cost of the tax by including it in the overall prices they charge. In the case where a contract was signed before July 3 and the contractor has increased costs as a result of the tax, he is able, in terms of the Sales Tax Act, to recover it from his customer.

Secondly, it is important to remember that GST is only levied on tangible movable goods and services related to the goods.

GST charged on these services includes labour.

Thus, where an electrician does work on movable goods such as television sets, refrigerators, stoves and, in short, all electrical appliances, he will charge his customers GST on the whole bill including labour.

There is one exception. Where an electrical contractor does repair work or maintenance on machinery directly involved in the manufacture of goods there will be no GST charge.

But where the electrical contractor does work or repairs on fixed property, such as rewiring or installing light fittings, he will not charge GST.

Tennis courts and swimming pools are treated in the same way as fixed property.

So, if you wish to build a swimming pool or tennis court, you will not pay GST.

Your building contractor who builds that pool or tennis court will pass on the four per cent he paid on the materials.

The advantage of not paying GST as such, is that you will not be paying four per cent on labour as well.

Also, the landscape architect, who designs and builds your garden, will pass on the cost of GST he has paid out on materials and plants.

And here is something to mull over in your mind. Plants sold by nurseries are subject to GST.

For some odd reason they are not considered immovable goods, so watch that oak of yours from now on.

ENGLISH II

POETRY TUTORIALS

(N.B. This programme can be altered by common consent as we go along. It's been drawn up so that you'll know what to prepare for tuts, in case you forget/are absent.)

WEEKS 1. W. BLAKE* — The Echoing Green (p8) Laughing Song (p12)
Nurses Song (p17) Night (p15) The Sick Rose (p27)
The Lilly(p29) The Nurse's Song (p26) London (p31)

2. W. BLAKE — The Garden of Love (p30) The Tyger (p28)

(* page numbers from Everyman edition.)

3. E. GOMRINGER — Words are shadows (roneoed sheets)
Z. HERBERT — I would like to describe (roneoed sheets)
R. GRAVES — The Corner-knot (Albatross p604)

4. L. FERLINGHETTI — Constantly Rishing Absurdity (roneoed sheets)
R. GRAVES — In broken images (roneoed sheets)
C. AIKEN — This image or another (roneoed sheets)

5. W. WORDSWORTH — Preface to the lyrical Ballads (Oxford Wordsworth Poetical Works p. 734 ff)
Goody Blake & Harry Gill (ditto p 420)

6. S. COLERIDGE — Biographia literaria (Extracts on short loan Chs.14,15 & 18)

7. W. STEVENS — The Idea of Order at Key West (roneoed sheets)

8. W. STEVENS — The Idea of Order at Key West (roneoed sheets)

VAC

9. W.B.
10. D.H.
11. D.H.
12. T. H
13. W.B. ... ɔ391)
14. L. M
D.J.
15. R. G

VAC

2 — DAILY DISPATCH, THURSDAY, JULY 20, 1978 (320)

SA tax law outlined for Transkei traders

EAST LONDON — Some Transkeians have been trying their luck, but not getting away with it — sales tax-wise.

An East London shop owner said he had been approached by a person claiming to be a Transkeian. The man had wanted to buy certain items without paying sales tax, saying this did not apply to Transkeians buying goods in South Africa.

This was said yesterday to be the incorrect situation.

The Receiver of Revenue in East London, Mr J. D. Euvrard, said the law laid down that goods delivered or consigned to Transkei or any other independent state could be sold free of the four per cent sales tax.

"Provided the seller is satisfied the buyer is trading in the goods in Transkei and that the goods he is buying are for resale, the seller can sell the goods free of sales tax," Mr Euvrard said.

If the seller knew the buyer, he could sell the items without the buyer producing a vendor's certificate.

The same applied in Transkei, which also introduced the four per cent sales tax on July 3, the Commissioner for Inland Revenue, Mr M. Pretorius, said from Umtata yesterday.

"The same position applies here as it does in South Africa," Mr Pretorius said. "The buyer must produce a vendor's certificate from either myself or Mr Euvrard, and then only if the commodity is for resale." — DDR

MR EUVRARD . . . seller must be satisfied.

STUDENTS ECONOMICS SOCIETY

The membership fee per annum is R1. Membership entitles you to attend all addresses to the Society, film shows and seminars. If you have passed Economics II in the second class division you are also eligible for membership of Omnicron Delta Epsilon, an internation honour society in Economics. If you are interested in ODE please contact a committee member Jonathan Matheson 77-8668 or Gill Raine 65-2339 for further information. Speakers scheduled for this year are:

Mr H. Schwartz on Aspects of the Budget on 5th April, at 5.30pm

Dr F. Wilson on The Squatter Problem

Professor Franzsen on The Implications of the point of sale turnover tax

Professor Sadie (Head of the Bureau of Economic Research at Stellenbosch) on Demography

Dr Van Zyl Slabbert on Group Areas and the Housing Problem in S.A.

Dr Alex Boraine on Unemployment in South Africa

Mr B.C. Floor of the Transport Research Centre at Stellenbosch on Transport from an economist's point of view

If you would like to join the Society, please fill in the form below and leave it in the tutor's pigeonhole marked R

NAME: ....

ADDRESS: ....

....

TELEPHONE NUMBER: ....

YEAR OF STUDY: ....

You will then be contacted by a Committee m meeting for you to enroll as a member of th

CONSUMERS FM 21/7/78

Charging Checkers

320

Supermarkets which have adopted the add-on method of applying gst can afford to sit back smugly as Checkers, chief proponent of add-in, is hit with consumer allegations of profiteering.

The SA Co-ordinating Consumer Council has had complaints about Checkers increasing prices by more than 4%. Market sources attribute the complaints to the fact that Checkers issued a national circular listing new prices inclusive of gst. But due to different prices ruling in different regions, this meant that some prices went up by more than 4%.

Checkers executive vice president Bob Harvey admits that they had some errors and complaints, "but nothing very great." The national circular did give rise to some errors in different regions and there were also some errors in the computer sheets used in the marking up process. But he points out that this is bound to happen in such a mammoth operation (Checkers pulled in roughly 13 000 people to help in the remarking).

Harvey says that each division of Checkers is working hard to correct the errors. He explains too that Checkers imposed a price freeze from June 5 up to July 3. Consequently some prices did go up by more than 4% as a result of increases that had been held back during the interim. In fact this policy rebounded as consumers saw the size of the

NM 22/7/78 (320)

Sales tax collection date set

Financial Editor

AUGUST 18 will be the date on which the first collections of general sales tax will have to be paid to the Receiver of Revenue by commercial and industrial firms. This is two days earlier than expected.

This news was given at a sales tax seminar held at Natal University, Durban, yesterday. It was arranged by the National Council of Chartered Accountants (S.A.) and Mr. W. J. H. van der Walt, the Secretary for Inland Revenue, was among the panel of speakers.

Mr. G. B. Herbert, a member of the council's taxation committee, told delegates that it was probable that some companies would have trouble in meeting the August 18 deadline.

Mr. Herbert said that he could not see how companies could complete their records in time.

Deposit

"I feel that firms will have to see the Receiver and agree on a deposit and this will have to be paid in advance month after month."

Mr. Herbert gave a warning that small firms could have cash flow problems. He advised such concerns to watch their cash position carefully to ensure that they had enough money to pay the GST amount to the Receiver every month.

Professor J. R. P. Morris, of the University of Cape Town, said that everyone must realise the importance of keeping proper books and records. This accounting would have to start at once if major problems later on were to be avoided.

Mr. van der Walt told the seminar that he was happy at the way that GST had been introduced.

"We did not see all the problems. We are still learning and finding the answers. Tax is a living thing and is always changing.

Insurance

Mr. van der Walt said that there would be no change in the system of not charging tax on items sold for 12c or less."

He acknowledged that it was news to him that the South African Police were charging GST on fees levied for giving information about motor insurance discs.

"This has me worried. I will take the matter up when I get back to Pretoria."

In reply to a further question he said that tourists would not be exempt from paying GST on goods bought in South Africa unless they were delivered to an address outside the country.

In sulke gevalle is dit sinvoller om ... es van tale op 'n tipologiese basis met mekaar te ...

1.2.3. Tipologiese indelings

Devised by Jos Gerson, School of Economics, U.C.T. 1977.

R.D.M. 22/1/78 (153) ~~380~~ 320

Despite GST inflation trend is downward

By HOWARD PREECE
Financial Editor

CONSUMER prices rose by 9,2% in the 12 months to the end of June — the lowest annual rate since 1973-74.

It seems certain that the general sales tax will push the rate above 10% again, perhaps close to 11%, over the second half of this year.

But the clear underlying trend is a steady reduction in the rate of inflation.

