320

TAXATION

1-1-80 - 31-12-80

DD 1/5/80 (320)

New black tax deduction tables in operation today

PRETORIA — The new tax deduction tables for blacks would become effective from today, a spokesman for the Department of Co-operation and Development announced.

He said the tables applied to all classes of employees and determined the amount of provisional tax payable by provisional taxpayers generally.

The promulgation of this notice last Friday follows the budget speech announcement by the Minister of Finance, Senator Owen Horwood, last month that further relief would be granted to blacks by increasing the threshhold of tax liability from R1 201 to R1 801, and reducing thereafter the tax rate by 20 per cent.

Senator Horwood said in his budget speech in Parliament last year that the measure was aimed at "achieving parity between the income tax payable by blacks and other taxpayers."

The new tables are obtainable from local tax receivers such as commissioners and magistrates. — SAPA.

Perks tax Bill due soon

320

RDM 3/5/80

By GERALD REILLY
Pretoria Bureau

LEGISLATION to provide for the introduction of fringe benefit taxation will be introduced in the Assembly before the end of the session.

The controversial tax will come into operation from the start of the 1981 financial year.

Main targets of the tax will be company cars, entertainment allowances and company subsidised loans on accommodation.

From Cape Town yesterday the Secretary for Inland Revenue, Mr Micky van der Walt, gave an assurance that the recommendation of the standing commission on taxation — that there sould be no discrimination between private and public sectors — would be reflected in the Bill.

The Afrikaans Handelsinstituut has strongly recommended to the Government that only the State President should escape the tax.

This in line with the view of economists that Cabinet Ministers who enjoy fat perks like free cars, two large houses at nominal rentals and others, should pay on the same basis as taxpayers in the private sector.

Mr Van der Walt said he was now drawing up legislation to amend the Income Tax Act, which would include the perks tax, for submission to the Minister of Finance, Senator Owen Horwood.

Meanwhile Assocom has demanded that if the fringe benefit tax is to be introduced next year, further tax concessions should be made to compensate for its effect on real incomes.

A danger was that unless this was done, real tax levels would rise to a level where work and productivity incentives would be lost.

Assocom wants the assumption of private mileage of company cars to be cut from the 10 000km proposed in the last draft bill to 6 000km.

Assocom has also suggested that the "unatributable" entertainment allowance should be raised to R5 000 a year or 10% of taxable income. The draft proposal is that it should be R1 200 or 4%.

No tax justice for wives — Lessing

3/70

RDM 7/5/80

PORT ELIZABETH. — The present tax system lacks justice for married women and discourages matrimony, the National Congress of the South African Business and Professional Women (BPW), said in Port Elizabeth yesterday.

"In these days of rapid and escalating inflation in South Africa, married women are not working for that extra holiday overseas or luxuries, but in order to supplement the family income and educate their children," said Mrs Maragaret Lessing, doyen fighter for women s rights.

This fact should be borne in mind by the Government, which is constantly refusing to grant income tax concessions for married women, she said.

Yesterday, the congress unanimously adopted a resolution that the Government institute a system of separate taxation for all individuals, regardless of status; recognise that married women were individual taxpayers; and that married couples be granted, individually, all the abatements and deductions they were entitled to claim.

Mrs Lessing said economists constantly advised the BPW to strive for more women on public and political bodies in order to fight for their rights.

Congress members emphasised that while the married working woman was given no official status as a taxpayer, she was expected to contribute more in PAYE than many married men, but did not share rebates. — Sapa.

Horwood defends teachers' pay increases

RDM 8/5/80.

(320)

THE SENATE — The pay rises for teachers and others in the public sector had to be viewed as a package deal containing interlocked components", the Minister of Finance, Senator Owen Horwood, said this week.

Much of the confusion and misunderstanding clouding the dispute had arisen because of emphasis on "isolated aspects", he said.

Introducing a motion on the Budget, Sen Horwood said the merits of relative salary adjustments would always be a debatable issue. Some salaried employees would feel they should receive more than other groups, and vice versa.

The new service bonus amounted to a full month's salary compared to the previous maximum of R260.

"Someone who previously received a bonus of R260 and now gets a bonus of R1 000 cannot claim that his remuneration has not increased considerably."

The tax deductions should not be seen as purely a windfall.

Higher salaries would have meant little if the increases were taxed away.

Because of the progressive tax system, increases would have catapulted salaried workers into higher tax brackets.

For instance, a married public servant with a wife and two children previously earned an annual salary and bonus totalling R9 188 before tax after his pension contributions had been deducted.

The same man now earned R11 031 in salary plus bonus, less deductions before tax. The increase was 20,06%.

If tax had not been reduced the worker's take-home pay would have increased by only 17,49%.

"But in terms of the new tax scales which come into operation from July, his remuneration after tax would increase by 21,65%.

"Because of tax relief his income after tax rises by an additional 4,22%."

● Sen Horwood also announced that the Government would postpone its phased programme to reduce tax-free subscription share investments in building societies. He had said in his Budget speech that the allowable maximum tax-free subscription share investment of R150 000 per person would be reduced to R50 000 per taxpayer. — Sapa.

TAX CUTS BALANCED BY HUGE SURPLUS

13/05/80 ARGUS

(320)

Financial Editor

THE Minister of Finance, Senator O P F Horwood, has announced tax cuts and other concessions for the current fiscal year costing about R1 500-million. This should not put too much strain on the Government's finances, as it is roughly equal to last year's tax surplus, a Treasury statement shows.

Preliminary figures show that South Africans paid R9 792,1-million in taxes in the year to March. This was R1 648,5-million more than they paid in the previous year and R1 375,5-million more than the Government had budgeted for.

The overall percentage increase in tax revenues was 20 percent, while collections exceeded the Budget by 16,3 percent.

South Africans also paid R411.3-million, mainly to the State Oil Fund and the National Road Fund. This was about R40-million less than the previous year, probably as a result of reduced petrol sales which led to lower proceeds from the levy on this product.

MAIN FACTOR

The main factor responsible for the increase in revenue was the jump in income tax collections.

Because of the tax concessions announced in the 1979 Budget, the Government was expecting a drop. But the jump in the gold price and the strong recovery in the economy since the middle of last year upset this forecast.

Altogether the Government collected R5 234,3-million in income tax. This was R910,9-million (21,1 percent) more than in the previous year.

SALES TAX

The second factor responsible for the jump in tax revenue was the general sales tax.

This produced R1 247,2-million in the year to March, against R654,5-million in the previous year when however, the taxman received only eight months' collections.

This increase in receipts from the general sales tax was in the main expected as they exceeded the Budget forecast by only R97,3-million.

Among other taxes which produced substantial surpluses were the non-resident shareholder's tax which brought in R161,5-million, more than R50-million more than in 1978-79, and transfer duty, which produced R89,4-million, up R52,9-million.

Miners join fight against perks tax

SUN TRIB (F) 18/5/80 By JACK BRICKHILL 320

THE private sector is attacking the perks tax proposals, due to be phased in next year, with renewed vigour.

In the front line now are the miners who realise that the tax on free or subsidised housing in particular is going to hit them hard.

The draft Bill amending the Income Tax Act proposes the taxation of housing benefits at 12,5 percent of taxable income.

Nearly all the 40 000 white mining personnel pay a nominal rent of perhaps R15 a month for their homes and in a recent exercise on the subject a qualified mining man earning R19 000 also enjoyed R1 600 a year in housing and other benefits.

Each case varies but it appears people in this category eventually will pay more than R500 additional tax a year.

The proposal by the Department of Inland Revenue is to phase this tax in over five years with one fifth being assessed in the first year, two fifths in the second year and so on.

Nevertheless, the mining companies are alarmed at the implications of the tax which will lead to widescale demands for higher wages and is also hampering the recruitment drives. Indeed, the scarcity of skilled staff is threatening the expansion of the industry and the perks, particularly housing, are considered necessary to attract personnel to the mining areas.

The industry already has a shortage of 1 040 skilled workers. Julian Ogilvie Thompson of Anglo American says in the annual report that the cost to the economy of retarding expansion because of inadequate skilled manpower is enormous and there is a danger that the economy will be restricted.

The Chamber of Mines declined to comment on the representations being made to the Government.

Bank, insurance employees and many other industrial and commercial workers as well as civil servants will be hit by the housing perks tax but their cases do not appear to be as strong as the one for the miners.

19/05/80 AKY45

320

Administrator may increase car licences

Provincial Reporter

A TOUGH Cape budget, possibly including motor licence and other fee increases, is expected when the Administrator, Mr Gene Louw, presents his 1980-81 budget in the Cape Provincial Council on Wednesday.

The Provincial Council meets in Cape Town from 2.30 pm tomorrow. There will be no opening address by the Administrator, since this will be a continuation of the session which started in February, instead of the start of a new session.

Important business tomorrow will include the formal notice of a motion of no confidence in the Government by the Leader of the Opposition, Mr Herbert Hirsch.

This motion will be debated in the council on Thursday and Friday.

DIFFERENCES

Debate on this motion usually defines the policy differences between the various political parties in the council, with the substantial National Party majority in a position to reject any opposition motions in a final vote.

Principal Nationalist speaker in the debate is the party's leader in the council and senior MEC, Mr F A Loots.

Main interest will focus on the budget, which will be presented by the Administrator in the council from 2.30 pm on Wednesday.

INCREASES

With the Transvaal having introduced taxation increases in its recent budget, it seems likely that the Cape, in a less satisfactory financial situation, may be faced with similar demands on the pockets of taxpayers.

The Province can increase betting taxation, motor licence fees, fishing and hunting licence fees, school hostel and hospital fees — taxation which now produces about 15 percent of the Cape's revenue. The remainder comes through grants and subsidies from the Treasury.

ADJOURNMENT

After Mr Louw has introduced his budget for 1980—81, the Opposition spokesman on financial affairs, Mr Ken Andrew (PFP, Pinelands) will move the adjournment of the debate until next week.

The budget debate, with ... very

two NP newspaper

Previous battles between

21/05/80 ARGUS

LOUW: NO RISE IN TAX

(320)

Provincial Reporter

MR GENE LOUW, Administrator of the Cape, said in the Cape Provincial Council today he would impose no additional tax burden on the man in the street, who was 'already bowed under the burden of rising prices'.

Introducing his first Cape budget, for 1980-81, Mr Louw said he found himself between two fires — having insufficient funds for provincial services, or having to increase taxes.

He had decided against taxing the overburdened man in the street, battling against price rises, and especially the householder who had to meet rising municipal rates and increased service costs.

'Any increased tax, such as that on motor licences, would make John Public's financial position even worse, and I would hesitate to take such a step,' Mr Louw said.

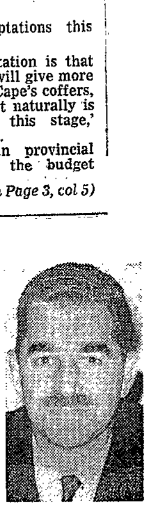
Mr Louw's budget speech disclosed that in

lead to adaptations this year.

'The expectation is that this revision will give more funds to the Cape's coffers, but the extent naturally is unknown at this stage,' Mr Louw said.

The cut in provincial subsidy and the budget

(Continued on Page 3, col 5)



Mr Gene Louw

P.T.O

21/05/80 ARGUS

(Continued from Page 1)

Louw

deficit is expected to be heavily attacked by all three opposition parties — the Progressive Federal Party, South African Party and New Republic Party — in the budget debate next week.

Only yesterday in the council all three opposition parties deplored the slow economic tempo in the Cape as compared with the rest of South Africa, in supporting a motion calling on the Government to lift measures which restricted the Cape's growth. The opposition call was rejected by the Nationalist majority in a division.

In an interview last week the chief Opposition spokesman on finance, Mr Ken Andrew (PFP Pinelands) said the Cape had not received its fair share of the State revenue in the past, and said to budget for a deficit would be wrong.

'If you cannot balance the budget in a year when the State has more money at its disposal than ever before, when are you going to catch up?' he asked.

21/05/80

320

spite of its highest revenue ever, the Treasury has cut provincial subsidies for 1980-81 by four percent, leaving the Cape Province with an estimated budget deficit of R22 285 000 — the largest in the province's history.

Subsidy

Instead of receiving a Treasury subsidy totalling R720 510 000, based on the normal subsidy formula, the Cape will receive R695 606 000, which is a cut of R24 904 000.

With anticipated expenditure on hospitals, schools, roads and other provincial services of R908 753 000 in 1980—81, the province expects revenue totalling R886 468 000 including the Treasury subsidy, leaving a budget deficit of R22 285 000.

'Although the national budget was seen as a 'golden budget' by the private sector, its message to the public sector is to tighten the belt even more,' Mr Louw told the Provincial Council.

He appealed to members of the Provincial Council to make no demands on the Administrator and Executive Committee for new or expanded services unless these were 'indispensible'.

Mr Louw said the Government was considering a new subsidy formula, and this could

FRINGE BENEFITS FM 23/5/80 (320)

Round three

Receiver Van der Walt . . . back to the drawing board?

Assocom's executive director Raymond Parsons has revealed a further development in the running battle between the tax authorities and the private sector over the fringe benefits issue. Speaking after the conclusion of the mid-year Assocom Executive Council meeting, he indicated that a further draft bill for the taxation of fringe benefits was being prepared for circulation within about two to three weeks.

This development suggests strongly that at least some of the private sector criticisms of the detailed provisions of the last draft have struck home and caused Commissioner for Inland Revenue Mickey van der Walt to re-evaluate some of his positions.

Parsons said if the further draft was still unsatisfactory in its details, Assocom would urge that the amending bill — presumably to be introduced in parliament in June — should be referred to a Select Committee after the Second Reading. In terms of parliamentary procedure, this proposal implies acceptance of the principal of a bill, coupled with a belief that its detailed provisions could still be improved.

Parsons emphasised that the income tax cuts implemented in the 1980 budget did not represent a *quid pro quo* for the imposition of taxes on fringe benefits, as the latter were now not to be implemented until March 1 1981. Consequently, it was Assocom's view that there should be a further income tax cut in the 1981 budget, especially as the Treasury had already acknowledged that the fringe benefit tax was not intended as a revenue-raising measure, but rather as a means to eliminate what it regarded as certain inequities

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FARM TAX

Is it fair?

Although several economic studies have demonstrated that big farms are less efficient than medium-sized ones, SA's tax policies still encourage the former to continue growing, and to expand beyond their managerial capabilities. Meanwhile, in bidding against each other for a limited supply of land, they combine to shut newcomers out of the industry altogether, and raise farm prices beyond the reach of their neighbours who have yet to exhaust the economies of scale.

Contrary to popular belief, farmers do pay taxes. Although it is true that they have been allowed wide loopholes, they still have to content themselves with a humble annual income or go through the most amazing gyrations if they want to clamber through the net unscathed.

But therein lies a difference between town and country. For one reason or another the proverbial "disincentive to industry" seems to come into operation earlier and manifest itself more acutely in the farm business. So a lot of farmers do go through these gyrations or learn to take things easy. Whereas an industrialist will yield a third or even half of his income in taxes without being deflected from his industry, the farmer tends to opt out or take off in a new direction instead. He can either sit back and take things easy or expand his way out of the Receiver's reach.

Consider first the ease of sitting back. With house, milk, meat, vegetables, motor cars and domestic servants thrown in with the job, the typical family farmer has no need for heavy cash drawings. The rustic doesn't have to commute expensively to work or display himself in natty clothes when he gets there.

Look next, and more critically, at the alternative of expansion. For every squire content to rest upon his economic laurels, South Africa can probably boast two or three who want their family fortunes to grow as fast as their fertilised crops and best fed animals.

Most of the tax concessions and loopholes which are purposely left open for farmers, are meant to encourage this latter group to expand by stabilising their incomes and helping them to recycle profits back into their farms.

By pretending that he thinks they are worth only R40 instead of R290, the Receiver allows the stock farmer to hide R250 every time he adds another cow to his breeding herd.

By averting his eyes when a farmer fails to attach any value to growing crops, consumable stores and, inventories of raw materials, the Receiver aids and abets the bloke who plants more crops each year, the one who establishes new orchards or forest plantations, the one who builds up a fodder bank and the one who buys his fertiliser a year in advance.

Avoiding disclosure

By allowing a farmer to write off the total cost of new machinery in the year of purchase, he is most generous to the big crop farmer who wants to replace hand labour and accelerate into the 21st Century. By treating capital expenditure on fixed improvements as though it was a running cost, he eggs on the livestock farmer who wants to emulate Rainbow Chickens.

But each of these concessions is of only temporary value in sheltering the farmer who doesn't continue to expand. One can't accumulate fodder banks and stocks of fertiliser indefinitely. There is a limit to the number of animals that can be held on one farm. Nobody wants to replace all his equipment two years running. So the tax avoider soon reaches a stage where he must purchase more land to avoid disclosing the procrastinated profits that lie hidden beneath the paper work.

Already overcapitalised in stock, stores and machinery, he has little difficulty in finding the wherewithal to stock and operate a second farm. His existing one provides ideal collateral. And the agreeable Receiver, who would pounce on any income paid in partial compensation for the declining value of a positive bank balance, is ever eager to allow outflowing interest as a deductible expense.

Thus the prudent and successful farmer is encouraged to borrow depreciating money to acquire more appreciating land. And since high output farming is a management intensive business, he generally becomes a less efficient farmer to boot.

The fact that 47 000 independent farms have been absorbed into larger units in the last 30 years is not entirely due to the errors and omissions of successive Ministers of Finance. But tax policies and inflation deserve a large share of the blame. It is almost entirely due to these that the land in question has gravitated into the hands of a few thousand big and ageing landholders when, for the benefit and security of the country as a whole, it would have been better if more of it had been occupied by smaller fry.

Unfortunately these are not problems that can be solved by changes in the provisions for income tax alone. A higher rate of income tax or a closing of loopholes would destroy incentive and deflect a lot of farmers from labour intensive enterprises which are only just worth the candle at the moment. Lower taxes, in an inflationary world, would put more funds into the acquisitive hands of the largest landholders.

It is for this reason that some of our agricultural economists have been taking a fresh look as property taxes. A land or site value, tax, levied on the rental value of agricultural property, would seem to offer several advantages if it could be substituted for, or partially replace, income tax for farmers. By hitting every landowner, it would stop the idle from resting on their laurels and tying up a good deal of our agricultural potential in the process. It would ensure that only the genuinely efficient could continue to expand. It would shake unproductive land out of the hands of the idle rich into those of the industrious poor and encourage the former to lease productive land to the latter to recoup the taxes through rent. It would help to keep property prices within reach of the young agricultural graduates who ought to be populating the platteland. It would help alleviate rural unemployment by dissuading farmers from buying expensive new machinery that they really don't need. What's more, it would be easier to collect and impossible to avoid.