On present evidence there is little doubt, in my opinion, that inflation will be back into single-digit levels within the first half of next year.

In 1977 the consumer price index rose by 11,1%.

This increased to 11,3% in the 12 months to the end of January this year but since then the movement has been steadily and markedly downward.

The annual rate of increase in the CPI this year to the end of each month has been 11,3% for February, 10,6% for March, 9,9% for April, 9,7% for May and 9,2% for June.

That follows the pattern of wholesale prices where the annual inflation rate has come down from 10,3% in January (admittedly a jump from the 1977 level of 9,9%) to 9,3% in May.

In June this year the overall CPI was 211,0 against 210,0 in May and 193,3 in June last year.

What will particularly cheer the Government about June — apart from the basic downward inflation trend — is that price increases last month appear to have a minimal effect on the poorest groups.

The CPI is now sub-sidivided into three groups. The index for "lower-income" groups rose from 210,1 in May to only 210,2 in June to reduce the annual rate from 10,1% to 9,3%.

The 9,3% rate compares with 9,2% for both middle-income and upper-income groups.

The middle-income rate last month rose to 211,2 from 210,4 in May (annual rate then 9,5%) and the upper-income rate to 211,1 from 209,8 (9,4%).

What has been happening with inflation this year is very much in accordance with the expectations of a broad "monetarist" view.

The rate of increase in the supply of money and near-money was held to 9% in 1976 and 7% in 1977.

Inflation ran well above those levels because of past money supply excesses, but now the later money supply restraint is making itself firmly felt.

Given the continuance of a severe squeeze on money supply (far too severe in relation to the demands of economic growth, according to some economists) with a rise of about 1% in the first quarter of this year, the downward inflation trend will certainly reassert itself next year.

But those who endorse some broad monetarist conclusion — that the long-run rate of inflation is directly related to the money supply do not all share the more fervent approach that money supply is also the only consequential short-term or medium-term factor.

I expect GST to push the CPI higher and to do this perhaps at the expense of some lost economic growth, how much being lost depending on how much such measures as the cuts and abolition of old sales duty offset GST.

Make the most of living on reduced income

IT has been said that retirement is the time when living is easy but payment hard.

Have you considered the financial implications of retirement? We all tend to postpone them because it is frightening to have to face the fact that, in these times of ever increasing costs, we must acknowledge a reduction in income.

An in-depth study of the situation may reveal that your financial position is not as bad as would appear at first glance. Typically, we hear: "I earn R700 a month and spend it all. How can I manage on a pension of only R400?" You may be pleasantly surprised.

Do you know what your approximate pension will be? The only safe way is to ask. No employer will object to your seeking an estimate a few years before retirement.

Pensions are usually based on salaries in the final few years of service. It is important to establish if there are options — for example to take a lump sum commution or to take a lower pension with provision for your widow.

Almost every pensioner's earning power decreases when he retires. During his career his salary increases regularly, but in retirement his earning capacity dwindles and finally ceases so that a reduced income occurs.

Against this the support of children usually falls away. Inflation is another inevitable fact of life — one that you should face up to in planning your retirement.

THE OBJECTIVES

We suggest these are:

- To live comfortably within a reduced income.
- To make provision for your widow. Wives tend to outlive husbands.
- To keep a reserve for emergencies, illnesses and to provide a hedge against inflation.

Normally you would not include saving among the objectives unless you wished to improve the provision for your widow.

By GEOFF NEWMAN, general manager, Syfrets Trust, Cape Town

Nevertheless, it would be prudent to save monthly for major items requiring replacement from time to time, such as a car.

Take Mr Worknomore, who earns R700 a month and whose pension will be R420. He is married, his children are independent, he has a house bonded for R4 000, with monthly instalments of R80, â ,R5 000 endowment policy maturing on retirement— premiums R10 a month and a whole life policy on which the monthly premiums are R10. (See tabulation)

In 1 and 2 of the tabulation we have assumed an after tax income on investments of only 8 per cent but this is the minimum. Investment in participation bonds at 10,5 per cent p.a. would further reduce the gap in disposable income.

Instead of commuting one third of his pension the alternative would be to commute only sufficient to pay off the bond on his house.

The disadvantage is that should his pension fund grant a cost of living increase it may only apply to his remaining two thirds pension after commutation.

Against this, the full third commutation offers the advantage that should he die before his wife, he will leave her, in additon to her widow's pension, an estate consisting of a house fully paid off, R12 800 invested, and R5 000 from his endowment policy also invested.

To lessen the effect of inflation, you might place some funds in investments offering prospects of income growth , such as quoted shares or unit trusts.

Initially you will have a slightly lower income than that obtainable from fixed interest investments but within two or three years the income from shares or unit trust funds will overtake fixed investments.

For example, an investment of R1 000 in a unit trust fund provides R70 in the first year and will, if the distributions increase at 10 per cent per annum — the annual average performance over the past few years — produce an income of R113 during the 5th year and R181 in the 10th year.

There are many options. The above is only intended to stimulate thought and to illustrate the importance of seeking advice from suitably qualified independent financial advisers, such as a trust company.

Problem of compensating an executive

By D. DICKENS

LEARNING to live with double digit inflation over a prolonged period of time raises problems not only for pensioners with a fixed income but also for senior executives and the companies that employ them.

Should an executive perform extremely well and should the company wish to compensate him for his contribution to profits or merely retain his services in a competitive market, the company is faced with a tremendous problem.

If it wishes merely to ensure that the executive retains his economic position in real terms, the company must take account not only of the rate of inflation but also of the progressive increase in income tax.

The consumer price index has virtually doubled since 1970, but whereas a salary of R10 000 in 1970 would have given a married employee with two children R9 095 after tax, double that salary in the 1978 tax year would have given the employee only R15 280 after tax. His net income after tax would have decreased by 15,9 per cent in real terms.

Even with the abolition of the 10 per cent surcharge this year, each additional R1 paid to a married executive with a taxable income in excess of R28 000 means only 34c in his pocket.

Small wonder then that the subject of executive remuneration has become so fashionable, that so many personnel managers attend seminars on the subject and that the whole question of fringe benefits has been referred to the standing commission of inquiry with regard to the taxation policy of the Republic.

If the employer company can pass on a non-taxable benefit to the executive, then obviously the executive scores an immediate tax advantage.

The net receipt to the executive is greater than it would have been if he was paid in cash, but one should not overlook the fact that this immediate gain may result in a future loss such as a lower ultimate pension.

Looked at from the other side of the coin, it may in fact cost the company substantially more to remunerate the executive in a non-taxable form than to remunerate him in cash.

The reason is simply that a cash salary is obviously tax deductible — unless excessive in relation to the work done — whereas remuneration in some other form may not result in a tax deduction. The cost in real terms will therefore be greatly increased.

Executive remuneration policy should therefore aim at providing the executive with the greatest after tax income at the lowest possible cost to the company. While it is relatively simple to identify the objective, the achievement of the objective is fraught with difficulty.

Remuneration is in general charged to tax under subparagraphs (c) and (i) of the definition of gross income, while the deduction of the payment will normally be claimed under the so-called general deduction formula in Section 11(a).

There are virtually no forms of remuneration which will achieve the ultimate goal of falling ouside the charging sections but within the deduction formula, except those which are specifically allowed in terms of the Income Tax Act.

Therefore, before endeavouring to set up elaborate schemes which might achieve the desired objective but which might equally fail, the interested parties should first acknowledge that there is little that the employee can do to avoid tax and should ensure that the employer company is taking full advantage of the specific exemptions which the Act allows.

Pension schemes, provident funds, group life assurance and deferred compensation schemes should be analysed to ensure that maximum advantage is being taken and that the company and employees are not headed for any of the pitfalls referred to in Julian Kotze's article.

For example, the rules of the pension fund can limit the contribution of senior executives to R1 750 — the maximum permissable deduction for the individual — with the company paying the balance.

Although the company's contribution may now be in excess of the 10 per cent minimum allowed in terms of Section 11 (b), there is little doubt that the Secretary will allow this additional deduction in terms of his discretion.

A housing loan at a realistic rate of interest is probably the most substantial fringe benefit that a company can provide for an employee in terms of existing departmental practice and need not necessarily tie up the company's capital which could be more productively utilised in some other sphere.

Given that the property market is bottoming out, such a loan, not only provides the executive with an immediate cash saving vis-a-vis a building society bond, but also provides him with gearing for capital appreciation which he would not otherwise have had.

However, while a housing loan might be the precise answer to the prayers of a young executive, it may be meaningless to a senior executive who has only a small bond outstanding on his home.

Similarly, a formal group bursary scheme for the education of children is hardly applicable to a childless executive.

In short, the needs of executives differ and the ideal solution may be to plan a package applicable to the particular individual. This approach is fast enjoying acceptance but it requires careful planning or it could develop into an administrative nightmare.

Sunday Times 23/7/78 (320)

	BEFORE RETIRING		AFTER RETIRING OVER AGE OF 60	
	R	R	R	R
A. Gross Salary/Pension		700		420 (60%)
LESS: Contribution to Pension fund (6%)		42		—
B. Taxable Salary/Pension		658		420
LESS: Tax		80		28
C. Net Income		578		392
DEDUCT: Job "overheads" transport, meals, etc.		25		—
D. Available Income		553		392
LESS: FIXED EXPENSES				
Instalment Bond	80		80	
Endowment Ass./Life	20		10	
Medical Aid Society	8		8	
Electricity/Water	20		20	
Telephone	10		10	
Rates	25	163	25	153
E. Available for household and discretionary spending		390		239
Short fall			151	

The reduction in the balance available for household and discretionary spending will be R151 per month, as compared with the drop of R280 per month in gross income. What can he do to improve the position? Here are a few suggestions:

1. **Use the money from the endowment policy to pay off the bond.**

Save	R80 p.m. on bond instalments
Invest the R1 000 not used for the bond	R6 p.m.
	R86 p.m.
The short fall is now	R151 — R86 = R65

OR

2. **Ask the bond holder to increase the period of repayment to allow the instalments to be reduced to R40 p.m.**

Save	R40 p.m. on instalments
Invest the R5 000 Endowment Policy	R33 p.m.
	R73 p.m.
The short fall is now	R151 — R73 = R78

OR

3. **Commute 1/3 of his pension. The commutation factor varies with different pension funds and ages of retirement. In this example we have assumed the will receive a lump sum of R10 000 in lieu of R1 000 p.a. pension.**

If Mr Worknomore commutes 1/3 of his pension for R16 800 and encashes his Endowment Policy for R5 000 he might chose one of two courses of action:

(a) to invest the full R21 800 in Participation Bonds at 10½%;

(b) to repay his bond of R4 000 and invest the balance of R17 800 in Participation Bonds at 10½%.

The result would be as follows:

	(a) Invest full R21 800		(b) Invest only R17 800	
	R	R	R	R
Pension 2/3 R420		280		280
Interest @ 10,5%		190		156
		470		436
LESS Income Tax		35		30
		435		406
LESS: EXPENSES				
Instalment Bond	80		Nil	
Life Assurance	10		10	
Medical Aid	8		8	
Electricity/Water	20		20	
Telephone	10		10	
Rates	25	153	25	73
DISPOSABLE INCOME:		282		333
Pre-Retirement disposable income was:		390		390
Now disposable income will be:		282		333
Short fall		108		57

THE INFANT-INDUSTRY ARGUMENT

in the form of a ~~debate between~~

MR PROTECTIONIST AND MR FREE TRADER

Mr Free Trader: It is obvious, thus, as illustrated by Ricardo's Theory of Comparative Advantage that free trade between nations will inevitably promote the world's economic welfare (or, at any rate, increase its gross production) and all the participant countries will share in the general improvement.

Mr Protectionist: Free trade will, no doubt, secure these benefits in the short run. In the long run, however, the interests of relatively less developed countries may be better served by temporarily protecting their infant industries against foreign competition. Such industries given the opportunity may ultimately be capable of establishing a comparative advantage viz-a-viz their foreign competitors. In the absence of protection during the initial stage of their development, the loss suffered may be so great as to render their survival unlikely.

The two processes that explain the growth and maturing of infant industries are:

(1) Economies of time.

(2) Economies of scale.

"Economies of scale" involve the reduction in average cost per unit (and therefore an increase in efficiency) with the increase in scale. The suggestion here is that many industries cannot operate efficiently below a certain minimum size. Infants have first to grow up before they have any chance of proving viable and growing up is often an arduous and slow task. A little foreign competition may spur the infant on; too much competition may crush it out of existence.

"Economies of time" refer essentially to the reduction of costs (or increase in efficiency) that takes place over time for any given scale of production. An essential ingredient in the development of skills and know-how is "learning-by-doing" or "on-the-job-training". Again a little competition may be helpful; too much may overwhelm the infant. If it collapses, its full potentialities may never be realised.

These points form the basis of the argument in favour of some form of protection of certain infant industries for a limited period of time. It is difficult to know whether, in the long-run, the welfare of the world will thereby be improved, but from the nationalist viewpoint of the relatively less developed country, there can be no doubt that such a course is at times desirable.

Mr Free Trader: I am very well aware that economies of scale and time are important in the real world, but why should that necessitate state intervention and protection as suggested above? Why should society bear the burden of the anticipated loss until the infant grows up (if it ever does)? Surely the infant can budget for his own loss during the first few years of operation. Ultimately, if the new venture is at all worthwhile, the erstwhile infant will make a profit and survive. Until then, let him pay for his own loss! If he lacks sufficient capital to endure a prolonged period of losses, let him borrow the capital!

....../2

Mr Protectionist: That's easier said than done! If we possessed perfect knowledge and information, if all the capital markets were perfect and if there were no such thing as externalities, your objection would be fully justified. However, as you know, this is not the case! Firstly, entrepreneurs, particularly those in infant industries and in less developed countries, often fail to recognise the full potentialities of their sphere of activity. For this reasons, they refrain from initiating many ventures that ought to be pursued.

Mr Free Trader: Who is to say that politicians, civil servants and

Mr Free Trader: Humph!

Mr Protectionist: My second point is that lenders of capital suffer from the same abovementioned disabilities, but even more so. The capital market is excessively biased against untried projects, against very long term investments that yield no net return or a negative net return for long initial periods, against projects that cannot be proven in a step-by-step fashion, but can be undertaken only in giant strides (indivisibilities), against infants per se.

Mr Free Trader: The solution is to perfect the capital market.

Mr Protectionist: Impossible! In less developed countries, the local capital market is hopelessly inadequate and foreign capital markets may have additional biases. Naturally, one should try to improve and develop the capital market wherever possible, but even the most developed and sophisticated markets are likely to retain some of the biases listed above.

...../3

Sun. Express 23/7/78

Thank havens for your tax savings

(320)

EXPORT

EXPORTERS should consider setting up a company in a tax haven — it could greatly help their export effort and be in the national interest.

This is the view of Richard Phillips, a man who has lived for some years in the Cayman Islands and the Bahamas — both tax havens. He contends that establishing a joint company in a tax haven with an importer is not an attempt to fiddle tax but a sophisticated marketing move.

Phillips' company, Export Incentive Associates, has just published a slim volume "Tax Havens: A practical guide for South African exporters".

In this Phillips points out that a tie-up with a national of the importing country could minimise outlay on market research and provide greater assurance of success.

There are a good many foreign businessmen who would not be prepared to set up a joint venture company in South Africa but who would consider one in the Caymans or the Bahamas.

The guide looks at exchange control and the tax position of the company. A case study is followed to illustrate how a joint venture export scheme may be operated from a tax haven.

The criteria in tax haven selection are examined and the advantages and disadvantages of 17 tax havens are described in some detail.

At R12 the book is a valuable tool for exporters because it also looks at the civil and common law jurisdictions of the various havens.

SUPREME GRAND CHAPTER OF THE HOLY ROYAL ARCH OF SOUTH AFRICA

SCHEDULE OF STOCK HELD AT 30-6-1977

ITEM	NO. HELD	GRAND CHAPTER UNIT SELLING PRICE	UNIT VALUATION FOR B/S - (COST ...)	TOTAL VALUE
GRAND CHAPTER REGULATIONS	131	50c		
RITUALS				
R.A. (English)	11	2,80		
R.A. (Afrikaans)	[illegible]	0,70		
M.M.M.	–	2,10		
E.M.	–	0,80		
Apron Badges	[illegible]	[illegible]		
Certificates				
M.M.M./E.M.	29	0,60		
Affiliation	[illegible]	0,60		
Installation	[illegible]	1,60		
REGALIA				
R.A. Collarettes	7			
R.A. Collarettes		15,00		
Principals Chains			28,00	[illegible]

NOTE: All other Grand Chapter Regalia on Hire to Grand Chapter Officers has been written off for Accounting Purposes.

Retirement — how to ensure you can live in comfort

By JULIAN KOTZE, retirement counselling manager, Johannesburg.

DURING our working lives we are normally offered benefits by our employers. These may take the form of pension funds, group life assurance schemes and provident fund benefits.

To supplement these schemes we could effect personal retirement annuity plans. Retirement annuities are often the only basis for retirement planning for professional or self-employed people and call for independent and unbiased guidance before implementation.

These plans are seen by most employees today as the ultimate solution to future retirement and most people are unaware of the problems they may be faced with in the future.