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Salary threat as perks tax looms

RDM 23/5/80

Pretoria Bureau

THOUSANDS of employers, including the Government, will have to reassess the earnings of their employees before the possible introduction of fringe benefit taxation next year.

Stripped off their perks, the real incomes of large numbers of management and middle management personnel could be reduced by up to 33%.

The Minister of Finance, Senator Owen Horwood, has stressed that the application of the tax will be on a strictly non-discriminatory basis. He said the public and private sectors would be treated in precisely the same way.

The loss of valuable fringe benefits like cheap housing loans and, at the higher levels, the use of Government cars as well, will also call for an adjustment if Sen Horwood's undertaking is kept.

The president of the Public Servants Association, Dr Colin Campbell, said his association had made representations to the Public Service Commission asking if compensation would be paid to public servants if their fringe benefits were taxed.

Dr Campbell was hopeful that perks like subsidised interest rates on housing loans would be regarded as "reasonable benefits" and be exempted from the tax.

Meanwhile, the Commissioner for Inland Revenue, Mr Micky van der Walt, said amendments to the Income Tax Act, including provision for taxing perks, would come before Parliament before the end of the current session.

He said the amendment would provide the machinery for evaluating fringe benefits and it was essential that employers should be aware of the machinery before the start of the 1981 tax year.

Main targets for the tax will be company cars, subsidised housing and other loans, and lavish entertainment expenses.

The Association of Chambers of Commerce has asked the Government to make further tax concessions to compensate for the inroads the perks tax will make into real incomes.

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Horwood unveils new share proposals

27/5/80

THE ASSEMBLY. — The Minister of Finance, Senator Owen Horwood, yesterday announced new legislative proposals for building society subscription shares.

Speaking in committee on the Finance Vote, he said details of the proposals would be contained in the Income Tax Bill, soon to be introduced in Parliament.

He said he would outline some details to enable investors in subscription shares to understand the implications clearly and to have another look at their subscription share investments.

For many years dividends on subscription shares had been totally tax-free. This had been an incentive for the middle-income group to save regularly and to build up capital.

In 1971 the Building Societies Act had been amended to restrict the total any person could contribute during a period of 36 months to R150 000.

Then, so called "snowball schemes" had developed, in which a single amount could be invested and re-invested in subscription shares.

This had created an untenable position as a married couple was able to make a tax-free investment of R300 000 through subscription shares while other tax-free investments could only provide for an investment of R94 714.

Sen Horwood proposed the following phasing out programme:

- 1981: No change.
- 1982: Dividends on a maximum investment of R100 000 per person will be exempted. Any dividends on an investment over R100 000 per person will be exempted, as in the case of other dividends, partially, and not more than two thirds of such dividends will be taxable.
- 1983. As for 1982 but dividends will be exempted on an amount of R50 000 per person.
- 1984: Dividends on an investment of R50 000 per taxpayer (husband and wife together) will be exempted. Any dividend on the remainder of the investment over R50 000 will be partially taxable. — Sapa.

Use sales tax to relieve rates burden — FRIEDLANDER

Argus 28/5/80

(320)

PART of the revenue from sales tax should be made available to meet the needs of local government, Mr R M Friedlander said in his presidential address to the Cape Town Chamber of Commerce.

He said latest statistics indicated that retail sales in May were expected to reach R1 200-million for the first time. This meant that general sales tax could amount to almost R50-million this month and exceed R500-million for the year.

'Local government operates from an extremely narrow tax base and still suffers from the failure by the central Government to meet the legitimate demands for additional sources of revenue.

'It is clear that local government cannot much longer continue to serve the needs and provide the services demanded on existing revenue sources.'

HOMEOWNER

A plea was often made for commerce and industry to bear a greater proportion of the rates burden than the homeowner.

'This is valid to a certain extent as commerce and industry can pass the additional burden on to the consumer and obtain tax relief by including rates as a business expense and, thereby, tax deductible.

'This relief is not available to the homeowner.

'But this will only be a palliative and is unlikely to provide a long-term solution.

'The time has perhaps arrived for the amalgamation of various authorities and the consequent reduction in certain of the overheads which have to be borne by the local community.'

The issuing of separate permits for specific categories of goods in place of one permit for the importation of general merchandise would create unnecessary difficulties for importers.

NEW president of the Cape Town Chamber of Commerce, Mr Arthur Swartz (right), of Beckman Instruments, is welcomed to office by his predecessor, Mr R M Friedlander.

-SOURCE-SYL.
-TARGET-SYL.
NT-SYL-POS.

URCE-SYL

RGET-SYL

-SYL-POSITION

FM 30/5

SUBSCRIPTION SHARES

Not so bad

320

Treasury's 36-month phased crackdown on tax-free building society subscription shares will be a good deal tougher than Finance Minister Horwood's terse Budget statement suggested.

Discussing the Finance vote in Parliament this week, Horwood reminded holders of such shares that the tax-free limit is to be rolled down from R150 000 per *person* to R50 000 per tax-payer which, for some well-heeled family units, could mean a wind-down from R300 000 to R50 000.

But the phased switch should not be too painful. In the 1981 tax-year there will be no change; in the following year the ceiling comes down to R100 000 per person, but dividends on investments in excess of this sum will be 33% tax-free.

In the 1983 tax-year, the limit comes down to R50 000 per *person* and, as in 1982, not more than two-thirds of dividends earned on sums in excess of R50 000 will be taxed. In the 1984 year the ceiling drops to R50 000 per *tax-payer* and dividends on the excess will be 33% tax-free.

The effect of the change, soon to be published in the Income Tax Bill, should be something like the following example: a husband and wife combination locked into a society scheme with R150 000 per person at 7% tax-free, and assuming no tax rate changes:

1981 year: no change — tax-free income R21 000.

1982: 7% tax-free on R100 000 each — R14 000 for the family unit. Tax payable on two-thirds of the R7 000 dividend earned on the excess R100 000 will be, say 50% on R4 667 = R2 333.50 an effective tax rate of 11,1% on the R21 000 gross income of the family unit. Net income: R18 667

1983: 7% tax-free on R100 000 (R50 000 each) = R7 000. Tax payable on 66% of dividends received on the R200 000 "excess" at 7% = 2/3rds of R14 000 = R9 333. Tax at 50% = R4 667 or 22.2% on total income. Net income: R16 333.

1984: 7% tax-free on R50 000 (jointly) = R3 500. Tax payable on 2/3 of 7% on R250 000 "excess" = 2/3 of R17 500 = R11 667. Therefore tax at 50% = R5 883 or 27,7% of total investment income. Net income: R15 117.

In view of these examples, says Horwood, there should be no great rush to get out of this type of investment. He said the reason for diluting the sugar in subscription shares was that Joep de Loor's Standing Commission on Taxation had concluded that its attractions far outweighed those of other types of tax-free investments, the sum total of which added up to a mere R94 714 for a husband and wife combination, compared with a "massive"

320

RDM 31/5/80

Tax cuts: spending surge ahead

By GERALD REILLY
Pretoria Bureau

BUSINESS leaders expect a powerful new surge of consumer spending following the introduction of the reduced PAYE tax scales from July.

The new scales reflect the R909-million in income tax concessions announced in this year's Budget. And, when the loan levy concession is taken into account, the real benefit to taxpayers will amount to a huge R1 560-million.

The new PAYE tables reflect, at some income levels, a more than 50% reduction compared with last year.

For example, a married man with two children who earns R601 a month will now have R7,71 deducted from his pay — compared with R38,78 last year.

Other examples in the same category are: At an income level of R801, monthly PAYE deduction will be R33,54, compared with R70,89 last year; at R1201, R109,88, compared with R172,88; at R1501, R184,87, compared with R284,97 and at R2001, R321,58, compared with R529,51.

The new tables take into account the fact that PAYE deductions have been paid on the old, higher scale for the first three months of the new financial year.

Other factors strengthening consumer spending from July are the R480-million in pay increases granted to more than 800 000 public sector workers and the higher wages and salaries negotiated by trade unions for tens of thousands of private sector workers.

However, economists warned that increased consumer demand would cause unavoidable inflationary pressures.

The Progressive Federal Party's financial spokesman, Mr Harry Schwarz, MP, said at least some of the effects of the expected spending spree had already been discounted:

- Consumers had already spent more in anticipation of tax relief and increased earnings;
- The continued high inflation rate would reduce the effective purchasing power of the concessions, and
- Some of the extra funds would be used for liquidating accumulated debts.

Mr Schwarz warned that a shortage of certain commodities was already developing as factories took up the production slack of the years of recession. He said this could lead to a dangerous inflationary period.

The resultant increase in demand for imported goods would also aggravate inflation — because the high inflation rate in most of the countries involved would be built into the prices.

Mr Schwarz added that there was no indication of a decline in the inflation rate — all signals pointed upwards.

The Johannesburg Chamber of Commerce's chief economist, Mr E W Verburg, agreed that the volume of spending had already increased because of the expectation of the concessions.

But he expected an upsurge in consumer spending after July.

Mr Verburg said another factor contributing to the predicted spending surge was the 20% reduction in income tax for hundreds of thousands of blacks, which also comes into effect from July.

The Afrikaanse Handelsinstituut's economist, Dr P J D Viljoen, said many factories had already reached their maximum production levels and shortages of certain goods were beginning to appear.

He said this would aggravate the already high inflation rate. Like other leading economists, Dr Viljoen expects the average inflation rate for 1980 to be at least 15%.

The head of Pick 'n Pay, Mr Raymond Ackerman, said his organisation expected a big upsurge in consumer spending and plans had been made to meet the demand.

"We have geared ourselves to meet the new level of demand. Not only will it stimulate the retail trade, but the consequent, predictably quicker pace in industry will also help relieve the still very serious unemployment problem," he said.

	RAW MEAN	CORRECTED MEAN
*	44.00	44.00
*	72.00	72.00
*	40.00	40.00
*	64.00	64.00
*	44.00	44.00
*	96.00	96.00
*	64.00	64.00
*	56.00	56.00
*	64.00	64.00
*	96.00	96.00
*	40.00	40.00
*	.00	.00
*	.00	.00
*	88.00	88.00
*	32.00	32.00
*	.00	.00
*	32.00	32.00
*	16.00	16.00
*	32.00	32.00
*	80.00	80.00
*	56.00	56.00
*	76.00	76.00
*	44.00	44.00
*	.00	.00
*	16.00	16.00
*	64.00	64.00
*	56.00	56.00
*	56.00	56.00
*	72.00	72.00
*	80.00	80.00
*	40.00	40.00
*	76.00	76.00
*	64.00	64.00
*	28.00	28.00
*	76.00	76.00
*	52.00	52.00
*	.00	.00
*	60.00	60.00
*	.00	.00
*	56.00	54.00

New tax tables show big savings

Cape Times 5/6/80

(320)

By GORDON KLING

INFLATION-WEARY South Africans are now only weeks away from huge tax savings, which will provide the biggest collective boost to take-home pay in the history of the Republic.

This is evident from the new PAYE tables, which come into effect from the beginning of next month and which will bring the practical effects of the 1980 bonanza budget home with a bang.

Thousands of lower paid workers will find they now pay no tax at all and benefits for others are tantamount to a massive national windfall.

20 percent cut

The July concessions also include the 20 percent reduction in black taxes announced by the Minister of Finance, Senator Owen Horwood, in his March Budget.

A married person with two children earning R700 a month can expect his tax burden to plummet by about 60 percent or R32, while a married taxpayer with no children earning R1 000 a month will find his previous PAYE deductions virtually halved at about R55 a month. If you're single and earning R400 a month, count on extra pay of about R17.

A weekly paid worker earning R51 a week will find no tax deducted in terms of the new tables. A single person on this pay level previously paid R3,68 while a married man with no children paid R1,62. Taxpayers earning R91 a week will find deductions, excluding pensions, reduced by R6,92 to R2,13.

Refunds

In addition to the PAYE savings, taxpayers can also look forward to refunds from the Receiver of Revenue on their returns for the past financial year, because concessions announced in the 1979 budget were not reflected for the first four months. A married person with no children who earned R8 000 last year, can anticipate a refund of about R60 from this effective over-charging.

However, a spokesman for the Department of Inland Revenue told the Cape Times in an interview from Pretoria yesterday that the new PAYE tables do reflect a credit for the effective over-recovery in the first part of the current financial year.

New tables

This means new tables, with slightly higher deductions from pay cheques, will be necessary next year unless taxes are again reduced.

Economists believe the cuts, which will pump about R1,56-billion into the already buoyant economy, will further stimulate consumer spending. This in turn should cause industry to invest in greater production capacity with all the job-creating growth implications this entails. It is also likely that the spending surge will fuel inflation, now running at more than 13,4 percent a year.

Table, page 2

(320)

PAYE: What you will save

C.T. 5/6/80

Monthly Salary	Single Person	MARRIED (not over 60) No children	One child	Two children
R301	12,96 (13,22)	4,29 (10,56)	—— (9,40)	—— (5,45)
R401	20,58 (19,55)	11,30 (13,74)	1,60 (18,16)	—— (14,85)
R501	26,97 (30,04)	17,34 (20,26)	7,99 (23,53)	—— (25,98)
R601	35,97 (41,23)	26,04 (25,71)	16,92 (28,24)	7,71 (31,07)
R701	47,74 (52,64)	36,67 (32,45)	28,28 (32,63)	19,65 (33,59)
R801	62,04 (64,75)	49,31 (40,32)	41,69 (37,95)	33,54 (37,35)
R901	78,74 (78,25)	63,95 (49,10)	56,82 (45,23)	49,48 (42,04)
R1 001	97,49 (94,21)	80,55 (59,38)	74,08 (53,37)	67,47 (47,81)
R1 101	118,76 (112,31)	99,48 (70,53)	93,81 (61,93)	87,66 (54,92)
R1 201	141,70 (133,92)	120,45 (82,62)	115,31 (72,34)	109,88 (62,98)
R1 301	167,77 (154,54)	143,20 (96,50)	138,81 (83,81)	134,15 (71,97)
R1 401	197,14 (173,67)	167,22 (113,82)	163,93 (97,57)	160,02 (83,31)
R1 501	227,12 (193,28)	191,18 (133,46)	188,02 (116,79)	184,87 (100,10)
R2 001	395,20 (309,57)	330,91 (231,57)	322,52 (231,74)	321,58 (207,93)

X

The above table, applicable to taxpayers under the age of 60, reflects the new PAYE deductions, in rands and cents, which come into affect on July 1. The first set of figures in each column is the new monthly PAYE deduction applicable to the taxpayer. The figures in brackets are the savings over the previous tables. It should be noted, however, that any pension payments are usually deducted from remuneration before tax deductions are calculated. A person who earns R 960 a month, for example, should consider the amount on which PAYE deductions are based to be about R 900. A single taxpayer earning R 960 a month will accordingly find his monthly saving to be about R78 as shown above.

C.T.

5/6/80

Tax bonanza (320) comes in July

The R455-million income tax bonanza promised by the Minister of Finance, Senator Horwood, in his March Budget speech, will show on July salary cheques with cuts of up to 100 percent in some cases.

The new Paye scales have been sent to employers, according to a spokesman for the Department of Inland Revenue.

In all cases the man in the street is paying less than he has been used to. In some instances he will be paying no tax at all.

Married men earning R500 a month with two or three children who have been paying R25,35 and R19,29 respectively now owe the Receiver nothing.

A married man with three children and earning R600 a month has been forking out R31,02 a month to the tax man but will be paying nothing from next month on.

The same is the case for a single parent with three children earning R500 a month who has been taxed R32,28 to date.

KIND

The taxman has generally been as kind to the single parent as he has to the married one.

For instance the married man earning R800 a month with one child has been paying R78,68 but will now pay 48 percent less, or R40,96 a month.

The single parent earning the same amount who has one child has been taxed R113,17 and will now pay 54 percent less, or R52,26 monthly.

Even in the highest bracket for which scales were available for this year and last reductions have been considerable.

The married man bringing in R2 000 a month who has three children has been taxed R497,95 a month but now will be taxed 35,5 percent less or R321 each month.

His single counterpart had been paying R651,22 every month and now will be paying 43 percent less or R372,62.

A spokesman for the department's research unit said that the excess tax charged during the four months since the Minister's announcement will be repaid in stages throughout the year.

GAP

The Government appears to be attempting to close the taxation gap between different classes of workers, whether they be black, white or receivers of fringe benefits.

Blacks pay a general tax, the same amount levied on each, irrespective of whether they are married, and taking no account of the number of children they have. Their new tax tables came into operation on May 1 this year.

But white, coloured and Indian workers pay Paye and have a sliding taxation scale depending upon their marital status and how many dependants they have.

A black person earning R300 a month would pay R4,48 in tax, whereas a white person, unmarried, would pay R11,96. But if the white person were married with no children, and under the age of 60 he would only pay R4,29.

A black earning R501 a month would pay R21,08, an unmarried white R26,97 and a married white R17,34.

If the black earned R601 he would pay R35,97 compared with an unmarried white at R35,97 and a married white at R26,04.

Monthly Salary	Single		Married		Married 1 child		Single Parent 1 child		Married 2 children		Single Parent 2 children		Married 3 children		Single Parent 3 children	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
500	56,04	26,62	36,91	16,98	30,85	7,63	48,17	15,66	25,35	—	40,61	4,56	19,29	—	32,28	—
600	76,13	35,46	51,00	25,50	44,42	16,38	66,56	25,27	38,09	7,15	57,81	14,71	31,02	—	48,41	4,44
700	99,20	47,01	68,16	36,09	60,06	27,65	88,20	37,46	52,39	19,02	78,10	27,51	44,62	10,43	66,83	18,08
800	125,31	61,30	88,48	48,63	78,68	40,96	113,17	52,26	69,93	32,82	101,37	42,08	60,29	25,07	88,53	34,35
900	155,34	77,82	111,87	63,18	100,87	56,05	141,21	69,68	90,45	48,66	127,96	61,14	79,03	41,71	113,54	53,13
1 000	189,88	96,53	138,52	79,64	126,07	73,16	173,38	89,45	114,03	66,50	158,29	81,75	101,20	60,19	141,61	74,75
1 200	273,31	140,49	201,36	119,33	185,95	114,19	252,61	135,30	171,26	108,71	232,86	129,69	154,74	104,06	211,33	124,88
1 400	368,31	195,61	278,89	166,01	259,51	162,65	350,87	188,96	241,35	158,74	326,82	185,28	221,38	155,64	299,90	182,90
1 600	470,58	257,43	368,99	215,30	347,57	212,86	462,51	246,56	326,43	210,29	436,10	243,95	303,26	208,63	406,20	242,91
1 800	581,92	323,27	462,13	270,00	445,04	265,61	581,92	308,77	421,95	263,91	556,05	305,91	395,46	263,75	522,72	306,41
2 000	701,77	393,37	559,90	329,38	551,53	321,06	701,77	378,87	426,78	320,11	686,47	371,26	497,95	321,00	651,22	372,62
2 200		472,20		392,44		380,36	Not Available	457,70		379,92		444,62		381,67		446,02
2 400	—	558,83		458,89		446,81		558,83		441,90		558,83		445,10		570,70

Tax shock for private company shareholders

320 C.T. 6/6/80

By PAUL DOLD, Financial Editor

Loans or advances by private companies to their shareholders will be taxed as dividends if a new tax proposal becomes law.