Employers usually initiate pension funds so employees can build-up a retirement income during their working years. Pensions can be contributory or non-contributory.

Final benefits depend on the length of service and the salary in later years. One third of the pension may be taken in a capital lump sum and the balance must be used to purchase a pension for the employee.

Benefits

There are tax benefits for both employer and employee in a pension fund. Up to a maximum of R1 750 — excluding contributions to a retirement annuity fund — may be deducted from the taxable income of a husband and wife.

Employees of local authorities and funds established by law — such as universities, CSIR, and municipalities — do not have these restrictions, and the full contribution in excess of R1 750 is tax deductable.

On retirement you may get a cash lump-sum free of tax up to a maximum of R45 000. Any amount in excess of R45 000 is taxable at your average rate of tax in the year that the benefit is received.

The lower your taxable income in the year of retirement, the lower your rate of tax.

It would pay you to ensure that the rules of your pension fund allow retirement at the earliest possible date in your retirement year, ie March 1.

As the number of years service is a factor in calculating your final pension figures, you should be given the option to retire on March 1 in the year following your attainment of pensionable age. Check if your pension fund rules allow this.

Broken

Broken service accounts for the fact that many employees end up with a much smaller pension than they should.

This is an example of how Mr A and Mr B fared over a similar period:

Mr A has had 40 years service with the same company and a final average salary of R17 000 a year. His final pension is R13 600 per annum.

Mr B has changed from one employer to another and ends up with 20 years of pensionable service and final average salary of R20 000. His final pension is only R8 000 per annum.

Care must be taken to ensure that pension refunds, received when changing employment, are not squandered. Reinvest these pension refunds on the basis of good unbiased investment advice. Legislation to make the transfer of pension funds compulsory is now under consideration.

Death in service is unplanned, untimely and permanent. The usual benefits paid to widows take the form of group life assurance payments, which would fund the pension for the widow and minor dependants.

Here again, what is sauce for the goose may not be sauce for the gander. The employee earning R6 000 per annum who dies in service, may get a payment of let us say five times annual salary, ie R30 000.

This is an excellent plan providing what is, tragically enough, often the widow's only capital.

However, for the employee of a company who earns say R30 000 a year, the group life pay-out may not mean a payment of R150 000 to the widow, but substantially less.

If the payment is made in terms of a group life assurance policy owned by the pension fund, it would be taxed as a payment made in terms of the pension fund.

And at the high average rate of tax of employees as much as 50 per cent of the amount, in excess of the tax-free limit of R45 000, may go to the taxman.

This need not be so if the group life assurance policy is not owned by the pension fund but rather by a trust, created on behalf of the employees.

Cancel

Check to see if your group life assurance scheme falls in this category or whether it is part and parcel of your pension scheme.

Because insurance companies which underwrite group life assurance have the option to cancel a scheme if it proves too unprofitable, you could in theory lose the benefit a number of times your annual salary.

So don't ignore personal life assurance in your overall scheme by assuming that group life cover is sufficient. If it is cancelled and your health has declined over the years, you may find it impossible to get life assurance cover elsewhere.

Accident benefits paid in terms of an accident policy, and under the well established policy of your company, would under present departmental practices be tax free.

Disability benefits paid in any way, other than a lump sum, may be considered income and taxed accordingly. Check your accident policy wording now to prevent possible problems in the future.

Ensure

An employee who, apart from his membership of a company pension and provident fund, also contributes to a private retirement annuity must ensure the timing of various options are well executed on retirement.

If all the benefits are taken in one tax year, the result can be a massive tax liability. Retirement annuities, by their very nature, are excellent additions to a person's retirement planning because of the flexibility of retirement date and the tax relief offered during payment.

Careful timing of how and when benefits under the various schemes are to be taken is very important, so the need for care is paramount.

To summarise, there are a number of points which you should check and act upon:

- Does your pension fund's rules allow you to retire at any time during the year of retirement? If not, you can be faced with a high average rate of tax for the year. Rules can be amended.
- Does your group life assurance scheme form part of the pension fund or is owned by a trust? Do [illegible] pay your own premiums? [illegible] not, much of the benefi[illegible] could go to the taxman. This can be corrected.
- Have you spent your pension refunds when mov[illegible] from one job to another? [illegible] so, seriously consider setting income aside to purchase a retirement annuity to make up for the reduced fraction on which your final pension will be based.
- Will your pension, provident fund and retirement annuity benefits all be paid during the same year? By careful planning, you can prevent a lot of capital from going to the taxman and consequently increase future income.
- Will disability benefits be paid in a lump sum or in instalments? If the latter, can the rules be amended to save you paying tax on benefits as income?
- How would your personal life assurance portfolio cope if your group life assurance cover were cancelled tomorrow?

Sun, Express 23/7/78

Pick 'n Pay rapped over tax survey

(320)

THE Checkers/Pick 'n Pay free-for-all on the question of add-in or add-on has taken on a new dimension.

The conflicting results of market surveys, tackled by both companies to discover consumer preferences on the alternative systems, have created an uproar in the Market Research Association (Samra).

Pick 'n Pay's Raymond Ackerman claimed on SATV's Midweek programme that his survey showed the consumer favoured add-on, while Checkers showed the reverse. Who was right?

Samra's chairman Ian Byers set out to investigate.

His investigation showed Checkers commissioned an outside agency to carry out its survey and that Pick 'n Pay reported that its survey had been carried out by its own staff.

BBDO Research, which handled the Checkers survey, had a perfectly acceptable survey document.

"Taken as a whole, the BBDO survey is satisfactory, although I would have liked to have seen a significantly larger sample," said Byers.

The Pick 'n Pay report was not acceptable as market research or even as a market survey, Byers claimed.

"My job as chairman of Samra is to ensure the credibility of the industry is not damaged by irresponsible findings, said to be the result of market research," he said.

STAR 25/11/95

GST to cost Santa extra R80 000

320

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Fighting tuberculosis will cost Santa an extra R80 000 this year after a refusal by the Department of Inland Revenue to exempt the organisation from the General Sales Tax.

The charitable organisation is to fight the department over its refusal, claiming that the Sales Tax Act should be amended.

Executive director of Santa Mr Clive Greathead said: "We are registered as a charitable organisation.

SUBSIDY

"But according to the definition of a charitable organisation in the new Sales Tax Act, we do not qualify."

Mr Greathead said this would mean an extra R20 000 a year out of public funds.

"It will also mean an extra cost of R60 000 a year at Santa centres. These are subsidised to the tune of R4,5-million a year by the State Health Department — so Inland Revenue will have to claim the tax off them," he said.

AUSTERE

Mr Greathead said he was sure other charitable organisations would not conform to the department's definition and would have to face greater expense as well.

"We applied for registration in three spheres — for our national organising body, our SANTA centres and our branches.

"I am now going to lodge appeals against the refusal of the department to exempt us, as I feel we do fail under the narrow definition of the Act."

The Act states that a charitable organisation was one that carried out charitable activities including the provision of food, meals, board, lodging, clothing, comforts or amenities to aged people, children, and physically or mentally handicapped people.

"People suffering with tuberculosis are apparently not regarded as handicapped by the department then," Mr Greathead said.

CENTRES

"Our Santa centres are austere hospitals, where 14 000 people were treated last year, but as they are not registered as hospitals they, too, are not exempt from GST.

"Our branches provide food and meals for the relief of indigent TB sufferers and their families."

them respectable yeomen, many of them sturdy laborers, and many others miserable squatters dependent on casual labor, charity, and poaching.[40]

In France, the hierarchy was steeper still, and the condition of the poor, worse. France's population was far larger than Britain's—about five times larger—and more rural: roughly six out of every seven Frenchmen lived on the land.[41] The church, which made up a vanishi

If French peasants suffered in comparison with the English yeomanry, they were at least legally better off than the peasants on Prussian, Hapsburg, or Russian lands. While about a million French peasants—less than one in

[40] See G. E. Mingay, *English Landed Society in the Eighteenth Century* (1963).
[41] For the French population of the seventeenth century, see p. 291.
[42] See Robert and Elborg Forster, eds., *European Society in the Eighteenth Century* (1969), 108 ff.

twenty—were serfs, the vast majority of east European peasants lived in legal bondage. In Austria, they suffered under heavy and growing exactions from their noble landlords; the nobility sweated the peasantry for increasing contributions, through a variety of taxes and, above all, through *robot*—compulsory labor service. Here, as everywhere else, there were regional and

days' work was sometimes exacted, and not infrequently the peasant was forced to work continuously for a considerable period in the manorial fields, while his own plot waited for seeding, or his own harvest rotted on the ground. Furthermore, it was customary to require of the forced-labor peasants certain payments in kind—poultry, eggs, meat, honey, homespun cloth, and the like.

[43] *The Hapsburg Empire, 1790-1918* (1969), 66. For the reign of Maria Theresa's son, Joseph II, see p. 427 below.

STAR 25/7/78 (320)

Tearoom owners seek GST change

The Tearoom, Restaurant Proprietors' and Caterers' Association has asked the Department of Inland Revenue to lower the minimum price for which General Sales Tax may be imposed from 13c to 5c.

The national association made the request in a memorandum sent to the department yesterday, said Mr D Michos, chairman of the association.

Mr Michos said that findings showed that at least 20 percent of the turnover of a "normal" cafe — and as much as 40 percent of the turnover of a rural cafe — was formed by sales of items under 13c.

A retailer using the "add-in" system includes GST in his prices. He is not allowed to charge tax on items under 13c but has to pay in GST to the Government on his total turnover.

A retailer using the exclusive or "add-on" system of collecting GST, also has to pay tax on his total turnover but can charge tax on some sales of items under 13c. Under this system, a customer is charged GST on his total bill. If he buys items under 13c, together with other items, and his bill totals more than 13c, he must pay an extra four percent of the whole bill.

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steam engine—the decisive invention of that revolution, the source of power vastly greater than men, or horses, or waterwheels could provide. What has been called the "invention of invention" multiplied the number of devices used in the production of goods: while in the century between 1660 and 1760, the average number of patents granted in England was sixty, in the years between 1760 and 1790, that number rose to three hundred twenty-five. This was the period in which the factory began to emerge, and the factory—a central building with machinery, on which workers converged for stated periods of time—was an invention like that of the steam engine. The factory demanded something new: the regular employment of labor. It put a premium on what came to be called "industrial discipline"—the workingman's ability and willingness to report for work on schedule, every day, for the machines were voracious and could not stand idle. These moral and psychological requirements went hand in hand with improvements in commercial and banking techniques which eased the transfer of funds, and with the agglomeration of sprawling industrial cities, in which the working population clustered in increasing numbers—and increasing misery.

In some industries, notably in textiles, these spectacular improvements were truly revolutionary. John Kay's flying shuttle, patented in 1733, cut the number of weavers needed to work the loom from two to one. In about 1764, James Hargreaves invented the spinning jenny, a modern mechanical version of the spinning wheel. His first version permitted the simultaneous working of eight spindles; in 1770, when the jenny was patented, it was capable of handling sixteen. The year before, the gifted Richard Arkwright had patented the water frame, and ten years later, in 1779, Samuel Crompton patented the spinning mule. These two inventions permitted the spinning of fine and coarse yarns in unprecedented, hitherto almost unimaginable quantities. And, significantly enough, in 1785 Watt's steam engine was harnessed to these devices, and factory mass production of cloth was under way. Yet, despite all this, the Industrial Revolution was a slow and uneven growth. It began in England: Germany saw its first steam engine in 1785, and factories in France long remained small. And even in England, the factory town did not spring up overnight: by 1790 there were still fewer than a thousand spinning jennies in operation. The old commercial mentality, the old handicraft industries, and the old small-scale enterprise were tenacious survivals. Through the eighteenth century, Europe remained a predominantly rural society.

This in itself was not a sign of stagnation. There was no rigid separation between agricultural and industrial occupations; before the age of the factory, employers of labor depended largely on the domestic system. They engaged workers, rural and urban, to do their work at home. This held true for England, the mother of industrial society, as well as all across central Europe. In the rural districts of Bohemia, there were more than two hundred thousand domestic workers spinning flax; in the Swiss canton of Glaurus there were more than

cottage to palace. Yet even this hierarchy, steep as it appears, does not comprehend the whole spectrum of English rural life: below the petty freeholder with his £50 or £75 a year were the mass of tenant farmers, some of

[39] See Anderson, *Europe in the Eighteenth Century*, 65.

Cost of living for blacks goes up by 10,5 percent

STAR 25/7/78 (320)

By Sieg Hannig, Labour Reporter

The latest minimum living level calculations by the Johannesburg Chamber of Commerce have revealed a 10,5 percent rise in the black cost of living from last November to the end of May.

This makes no allowance for a further increase of three percent resulting from the general sales tax on the assumption that 80 percent of a family's expenditure will attract the tax.

The chamber puts the minimum living level of a Soweto family of five (two adults and three children ranging from 8 to 16 years of age) at R161,19 at the end of May. For the full year since May 1977 this represents a 16,1 percent rise in the cost of living.

If allowance is made for non-essential expenditure on items such as amusement, sport and personal care, a budget of R174,16 would be required.

The director of the chamber, Mr Marius de Jager, points out that expenditure required on food rose by 10,7 percent since last November and that on housing by a massive 28,2 percent.

"We do not normally recommend pay increases purely to offset increases in the cost of living," Mr de Jager said.

INCREASES

"However, we have drawn the attention of our members, numbering more than 3 000 firms, to the exceptional increases resulting from increased housing rentals and the effects of the general sales tax."

He also suggested that employers should bear in mind the "high incidence" of unemployment.

"It is common practice among blacks in Soweto to share their incomes in the event of emergencies such as unemployment, and this would dilute many family incomes," Mr de Jager said.

The 6 000 weekly paid staff of the PG group, including Plate Glass Shatterprufe Industries, have been granted a R1-a-week pay rise to help them cope with the new sales tax.

Announcing this today, the group's chief executive, Mr Ronnie Lubner, said the group had studied the impact of the tax on the living costs of their weekly paid staff for the first three weeks of this month.

It was estimated to take R1 a week out of their pockets.

CoL for blacks jumps by 10,5 pc

RDM 26/7/78

(3:20)

By RIAAN DE VILLIERS
Labour Correspondent

THE cost of living for blacks in Soweto has jumped by 10,5% in the six months from November last year, the Johannesburg Chamber of Commerce has calculated.

And worse is in store as its figures do not reflect this year's massive rent increases or the effects of General Sales Tax, which the chamber estimates has increased the Soweto cost of living by a further 3%.

The shock increase has been revealed in the chamber's latest calculations of the minimum living level for a black family of five living in Soweto.

Its new minimum living level for May is R161,19 — an increase of R15,33 since November last year and R22,38 or 16% since May 1 last year.

Provision for further items such as writing materials, sport and savings and emergencies pushes the budget to R174,16.

Star 27/7/78

320

Shock jump in prices since GST

By Mignonne Crozier

Two major supermarkets — Pick 'n Pay and OK Bazaars — have put up their prices by between six and 10 percent since the introduction of four percent General Sales Tax, according to a survey by the Housewives' League.

The league surveyed prices only in the Sandton area — but the results could reflect prices over a far wider area.

Pick 'n Pay said today it is their policy to have uniform prices throughout the Sandton/Johannesburg area and OK said they try to standardise prices throughout the Witwatersrand.

LITTLE VARIATION

A separate survey by the league and Fair Deal, also published today, has found too that there is very little variation in individual supermarket prices from area to area.

The league says it has found that before the introduction of General Sales Tax, a basket of 121 items at Pick 'n Pay, Benmore, cost R85,97. Now the same basket costs R94,64 — 10,1 percent more.

It calculated that this store's prices, disregarding the tax, have actually gone up by 5,8 percent since GST.

A similar basket cost R88,93 at OK Bazaars, Sandton City, before GST. Now it costs R94,98 — 6,2 percent more. The league calculates that this store's prices, disregarding tax, have actually increased by 2,1 percent since GST.

Checkers, Bryanston, have dropped their prices slightly since GST.

(It will be noted that the cost of the shopping basket at the Checkers Store, according to the league's survey results, was about R8 more than the identical basket at Pick 'n Pay and about R5 more than the identical basket at OK before the introduction of GST. After GST the Checkers shopping basket total was R2,84 more than the Pick 'n Pay total and R3 more than the OK total.)

FROZEN

Mr Neil Werbeloff of Pick 'n Pay said his chain froze all prices from mid-June to mid-July. During this period it absorbed any price increases and higher costs as a result of special deals and discounts which came to an end. But these prices could not be held for ever, he said.

Mr Allan Fabig of OK said the increase in OK's prices found in the survey could be a reflection of the price increases of sugar and wheaten products.

He said OK had also held back any price increases during June till early July.

● Fair Deal — Page 22.

Huge rise in AECI profits

20/7/78 (3.20)

Mercury Correspondent

JOHANNESBURG – Chemical giant AECI achieved a 70 percent increase in taxed profit for the six months ended June 30. The interim dividend has been raised from 9c to 10c. The increase in earnings a share for the half year is from 9,1c to 15,2c.

The huge increase in pre-tax profits – from R23 600 000 to R40 100 000 – is partly a reflection of the gradual emergence of the economy from long and deep recession.