The proposals are contained in paper entitled "Additional Taxation proposal" which has been tabled in Parliament.

The measures, if they are approved, will effectively close a loophole in the tax regulations which have allowed shareholders in private companies to obtain loans and advances tax free. These loans and advances will in terms of the proposals be classed as dividends and taxed as such.

Tax expert Professor Aubrey Silke said last night that the proposals mean that any advance or loan made on or after May 28 by a private company to any of its shareholders (not necessarily to all of its shareholders but to any one of them) must be deemed to be a dividend received by that shareholder and subjected to normal tax on the same basis and to the same extent as any other dividend provided that the amount of such loan or advance is covered by the available distributable profits or reserves of the company.

"This is a very far-reaching proposal that could affect every shareholder of a private company that obtains an advance or loan from such a company. Its exact scope will depend upon any conditions, exceptions and exemptions that may be included in the new legislation and one will have to await the publication of the 1980 Income Tax Bill to be shortly introduced in Parliament.

"In the meantime shareholders of private companies must exercise extreme caution and not borrow monies from their companies until the new legislation has been passed, since it is intended to apply to any advance or loan made on or after May 28, 1980.

"The object of this proposal is to close the present gap in the income tax law whereby shareholders in a private company can obtain the benefit of the profits of the company by taking an advance or loan which is not taxable as such instead of drawing a dividend which is subject to tax and ultimately when the company ceases to trade, the shareholders might dispose of their companies including their distributable profits and reserves and the shareholders' debit loan accounts without creating any tax liability"

Professor Silke said that the Appellate Division has ruled that such a disposal which rids the shareholders of their debit loan accounts is not a breach of the anti-tax avoidance section in the income tax law (S103) where the sale of the shares and the disposal of the debit loan is effected under an arms-length transaction with an independent financial institution which charged a fee to the selling shareholder based on the value of the companies distributable profits and reserves.

"It is a matter for regret that such a far-reaching proposal has been introduced at the tail end of the Parliamentary session. The whole question of the taxation of private companies and their shareholders and the tax repercussions flowing from the drawing out of profits by way of loans to the shareholders in lieu of dividends, as well as the problems created for innocent heirs upon the death of the controlling shareholder, arising from the accumulation of distributable profits or reserves in the company and represented by debit loans due by the shareholders, ought to be examined with the utmost care by the Standing Commission on Taxation."

The full text of the proposal reads:

ADDITIONAL TAXATION PROPOSAL

Income Tax (Normal Tax)

THAT, subject to the provisions of the Income Tax Act, 1962 (Act No. 58 of 1962), and of an Act to be passed during the present session of Parliament amending that Act and subject to such definitions, conditions, exceptions and exemptions as may be provided in the said Acts, where on or after 28 May 1980 any amount is paid or any asset is distributed by a private company to any shareholder of such company by way of any advance or loan or any payment is made by such company on behalf of such shareholder, so much of the amount or value of such advance, loan or payment as is equivalent to an amount which could properly have been paid or distributed by way of a dividend out of the available distributable profits or reserves of such company at the relevant time shall for normal tax purposes be deemed to be a dividend received by the shareholder.

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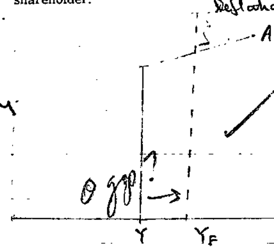

(320)

'Perks tax will increase inflation'

RDM 6/6/80

Pretoria Bureau

ECONOMISTS fear that the imposition of fringe benefit tax next year will increase inflation.

Most agree that inflation is likely to reach 15% at the end of the year. The influence of fringe benefit tax could send the inflation rate above this level in the second half of next year.

The financial proposals for the tax and how perks like company cars, entertainment allowances, subsidised company loans and others are to be evaluated, have been included in the Income Tax Amendment Bill which is expected to be tabled in the Assembly next week.

Commerce and industry have agreed in principle that all income should be taxed, but there is serious opposition on the evaluation of certain benefits.

It is estimated that up to a third of the income of top and middle management personnel is made up of fringe benefits.

The PFP's spokesman on Finance, Mr Harry Schwarz, said that if the effect of the tax was to deprive company employees of real income, they would have to be compensated by higher salaries.

He said this would be inflationary and care should be taken to ensure that the effect of the perks tax would not destroy incentive and initiative.

SUN TIM 8/6/80

B.T.

Thumbs down for perks tax

320

By STEPHEN ORPEN

SOME 200 national and multi-national companies have given the thumbs down to the proposed fringe benefits tax, according to a survey carried out by manpower consultants, Personnel and Executive Placements (PEP).

The survey shows "tremendous confusion" about the likely effects of the tax.

Some companies have already increased their benefits packages by up to 25% while others report they are determined to do "anything" to keep their valuable key men in the battle for manpower that they think will start as a result of the new tax.

Would-be employees are already bargaining on the basis of the expected tax.

"Employees want undertakings that their fringe benefit packages will be adjusted to offset the effects of the tax, even though at this stage there is no clear indication of its form, or even that it will be introduced," says Paul Langerman, executive director of PEP.

Although most companies plan to offset the effects of the tax, there is a general feeling living standards of senior men will drop.

Main reason is an anticipated hike in inflation as a result of the perks tax — a result of translating higher manpower costs into price increases.

Some respondents to the PEP survey have sent teams overseas to study ways around fringe benefit taxes.

"The impact of the tax will vary according to the number of senior people employed," says Langerman. "However, what comes through strongly is that not one survey respondent gave even a qualified nod to the perks tax idea.

The countrywide survey covers 200 major national and multi-national companies, employing more than 25 000 people.

The survey, the second in a monthly analysis of the manpower market, concludes that, in desperation, acceptance standards for many key posts have dropped.

"The result must be a lowering of productivity, and a hike for inflation", comments Mr Langerman.

It now takes up to five months to recruit a geologist, three months to find an engineer, and about four months for a technician.

Replacement costs are consequently rising. It now costs R33 000 to replace an engineer, R18 000 for a technician, and R13 000 for an artisan, taking into account recruitment costs, orientation, training etc.

This is not significantly up on April, but is expected to rise steadily.

Moreover the survey indicates that while general salary increases recorded in April were not repeated in May, a new approach to valued manpower emerged.

Thus, specific individuals with specific skills are being regarded as too valuable to lose to the opposition and their salaries are under constant review.

Not suprisingly, staff turnover is up in May compared with April (which also showed drastic increases).

Specific examples are engineers turnover 22% (17,3% in April). technicians 20% (18,7%) and an average across-the-board turnover of 22%, up five percentage points on April.

Overall staff complements increased 2% over April.

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

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Tax proposal to block dividend loophole

1/6/80

Argus Correspondent

DURBAN. — This year's Income Tax Bill, due to come before Parliament early next week, will contain a tax proposal not referred to in the Budget speech — a tax to curb 'dividend-stripping.'

It will [illegible] companies and will [illegible] — only dividend-stripping [illegible] made after May 23 will be affected.

Dividend-stripping can take several forms, but [illegible] in essence replacing dividend payments with some other kind of payout that either does not attract income tax or is taxed at a lower rate.

LAWFUL

It is a recognised form of tax avoidance and in South Africa has been found by the Appellate division of the Supreme Court to be lawful.

That happened last November in the case of [illegible] against the Secretary for Inland [illegible]

'We'll probably not get much extra revenue,' a spokesman for the secretary said. 'It is just to stop a practice that has been growing.'

The proposal was set out in a white paper put to Parliament on May 23 and applies to any amount paid for [illegible] distributed to a shareholder in the form of a loan or any payment made on behalf of a shareholder.

[illegible]

If any of the [illegible] could properly have been paid as a dividend out of available profits or distributable reserves, that part is to be taxed in the shareholder's hands.

Mr Keith Fraser, of the Natal Society of Chartered Accountants, said dividend-stripping was a worldwide practice. 'You leave profits in a company, then draw out money as a loan to the [illegible]

NOTE C

1. Ent of t que

2. Blu ans abl underlining, emphasis or for diagrams, for which pencil may also be used.

3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

4. Do not write in the left hand margin.

NING

No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

Candidates are not to communicate with other candidates or with any person except the invigilator.

3. No part of an answer book is to be torn out.

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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SECTION B: (INTERNATIONAL)

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

	Internal	External
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All answer books must be numbered

Number of books handed in	3
Number of this book	2

11/6/80 ARGUS

How new tax will affect you

(320)

THE table shows how much income tax you will have to pay when the new pay-as-you-earn tax tables start operating next month. The figures in the top line are the new rates. The figures in the lower line in brackets are the current rates.

The figures apply only to taxpayers under 60. Taxpayers over 60 pay at a lower rate.

To compute your taxable income you must first deduct your pension payment as these are not subject to tax. If both the husband and the wife work then the working wife's allowance, equal to R100 a month, must also be deducted.

If a husband earns R800 a month and pays R56 in pension contributions his taxable income will be R800 minus R56, equal to R744. If his wife earns R500 a month, her taxable income will be R500 less R100, equal to R400. Their combined taxable income will be R1 144 a month.

If they have no children their monthly tax bill from July will be R1 07,66.

Monthly income	Married	One child	Two children	Three children	Single
200	—	—	—	—	4,85
	(5,10)	(1,60)	—	—	(11,77)
250	0,54	—	—	—	8,52
	(9,00)	(5,10)	(1,60)	—	(18,94)
300	3.95	—	—	—	12,57
	(14,31)	(9,00)	(5,10)	(1,02)	(25,50)
350	7,50	—	—	—	16,39
	(19,31)	(14,31)	(9,00)	(4,52)	(32,31)
400	10,98	1,22	—	—	20,18
	(24,46)	(19,31)	(14,31)	(8,33)	(39,48)
450	14,13	4,53	—	—	23,62
	(30,35)	(24,85)	(19,59)	(13,84)	(47,39)
500	16,98	7,63	—	—	26,62
	(36,91)	(30,85)	(25.35)	(19,31)	(56,04)
600	25,50	16,38	7,15	—	35,46
	(51,00)	(44,42)	(38,09)	(31,02)	(76.12)
700	36,09	27,65	19,02	10,43	47,01
	(68,16)	(60,06)	(52,39)	(44,62)	(99,20)
800	48.96	40,96	32,82	25,07	61,30
	(88,48)	(78,68)	(69,93)	(60,29)	(125,34)
900	63,18	56,05	48,66	41.77	77,82
	(111,87)	(100,87)	(90,45)	(79,03)	(155,34)
1 000	79,64	73.16	66,50	60,19	96,53
	(138,52)	(126,07)	(114,03)	(101,20)	(189,88)
1 100	98,46	92,71	86,55	81,06	117,65
	(168,41)	(154,34)	(141,17)	(126,52)	(228,86)
1 200	119,33	114,19	108,71	104,06	140,49
	(201.36)	(185,93)	(171,26)	(154.74)	(273,31)
1 400	166,01	162,65	158,74	155,64	195,61
	(278.89)	(359,51)	(241,35)	(221,38)	(368,31)
1 600	215,30	212,86	210,29	208,63	257,43
	(368,99)	(347,57)	(326,43)	(303,26)	(470,58)
1 800	270,00	265,61	263,91	263,75	323,27
	(462,13)	(445,04)	(421,95)	(395,46)	(581,92)
2 000	329,38	321,06	320,11	321.00	393,37
	(529,90)	(551,53)	(526,78)	(497,95)	(701,27)

ners' Initials

he heading on the Examination Paper)

of each page and in column (1) of the block on this cover the number of the question you are answering.

2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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No 'perks tax' this session

Cape Times 12/6/80

(320)

Political Correspondent

THE government appears to have dropped plans to introduce legislation this year providing for a tax on fringe benefits.

The controversial "perks tax" strongly supported by the Minister of Finance, Senator Owen Horwood, was expected to be included in the income tax bill which will be published today.

While details will only be known on publication, the bill's long title gives no indication of what would have been lengthy provisions for taxing hidden income such as expense accounts, company cars and housing subsidies.

This does not necessarily mean, however, that the tax will not operate from March 1 next year as Senator Horwood proposed in his Budget speech this year. The measure could still be passed early next session.

The Opposition finance spokesman, Mr Harry Schwarz, said if the tax was not introduced this year it would be because of controversy over provisions which would affect commerce, industry, the working man and public servants.

● Senior bankers and businessmen in Johannesburg last night welcomed the dropping of the fringe benefits taxation proposals, reflecting the prolonged campaign waged by interest groups in commerce and industry to have the "perks tax" scrapped.

However, there was a widespread feeling that, after such careful investigation and preparation, the government had merely postponed levying a tax on fringe benefits till less controversial legislation could be drawn up.

12/6/80 ARGUS

Fringe tax delay — until next year

(320)

Political Correspondent

TAXATION of fringe benefits has been held back, but it will still be introduced next year, the Minister of Finance, Senator Owen Horwood, said today.

Introducing the third reading of the Budget debate, Senator Horwood said his department had carried out intensive consultation with the private sector.

'This is an important tax measure. Not only will it prevent the erosion of the tax base by the payment of so-called tax-free benefits, but it will strengthen the foundations on which further tax reform can be built,' said Mr Horwood.

'Furthermore, it is an important measure for preserving the integrity of the tax system in that all taxpayers will receive the same tax treatment on their earnings.

MORE TIME

'Although consensus was reached on the principle, subject to conditions not related to the principle, there were still some differences on detail in the last round of views expressed — as late as June 5 — which could not be resolved in the last days of the session.

'I have therefore decided to allow more time for further discussions in order to obtain as great measure of consensus as is possible in a tax measure of this kind.'

Govt drops fringe benefits tax plan

RDM 12/6/80

(320)

By HELEN ZILLE

Political Correspondent

CAPE TOWN. — The Government has dropped its plan to introduce sweeping new taxes on fringe benefits on March 1 next year.

This was reliably learnt yesterday after the Minister of Finance, Senator Owen Horwood, gave notice in the Assembly that he would introduce the Income Tax Bill today.

Although details will only be available today, it is understood that the provisions for wide-ranging taxes on fringe benefits have been dropped after strong protests from commerce, industry and in particular the public service.

This is a reversal of the plans set out by Sen Horwood in his Budget speech in March, when he announced sharp cuts in direct taxes, but said legislation to tax fringe benefits would be introduced before the end of the parliamentary session.

The fringe benefit tax would have hit all perks, including expense accounts, housing and travel allowances, low-interest loans, and bursaries.

The tax was being introduced to correct an "indefensible position that had arisen over the years", Sen Horwood said at the time.

It is understood that a draft Bill containing provisions for far-reaching taxes on fringe benefits was circulated — and met with such strong opposition that the contentious clauses were dropped.

The strongest objections apparently came from public servants, over a proposal to tax their Government housing loans.

Mr Harry Schwarz, chief Opposition spokesman on finance, said yesterday he was satisfied that the legislation on fringe benefit taxes would not be introduced this year.

However, this did not mean that the Government had abandoned the idea, which could be introduced at a later stage, he said.

"I believe the tax is not being introduced this year because of the controversy over the provisions which affect commerce, industry, the working man and the public servant," Mr Schwarz added.

FM 13/6/80 (320)

INCOME TAX

Loans axed

The poised blade which tax dodging shareholders in private companies have been watching so apprehensively since the decision in Hicklin's case (*FM* November 23, 1979) has fallen at last. The Income Tax Bill due to be passed by Parliament this week contains provisions designed to strike at the practice of avoiding tax on dividends from private companies by making loans to shareholders instead.

This practice (acknowledged as widespread or even nearly universal) confines the tax on private company profits to the rate of company tax — at present 42%. If dividends are declared to an individual shareholder already paying income tax at the post-budget top marginal rate of 50%, income tax will be payable at 33,33%. So, every R100 of company profits will end up bearing aggregate tax at over 61%.

Consequently, shareholders prefer to arrange for their companies to lend them money, establishing "debit loan accounts", which often accumulate for many years, possibly until the death of a major shareholder, when difficult problems may be caused to his estate.

The fact that companies do not pay income tax on dividends, coupled with the existence of many dormant private companies with debit loan accounts, has given rise to the profitable practice of "dividend-stripping". Shareholders have been enabled to dispose of the encumbrance of dormant companies by accepting a small discount (even less than 10% of the value of their shares) from a public company which takes over both shares and the debt of the shareholder to the private company.

The principal motive of the purchasing (public) company is its ability to declare a dividend to itself out of the dormant company it has acquired and take advantage of the large assessed loss created if the private company shell is subsequently sold, minus the value originally attributable to the debit loan account.

Hicklin case

On the particular facts of the Hicklin case, the Appeal Court held that the sale of shares and cession of loan obligations by the original shareholders did not expose them to tax under the dragnet Section 103. Post-Hicklin, there was a spate of this type of sale, as shareholders indebted to their companies rushed to escape what they feared might be wide-ranging, even retrospective legislative action designed to neutralise the effects of that decision.

The draft proposals which have now seen the light of day are, it seems, much less fearsome than many experts had feared. For a start, they are not retrospective: loans and advances made by private companies to their shareholders on or after May 28 1980 are deemed to be dividends, and become taxable as such in the hands of individual shareholders. Payments made by a private company on behalf of its shareholders (presumably to discharge the shareholder's debt) are also deemed to be dividends.

But debit loan accounts as at May 28 are unaffected. It still appears to be as safe as previously (which may not, despite Hicklin, have been completely safe) to dispose of dormant companies with debit loan accounts. However, one tax practitioner has advised shareholders to proceed with great caution until the amending legislation is actually on the statute book and its full implications can be studied.

Important concession

An exemption from the deeming provision is provided in the case where an advance to a shareholder is set off during the year of assessment by a later dividend payment. This is a concession of great practical importance, as interim advances by private companies to their shareholders or transient debit balances in a group would otherwise have been hit too.

Another exemption relates to the new fringe benefit legislation. If the loan to a shareholder also falls within the definition of a fringe benefit (as it will if the shareholder is also an employee) and the shareholder has been taxed on that basis, then the provision deeming the payment a dividend is also excluded.

The new draft clause also creates an impact in regard to undistributed profits tax if the shareholder in the private company making the loan is itself a private company.

Bob Woods, chairman of the Tax Committee of Assocom's Cape Town Chamber, says the business community is "not surprised" the Revenue Department has found it necessary to change the law in the light of the Hicklin decision. Assocom welcomes the fact that the Act only deems to be dividends loans or advances made on or after May 28 but considers that problems could arise with regard to the definition of distributable profit. There could also be problems over bona fide loans made to shareholders on which interest is payable and possibly security is given.