That is certain the view of Mr. Denys Marvin, the managing director of AECI, which is jointly controlled by De Beers Industrial Corporation and ICI of Britain.

But Mr. Marvin cautions that the economy is a long way yet from boom conditions.

What AECI's results for the half-year also show, however, is the tremendous gearing benefit the group is able to get from a comparatively small turnover increase and greater use of its vast existing plant facilities, particularly Coalplex.

Sales increase

Sales for the six months to June 30 were R333-million against R276-million in the 1977 equivalent.

But that 20,6 percent rise was sufficient to generate a 70 percent increase in pre-tax profit and 67 percent percent in net attributable profit, which rose from R13,500 million to R22,600 million.

Mr. Marvin and Mr. Harry Oppenheimer, the chairman, say: "All plants in the Coalplex joint venture at Sasolburg operated satisfactorily during the period.

"However, local demand for the products is well below plant capacity. Substantial export orders have been secured but at depressed selling prices because of the large over-capacity that exists world-wide.

"Provided the improved level of economic activity experienced in the first six months is sustained profits for the second half should be at least in line with those achieved in the first half."

That suggests earnings for the full year of 45c or more and a dividend total of perhaps 20c. This gives prospective yields of 16 percent and 6,9 percent, with the share price currently trading around 290c.

Too much from too few

(320) FM 28/7/78

Sir — J A Baikie (*Letters* July 21) misses the point regarding dissatisfaction with high marginal income tax rates.

A tax hump at earnings of R28 000 a year would only benefit taxpayers above that amount, and according to statistics for the 1976 tax year, released by the Minister of Finance, only 0,7% of income taxpayers are in that category.

Moreover, it is accepted that higher paid individuals should pay a higher rate of tax.

The real dissatisfaction with high marginal rates does not start at the R28 000 a year level. In fact, all taxpayers earning over R10 000 a year form only 14,4% of taxpayers, yet they contribute 61,4% of assessed income tax. If consideration is given to the fact that there were only 1 774 175 income taxpaying units in 1976, out of a population of over 20m, the taxpaying burden on the over-R10 000 a year group is even more emphasised.

The real problem with our income tax rate structure is that too few are paying for too many. The introduction of the 4% general sales tax is, therefore, to be welcomed — provided that the new funds generated are used to drastically revise the present tax tables so as to spread the income tax burden more fairly.

R J Gibbons, Cape Town.

Whine merchants?

Sir — Your article, "Wine — A faint bouquet" (*Business Brief* July 14) concludes with two bad recommendations which one would expect to have come as a whine from a large wholesale producing merchant.

From the point of view of a consumer in the middle to upper price range, the WO certification ("bus ticket" system) is the best thing that has happened to the wine industry since the development of the cold fermentation technique.

Surely the customer can, now more than ever before, obtain a better variety of better quality wines at reasonable prices. The fact that the large merchants are now selling less of their concoctions (mixed cultivars, mixed areas, mixed years — hence not even one "bus ticket" stripe) must not be allowed to prejudice

Wine of origin label . . . just the ticket

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

STAR 28/7/78

(820)

Tax man pounces on Mr Big, king of Jo'burg vice

By Bill Smith, Crime Reporter

Mr Big, the man who controls a large slice of Johannesburg's multi-million-rand prostitution racket, has been questioned by investigators from the city's Receiver of Revenue office.

A senior spokesman for the Receiver of Revenue's investigation department today confirmed that Mr Big had been called to the receiver's office and questioned.

Mr Big has also been ordered to produce certain books relating to his sex-for-sale empire.

The probe into his financial affairs started after The Star had revealed that one man — hiding under various fronts — was in control of 36 of the city's massage parlours and escort agencies.

The Star's investigation found that many of the parlours advertised were giving false addresses and only the telephone numbers enabled a sex-seeking client to make contact with Mr Big's vice organisation.

FATHER EMPLOYED

When questioned Mr Big denied that his father worked for him as a driver. It has now been established that his father drives prostitutes to various destinations and fetches them.

It is also known that Mr Big's father does not use his (Mr Big's) surname and that he has a bank account in Klerksdorp.

About four months ago, Mr Big left his Hillbrow flat and moved into a luxurious mansion in the northern suburbs. In the vast, well-kept grounds lie a swimming pool and a tennis court.

For some mysterious reason, outside lights burn day and night.

When a stranger knocks on the mansion's front door, he is first scrutinised through a "spy" panel before the door is opened.

Inside, the mansion has an indoor fountain and a bar stocked with a variety of liquor that would put a normal hotel bar to shame. Furnishings are plush — the house is said to have cost R80 000 just over one month's business turnover.

Mr Big uses a small overall factory in Doornfontein as one of his fronts. His wife owns a small fashion boutique in the city centre.

All payments for illegal sex made with a Barclaycard are channelled through Mr Big's wife's shop. The cards always indicate payment for "goods."

Mr Big leads a life of leisure and normally sleeps until noon. He spends the early part of most afternoons with his two small daughters and often takes them out in his luxury German car.

Late last year, Mr Big investigated the possibility of going international. He and his wife visited London after telling friends he was going to see if he

To Page 3, Col 1

STAR 28/7/78

(320)

Misuse may push up GST—warning

The Secretary for Inland Revenue, Mr W H J van der Walt, has warned that misuse of tax-exemption certificates could lead to an increase in the general sales tax.

These vendors' certificates are issued to retailers to exempt them from paying sales tax on goods bought for resale to the public.

Mr van der Walt was addressing a seminar held by the National Council of Chartered Accountants (SA) in Johannesburg yesterday.

He said these certificates were both the "strength" and "Achilles' heel" of the general sales tax.

Misuse of the certificates might lead to a loss of revenue to the country, he said. And this could lead to an increase in the GST rate (at present four percent).

Mr Van der Walt said he was not threatening businessmen but "trying to plead for co-operation."

"With the population situation in our country, it is imperative that we keep the tax rate as low as possible," he said.

Earlier a delegate to the seminar told Mr van der Walt that certain wholesalers were refusing to charge tax to holders of vendors' certificates, even if those certificate holders made it clear that they were buying not for resale, but for their own consumption.

Mr van der Walt replied that in such cases the seller would be at fault.

Row over credibility of GST surveys

Star 29/7/78

(320)

The Market Research Association and a major supermarket chain are arguing over the credibility of surveys conducted to test which of the methods of collecting General Sales Tax — "add-on" or "add-in" — consumers prefer.

Checkers' Mr Harold Greenstein says a survey by his group showed consumers favoured the "add-in" method — which Checkers has adopted.

Mr Raymond Ackerman of Pick 'n Pay says a survey by his group showed consumers favoured "add-on" — the method Pick 'n Pay has adopted.

Samra says market research had been "discredited" by the situation.

Samra chairman, Mr Ian Byers, said Checkers had commissioned an outside agency to do its survey, while Pick 'n Pay used its own staff.

Mr Byers concluded that the Checkers survey was satisfactory although he would have "preferred to see a significantly larger sample."

He said the Pick 'n Pay report was not acceptable as market research or even as a market survey.

Mr Greenstein said today he was pleased the Checkers survey and research had been "vindicated by Samra."

But Mr Ackerman said: "If I don't get a word of apology from Mr Byers, I am going to my lawyers."

"How dare Mr Byers and Samra say that if one pays an outside firm to do a survey, then that survey is credible, but if one does it oneself by employing independent housewives, as we did, then it is not.

"Why must I spend R100 000 on a survey, which is what these companies want, and waste the consumer's money" Mr Ackerman said.

S.A. GESTIG: KERKRAADSVERGADERING 27 MEI 1978

GEWONE VERGADERING

1. Opening

2. Notule Vergaderin

2.1 Sake out not

2.2 Egpaar Tito

2.3 Br. J. Boeza

3. Program: Junie –

3.1 Kerkraadsver … de maand, derde Saterdag in die maand

3.2 Kerkraadsbid … onderhoud in die maand tussen in, … in die maand 5.00 nm;

3.3 Nagmaalvier … m die beurt 10.30 vm en 6.00 nm;

3.4 Doop: Eerst … and 10.30 vm;

3.5 Doop- en Tug … oensdag in die maand. Voornemende … wyksouderling in kennis en ontmoet … met die ouderling onmiddellik na bi…

3.6 Spreekuur me … ntoor: Elke Woensdag van 6.00 – … r);

3.7 Dankoffers:

3.7.1 Elke … nd;

3.7.2 By be … de soos Nagmaal, Kersfees, Lent…

3.7.3 Elke … een diaken in die wyk is n… u 'n boekie met volledige naam … idmate wat 'n verdienste het;

3.7.4 Elke … slik die laaste week in die … rkoevertjies vir die volg… wykslede besorg, waarop die … naam van die Lid ingevul is;

3.7.5 Wann… ingelewer is, sal die diak… dankofferbedrag invul in sy b… e „bydragskaart" tuis ook invu… koevert afgegee word;

2/....