A tax expert says the new legislation is based mainly on similar Australian legislation, with some reference to Canadian tax law, too. He cannot attack the principle of the draft, but feels it is "still a little vague", particularly the section providing that the deeming provision will operate if the Commissioner (subject to objection and appeal) is satisfied that it is "equivalent to an amount which could properly have been paid or distributed by way of a dividend out of the available distributable profits or reserves" of the company. This wording is felt to be too vague. The section should, instead, state that the payment "represents a distribution".

The net effect of the change is to load the scales strongly against the private company. A taxpayer who conducts his business personally will pay tax at a maximum marginal rate of 50%. But (as already noted) if he earns profits in a company and then pays dividends, his aggregate taxes will exceed 61%. This may not be regarded as inequitable if the company was formed only for the purpose of tax avoidance. On the other hand, some private companies are formed, bona fide, to allow for limited liability as between "partners" in a small business.

It would seem, therefore, reasonable to argue that the present system of taxing dividends should be reformed to avoid this example (and others) of unfairness between different classes of taxpayers. This is admittedly a wide issue, but one which it is now very timely for Revenue to consider.

Fringe tax: why it's being delayed

320

RDM 13/6/80

HOUSE OF ASSEMBLY. — Legislation to tax fringe benefits has been delayed to allow more discussion on the scheme, the Minister of Finance, Senator Owen Horwood, said yesterday.

He explained that the Government will not go ahead with the legislation to allow more time for discussion in order to ensure "as much consensus as possible". However he made it clear that the legislation would come into effect in March next year as originally planned.

Introducing the Third Reading Debate on the Budget, he said there were still some differences in detail in the last round of views expressed by the private sector which could not be resolved in the last days of the session.

"There was a surprising measure of consensus in regard to the principle that remuneration in kind or by means of allowances should be treated on the same footing as cash remuneration," Sapa reported him as saying.

Sen Horwood said new discussions — which will be arranged by the Commissioner for Inland Revenue — would take place soon after the beginning of the Parliamentary recess so that final proposals for legislation could be submitted early in the new year.

"As I had already announced some time ago that the presently devised scheme to tax fringe benefits would not come into operation until March next year, the decision to proceed on this basis will not mean a delav in the application of the tax, but a still more thorough investigation of its practical implications and virtues," Sen Horwood said.

The Rand Daily Mail's **Pretoria Bureau** reported that Assocom warned Sen Horwood of the "potential damaging effects" of fringe benefit tax, including increased inflation, last week.

Last night Assocom and the Afrikaanse Handelsinstituut welcomed the postponement.

The executive director of Assocom, Mr Raymond Parsons, said it was a wise decision.

In representations to the Minister last week Assocom again warned that in their present from the proposals would be damaging to some sectors of the economy, harmful to certain key groups of taxpayers, and would aggravate inflation.

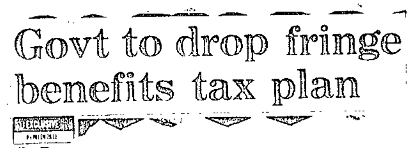
He said it would be wise to reconsider the proposed date of implementation.

The president of the Afrikaans Handelsinstituut, Mr H A Sloet, said the decision to have further consultations on the tax was welcome.

This would give time for greater clarity on the implementation of the legislation.

However, the fact that the final decision had been postponed should not be seen as the green light for abuse of fringe benefits.

He said the authorities should review the main reason for the growth of fringe benefits — the high marginal personal tax rate.



How the 'Mail' broke the good news yesterday.

Appeal to channel GST to local govt

RDM 13/6/80.

320 PRETORIA BUREAU

ANOTHER strong appeal for some of the revenue from GST to be channelled to local authorities was made yesterday by Mr Francois Oberholzer (NRP Rosettenville).

He said it was essential that local authorities be given sources of revenue other than rates, which had a built-in growth factor.

He said the rates burden on house and property owners meant some were paying more in rates than they paid in income tax.

If services were to be maintained and expanded other sources of revenue were essential.

Referring to blacks' share of GST, Mr Oberholzer said: "The black man wants to know what has happened to the four cents he pays in the Rand. His quality of life has not improved because of the tax."

Recently, he said, rents were almost doubled in Soweto.

This year's GST: R1 550m

320

CDM 14/6/80.

THE ASSEMBLY. — Sales tax had come fully up to expectations as a revenue-raiser and the collections for the current financial year were estimated at R1 550-million, the Deputy Minister of Finance, Mr Pietie du Plessis, said this week.

Introducing the Second Reading Debate on the Sales Tax Amendment Bill, he said the expected increase was due solely to the upsurge in economic activity as the rate of the tax had remained fixed at four percent — a rate which, he said, compared more than favourably with other countries.

"The successful implementation of the Sales Tax Act has been largely due to the fact that it is a general tax, in the sense that it is levied on all transactions of the kinds mentioned in the Act, such as sales of goods, financial leases, imports and so forth, without being burdened with numerous exceptions . . . and to the fact that the tax is levied at a single rate."

The chief Opposition spokesman on Finance, Mr Harry Schwarz, said the Opposition still felt very strongly that foodstuffs and other essentials of life should be exempt from GST.

For that reason, he said, the PFP would oppose the Second Reading, although it brought about several improvements in the application of GST.

The tax was bringing in more revenue than expected and much of it came from poorer people. It had been estimated that people earning R150 a month would pay GST on two-thirds of that amount.

As the country was heading for a very substantial surplus on the Budget, there could be no excuse for levying GST on people who could not afford it.

Mr Schwarz said it was time the Government decided between the add-on and add-in forms of GST. — Sapa.

(320) 14/6/80.

Assocom sees unfair hardships in fringe tax

By GERALD REILLY
Pretoria Bureau

THE Association of Chambers of Commerce believes the current fringe benefit tax proposals could impose unjustifiable hardships on many thousands of taxpayers.

Yesterday Assocom and the Afrikaanse Handelsinstituut indicated they intended making further strong submissions to have some of the harsher proposals softened.

In the Assembly this week the Minister of Finance, Senator Owen Horwood, announced that legislation to implement the tax would not be introduced during the parliamentary session which ended yesterday.

However, the original intention of introducing the tax from the start of the 1981 tax year would be adhered to. Sen Horwood said more time was needed for discussions before final decisions were taken.

One of the major submissions from commerce and industry is that none should suffer financially because of the tax. Compensation must come in form of income tax concessions.

Economists pointed out yesterday that the fringe benefit system mushroomed under the government's nose because of the high marginal tax rate, which — a few years ago — was more than 60% of all income in excess of R28 000.

Yesterday an Assocom spokesman said the most important area of disagreement on which further negotiations will take place are probablythe proposals for taxing housing benefits.

This includes cheap housing loans as well as free and subsidised housing.

There are also serious problems with the proposed taxing of education bursaries. These would expose to taxation legitimate bursaries which merited tax relief.

Assocom claims, too, that the tax-free entertainment allowance limit has been set too low.

Another issue Assocom will stress is the need to phase in the taxation of residential accommodation over a period of several years. The value placed on the private use of vehicles is also too high, Assocom claims.

[redacted]

RDM 17/6/80

More tax cuts are seen by the EDP

320

AGF

Financial Reporter

FURTHER tax cuts as part of a continuing policy are anticipated in the revised Economic Development Programme for 1978-87.

It says: "One of the fundamental policy assumptions in the EDP is that the country's economic growth rate over the long term can be increased only if the share of the public sector in the economy is reduced.

"An important part of this strategy is that the tax burden of individuals and companies will also have to be reduced.

"Obviously this policy will stimulate private consumer demand and more specifically its durable and semi-durable consumer goods component."

The EDP says it would be very dangerous at this stage to project the long-term impact of the gold and oil price hikes on South Africa's growth prospects.

Unknown factors such as the duration and extent of the recession currently being experienced in industrialised western countries and naturally also political developments could be of crucial importance in this regard, it says.

The EDP says: "There are nevertheless indications that even if the gold price merely maintains the average level of the past year or so over the rest of the programming period, this will undoubtedly have a further positive effect on South Africa's long-term growth expectations which could not have been foreseen a year or two ago.

"This matter will, however, require thorough consideration before the EDP can be revised.

"The knowledge and insight of persons and bodies in the business world will be of particular value during such an exercise.

"Sector advisory committee meetings are therefore planned for the second half of 1980 at which short and long-term economic prospects will come up for discussion."

The reports says that if it becomes clear at that time that the growth potential projected for South Africa in the EDP is too low, the matter will be referred to the Prime Minister's Economic Advisory Council which will decide on further steps.

The further stimulation of exports by the authorities combined with the expected utilisation of South Africa's natural comparative cost advantages vis-a-vis other countries will undoubtedly enhance the export performance of some sectors.

This is especially true of the coal mining industry where exports of between 35-million and 44-million tons a year are expected by 1987. Exports of raw materials in unprocessed or partly processed form will also clearly benefit, according to the EDP.

It says no further stimulation of import replacement will be necessary beyond that which will in any case result from the current level of effective protection over the programming period, because of the normal expansion in the domestic market for certain imported goods.

An important further reason for this view is the expected inhibiting effect that several big economic-strategic projects will, in any case, have on the rate of increase in imports.

Especially important in this connection is the substantial effect that Sasol 2 and 3 will have on imports as crude oil and several other chemical raw materials which are based on crude oil and which will now be produced locally, for example certain plastic raw materials.

The EDP says: "The putting into operation of phase 5 of the local content programme for cars and light commercial vehicles, linked to the Atlantis project for diesel engines, will certainly exert an important direct and indirect influence on the growth of the production and imports in certain sectors."

It is expected, for example, that imports of motor components in volume terms will decrease by an average of 1,4% a year during the 1980s while the production of components will increase by 10,7% a year.

South Africa is in the process of diversifying its weapons industry considerably, the EDP says, and the effect of this on the production of the engineering industry is already noticeable and will continue over the programming period.

At the same time, it is also assumed that the "existing trend regarding the narrowing of the income gap" (between whites and blacks) will continue, which is expected to stimulate the consumer demand for non-durable (foodstuffs, beverages, tobacco, fuel etc.) and semi-durable products (clothing, leather, medications, toiletries etc.).

Frasers International announces the transfer of the head office of its Freight Forwarding division to Johannesburg. The division, headed by managing director, Mr Bruce Furness, above, was formerly based in Durban.

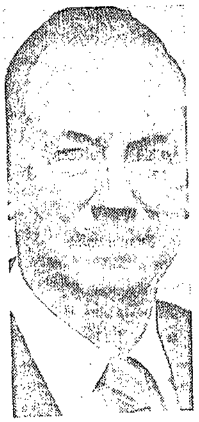
BOOMING TAX REVENUES BEAT FORECAST

19/6/80 ARGUS

320

Financial Editor

HELPED by a strong gold price and a rapidly expanding economy the Government's tax revenues are booming, a Treasury statement shows.



MR CONRAD NAGLE has been appointed group insurance and risk controller for the Greatermans group.

Tax collections in the two months ended May totalled R1 646,5-million. This is R395,7-million more than the Treasury received in the same two months last year.

Representing an increase of 31,7 percent, it is almost three times the 10,8 percent increase in tax revenues this year forecast in the March Budget.

Collection on inland revenue account in the two months soared 39,4 percent from R1 094-million to R1 524-million, up R430,4-million.

But this increase was partly offset by a drop in customs and excise receipts from R156,8-million last year to R122,1-million this year, mainly as a result of the abolition of the import surcharge.

RATES REDUCED

The big increase in tax revenues is unlikely to be fully maintained in July when the 'pay-as-you-earn' income tax rates are substantially reduced.

Nonetheless, if the economy continues on its present path, as there is every indication that it will, it seems that tax revenues this year should still be substantially higher than the Government expected.

CUT AGAIN

One happy consequence of this situation is that South Africans might find taxes cut again in next year's Budget.

Another probable consequence is that Government borrowing this year is likely to be well below the Budget forecast.

In his Budget speech, the Minister of Finance, Senator O P F Horwood, estimated this year's borrowing requirement at around R700-million.

NEW ROOMS

But with tax revenues running ahead of Budget requirements by around R135-million a month — or by about R1 620-million a year — the need for the Government to raise new loans has been greatly reduced.

This is good news for other borrowers as, with the Government likely to be out of the market, medium and long-term interest rates are less likely to rise in the immediate future.

The cost of raising loans therefore, is likely to remain comparatively low for at least this year.

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FRINGE BENEFITS FM 20/6/80 (320)

Up in the air again

With yet another delay in the fringe benefit saga, the *FM* is beginning to wonder whether the planned amendments to the Income Tax Act will survive the retirement soon of the nation's chief tax collector, Mickey van der Walt, who masterminded the whole matter.

Last week Finance Minister Owen Horwood withdrew the controversial Bill from Parliament to allow time for further representation and amendment, after angry civil servants backed up the complaints of organised business.

Instead, the Bill will now be considered next February — just a month before the threatened measures in the 1981 Budget to bring more of these perks within range of tax collectors.

Any bets that the matter will be sorted out by then?

After all, look what happened to Horwood's commitment a few years ago to the introduction of a capital gains tax. Not a word has been heard about it since.

The whisper around the Union Buildings is that once the storm over fringe benefits blew up, at a time that could not have been economically more inappropriate, capital gains were as good as dead and buried.

Taxation reform in the interests of equity is all very well. But it must be done in accordance with the spirit of the time. If it is presented as a means of bashing avaricious businessmen at a time when government is trying to persuade them to increase their investments, it is bound to be controversial.

The controversy over the perks tax was fanned by what appeared to be a deliberate attempt by some officials to present the whole matter as an accepted item of government policy.

At some stage the drift towards greater remunerations through benefits that attract low or negligible taxes will have to be stopped and maybe even reversed. But now is not the time and next year is unlikely to be either — unless government wants to splash mud in its own eye.

Let us not forget that until very recently, the awarding of tax free perks was government policy. To reverse the whole procedure overnight is tantamount to cutting wages and salaries for no apparent reason.

Tax man Van der Walt . . . will the perks tax survive his retirement?

Joint tax: some questions and answers

The issue of joint taxation of married working couples continues to be a contentious one in spite of the new tax tables which could make it a viable proposition for some women to return to work. SUE GARBETT in a wide-ranging interview with the Commissioner for Inland Revenue, Mr W J H van der Walt, learnt it would cost the State about

MR W J H VAN DER WALT — in a changing world nothing is static, "and this also applies to tax systems."

R198-million to implement a system of separate taxation.

It would cost the State in the region of R198-million to implement a system in which husband and wife would be taxed separately.

This figure has emerged from an interview conducted in the form of written questions given to Mr W J H van der Walt, the Commissioner for Inland Revenue.

Mr van der Walt said if the husband was taxed at married rates and allowed married rebates, and the wife was taxed as single, the additional revenue that would be forgone is estimated at approximately R198-million.

Another interesting fact to emerge is that the extra cost of administering a system of separate taxation was not as important to the Government as the staffing problems in coping with even the present workload of Inland Revenue.

It is also interesting to note that according to Mr van der Walt, the only other countries besides ours in the developed Western world, that follow the policy of joint taxation of working husband and wife are Portugal, Belgium and France.

CHANGING

Mr van der Walt prefaced his replies to The Star's questions by saying that they are based on present thinking but that in a changing world nothing is static, "and this also applies to tax systems. The question of joint or separate taxation of married couples is looked at continually," said Mr van der Walt.

"The system of joint taxation is followed because it is practical and treats all couples alike," he said.

Mr van der Walt did not think that separate tax status was all that important for working women, in spite of the fact that the draft Bill on Matrimonial Property seeks to do away with the marital power even in community of property marriages. It is felt if this Bill is enacted, the lack of tax status for working women will be even more apparent.

Mr van der Walt said, "In innumerable discussions and letters on the subject, the main motivation for separate assessments is that under the present system it did not pay a married woman, especially in the higher income categories, to earn income."

LOSE OUT

On the subject of women who have unreasonable or irresponsible husbands, or women who are divorced, who often lose out when it come to loan levy repayments, Mr van der Walt said, "The husband is by law the taxpayer on the total family income ... and there are no provisions for the wife to recover a portion of any loan levy refunded to the husband, from him."

Conversely, he pointed out, "There are no provisions under the Act whereby the husband can recover any tax from his wife which he is required to pay on the joint income (over and above a deduction from the wife's remuneration)..."

WORKING MARRIED WOMEN — how important is it for them to have separate tax status?"

Mr van der Walt was asked by The Star if it would have any effect on the Department of Inland Revenue's policy of joint taxation if concrete evidence in the form of a national survey were to be produced showing that couples were living together out of wedlock or were getting divorced because of the tax law.

He replied, "Inland Revenue carries out the laws of Parliament. I do not know what concrete evidence can be produced to influence Parliament as in such a survey it is conceivable that Income Tax can be a convenient scapegoat to blame for a particular circumstance."

He had no comment to make when asked if Inland Revenue was obtaining additional revenue through the institution of marriage under the present tax systems.

INQUIRY

In 1976 a report was tabled in Parliament on an inquiry into the taxation of married women. In it, a 1974 study on incentives to get women to return to work was mentioned. The study was done by research consultant Dr Dina Wessels.

The Star asked Mr van der Walt if he could give us the results of a later report Dr Wessels undertook for the Human Sciences Research Council on women and taxation as this report was never released.

Said Mr van der Walt, "I cannot comment on an unpublished report."

Mr van der Walt was asked for his comment on the fact that Rustenburg has become a tax haven for men working across the border in independent Bophuthatswana whose wives are employed in the South African town.

The newly independent states enjoy separate taxation. This results in a combination of a lower tax rate in Bophuthatswana plus the fact that women are obliged to be included on their "non-earning" husbands' tax returns. This enables them to score hands down in the tax stakes. I asked if this was fair.

SOURCE

Mr van der Walt replied, "South African income tax is based on the 'source' concept — that is tax is charged on income derived from sources within the Republic only. Therefore where a person derives income both from within and from outside the Republic from whatever source, South African income tax is levied on that portion which emanates from South African sources only, regardless of where the taxpayer is resident."

Mr van der Walt pointed out that it has been estimated that the present deduction of R1 200 in respect of a married woman's earned income reduces the amount of tax paid to the Treasury by about R126-million a year.

'It does not pay a married woman to earn a high income'

Govt is looking at tax reform plan

STAR 30/6/80

(320)

The Minister of Finance, Senator Owen Horwood, has given the assurance that the Government will continue to look at its encroachment on the private sector, and take steps where necessary to reduce this.

In an interview with the SABC on economic policy on the eve of Free Enterprise Day on Tuesday, Senator Horwood again stressed that the Government was committed to a free enterprise economy and wanted to strengthen the private sector.

He held out the prospect of continued discipline on Government spending, further tax reforms, more improvements in exchange controls, greater efforts at training, and his opposition to subsidies as a lasting solution.

Senator Horwood said the Government was embarked on a deliberate programme of tax reform, which would cause greater vigour in the economy, more production and more economic activity.

Government expenditure had remained static in the past four years, despite an improvement in economic growth, and it was a challenge not to spend more at a time when State income was rising.

The past had also shown that the Government would not be tempted to create artificial prosperity in a time of recession.

Had this policy not been followed in 1975 and 1976, inflation and the country's balance of payments would have been far worse than they were today.

As far as exchange control relaxation was concerned, Senator Horwood said the Government would like to go further.

It had already come a long way in the past 18 months, but controls would have to be relaxed systematically, and not overnight.

On Government encroachment on the private sector, the Minister said budgetary policy was deliberately aimed at reducing Government involvement in the economy.

There was also a Department of Industries committee to hear private sector representations in this respect, while the recently formed competition board was aimed at maintaining and ensuring competition in economic activity.

● The American free enterprise campaigner, and economics lecturer at Temple University in Philadelphia, Prof Walter Williams, says South Africa is one ray of hope in the re-entrenchment of free enterprise worldwide.

In an interview with the SABC he said the country could be regarded as something of an exception in the Western world where governments had become larger and encroaching more and more on economic activity. — Sapa.

In addition to the new runway development at Jan Smuts Airport, the existing international and domestic terminals are to be modernised to provide increase[d] and improved passenger handling capability at a cost of some R5,2 million. A new control complex and fire station will also be erected at a cost of R4 mil[lion]

D F Malan Airport, Cape Town, is to undergo a complete "face-lift" as far as its terminal buildings are concerned. A completely new international terminal building will be erected and the existing domestic terminal will be converted to a "... building with a new terminal being constructed to handl... passengers. The cost of these buildings will be appro... ...ion and building operations will commence during this year. ...hese building improvements, the new control complex

at this airport / .....

522

Mr Louis Francis, left, receives the Prime Minister's Award from the Minister of Justice, Mr Alwyn Schlebusch, for 40 years' continuous service in the Department of Justice. The presentaion was made at a special function on Friday at the Johannesburg Magistrate's Court, where Mr Francis has just completed a three-year term as Chief Magistrate.

Horwood pledges more tax reforms

30/6/80

320 RDM

THE Government will continue to examine its encroachment on the private sector and, where neccessary, reduce this, the Minister of Finance, Senator Owen Horwood, said yesterday.

In an interview with the SABC on economic policy — Tuesday is Free Enterprise Day — Sen Horwood emphasised the Government was committed to a free enterprise economy and wanted to strengthen the private sector.

He said the Government aimed at continued discipline in Government spending, further tax reforms, improvements in exchange controls, greater efforts at training, and opposed subsidies as lasting solutions.

The Government's policy of tax reform would cause greater vigour in the economy and more production, he said.

Government expenditure had remained static in the past four years, despite an improvement in economic growth and it was a challenge not to spend more at a time when State income was rising.

The past had also shown that the Government would not be tempted to create artificial prosperity in a time of recession, he said. — Sapa.

'Gains tax' is still on drawing boards

320 RDM 4/7/80

By GERALD REILLY
Pretoria Bureau

THE Government has not abandoned the idea of a capital gains tax as part of its fiscal reform programme, it was learnt from a Government source in Pretoria yesterday.

Until now the Department of Inland Revenue has been preoccupied with the run-up to the introduction of a tighter taxation of fringe benefits — "but the gains tax is still a live issue", it was stated.

The likelihood is that after the fringe benefit tax has been cleared from the Minister of Finance's desk, attention will be focused on the capital gains tax as a possible next move in tax reform.

The Minister has indicated that legislation will go through Parliament next year to make the imposition of the perks tax possible. He has not, however, said when it would come into operation, although it is expected to be launched during the 1981-82 tax year.

Further discussions between organised commerce and industry and the Secretary for Inland Revenue, Mr Mickey van der Walt, on details of the tax are to be held next month.

Capital gains tax was recommended by the Franszen Commission on Fiscal and Monetary Policy, and although the Government has not so far committed itself to implementing it, "it is still on the agenda".

The tax, which would be mainly on gains on the sale of shares and property, has been condemned outright by the Association of Chambers of Commerce.

Yesterday, Assocom's chief economist, Mr G W Tyler, said a capital gains tax would have an adverse effect on both local and overseas investment.

Mr Tyler said the administration of the tax would be a costly operation, and its value as a source of revenue would be limited.

Assocom was opposed to the introduction of the tax "now, or at any time in the future", Mr Tyler said.

A Federated Chamber of Industries spokesman said the FCI would want to see how the capital gains tax would fit into the package of tax reform.

"We have not taken up a position of rejecting the tax. We want to hear more about its structure and how it would be applied."

The FCI was more concerned with the rate of the tax than with the principle.

High earners out of the fiscal kraal

(320)

RDM 7/7/80

By SIMON WILLSON

THIS year's income-tax reductions have ended the discriminatory system which locked high income-earners in a high-tax "fiscal kraal" while levying relatively low rates of tax on companies, says Businessman's Law.

The journal says a study of past Income Tax Acts shows that while companies, particularly non-mining companies, have been taxed at relatively low rates, individuals earning what are deemed high incomes have been subjected to high — and at times almost penal — rates.

"The idea behind this discrimination between companies and individuals seems to have been that companies, which traditionally are the vehicles for economic progress in countries that have reached a certain stage of development, should be left as free as possible to accumulate and reinvest capital and thus strengthen the economy while individuals, whose personal wealth is not so obviously linked with the prosperity of an economy, could be relied on to make good any shortfall in desired revenues."

The journal adds that the high income-earner was an obvious target for a Government which placed politics and its statist philosophy before economics.

"He was chosen as victim because it was administratively cheap, politically feasible and, above all, philosophically acceptable to dig deep into his pockets.

"He contributed a substantial and at times an amazingly large percentage of income taxes collected from individuals, and hence a respectable percentage of total State revenues."

But the discriminatory system had two major deficiencies: the high income-earner had as far as possible to be locked into his "fiscal kraal", but his escape was simple if he was able and willing to incorporate his economic activities and enjoy the lower company rate of tax.

And it was the second deficiency which built up pressure for the present reforms.

"There were too few captives in the high-income kraal to sustain burgeoning State expenditures. The increases in rates of tax needed to milk any substantial increment to State revenues out of this group became increasingly difficult, certainly in economic although perhaps not in political terms."

So more revenue was obtained by spreading the high rates of personal tax down the income scales. This was done partly by revising the tax tables, but mainly by "fiscal drag" — letting inflation haul earners into higher tax brackets.

But then the State's revenues became more secure and its expenditures stabilised, and income-tax rates stopped rising and began to fall, a series of developments hailed by Businessman's Law.

"The maximum marginal rate itself has fallen from 60,5% to an incredible 50%. At all levels of income, personal marginal and average rates of tax have come crashing down.

"Our excessive dependence on the higher income-earner has apparently been significantly diminished, and the gap between company rates and maximum personal rates has been considerably reduced."

(320)

Sales tax shows that economy in SA 'is booming'

RDM 16/7/80

By GERALD REILLY
Pretoria Bureau

THE tempo of South Africa's economic boom is escalating, according to the General Sales Tax.

The Secretary for Inland Revenue, Mr Mickey van der Walt, said yesterday that there was no better indicator of the health and vigour of the economy than the rising GST collection figures.

To reach this financial year's target of R1 550-million, monthly collections must average R129-million. This is quite possible.

Some economists believe that the total collection for the financial year could come close to equalling the estimated revenue from individual income tax — R1 805-million.

Though expenditure patterns are difficult to forecast, Mr Van der Walt said, spending during the second half of the year would also be pushed up by consumer spending swollen by the R900-million in tax concessions.

The GST target figure of R1 550-million is 26% higher than last June's actual collections of R1 250-million.

Mr Van de Walt said the increased spending tempo was reflected from July last year when monthly collections began to exceed R100-million consistently.

Another statistic pointing to the economy's escalating momentum is the huge R61-million increase in GST collections during April and May. In that period the Treasury reaped R240-million from sales tax — 34% more than for the same two months in 1979.

Barclays Bank's chief economist, Dr Johann Cloete, said retail sales in money terms had increased by about 22%. He warned, however, that spending could not continue to increase indefinitely. The big returns from GST indicated the larger volume of spending and the escalating prices of goods.

Many consumers were spending money fast in an effort to beat inflation. However, a point would be reached when supply difficulties would be encountered — "and it is then that inflation could get out of hand".

Dr Cloete sees this as "a distinct possibility" in the first quarter of next year.

INCOME TAX

Smoothing the troughs

FM 18/7/80 (320)

The 1980 Income Tax Act contains one provision (not mentioned in the Budget speech) which will be welcomed by building and engineering companies in particular, but also by any concern with long-term contracts stretching over several years of assessment.

Under the tax law as it was, building and other companies with long-term contracts had trouble with the "front-end loading" of payments — the receipt of payments in advance. If a significant proportion of expenses becomes deductible only in later years, there can be grave tax disadvantages (*FM* November 16 1979). The obvious inequity of this state of affairs led to many divergent practices (not all of them good tax law) at different Receivers' offices.

Deducting future costs

Now, a much-needed amendment (Section 24C) should remedy this difficulty. Where taxable income for the year of assessment includes any amount which will be used either partially or in full to finance future obligations in terms of the contract, the taxpayer may deduct the estimated amount of the future costs. One limitation on the concession is that it is not given as of right: it is subject to the discretion of the Commissioner, who must be satisfied that the deduction allowed will be used in whole or in part by the taxpayer to finance future expenditure to meet its obligations under the contract.

The amount of the deduction may not exceed the income derived from that contract in the year of assessment. To avoid giving the taxpayer a double deduction, any deduction awarded under the new section must be added back as additional income in the following year of assessment. But should the actual costs not be incurred in that year, a new allowance for future costs will be claimable.

Including allowances

The definition of expenditure claimable in advance includes a reference to expenditure "in respect of any asset in respect of which any deduction will be admissible" under the Income Tax Act. This definition would obviously include the ordinary wear and tear allowance and the initial and investment allowances.

Another unusual and important concession in the section relates to past assessments. It applies to all tax years which have been assessed on or after July 1, 1977, even if the assessment has become "final and conclusive" under the Act — in other words, prescribed under the three year rule. But taxpayers wishing to have a prescribed assessment reopened must apply in writing to the Commissioner of Inland Revenue (formerly the Secretary), on or before June 30, 1981.

As years earlier than 1977 could have been assessed only after July 1, 1977, the concession makes it possible to reopen assessments for even earlier tax years. It may be that the Commissioner will regard this wording as wide enough to apply to revised assessments issued after July 1, 1977, where the original assessment was issued before that date.

As with any important new amendment, it will take time to establish, in practice, the exact scope of the new section 24C. But its real benefit to companies involved in long-term contracts must be very considerable.

Joint tax: Adele sees PM today

Some South Africans feel people must pay a high price for doing what is socially and morally acceptable, and their opinions are revealed in a survey placed in the hands of the Prime Minister today.

By MOLLY HARDING

The Markinor research report on Joint Taxation and Marriage was presented to the Prime Minister by Action '75 Aksie, a women's action group, as part of their submission for South African women to retain separate taxation status when they marry.

It revealed that many people feel the financial rewards for being divorced or living together in South Africa are substantial under the present system of joint taxation. They see this as not only unfair but morally objectionable, and feel South Africans must pay dearly for getting married.

TAX BRACKET

One hundred white Afrikaans- and English-speaking men and women on the Witwatersrand were interviewed personally. They were between 20 and 55 years of age and earned R1 200 or more a month, putting them in the income bracket most affected by joint taxation.

The thrust of the investigation was to see if the average man and woman on the street felt the present tax system had an effect on their moral evaluation of marriage.

Joint taxation generally means higher taxation and it is for this reason that efforts have been made for many years by Adele van der Spuy and her Action '75 Aksie group to change the system from joint to separate taxation.

While 40 percent of those questioned said they felt people did their own thing generally, regardless of Government legislation, 67 percent stressed that the present tax system discouraged marriage.

Respondents became "quite vehement and eloquent" when explaining why they felt this way, the survey states. Comments included:

- To avoid joint taxation you have to live together or get divorced.
- It doesn't pay a married woman to work.
- Married people get punished for being married.

Regardless of the language spoken, the men and women surveyed were very similar in their feeling of frustration and injustice concerning joint taxation.

Findings showed: 88 percent felt joint taxation prevented many married women from working; 68 percent felt joint taxation was an insult to a woman's status in society; 75 percent felt joint taxation was directly responsible for some couples deciding to live together and not get married.

Only nine percent felt women should not work because they took jobs away from men, while 17 percent felt married women should stay at home per se.

The large majority of respondents felt the combination of marriage and working women was not only possible but acceptable.

Most believed joint taxation had a detrimental effect on the economy by dissuading highly trained women from entering the work force and it was an insult to women's status. Both men and women said the woman should have the same rights and duties as a man and should be a legal major with regard to tax.

A high proportion of men and women, English- and Afrikaans-speaking, agreed that joint taxation led to a loosening of morals, with people living together rather than getting married.

"Even young people realise that getting married in this society is an expensive pleasure and a privilege," the survey states.

Only seven percent of the total sample rejected marriage and denied its value. Eight-four percent of women and 76 percent of men, 92 percent of Afrikaans-speaking and 68 percent of English-speaking respondents felt marriage was of great value to individuals, to the family and to society as a whole.

Comments were received such as:

- Marriage gives permanence and security, is a stabiliser for mankind.
- Marriage makes a person more mature, more responsible and a better person.
- Marriage is essential for bringing up children.
- Marriage is a Christian institution and is important from a Christian point of view.
- Marriage is a tradition, the social norm, and benefits society as a whole.

The values of marriage, says the survey, are clearly recognised and fully accepted by the very large majority of South Africans.

The major reason given by 67 percent of respondents for saying the Government and its laws actively discourage marriage related to tax problems. They cited people living together to avoid high taxation, young people having no incentive to marry because joint tax would make a big difference to their earnings, and those in high income groups suffering most.

"DISCOURAGED"

On the economic aspect, both men and women felt that qualified women who would earn a good salary were discouraged from working by joint taxation. They rejected any suggestion that women might take away good jobs from men, saying it was especially ludicrous in view of the present shortage of skilled labour.

The survey states that when people were questioned, first on their feelings and opinions concerning marriage, no mention was made of taxation. Joint taxation and its effects on marriage and morals was first raised in almost all instances by those questioned, showing the topicality and concern with regard to the tax system.

Copies of the Markinor survey are being sent to all members of the Cabinet and handed personally to Prime Minister Botha. The survey was commissioned by Cosmos Associates and financed by

State condemned for ignoring 'moral' issue

After five years of consistently lobbying the Minister of Finance for separate taxation for married couples, Action '75 Aksie has decided to take the matter directly to the Prime Minister.

Long-time campaigner Adele van der Spuy and three other members of the action group today met Prime Minister Botha in Pretoria to discuss the taxation issue. They specifically requested that all South African women, when they marry, be allowed to retain their own separate taxation status, and backed up their submission with a scientific research report.

Prepared by Markinor for Cosmos Associates and financed by several interested businesses, the survey exposes public feelings concerning marriage in general and with regard to joint taxation in particular.

"The emphasis was not on the financial aspects of joint taxation, but on whether the present taxation system affects the moral evaluation of marriage," Mrs van der Spuy said.

"And I was very surprised to see that 80 percent of the people questioned still value marriage as an institution of great value to society."

She was not surprised

ADELE VAN DER SPUY — "Time is ripe for a new and better position for South Africa's women."

PRIME MINISTER BOTHA — Will he agree?

overwhelming majority of people also condemned the Government for ignoring important social issues such as taxation, which seriously affects the status of marriage.

Joint taxation is an ethical issue, Mrs van der Spuy said, and the Government must decide on ethical as well as political issues.

She said many representations had been made before to the Department of Finance, which had "completely ignored them because of the lack of status of those represented.

"But this is a matter of national importance. We represent 300 000 South Africans and we would like the status of white, coloured and Asian women to be brought into line

Mrs van der Spuy believes the use of market research might be a key to a favourable Government decision.

"The Government tends to think petitions are emotional. But we have drawn their attention to a moral issue with a scientific study and such studies cannot be refuted."

She is "very gratified that the Prime Minister agreed to see us, as women's issues are almost invariably ignored because of the pressures to readjust racial issues."

With other members of Action '75 Aksie, Gwen Pirie, Jean Corbett and Joan Paul, all business women, she handed over a copy of the Markinor Survey on Joint Taxation and Marriage to the Prime Minister today. One will be sent to each member

STAR 19/7/80.

(320)

Separate taxation for couples 'on the cards'

By Molly Harding

The Prime Minister, Mr P W Botha, has agreed to consider separate taxation for married couples.

After listening to a submission yesterday in Pretoria from Adele van der Spuy and three other members of Action '75 Aksie, a women's action group, Mr Botha said the Government had already accepted it in principle.

"We feel sure that separate taxation will be a fact next year," Mrs van der Spuy said.

Action '75 asked the Government, through Mr Botha, to allow women to retain their separate-taxation status when they marry. They backed up their request by giving the Prime Minister a copy of a Markinor survey on joint taxation and marriage.

The women were delighted with his response.

FEEDBACK

"Our reception was exceptional," Mrs van der Spuy said. "We've opened the door now for women's issues to be considered.

"Mr Botha treated us seriously and with respect and promised to give us a personal feedback and another personal interview after he has considered what we asked and the report we gave him."

When Mr Botha asked the women if the time was ripe for separate taxation, they replied with a unanimous "Yes!", Mrs van der Spuy said.

"I referred him to leading Afrikaners today who constantly ask why women are not coming forward to take part in today's issues. And I told him we don't come forward because of our lack of status."

STATUS

The Prime Minister drew the women's attention to the fact that even before he was the country's leader, he was concerned with promoting women. In the Defence Force he saw to it that men and women were treated equally on merit, he said.

"We told him that if women get better status, they will co-ordinate society and unite the country," said Mrs van der Spuy.

Mr Botha disagreed with the women's view that they should be represented as a group in the new constitution, saying he felt women should be advanced only on merit.

"He also said women don't promote themselves enough in government, and said this year's tax concessions favoured married couples."

With Mrs van der Spuy were Gwen Pirie, Jean Corbett and Joan Paul, all businesswomen.

SA boom? — just ask the tax man

RDM 22/7/80

(320)

By GERALD REILLY

THE tempo of South Africa's economic boom as reflected in the General Sales Tax collections is escalating.

The Secretary for Inland Revenue, Mr Mickey van der Walt, said there was no better indicator of the health and vigour of the economy than the rising collection figures.

To attain this financial year's target of R1 550 000, monthly collections will have to average R129-million. This, according to Mr Van der Walt, is infinitely possible.