SUN EXPRESS 30/7/78 (320)

Receiver's 'thumbs down' for new tax plan

30/7/78 (320)

ARE you working for yourself or for the Government?

The high rate of marginal tax operating in this country tends to act as a disincentive to people to work harder and as a deterent to wives who would like to work.

Once you're earning R28 000 a year and hit the 66% maximum marginal tax rate you get only 34c out of every extra R1 you earn.

Not only does the system discourage productivty, it also leaves most working people with little to save and encourages tax evasion.

A Johannesburg businessman John Baikie has come up with an idea which might help.

He suggests that once the marginal rate reaches its peak — 66% at R28 000 — that it decline.

As he says: "Once over the hump, your marginal rate would decline and you would be greatly encouraged to work harder."

Baikie has given some examples.

If we take a sales manager who is earning R28 000 gross and his wife who, if she works, can earn R12 000, we would be looking at a combined income of R40 000.

The couple would face a tax bill of R17 583 on the current system — R9 663 on his income and R7 920 on hers, ie 66% on her R12 000.

This means that, with the wife working, the couple is only R4 080 better off.

If, as Baikie suggests, the tax structure was revised and the rate above R28 000 declined at the same level at which it rose until it reached 30,8% on R45 000 the couple would be considerably better off.

Tax payable would be R16 131 — R6 468 on her income — making the couple R5 532 better off with the wife working.

This is R1 452 more than under the current system even though she still takes home only R461 a month from her R12 000 a year.

Now, if the Government could be persuaded to lower the maximum marginal tax rate to 57,2% as it is at the R24 000 income level, things would improve and people would be encouraged to work harder.

If the rate started to decline above the R24 000 level, but more gently than before and did not descend below the 30,8% level, we would see a very different picture.

The couple would in this case pay R13 654 on their combined income, saving R3 929 on the present tables and the wife would take home R7 688.

This is far more of an incentive for her to work and for them both to work harder.

Baikie's point is well taken because the tax system, as it stands at present, is especially hard on professional people who get paid, and taxed, on their extra effort.

However there are relatively few taxpayers in the top income bracket although they contribute most of the tax.

Those earning R10 000 or more pay 61,4% of all tax in this country and of all taxpayers, only 0,7% earn R28 000 plus.

Secretary for Inland Revenue, Mickey van der Walt, said this week that his department had never given serious consideration a system such as this.

"The problem with such a system is that the tax turns in on itself.

"You will find that the man who is earning R28 000 will carry a heavier tax burden than the man who is earning R50 000.

"I find it hard to believe that a man can work harder than he does at present.

"It would be difficult to impose a system like this for, although it might encourage some people to enter the work force, it would put a marginally heavier burden on those at the hump."

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How a minor can be a taxpayer

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ees may have distributed the income to the various beneficiaries.

However, had the donor made a donation of R100 000, paying the appropriate donations tax, and if the trust deed provided that the income be paid to the beneficiaries, then the beneficiaries would be taxed on what they received, provided they were not minor children of the donor.

After the death of the donor, the position becomes similar to that of a testamentary trust in that the only potential taxpayers are the trustees and beneficiaries.

As can be seen, the tax results of an inter-vivos trust may not be what the donor inteded and it is important that the provisions of the deed be drafted by someone who knows what the results will be.

The problem is further complicated by the fact that there may well be a conflict between the provisions which are required in order to ensure income tax benefits and those which are required in order to avoid estate duty complications.

Expectation

For example, if the trustees are required to pay the income of an inter-vivos trust to a major child of the donor, this might achieve the required income tax advantage of having the income taxed in the hands of the child, but it could be a disaster from the estate duty point of view when the child dies.

The income which he enjoyed from the trust might have to be capitalised over the life expectation of his children and added to his estate in order to calculate estate duty.

An income provision giving the trustees discretion to capitalise the income or pay it to the child would eliminate the estate duty problem, but would probably eliminate the income tax advantages as well.

However complicated these issues might seem, proper tax planning using trusts can be rewarding and I would suggest that any wealthy person should look into this question when drafting his will.

Assuming that a man anticipates leaving a net estate of R200 000, this could produce an income of say R20 000 p.a. If a testamentary trust is created and the administrators are instructed to pay all the income to the wife, she is unable to get rid of this income without a donations tax problem even if it is more than sufficient for her purposes.

If however, the administrators are empowered to pay the income to the widow, the children and or grandchildren, each recipient will be taxed on what he or she receives or on the amount expended for his or her benefit.

In this way the overall tax burden will be far less than if all the income is paid to the widow and the family will receive more of the total income and the receiver less.

And that, after all is what we all want, however public spirited we might be.

A minor CAN become a taxpayer

Sun, Times 30/7/78 (320)

BY DAVID DICKENS — Tax and Estate Planning Manager, Syfrets Trust

IN A RECENT article in the Business Times (July 23), Brian Goodall pointed out the income tax advantages which can result where a grandparent creates a trust for grandchildren.

From the inquiries received it is apparent that there is general ignorance about this aspect of tax and that there are many misconceptions about the taxation of income which accrues to minor children.

In this article we hope to throw some light on these matters.

There appears to be a popular misconception that a minor child cannot be a taxpayer in his own right and that any income which accrues to a minor must be added to the income of the parent.

This is incorrect, for a minor can become a taxpayer in his own right from the date of his birth.

For example, a child might receive a generous gift of money from his grandfather or any other person other than his parents and might invest this in a savings account earning eight per cent interest.

The interest earned on this investment has nothing whatever to do with the income tax liability of his parents. The child is himself responsible for any income tax which may be assessed on the interest which accrues to him.

As a single taxpayer he would naturally enjoy the advantage of the R700 primary abatement and consequently would only be liable for tax on income in excess of this amount, but this does not alter the fact that the child is responsible for the tax and that this income has nothing whatever to do with the income of his parents.

However, the legislature was naturally concerned that parents might take undue advantage and transfer portion of their income earning assets to their children in order to split the income tax burden.

Investment type	Frequency	Per cent	Period	Other considerations
1. TAX-FREE				
1. Post Office savings bank certificates.	½yearly in arrear.	8	Must be in for 6 months to get 8% if withdrawn before 6 months 5%.	Tax-free limit is R800 interest per person pa.
2. Treasury Bonds.	½-yearly in arrear.	8	5 years, but can be redeemed after 18 payer.	Tax-free limit R3 200 interest pa per tax-
3. Building society special tax-free permanent shares.	½-yearly in arrear	8	18 months to 5 years; after 15 months available at 3 months' notice.	Tax-free limit is R800 interest per taxpayer.
4. National savings certificates.	Interest at maturity.	8 in years 1 & 2; 9 in year 3.	3 years, but can be redeemed after 2 years.	Available in units from R1 to R2 000; maximum holding is R15 000 per person; all interest is tax-free.
5. Building society subscription shares	Interest,paid out at maturity; can provide a monthly tax-free income after 3	7,5	3—20 years, but can be redeemed after 18 months.	Maximum holding is R150 000 per person; dividends are completely tax-free.

Donate

So, although a parent can donate to his children a total of R15 000 times the number of children, without incuring any donations tax liability, this will not result in any income tax advantage if the children are minors.

In these circumstances trusts i.e. a trust created in terms of a will and inter-vivos trust i.e. a trust created by a person during his lifetime.

The reason for this distinction is that it is patently impossible to ascribe any tax liability to the creator of a testamentary trust.

Having demanded from the deceased's executor the share of tax due up until the date of death, not even the ingenious taxmen have been able to fathom means for collecting taxes from departed souls.

So while the deceased testator gazes down with impuntiy upon the trust relationships which he has created, the taxmen delve once more into their manuals to determine whether they must now levy tax upon the trustees who collect the income generated by the assets of the trust or upon the beneficiaries who ultimately receive the income.

We can say in general that the trustees as representatives of the trust will have to pay tax on whatever income is retained in the trust while the beneficiaries will pay tax on whatever is paid out of them.

If, for example, the trust is merely a conduit pipe and the income flows straight through to the beneficiaries then that income will retain its tax character.

So, if the trustees have invested the funds for example in 8 per cent treasury bonds, this income will be tax free in the hands of the beneficiary.

Similarly, if the investment is in shares then the dividends will receive the same tax treatment in the hands of the beneficiary as though he or she had invested in the shares personally.

Potential

When we turn to inter-vivos trusts the position is not so simple for we now have three potential tax payers. The donor, if he is alive, may still be required to pay tax on the income of the trust or the trustees may have to pay or the beneficiaries.