Some economists believe that total collections for the financial year could come close to equalling the estimated revenue from individual income tax, which is R1 805 000.

Although expenditure patterns were difficult to forecast, Mr Van der Walt said, spending during the second half of the year, which would include the Christmas spree, and consumer spending would be swollen by the R900-million in tax concessions, which started from the beginning of this month.

The target figure of R1 550 000 is 26% higher than last year's actual collections of R1 250 000.

Mr Van der Walt said the increased spending tempo was reflected from July last year when monthly collections began consistently to exceed R100-million. Another statistic pointing to the economy's escalating momentum is the huge R61-million increase in GST collections during April and May.

During the two months, the Treasury reaped R[illegible]40-million from the taxpayer - 34% more than collections for the same two months in 1979.

Barclays Bank's chief economist, Dr Johan Cloete, said retail sales in money terms had increased by about 22%.

He warned, however, that spending could not continue to increase indefinitely. The big returns from GST indicated the larger volume of spending, and the escalating prices of goods.

Many consumers were spending money fast in an effort to beat inflation. However, a point would be reached when supply difficulties would be encountered, "and it is then that inflation could get out of hand."

Dr Cloete sees this as "a distinct possibility" in the first quarter of next year.

Tax bonuses — good news and bad news

320 RDM 29/7/80

Pretoria Bureau

TAXPAYERS will get their fat Government "rises" in their salary cheques at the end of this month.

Hundreds of thousands of workers will benefit by a total of nearly R800-million from this year's Budget tax and loan levy concessions.

The bigger pay packets, coupled with the R500-million in pay rises granted to public sector workers from April — and the certainty of another 12% to 15% in Government pay rises next year — will give purchasing power a massive boost.

But the feared result is that the cash available for retail spending will create a demand that cannot be satisfied — bringing so-called "demand-pull" inflation.

The Afrikaanse Handelsinstituut reckons that industry is at present working at nearly full capacity.

The relatively small degree of slack still available is likely to be taken up in the new wave of spending.

The AHI warned that unless everyone — individuals and Government included — spent less and saved more, "we cannot hope to win the vital struggle against inflation".

The AHI's chief economist, Dr P J D Viljoen, said the tax concessions would bring the country close to demand inflation.

And he believes there has been extra consumer spending in anticipation of the bigger take-home pay due at the end of the month.

The president of the Association of Chambers of Commerce, Mr Bob Goodwin, said the additional spending power would be inflationary.

Economists were already warning of demand-pull inflation.

And motor dealers were complaining of stock shortages.

"We have seen some of the more unfortunate results of our high and ever-increasing inflation rate — ridiculously high building costs, prices rising beyond the reach of most people and clothing and food prices becoming prohibitive — all leading to salary and wage increase demands to keep pace with the soaring price levels."

These were some of the consequences of a vicious cycle of inflation.

It was vital that everyone, including the Government, made a greater effort to find some effective strategy to halt the accelerating increase in inflation, Mr Goodwin said.

Here are some examples of reductions in Paye deductions you can expect at the end of the month:

The deduction for a married person earning R800 a month will be R48,63 compared with R88,48 in the previous tax year. Single, earning R800 a month, the deduction will be R61,30 (R125,34).

Married, earning R1 000 — R79,64 (R138,52); unmarried R96,53 (R189,88).

Married, earning R1 200 — R119,33 (R201,36); unmarried R140,49 (R273,31).

Married, earning R1 600 — R215,30 (R368,99); unmarried R257,43 (R470,58).

Married, earning R2 000 — R329,30 (R529,90); unmarried R393,37 (R701,77).

320

STAATSKOERANT

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GOVERNMENT GAZETTE

As 'n Nuusblad by die Poskantoor Geregistreer — *Registered at the Post Office as a Newspaper*

PRYS + 1c AVB 20c PRICE + 1c GST
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POSVRY · POST FREE

VOL. 181] KAAPSTAD, 25 JULIE 1980 / CAPE TOWN, 25 JULY 1980 [No. 7135

KANTOOR VAN DIE EERSTE MINISTER

No. 1516. 25 Julie 1980.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 104 van 1980: Inkomstebelastingwet, 1980.

OFFICE OF THE PRIME MINISTER

No. 1516. 25 July 1980.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 104 of 1980: Income Tax Act, 1980.

INCOME TAX (325) FM 25/7/80

What you will pay

The new tax tables — reflecting the 1980 budget concessions — are now in force.

The excerpts set out below indicate the monthly deductions for the major classes of taxpayers. Note: widows and widowers are classified as married.

Anyone over sixty, or with more than three dependants (if married) or more than two dependants (if unmarried) should consult the full tables. So too should married women and part-time employees.

In the case of annual income exceeding R40 000, for married taxpayers, or R28 000, for unmarried taxpayers, add 50% of the income in excess of these amounts to the deductions shown in the last line.

A comparison of the new scale of deductions with the old scale (not shown for reasons of space) will indicate to the individual taxpayer how he scored from the 1980 budget.

NEW TAX TABLES IN FORCE 1ST JULY 1980

		AMOUNT TO BE DEDUCTED MONTHLY							
		Married					Unmarried		
		Dependants					Dependants		
Monthly remuneration	Annual equivalent	0	1	2	3	4	0	1	2
R	R	R	R	R	R	R	R	R	R
701-705	8 436	36,67	28,28	19,65	11,11	2,36	47,74	38,19	28,28
751-755	9 035	42,53	34,42	26,08	18,05	9,44	54,22	45,04	35,49
801-805	9 635	49,31	41,69	33,54	25,85	17,81	62,04	53,08	43,95
851-855	10 235	56,34	48,55	41,29	33,90	26,14	70,08	61,54	52,60
901-905	10 835	63,95	56,82	49,48	42,57	35,11	78,74	70,71	62,14
951-955	11 435	72,15	65,49	58,35	51,76	44,88	88,18	80,48	72,48
1 001-1 005	12 035	80,55	74,08	87,47	61,19	54,57	97,49	90,41	82,78
1 051-1 055	12 635	89,96	83,80	77,41	71,70	65,39	107,92	101,36	94,29
1 101-1 105	13 235	99,48	93,81	87,66	82,22	76,44	118,76	112,50	106,02
1 151-1 155	13 835	109,60	104,14	98,50	53,37	87,90	129,89	124,28	118,09
1 201-1 205	14 435	120,45	115,31	109,88	105,28	100,13	141,70	136,55	130,97
1 251-1 255	15 035	131,30	128,60	121,45	117,16	112,53	153,75	148,89	143,84
1 301-1 305	15 635	143,20	138,81	134,15	130,13	125,80	167,77	162,56	157,84
1 351-1 355	16 235	155,08	151,17	146,84	143,39	139,37	182,18	176,25	172,13
1 401-1 405	16 835	167,22	163,53	160,02	156,99	153,51	197;14	190,39	186,79
1 451-1 455	17 435	179,16	176,00	172,78	170,22	167,15	212,11	204,23	200,87
1 501-1 505	18 035	191,18	188,02	184,87	183,10	180,54	227,12	218,15	214,79
1 551-1 555	18 635	203,97	201,41	198,26	196,56	194,75	243,02	233,20	230,36
1 601-1 605	19 235	216,55	214,14	211,65	209,95	208,25	259,04	248,07	245,45
1 651-1 655	19 835	229,16	226,71	224,26	223,34	221,68	274,95	262,78	260,17
1 701-1 705	20 435	242,92	240,33	237,93	237,09	236,12	291,45	278,18	276,17
1 751-1 755	21 035	257,18	253,71	251,95	251,95	250,32	308,20	293,70	292,00
1 801-1 805	21 635	271,45	266,92	265,22	265,14	264,34	324,90	310,40	307,42
1 851-1 855	22 235	285,97	280,69	279,03	279,06	278,93	341,95	327,45	323,45
1 901-1 905	22 835	300,94	294,73	293,69	293,72	293,78	359,75	345,25	340,21
1 951-1 955	23 435	315,90	308,56	307,62	308,41	308,44	377,43	362,93	356,51
2 001-2 005	24 035	330,91	322,52	321,58	322,47	323,18	395,20	380,70	372,93
2 051-2 055	24 635	346,57	337,21	336,87	337,80	338,69	414,70	400,20	391,07
2 101-2 105	25 235	362,23	351,68	351,49	353,08	353,97	434,07	419,57	409,06
2 151-2 155	25 835	377,89	366,15	365,96	367,75	369,30	453,57	439,07	427,21
2 201-2 205	26 435	394,08	382,00	381,48	383,27	385,06	474,24	459,74	446,52
2 251-2 255	27 035	410,48	398,40	396,76	399,19	400,98	495,42	480,92	466,42
2 301-2 305	27 635	426,84	414,76	411,86	414,51	416,90	516,61	502,11	487,61
2 351-2 355	28 235	443,51	431,43	427,57	430,18	432,84	538,46	538,46	538,46
2 401-2 405	28 835	460,57	448,49	443,50	446,77	449,39	561,10	561,10	561,10
2 501-2 505	30 035	494,84	482,76	475,05	478,57	482,09	606,38	606,38	606,38
2 551-2 555	30 635	513,13	501,05	492,05	495,76	499,27	629,01	629,01	629,01
2 601-2 605	31 235	531,42	519,33	508,99	512,77	516,49	651,65	651,65	651,65
2 651-2 655	31 835	549,71	537,62	525,93	529,71	533,52	674,29	674,29	674,29
2 701-2 705	32 435	569,04	556,96	544,88	547,70	551,47	696,93	696,93	696,93
2 751-2 755	33 035	588,78	576,70	564,62	566,05	569,86	719,56	719,56	719,56
2 801-2 805	33 635	608,52	596,44	584,35	584,43	588,25	742,20	742,20	742,20
2 851-2 855	34 235	628,54	616,46	604,37	603,10	606,88	764,84	764,84	764,84
2 901-2 905	34 835	649,00	636,92	624,84	622,22	626,00	787,48	787,48	787,48
2 951-2 955	35 435	669,47	657,38	645,30	641,29	645,11	810,11	810,11	810,11
3 001-3 005	36 035	689,97	677,89	665,80	660,45	664,22	832,75	832,75	832,75
3 051-3 055	36 635	711,16	699,07	686,99	680,28	684,06	855,39	855,39	855,39
3 101-3 105	37 235	732,35	720,26	708,18	700,08	703,90	878,03	878,03	878,03
3 151-3 155	37 835	753,53	741,45	729,37	719,92	723,74	900,66	900,66	900,66
3 201-3 205	38 435	775,25	763,16	751,08	740,28	744,06	923,30	923,30	923,30
3 251-3 255	39 035	797,16	785,08	772,99	760,91	764,63	945,94	945,94	945,94
3 296-3 300	39 575	816,87	804,79	792,70	780,62	83,11	966,30	966,30	966,30

Note: For further information the full tax tables must be consulted.

3017/80 ARGUS (320)

Tax relief – and city goes on a spree

THE annual winter sales have coincided with tax reductions and Cape Town is on a spending spree.

Supermarkets, stores, furniture shops and many other businesses have reported a considerable upswing in sales over the past month.

'It started a few weeks ago when the weekly paid people received their wages. There is definitely a lot more money around,' said Mr J Barry, general manager of Pick 'n Pay. 'And it seems that people have been going for the larger, more expensive items.'

Mr L R Clench, regional general manager of Checkers, said there had been a tremendous increase in sales since last Thursday.

Both stores had taken the precaution of bringing in extra stock.

Mr S J Rosenberg, regional manager of O K Bazaars, said July had been a great month and 'big-ticket' items such as furniture and electrical appliances had sold well.

Dick's Stores' turnover for July rose by 15 percent and director Mr G Dick said he expected the figures to be higher for August.

However, Mr Hugh Mathew, managing director of the Foschini Group, said: 'We have yet to feel the full influence of the reduction, but everybody is doing well and customer demand has increased on the whole.'

Several people interviewed yesterday said they were reluctant to spend more than usual. But in spite of this most were enthusiastic about the tax reduction.

'After all it makes things a little bit better for us,' said Mr E Bailey.

Mr A Samuels, a head waiter, and Mrs A Hefer, a secretary, said they had not noticed much difference in their cheques this month.

But Mr M S Cloete, a civil servant, was delighted with his double benefit — a salary increase and the tax reduction.

'I am building a house at the moment so all my money will be going into it,' he said.

A pensioner, Mr N McKay, said that although the tax reduction was a good thing, he felt it would encourage inflation.

Mr M Toporowski said the reduction seemed to benefit many who did not really need it.

'The removal of sales tax on food and clothing would be a far greater help.'

However, most firms agreed that the financial situation was improving, and if city people continued to spend as much as they did in July, Cape Town could be in for a mini-boom.

MR M TOPOROWSKI: 'Remove sales tax on food and clothing — that would be a help.'

MISS A VAN DEN Abeele . . . had a 'nice pay cheque this month'.

MR M S CLOETE, a civil servant. He is enjoying a double benefit.

MR A SAMUELS did not notice much difference in his pay.

MR N McKAY . . . a good thing, but is it not perhaps encouraging inflation?

MRS A HEFER, secretary, says it has not affected her very much.

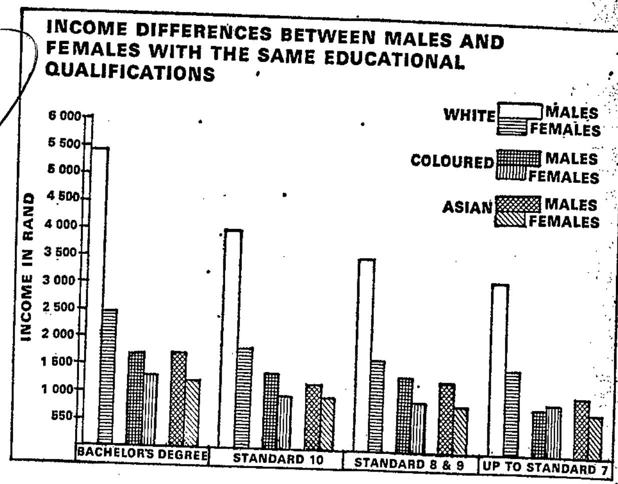
MR E BAILEY: 'It has made things a little bit better for us.'

ESS

Married women —the tax anomaly remains

Star 31/7/80

320



Even before taxation is levied, the woman generally comes off the worst in the job market. The graph, which appeared in Dr E G Malherbe's work "Education in South Africa" (part IV vol 2) published in 1977, illustrates the unequality of women's pay.

By Jean Moon

Pay clerks may have been greeted with wide smiles from many employees who received generous tax cuts this month, but scowls remained on the faces of married women.

White, Asiatic and coloured women are still severely penalised for being married.

The large discrepancy between the monthly tax of a married woman and her single colleague earning the same salary is illustrated as follows:

Monthly Salary (R)	Single tax (R)	Married woman's tax (R)	Percentage difference
551— 555	31,33	73,28	133
701— 705	47,74	104,78	119
1 001—1 005	97,49	167,78	72

Apart from this higher monthly deduction, at the end of the year the husband's and wife's salaries are combined, and additional tax is levied. This amount is calculated as if it were only one person earning the total amount, and takes little account (only R1 200 a year) for the additional expenses of working such as transport, clothes and child care which becomes necessary when a wife works.

At a time when skilled manpower shortages are causing great concern and threatening to significantly slow down the economic growth in South Africa, the present tax system is totally counter-productive.

Adele van der Spuy, a well-known fighter for women's causes recently headed a group Action '75 Aksie, which succeeded in making representation directly to the Prime Minister after five fruitless years of lobbying the Minister of Finance on the question of married women's taxation.

Following the meeting, Mrs van der Spuy has high hopes that the situation will change in the very near future.

COST

But at a recent Press conference, Minister of Finance Owen Horwood offered little hope towards a change. He indicated that the cost would be too great.

The Commissioner for Inland Revenue, Mr W J H van der Walt, put the cost at R198m, but in 1975 Senator Horwood put it at R30m. Therefore, if delayed much longer the figure will rise substantially.

It emerged in a recent enquiry by The Star that the staffing problem of the implementation of separate taxation was more serious than the cost. Perhaps Mr van der Walt has not yet thought of employing married women to do the job.

SURVEY

The cost of educating a woman is the same as for educating a man. The basis for a capitalist society is to place your money where you get the best return on your investment. But South Africa is not getting a return on the money spent on women's education.

In 1974, research consultant Dr Dina Wessels conducted a survey on incentives to get married women back to work. This report was tabled in Parliament in 1976. But her later report, undertaken for the Human Sciences Research Council on women's taxation was never released. If married women were needed in the job force then, surely the need is even greater now.

Richard Wiener, consultant at Colin Katz and Associates, said while South Africa's tax sytem tends to discourage women from working, industry has become a beggar that cannot be a chooser.

CEILING

While a single woman pays the same amount of tax as a single man, and tax tables allow for earnings of R3 300 for married and single men and single women, the tax table for married women only gives a ceiling of R1 355 a month.

Most companies still pay women less than men. In "Education in South Africa" by Dr E G Malherbe, published in 1977, it was pointed out that women with a bachelor's degree earn less than a white man with education up to Standard 7.

"To pay women less than men is not a business proposition," said Mrs van der Spuy, "and then not to allow them the fringe benefits and furthermore to take the cream away in taxation is counter-productive."

She is amazed that under the circumstances there are so many married women willing to work "but of course we are working because we have to."

HOLLOW

"The purpose of the vote is to get representation, and if the foundation of Government is the spending of taxpayers' money, then the vote is a completely hollow thing to give without being given tax paying status," said Mrs van der Spuy. "They might as well take the vote back."

Prime Minister P W Botha can be considered a pioneer in the move to bring male and female pay scales in line. He recently incorporated this policy for the Defence Force. "We are relying on him to see that this trend goes right through the spectrum," said Mrs van der Spuy.

But Mr S P Botha, Minister of Manpower Utilisation, said at both the 1978 and the 1979 National Party congresses that in most cases women get the same pay as men — except in certain exceptions where physical strength is needed. But many women in the public sector would disagree with this, as many jobs in Government departments are reserved for men, even if a woman has to teach a man the job in the first place before he can become her "boss."

320 FM 1/8/80

342

SOWETO

So near . . .

The residents of Soweto — and, indeed, those of the other major urban townships — have in recent years won a very profound political victory. It is that government has acknowledged their right to live, work and lease property in what is, to all intents and purposes, their homeland.

This, in turn, has paved the way for each of these townships to become more financially self-sufficient and less dependent on the white central government.

Not only should their citizens gain, in consequence, in dignity and self-reliance, but they should be able to have a much more significant say in their own and their children's future material well-being. Unhappily, that is not yet happening in the most important township, Soweto, and others — although not in all.

There may be understandable reasons why these opportunities are being passed. Ignorance is one. Poor communications another. And the scars of years of Bantu Administration may make any form of co-operation with the authorities repugnant to other township citizens.

But the fact remains that efforts to encourage a greater degree of financial self sufficiency are not yet falling on fertile ground — as the repetitive hue and cry of increased "rents" in Soweto exemplifies.

No one doubts that this is a highly sensitive political matter. The Soweto Civic Association and the Azanian Peoples Organisation have already urged their members to ignore the modest increases that took effect last Friday. But theirs and other responses have not been altogether rational.

For instance, they claim their "revenues from sales tax, licences of all kinds, income tax, the gold bonus etc should maintain us." Moreover, Councillor J Majola is quoted in Post (June 28) as saying: "We don't say we do not want to pay for water, sewerage, refuse and electricity. What we are saying is that we want to have the leasehold right which will offset the frequent rent increases."

The fact of the matter is that Greater Soweto this year faces a R30m budget deficit (of which annualised electricity losses are R3m, water losses R6.5m and sewerage R4.5m) which would be covered if the average family in the townships had its "rent" increased from an average R15 a month to R45.

But the Soweto Community Council is not asking for that — at least not yet. Instead, "rents" are being increased to cover R11.25m of the R15m aimed at for 1980/81, which on this year represents a 70% increase. This is half the R30m needed to meet the deficit on current running costs. Moreover, it is being increased on a monthly differentiated basis, which means that if an occupier cannot pay the increase, he can be exempted. But he has to present his case each month to obtain the exemption.

There are some other points that need clarification. The term "rent" is a misnomer. What is being discussed is an increase in charges for essential services for they constitute the bulk of the rents. That is the townships' basic income. Although turnover from other trading activities (including the sale of beer) is about R50m, the net profit accruing to Soweto is only about R1m.

It makes no difference whether that income is levied in the form of rates on leasehold (or freehold) property or as a service charge. As the cost of providing the services rises, so will the rates or the charges.

The next question is whether Soweto residents can afford to pay these increases. That is much less clear, especially as the average income of the breadwinner is close to the Poverty Datum Line or its equivalent.

On the other hand, black wages generally have risen over the past five years much faster than service charges. And, according to WRAB officials, the level of charges before Friday's increase was less than 7% of the average breadwinner's income, which is R3 000 a year (R250 a month). Even if rents were at R45 a month, they would consume only 18% of the average breadwinner's earnings and 16% of average family income.

West Rand's Knoetze . . . pioneering self-sufficiency

Fast wages rise

Those average figures suggest that there are a substantial number of Sowetans who can afford to pay a percentage of their income closer to the 25% generally accepted as the norm for housing. And, indeed, as the increases are being levied on a differentiated basis, they should be able to make up any shortfall created by the very poor who are able to obtain exemption.

The ability of many Sowetans to pay more is borne out, too, by an Urban Foundation survey which takes the range of income into account. It found that about 70% of residents were paying between 7% and 24% of their income under the old rents.

Moreover, in the Vaal Triangle township, citizens who are on average less well off are paying about 18% of their average incomes in rents or service charges, which enables them to finance the running cost. Whereas in other developing countries, up to 40% of average income is spent on housing and, moreover, it is done willingly.

Indeed, the new WRAB chief, John Knoetze, who pioneered self-sufficiency in the Vaal Triangle, believes that 75% of the residents of Soweto and other townships in the West Rand and East Rand, in Pretoria and Port Elizabeth should be capable of providing 75% of their township's operating revenues. This estimate excludes the cost of capital works on essential services, which like the operating revenue shortfall should come from government.

Of course, as commerce and industry is encouraged into the townships, rateable

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1/8/80

(320)

income will rise and the revenue charges paid by occupiers should, as a result, increase less rapidly. But that is some way off. It won't help to pay this year's bills.

Perhaps the most burning question, however, is whether township citizens should be expected to contribute more towards their own self-sufficiency in the provision of services.

One argument against it is that after so many years of deprivation, government should in recompense meet the bulk of the revenue charges in the form of subsidies.

Another argument seeks to justify a large subsidy for this purpose on the grounds that township residents, whatever their incomes might be, have no choice in law but to live in and suffer the deprivations of the townships, so long neglected by a government loath to acknowledge their very existence.

There is a fear, too that the more self-sufficient the townships become, the less of total national resources government will be prepared to devote to their uplifting. This will be assuaged only by further political reform.

It would be churlish not to concede that there is an element of equity in these arguments, given the legal restraints on blacks' freedom of movement, employment and occupation. But the case for self-sufficiency is also compelling.

Take, for example, the middle class or wealthy Sowetan who claims the right to a subsidy because he would not live in Soweto out of choice. What, in effect, he is doing is penalising his own poorer people and helping to exacerbate an already serious black housing problem.

By forcing government to pay a larger subsidy to cover township service costs, he is inhibiting forward planning and thus detracting from the housing standards that his offspring could otherwise hope to enjoy.

The chances are, too, that by insisting on enjoying subsidies as recompense for living in a township, he runs the risk of depriving the really indigent township dweller, as well as black homeland citizens, of a greater share of the outlays of the Department of Co-operation and Development — and they unquestionably need the money, more than township residents.

Difficult to adjust

He must remember, also, that the larger the subsidy he enjoys and the longer he does so, the more difficult will the inevitable process be of having to adjust in time to paying amounts reflecting the real cost of services. That process he may delay, but he will never escape it altogether. He has only to look at what is happening to poorer whites now that rent control is being phased out.

Finally, there should be the pride and satisfaction that increased self-sufficiency in townships finance is likely to bring to its citizens, and the rising degree to which it should lead to autonomy in township affairs.

Township residents should never forget that he who pays the piper inevitably calls the tune. The faster they can reduce their financial dependence on government, the sooner will self-determination within the township become a reality.

The *FM* believes that the sooner township residents — especially the more wealthy among them — realise this, the greater are the chances of the victory to which we referred earlier becoming less of a Pyrrhic one. But it requires increased financing from government, too. Only then will the question of township self-sufficiency be seen in economic rather than political perspective.

Of course, for the townships to be self-sufficient in the provision of the running costs of services cannot be an overall solution to the financing of these dormitory towns, particularly so far as the provision of capital works is concerned. That must come from government. But it is an advance, even if it means compromising.

Nor in advocating self-sufficiency does the *FM* endorse the continued existence of these unfortunate areas. Far better to integrate them within a new greater Johannesburg authority and let blacks live where they choose according to their means.

● See also P497.

320

~~329~~

FM 1/8/80

BLACK FREEHOLD

Pretoria thinks again

Government may be about to announce a fundamental policy shift by granting full freehold rights to blacks in the common area.

This is in response to clear leads by the Browne Committee (on local authority finance) and Soweto planner Louis Rive and it is hoped that such a move will have a multiplier effect, with more stable residential conditions in urban areas bringing more settled conditions on the labour front.

The Browne Committee urged government to commit itself to freehold property rights for blacks to provide a stable yet flexible tax base for autonomous local authorities. The committee said that unless a system could be devised whereby property taxes could provide at least half total projected current revenue of black local authorities (R250m out of R504m in financial 1989-90) severe strains would develop in their finances.

It would mean that local authorities would have to continue to rely increasingly on liquor operations and sharply increased levies on employees of black labour.

Employer levies

Assuming that government follows through its apparent intention to hand over township liquor business, including the production of sorghum beer, to local free enterprise, employer levy contributions would have to be increased to R201,8m in financial 1989-90, or R52 per worker.

In terms of the existing system of site rentals, the Browne Committee calculated that local authorities would be hard pressed to raise more than R37,2m from this source in 1989-90. This is equal to about 7% of projected current revenue in that year. To raise rents to more economic levels would be politically difficult.

The Browne Committee says a freehold property system provides a sound, convenient and effective basis for tax revenue and urges that it be developed as soon as possible to reduce the excessive reliance on employer levy contributions which, the committee says, is an unnecessary cost inflator in the production sector.

It adds that it would be unreasonable to expect township dwellers to develop a sense of civic pride or a sense of involvement in local authority politics if residents are denied a vested interest through property ownership.

Without granting freehold rights and introducing white-type municipal rates and taxes in the towns and cities, black local authorities will continue to have to rely on liquor profits to keep going — about R32m in 1990 on a 12% retail mark-up, provided local authorities are relieved of the impost whereby 20% of liquor profits have to be paid to the Department of Co-operation and Development as a transport subsidy to commuters between the non-independent homelands and the common area.

As a further step to hasten the financial self-reliance of black local authorities, the Browne Committee suggests they be relieved of their responsibility to operate agency services on behalf of government. This includes work done on behalf of the SA Development Trust, interest and redemptions on loans in respect of schools,

Gerald Browne . . . advocating freehold rights for blacks

labour bureaus, aid centres and inspection services and administration costs in connection with these services.

In financial 1977-78, the burden amounted to R52.5m for community councils and administration boards. The committee recommends that these duties be taken over by the Department of Co-operation and Development. According to the committee, these services were run at a loss of R41,5m in 1977-78.

GENERAL NEWS

GST instead of rates? Consumers are opposed

329

STAR 27/8/80

By Maud Motanyane
Fair Deal Reporter

Consumer organisations are opposed to an increase in general sales tax but local authorities are appealing to the Government for an increase of 0,5 percent.

Mr J F Oberholzer, chairman of the Johannesburg City Council management committee, said the United Municipal Executive had presented a proposal to the Browne Committee that rates on domestic property should be scrapped and replaced by that increase.

He said the executive saw the proposal, which he first made in November last year, as a viable source of additional income for local authorities badly needing revenue.

GST income this year is expected to be R1 500-million and local authorities are asking for one percent of it.

Last week the Deputy Minister of Finance, Mr P T C du Plessis, rejected a request made at the National Party congress in Durban that GST be increased. He said the Government wanted to keep it as low as possible.

"I agree with the Minister fully. GST should not be increased unless the poor can benefit directly from the increase," said Mr Koos du Plessis, public relations officer for the Consumer Council.

He said an increase would mostly affect people in the lower income group who spent a large percentage of their income on food — 36 percent as against the higher group's slightly more than 20 percent.

"I don't see why poor people from Soweto should provide revenue for Johannesburg residents," said Mrs Joy Hurwitz, president of the Housewives' League.

Most of Soweto's residents buy from central Johannesburg but would not benefit from GST collected there, she added.

What the Housewives' League would like to see is the scrapping of GST on basic items.

INCOME TAX (320) FM 29/8/80

Capital gains again

Joep de Loor, Finance Director-General and chairman of the Standing Commission on Taxation, raised the spectre of the capital gains tax (CGT), during a lecture on tax reform to students of the Stellenbosch Graduate School of Business.

In calling for "a thorough and honest public debate on the issue," De Loor conceded it was "highly emotional." In principle, though, he said there could be no reason why income (net of losses) generated by a person's capital and enterprise should not be taxed.

"Over the years, however, capital gains have developed a kind of sanctity, based on the theory that such gains are reinvested as a rule and that a fiscal impost would inhibit investment," argued De Loor. "But cannot the same be said of earned income, the discretionary portion of which is affected by taxation?"

De Loor conceded that a CGT, if introduced, would have to take into account the extent to which nominal gains were rendered illusory by inflation. The need to leave funds available for reinvestment would also have to be considered.

He acknowledged the existence of arguments that a CGT would retard growth in a young country like SA and that, where it had been introduced abroad, it has led to all kinds of malpractice and even hastened the flight of capital." But the arguments against the tax should not necessarily bar it from further research "if, in the interests of reform, it would result in a broader distribution of the tax burden."

The hints contained in this address certainly carry an ominous tendency. If they eventually materialise in draft legislation for a CGT, they will lead to a tussle between government and the private sector even more acrimonious than that over fringe benefits.

One point should not be overlooked: the dividing line between capital and income (under current tax law) is, to an extent, arbitrary and capricious. In any future debate over CGT, the private sector should make every effort to achieve a more systematic and objective way of determining whether gains on shares or property are capital or income. There should also be a major effort to secure the quid pro quo of lower top marginal income tax rates.

But it is difficult to resist the fundamental conclusion that a CGT would be thoroughly counter-productive at a time when SA needs nothing more than to stimulate entrepreneurial spirit. To introduce it for obsessional ideological reasons can only do far more harm than good.

MARRIED WOMEN — NO CHANGE

De Loor, in his address, held out little hope for the separate taxation of married women. Although many of the objections against joint taxation of husband and wife had been removed in the past two years — by successive reductions in the maximum marginal rate and by raising commencement ceilings — the scope for separate taxation was limited because of "insurmountable logistical problems" for the Receiver.

But, said De Loor, as tax liability thresholds are raised and black taxpayers are phased into the same tax system as whites on an equal basis (to happen next year), "the scope for further movement will increase."

What this cryptic phrase could mean must be a matter for speculation. Could it signify an intention to raise the tax-free allowance for married women (currently R1 200) or could it hint at some other form of concession?

DURBAN FM 29/8/80

Rates squabble

320

Commerce and industry have a ~~long~~-standing quarrel with the Durban rating system. Now it has taken on a new acidity.

The Durban gripe is familiar to organised business in Johannesburg and several other cities and towns — homeowners get rebates while commerce and industry carry the full whack.

At issue in Durban is a 1978 amendment to the Local Authorities Ordinance which allows for rebates of up to 40% without reference to the Administrator as long as the property is distinguishable by class, use or zoning.

Businessmen contend that its purpose was to allow for relief to Indian owners, particularly in Durban's Grey Street area, who were paying unduly heavy rates because the value of their land had been artificially inflated by the Group Areas Act.

The Durban City Council went further and granted rebates on all residential property. What has outraged commerce and industry is the latest decision to raise the rebate on houses from 10% to 25% and on flats from 5% to 12,5%. This leaves business to carry the full weight of a proposed 15,7% rates rise.

In effect, the position is not quite as drastic as it appears because in the latest revaluation, residential properties have been bumped up 38,9% against 13% on commercial and 21,8% on industrial properties. Vacant land values have been reduced fractionally.

Tax deductible

The council's case is that rates are tax deductible, that they form only a small part of the final cost of goods and services and that they can be passed on in the form of higher prices or rents.

In a joint memorandum to the City Council, the Durban Chamber of Commerce, the Durbanse Afrikaanse Sakekamer and the Natal Chamber of Industries attempt to rebut these contentions. They point out that higher costs influence competitiveness and profitability and that it is not always possible to pass on increased costs to the consumer.

Slightly more convincing is their claim that higher overheads hurt small businesses and owners of older and low-rise buildings suffer hardship because of the high ratio of rates on land as opposed to buildings. They also state that "the large majority of householders are wage or salary earners whose incomes increase to take account of the increased cost of living." So it's fair, they argue, that homeowners should accept an annual increase in their rate liability. If necessary, it could equal the increase in the cost of living.

So far, the council has shown no signs of relenting, nor is it likely to do so as councillors are returned by households rather than businesses. And while local authorities have to finance a high proportion of the municipal budget from rates — 60% in Durban's case — they have little choice but to touch their largest ratepayers first.

Perhaps Durban should follow Johannesburg and ask for corporate representation. Let's hope it has better luck.

No. 1776 — 29 Augustus 1980

KANGWANE-WET OP ONTWIKKELINGSBELASTING, 1980 (WET 4 VAN 1980)

Hierby word bekendgemaak dat die Staatspresident sy goedkeuring geheg het aan die volgende Wet wat deur die KaNgwane- Wetgewende Vergadering aangeneem is en wat hierby vir algemene inligting gepubliseer word:

GEBIED VAN DIE KANGWANE- WETGEWENDE VERGADERING

WET

Om 'n belasting op burgers van KaNgwane te hef en om die KaNgwane-wet op Ontwikkelingsbelasting, 1979 te herroep.

Daar word deur die KaNgwane- Wetgewende Vergadering verorden:

Woordomskrywing

1. In hierdie Wet, tensy uit die samehang anders blyk, beteken—

"belasting" die KaNgwane Ontwikkelingsbelasting gehef by artikel 2;

"belastingjaar" 'n tydperk wat op die eerste dag van Januarie van 'n jaar begin en op die laaste dag van Desember van dieselfde jaar eindig;

"belastingpligtige" 'n manlike burger wat die ouderdom van 18 jaar bereik het;

"burger" 'n persoon wat ingevolge die bepalings van die Wet op Burgerskap van Swart State, 1970 (Wet 26 van 1970) 'n burger van KaNgwane is;

"Direkteur" die Direkteur van Owerheidsake en Finansies;

"Inkomstefonds" die Inkomstefonds ingestel by artikel 6 van die Grondwet van die Swart State, 1971 (Wet 21 van 1971);

"KaNgwane" die gebied waarvoor die KaNgwane-Wetgewende Vergadering ingestel is en soos van tyd tot tyd gewysig;

"magistraat"—

(a) ten opsigte van 'n distrik binne KaNgwane, 'n magistraat, addisionele magistraat en assistent-magistraat aangestel kragtens artikel 8 van die Wet op Landdroshowe, 1944 (Wet 32 van 1944);

No. 1776 0-G-7199 — 29 August 1980

KANGWANE DEVELOPMENT TAX ~~ACT~~, 1980 (ACT 4 OF 1980) 320

It is hereby notified that the State President has approved of the following Act which was passed by the KaNgwane Legislative Assembly and which is hereby published for general information:

AREA OF THE KANGWANE LEGISLATIVE ASSEMBLY

ACT

To levy a tax on citizens of KaNgwane and to repeal the KaNgwane Development Tax Act, 1979.

Be it enacted by the KaNgwane Legislative Assembly:

Definitions

1. In this Act, unless the context otherwise indicates—

"citizen" means any person who is a citizen of KaNgwane in terms of the provisions of the Black States Citizenship Act, 1970 (Act 26 of 1970);

"Councillor" means the Executive Councillor responsible for the department of Authority Affairs and Finance;

"Director" means the Director of Authority Affairs and Finance;

"KaNgwane" means the area for which the KaNgwane Legislative Assembly has been established as amended from time to time;

"Magistrate" means—

(a) in respect of any district in KaNgwane, a magistrate, additional magistrate and assistant magistrate appointed in terms of section 8 of the Magistrates' Courts Act, 1944 (Act 32 of 1944);

(b) in respect of a district outside KaNgwane, a Commissioner, Additional Commissioner and Assistant Commissioner appointed in terms of section 2 (2) of the Black Administration Act, 1927 (Act 38 of 1927) and where there is no such Commissioner, the magistrate, additional magistrate, and assistant magistrate;

"receiver" means any magistrate and any person appointed under section 11 (1) (a) to collect tax;

3/11/80

STAR

320

Snags in separate taxation —Du Plessis

Political Correspondent

The Government was in favour of the principle of some form of separate taxation for married women but could not implement it at this stage because of administrative snags.

This was a gist of the message to the Transvaal National Party congress yesterday by the Deputy Minister of Finance, Mr du Plessis.

He was replying to a strong plea for separate taxation by Mrs Adele van der Spuy, a delegation from Von Brandis.