The ultimate liability will be determined by a number of factores such as the funding of the trust e.g. were the assets donated, or did the donor provide the trustees with an interest free loan so that they could the[r] purchase assets; the othe[r] provisions of the trust dee[d] e.g. has the donor retaine[d] the right to revoke or vary the rights of the beneficia[ries] to receive the incom[e] or does the deed provid[e] that the beneficiaries wil[l] not receive the income unti[l] the happening of som[e] event.

We cannot therefore sa[y] that the tax implications o[f] an inter-vivos trust will a[l]ways be the same as th[e] factors which I have men[]tioned. They will vary i[n] each case.

For example, if the don[or] has made a donation o[f] R100 to the trustees an[d] then lends the trustee[s] R100 000 interest free an[d] the trustees use this to a[c]quire income producing a[s]sets, the Secretary ma[y] well decide that this is not[h]ing more than a scheme t[o] avoid tax.

If the Secretary the[n] succeds in applying th[e] anti-avoidance provisions o[f] Sec 103 he can attribute a[ll] the income generated b[y] the trust assets to the don[or] and force him to pay th[e] tax, even though the trus[t]

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	year.			
6. Post Office current account.	Yearly in arrear	5	R100 on demand every 4th day — larger amounts, 3 days' notice, or can apply to Bloemfontein.	Tax-free limit is R200 interest per person.
7. Bonus Bonds.	Int. rest paid on redemption.	5	Indefinite; will be redeemable after 1 year.	Available in various denominations ranging from R5 to R500; holders can win special cash prizes.
8. Endownment Insurance.	Interest & capital paid out at death or on maturity; no income paid out during first 10 years		10 years or more.	If withdrawn before 10 years, proceeds in excess of original investment will be taxed.
2. PARTIALLY TAXABLE INVESTMENTS				
1. Quoted preference shares	Normally ½-yearly in arrear	About 10,5	Can be sold on the stock market.	Capital value fluctuates; at least 1/3 of dividend portion is tax free.
2. Quoted ordinary shares.	Normally ½-yearly in arrear.	About 8,5	Can be sold on the stock market.	Capital value fluctuates; at least 1/3 of dividend portion is tax-free.
3. Building society fixed-period shares.	½-yearly in arrear	10	5 years	At least 1/3 of dividend is tax-free.
4. Building society indefinite period paid-up shares.	½-yearle in arrears	9,5	Indefinite period, after 15 months available at 3 months notice.	At least 1/3 of dividend is tax-free.
5. Unit trusts.	Can be paid quarterly.	Depends on fund; varies from about 5,5 to about 8,0.	Can be redeemed from management company at short notice.	Capital fluctuates; at least 1/3 of dividend portion is tax-free.
6. Annuities.	Normally monthly.	Depends on age and sex of investor.	Usually for life.	Part of income is tax-free; this depends on age and sex of investor; investor or his beneficiaries will receive no capital back.
3. FULLY TAXABLE INVESTMENTS				
1. RSA	½-yearly in arrear.	8,63-10,5	Varies	Can be sold via JSE; price will depend on interest pattern ruling.
Public corporation stock		About 10,93	Varies	As with RSA
Municipal stock		About 10,93	Varies	As with RSA.
Debentures		12,00	Varies	As with RSA.
2. Participation mortgage bonds.	Quarterly in advance.	10,5 minimum.	5 years	Only investment paying interest in advance.
3. Property lease-backs	½-yearly in arrears	About 10,5	5-25 years	Normally includes an escalation rent/interest factor; not available on a regular basis and lacks marketability.
4. Fixed deposits.	Varies	8-10	Varies from 31 days to 5 years.	Interest rate varies depending on period for which money in invested.
5. Defence bonds.	½-yearly in arrear	9,5 pa plus 3% premium on maturity.	5 years	Rates for estate duty abatement; can be redeemed after 1 year.
6. Special savings account.	Varies.	8	On demand.	Minimum amount normally specified and often restrictions on the number of withdrawals that can be made per month; maximum amount R25 000.
7. Orinary savings account.	Interest normally credited annually in arrear.	3,5-8	On demand.	Money is easily and usually immediately available.
4. OTHER				
Gold coins, paintings, etc.	Nil	Nil	Can be sold if buyer can be found.	Pays no interesst and capital value can fluctuate; normally tax-free, although it has been indicated that the profits on Krugerrand dealing will be taxekd.

the income accruing to the minor child is deemed to be that of the parent and consequently the parent is responsible for the tax liability and such income is treated for tax purposes as though it was the income of the parent.

Similarly where a parent enters into a reciprocal agreement with a friend whereby each agrees to make a donation to the children of the other, then any income arising from that source is deemed to be that of the parent.

To sum up it is only where a minor child receives income as a result of a donation made to him by his parent or by a friend of the parent acting in collusion with the parent, that the income of the minor is deemed to be that of the parent.

Responsible

In all other cases, the minor child is responsible for the tax. Naturally, the parent must render the return on behalf of the child but it is the child's return and not the parent's.

Unfortunately, the Income Tax Act does not define the word "minor" and so if you wish to know if your child is or is not a minor you must revert to statute and common law. In general, married persons of whatever age and persons over the age of 21 years are no longer minors.

Where a parent makes a donation to a major child, then there is no question of any further income tax liability for the parent on any income which arises from the investment of the donated money.

When considering the question of the tax laibility on trust income one can draw an immediate distinction between testamentary

It's equal tax for blacks soon

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Tribune Reporter

EQUAL tax for white and black will probably be introduced next year, according to the Secretary for Finance, Dr Joep de Loer. The move was forecast in Finance Minister Owen Horwood's budget speech.

"We are certainly working it," he told the Sunday Tribune this week. "We hope to have it ready for next year but whether or not we make it is another matter. We have been up to our ears with the general sales tax for the past few months."

The fact that Africans are taxed differently from

Professor Horwood . . . budget forecast

whites has long been resented as in many instances they pay more than whites in the same income bracket.

Taxes paid by whites, Indians and coloureds are governed by the Income Tax Act of 1962 but Africans fall under the Bantu Taxation Act of 1969 which makes them ineligible for abatements in respect of children, marriage, medical aid contributions, insurance premiums, old age or dependents.

Africans are taxed on their full income above R360 a year while the start line for other population groups varies according to their abatements.

Africans also pay a tribal levy and a homeland government tax.

Assuming that most African taxpayers earn between R1 500 and R3 000 a year, thousands of single people or married couples without children could find their tax up — but with one or more children their lot should improve.

GST is working well, says taxman

(320) RDM 31/7/78

Pretoria Bureau

THE public has taken the imposition of the General Sales Tax in its stride, according to the Secretary for Inland Revenue, Mr Mickey van der Walt.

He said this in Pretoria yesterday after discussions last week with accountants in Durban, Cape Town and Johannesburg.

There was a growing realisation that indirect taxation caused a great deal less pain than direct taxation and that, if the sales tax was an alternative — as it was — to higher income tax, then it should be welcomed.

Mr Van der Walt said the R1 000-million a year four percent tax had posed no serious problems since it was introduced almost four weeks ago.

One abuse, however, had surfaced.

Some traders were using their certificates to obtain goods for their personal use, free of tax.

The certificates, he emphasised, could only be used to buy stock, or, in the case of manufacturers, raw materials.

It had been found, too, that some wholesalers were urging their customers to use their certificates for irregular purchases, because it made their bookkeeping easier.

Officials to stamp out tax abuse

NM 31/7/78

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Mercury Correspondent

PRETORIA – The public has taken general sales tax in its stride, says the Secretary for Inland Revenue, Mr. Mickey van der Walt.

He said this in Pretoria on Saturday after discussions with accountants in Durban, Cape Town and Johannesburg.

There was a growing realisation that indirect taxation caused a great deal less pain than direct taxation and that if the sales tax was an alternative – as it was – to higher income tax, then it should be welcomed.

Mr. van der Walt said during the four weeks since the launching of the new R1 000 million a year 4 percent tax no serious problems – and certainly none that could not be quickly solved – had been encountered.

One abuse however, had surfaced.

Traders

Some traders were using their exemption certificates to obtain goods for their personal use.

The certificates could only be used to purchase stock; or, in the case of manufacturers, raw materials.

It had also been found that some wholesalers were urging their customers to use their certificates for irregular purchases, because it made their bookkeeping operations less complicated.

"I would like to warn these people – they are fortunately a minority – that they'll burn their fingers.

"We won't hesitate to impose the penalties provided in the Act to stamp out these practices."

Mr. van der Walt said it was difficult to explain this type of skulduggery – "after all it's a very small tax."

Mr. van der Walt said he had not yet received representations from the Tea Room, Restaurant Proprietors and Caterers Association that the tax should be levied on goods costing five cents and more.