Mr du Plessis said he was not in favour of married women being treated as single women, as they contributed to a joint household income.

TAX FORMS

But some system could possibly be worked out.

He said there would be a 25 percent increase in the number of tax forms to the Receiver if wives were taxed separately.

This was one of the administrative snags which had to be overcome.

Mrs van der Spuy asked that white women receive the same tax treatment as black women.

STATUS

"South African white women lose not only their legal tax status when they marry but suffer an income loss through the artificial system of joint taxation of husbands and wives," she said.

"This leads to a drastic undermining of the institution of marriage and actually encourages living together by making marriage expensive taxwise."

Capital gains tax for discussion

ST BRS 4/9/80 320

Political Correspondent

BLOEMFONTEIN — The Government is not bound to a capital gains tax, but will be publishing a Draft Bill to allow the public to debate the issue, Senator Horwood, the Minister of Finance told the congress.

At this stage it was impossible to say when the Bill would be published, as far more urgent matters still had to be delt with.

STRESSED

"It must be stressed that the Government is in no way bound to bringing in a tax on capital gains in any form, and when the matter is considered it will be with an open mind," Senator Horwood said.

He said unfounded speculation about the tax should be replaced with open-hearted and unemotional discussion and argument.

SIGHT LOST

In an interview afterwards he said this tax had been one of the avenues for exploration suggested by the commission investigating the country's tax structure, the same commission which had suggested general sales tax and a tax on fringe benefits.

People often lost sight of the fact that capital gains were additional earnings which improved individual wealth and should therefore logically be taxed.

Replying to other motions affecting his portfolio, he said provisional tax was not an extra source of revenue but a method of collecting tax during the year in which the income was earned.

INCOME TAX . 320

The CGT debate

FM 5/9/80

Should a capital gains tax (CGT) be introduced? Every few years, government has hinted at its desirability, which is not surprising from people whose business it is to raise money. Now it seems a CGT has support from certain Johannesburg share dealers who hope it would enable them to pay tax on share realisations at a lower capital tax rate than the higher marginal income tax rate.

Stockbrokers, investment and trust managers are some who dislike the fact that in the absence of a formal definition of capital gains, the Receiver has the right to challenge a transaction and attempt to tax it at the marginal rate for earned income. A seller can realise shares and not know whether the tax rate will be 0% or 50%. Such uncertainty about the size of gains on the sale of assets has unsettling effects — for example, on investment trusts which need to budget in advance.

One prominent banker says: "Preferably there should be no CGT, but then the Receiver should not query share dealings where uncertainty exists over whether it is a capital or income gain.

"If the Receiver wants to introduce a CGT," the banker continues, "he should distinguish between the long-term investor, who pays the reduced capital rate, and the short-term trader, who would be taxed on his speculative gains at the marginal income rate."

But as Editor of *Businessman's Law*, Costa Divaris, argues, the stock market does not have the political clout to persuade government to forgo income by exempting certain share gains from the marginal tax rate. "Share dealers," he claims, "would still pay normal tax as they would be making revenue profits out of shares, while people who hold shares as capital assets would now have to pay tax."

Divaris also rejects other arguments advanced for a CGT as "nothing more than a political gesture to show that the state is not unduly favouring the rich."

Far from providing certainty, he believes a CGT will encourage litigation between tax-gatherers and payers, with the latter's obvious interest in paying tax at the lower rate.

Neither does he think that a CGT will broaden the tax base, making reductions in the top marginal rate possible. In Western countries which have a CGT, the tax nets negligible returns (1% to 1,5% of total tax revenue). In SA, this would be inadequate to fund revenue forgone on other taxes.

Moreover making only certain assets liable for CGT, such as shares and fixed property, would have a depressing effect on their prices, so reducing tax takes and inhibiting investment and property development.

Nervous share dealers might be better advised, therefore, to seek a clearer definition of capital gains as the means for removing uncertainty. Such a definition needs to be objective. Thus the seller might have to hold the asset for a prescribed period, after which it would qualify as a capital gain and be exempt from tax.

spree nets Govt R508,5-m in GST

29/8/80

320

STAR

By Colin Campbell
Deputy Financial Editor

The Government collected R508,5-million in general sales tax in the four months ended July—which means that South Africans have already gone on a spending spree of well over R12 700-million.

The massive GST collection coupled with the bonanza the Government envisages from the high gold price must lead to renewed pressures on the authorities to alleviate still further the overall burden of tax — especially in view of mounting complaints about high prices and a high rate of inflation.

The GST collection is running 35 percent higher than in the same period of 1979, and suggests that the Treasury will easily overshoot the estimate that it would gather in R1 550-million from this source in the Government's full year ending next March 31.

The collection via income tax during the period April 1 to July 31 was R1 847,9-million, according to a Department of Finance announcement in the Government Gazette.

This means that Government collection from general sales tax is running at just over a quarter of its collection of tax on income.

The latest figures reflect the first full month in which the lower income tax levels were effective.

The GST figure reflects to a certain extent higher selling prices on which the four percent charge is levied but nontheless confirm what economists and business leaders have been saying about much improved business conditions in South Africa.

And a few signs that the consumer boom is losing any of its steam, the Government is set to report a massive inflow by the end of next March.

The R508,5-million collected via GST may well give new ammunition to those calling on the authorities to at least consider the abolition of GST on food and other essential items.

TAXATION FM 12/9/80

Balancing the mix

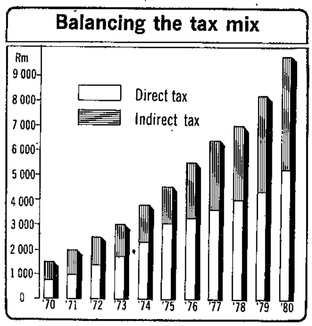
(320)

Nearly half of total tax revenues ~~are now~~ coming from indirect taxes, which include the two-year-old general sales tax. This relative balance between direct and indirect taxation has for some years been the target of official moves towards tax reform.

This aspect of taxation was put under the microscope by the Franzsen Commission of Inquiry into Monetary and Fiscal Policy in 1970, when the share of total revenue contributed by direct taxation stood at 60%, about the same level that had prevailed in 1910.

The imbalance had been created by a number of factors, according to Senbank economist Hans Falkena. Fiscal drag, a result of inflation, had pulled income-tax payers into ever higher tax brackets. The implementation of import substitution policies meant a reduction in indirect revenue from customs and excise sources, and GATT obligations restricted duties on certain imported goods. In addition, the sales duty then in force was applied to only a small number of luxury goods, about 20 in all.

This meant that the elasticity of indirect taxation relative to national income was low. In other words, the percentage contribution of indirect taxation to total revenue increased at a slower rate than the increase in gnp.



The principle behind decreasing the share of direct taxation, says Nedbank economist Merton Dagut, is that it tends to place the bulk of the burden of taxation on a relatively small group of higher income earners. This burden, at the margin, can increase to a point where it becomes counter-productive and a disincentive. Indirect taxation, he adds, not only spreads the load over a wider base, but in effect indexes taxation to the inflation rate, eliminating the problem of fiscal drag.

A number of steps were taken during the Seventies to correct the imbalance. Customs and excise duties were reviewed, and a 15% import surcharge was introduced in the 1977 budget. The most far-reaching measure, however, was the implementation of the 4% gst in July 1978.

But the solution to the problem is not simply a matter of laying permanent fiscal structures. After dropping sharply in 1971, the relative share of direct taxation started climbing again, and reached a peak in 1975. This coincided with an economic downswing, falling imports (thus lower excise revenue), and an increased government deficit accompanied by higher personal and company taxes.

Conversely it is not surprising (despite gold mining company taxes alone having reached nearly R1 500m last fiscal year) that the share of direct taxation should be falling during the current upswing. However more could be done now, and in the 1981-82 fiscal year to maintain the balance when the next downswing arrives.

Destructive democrats

320 FM 12/9/80

By Melvyn B Krauss, professor of economics at New York University. The article was written for the Wall Street Journal.

The Brandt Commission recently released its report on north-south relations under the self-effacing title of "A Programme for Survival." This alone should alert the reader.

When Social Democrats like Willy Brandt, former chancellor of West Germany, and Olof Palme, former Prime Minister of Sweden, get together to publish a report on the Third World with the word "survival" in the title, one knows, instinctively, some new assault on private wallets is about to be launched. In this, the Brandt report does not disappoint.

Written by Social Democrats, for Social Democrats, the report closely follows the party line throughout its 304 pages.

The Social Democrats, for example, have unshakeable faith in the curative powers of income transfer. The report, therefore, concentrates its recommendations on means of transferring income internationally, rather than creating it.

Social democracies — like the Netherlands and Sweden — are "peace loving" — that is, they believe in letting the other guy pay for their defence. The Brandt report, therefore, supports the idea that military spending is an obstacle to economic development; "for the price of one jet fighter one could set up about 40 000 village pharmacies" (hopefully not in the same village). It recommends that military expenditure be taxed.

The Social Democrats believe in a clean environment. The report, therefore, favours worldwide environmental controls, even though it is well known that environmental control taxes the capacity of the economy to produce income and wealth. The European welfare states may well be able to afford such "taxation," but can the less developed?

Income transfer essentially is a "zero-sum" game. For one to gain from it, another must lose. Government coercion, therefore, is needed to effect income transfer. But the absence of world government means that nation states cannot be coerced into the international income transfer the Social Democrats desire.

The report, which advocates massive income transfers from rich to poor countries as a matter of the utmost urgency, attempts to surmount this obstacle by introducing mechanisms that create the effect of world government without creating world government itself.

For example, the report proposes "the introduction of automatic revenue transfer through international taxes on . . . international trade, arms production or exports, travel and the global commons."

In addition, it advocates an international income tax based on ability to pay. Willy Brandt writes: "Why should it be unrealistic to entertain the idea of imposing a suitable form of taxation on a sliding scale according to countries' ability to pay? It is our conviction that we will have to face more seriously the need for a transfer of funds . . . with a degree of automaticity and predictability disconnected from the uncertainties of national budgets and their underlying constraints."

It is characteristic of Social Democrats to not fully appreciate the "incentive effects" of their proposals — that is, the effects their proposals have on the behaviour of the concerned economic actors. The Brandt report contains several recommendations where incentive effects would be negative not only for the world economy, but for less-developed countries (LDCs) themselves.

Here are some examples:

□ The report urges that loans be made on the most lenient terms to countries that need them most. This seems commendable. But what the report fails to consider is that usually there is a reason a country needs the loan most, and that reason often is irresponsible economic management. By rewarding economic irresponsibility, the Brandt report encourages it.

□ The report is rightly impressed with the contributions that "guest workers" in the industrialised countries make to the economic development of the Third World countries from which they migrate. But by insisting that "migrants have their rights too," the report serves to increase the cost of migrant workers to prospective employers and thus decrease their employment opportunities.

Willy Brandt . . . rewarding economic irresponsibility?

□ The report recommends "legislation to regulate transnational corporation activities in matters such as ethical behaviour, disclosure of information, restrictive business practices and labour standards." But by increasing the cost of doing business for the multinationals, less business, in fact, will be done by them. This hurts the LDCs as well as the multinationals.

The Brandt report has not been well received — and with good reasons. Even Social Democratic sympathisers sense that with the Club of Rome and New International Economic Order preceding it, the Brandt report arrived on the scene well after the party had ended. It is repetitive of the others, impractical and, most important, irrelevant to the needs of the Third World in the Eighties.

Simply put, what the LDCs need most "for survival" in the Eighties is economic growth, not international income transfer.

Poverty in the Third World can be reduced not only by growth in the LDCs, but by growth in the advanced countries as well. The Brandt report does realise that economic growth in the industrialised countries is good for the LDCs, but fails to recognise that it is precisely welfare-state high-tax egalitarian policies that have constrained economic growth in the advanced countries to unacceptably low levels during the Seventies.

If the Social Democrats who wrote the Brandt report took time off from lecturing others on how to manage world affairs to put their own house in order, the Third World — among others — would benefit immensely.

cost limit specified in clause 1, has evaluated
and selected bidders interest, and has recommended separate long-

EXHIBIT 4.4

GENERAL CONDITIONS OF CONTRACT BETWEEN
CONSTRUCTION MANAGER AND U.S. GENERAL

Increase GST proposal attacked

Staff Reporter

THE Progressive Federal Party candidate in Johannesburg's Newtown municipal election, Mrs Molly Kopel, yesterday attacked the Independent Ratepayers Association (IRA) plan to raise money by increasing sales tax to five percent.

The chairman of Johannesburg's management committee and IRA leader, Mr J F Oberholzer, wants to scrap municipal rates and taxes and funnel revenue from the proposed GST increase to local authorities.

But Mrs Kopel says this would send inflation and the cost of living soaring.

"To expect people to endure a higher cost of living for something rejected both by the Provincial Council and the Government is nothing less than a pipe-dream," Mrs Kopel said.

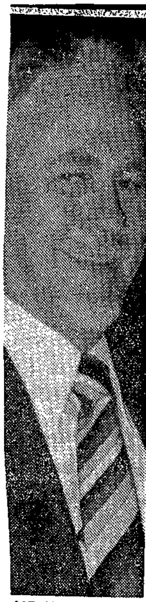
She agreed that rates and taxes should be scrapped, but not at the consumer's expense.

"The PFP believes that Government buildings and mining properties should be taxed, so that no further burden would be necessary for the man in the street to bear."

Mrs Kopel said Mr Oberholzer was asking the consumer to provide another R1 500-million a year in taxes.

Fuel tax aims to change commuting

STAR 23/9/80 - 320



MR EKSTEEN

By Kevin Murray and Kerry Clarke

The Director-General of Transport, Mr A B Eksteen, has announced wide-ranging plans to streamline the commuting patterns of all South Africans to save fuel — from credit cards on buses to specialised lift clubs and city cycle paths.

He said the Government had embarked on a series of projects aimed at enticing people away from their cars.

About R4.5-million is to be spent on making alternative modes of transport more attractive to commuters.

Speaking at the Rand Afrikaans University in Johannesburg last night, Mr Eksteen also said the Government would introduce duties, levies and taxes on fuel and vehicles to steer the country's transport development "in the right direction."

The projects he announced include high-technology trolly buses, cycle paths in cities and towns, bus services to high-income areas with high car ownership, specialised lift clubs, public transport credit card facilities and greater bus standardisation.

"The National Transport Commission, with the approval of the Minister (of Transport) has agreed to a number of demonstration projects which, it is believed, will promote certain of the necessary changes in directions that will be required in the Republic in the decade ahead," he said.

He said the high fuel price and availability of fuel had focused attention on the trolley bus. Two single-decker and five double-decker trolley buses incorporating the latest technology were being built.

These would initially operate on the Hillbrow-Forest Hill route in Johannesburg and, if successful, would be encouraged in other cities in South Africa.

The provision of safe cycle paths would encourage greater use of the bicycle among schoolchildren, and possibly also for daily

To Page 3, Col 10

Dramatic plan to change transport

320

from page 1

commuting to work and universities.

The Government was trying to improve bus patronage in high-income, high car ownership areas. An intensive marketing campaign for improved services in the Randburg-Sandton area — to start in November this year — would be launched to get more people there to use buses.

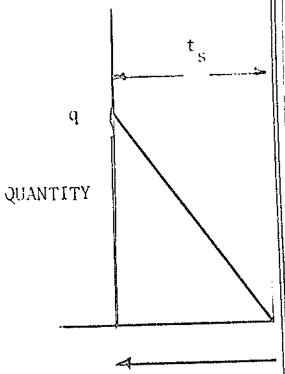
A high priority was increasing vehicle occupancy on urban roads. Three lift club schemes in Pretoria had been accepted as demonstration schemes, involving the use of a computer to match possible participants.

A project to use credit cards for the purchase of bus coupons would be introduced in Durban.

Water transport along South Africa's coastline would also be introduced to reduce the demands on other forms of transport.

Mr Eksteen predicted that transport in South Africa between now and the year 2000 would undergo a metamorphosis which would include:

- The introduction of alcohol blends to reduce dependence on imported crude oil.
- The availability of lighter and smaller cars which will perform more efficiently and use different fuels.
- The significant penetration of the second-car market by battery-driven vehicles.



Apprentice training tax cuts

STAR 23/9/80

(320)

The Minister of Manpower Utilisation, Mr Fanie Botha, has announced tax concessions in respect of the training of apprentices.

In a statement in Pretoria last night, he said these concessions, which would apply from October 1, last year, had been decided on to stimulate the indenturing of apprentices and alleviate the acute shortage of artisans.

He had, therefore, in terms of the In-Service Training Act, 1979, and the Black Employees' In-Service Training Act 1976, approved of the training of apprentices for purposes of tax concessions in terms of Section 11 Sept of the Income Tax Act, 1962.

"This approval applies only in respect of training expenses incurred by employers in connection with

○ The attendance by their apprentices of technical classes at institutions maintained wholly or partly from public funds, or the following of correspondence courses in terms of their prescribed conditions of apprenticeship.

○ The first voluntary and the compulsory trade test undergone by apprentices in terms of their prescribed conditions of apprenticeship.

"This approval will enable employers to deduct from their income, in addition to the normal deduction in respect of training expenses, an allowance equal to 100 percent of the remuneration paid to their apprentices while attending technical classes and while they are absent from work for the purpose of undergoing the abovementioned trade tests, and also any class, course and examination fees paid by employers on behalf of their apprentices and which the employers are not entitled to recover from their apprentices.

"This in effect means that 200 percent of the expenses in question is allowed as a deduction for tax purposes." — Sapa.

US gold shares

	Sept 22	Sept 19
Homestake ..	107,75	94,125
ASA (Ltd) ..	85,125	75,375

Where

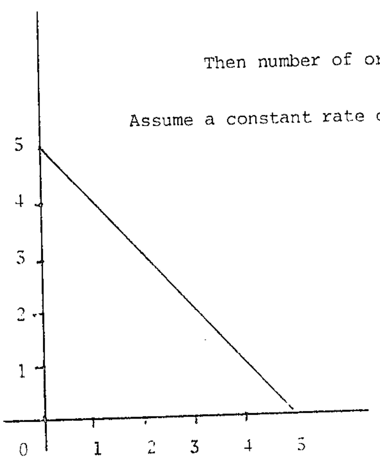
rders.

Let:

t

Then number of orders $= \frac{D}{q} = \frac{30}{5} = 6$

Assume a constant rate of consumption



End of time period	Level of Inventory
0	5
1	4
2	3
3	2
4	1
5	0
Total =	15

(d) Inventory co ... ion and purchasing
in economic ... nomic lot sizes
represent th ... produce to minimize
costs.

12.1 Purposes of Inventc

A stock of inventory is kept ... ing needs:

1 TO MAINTAIN ... TONS

If a supply ... kept at a work
centre and if ... that centre is
not immediate ... se, there is some
flexibility i ... re. Since there
are costs for ... uction set-up this
independence ... re allows manage-
ment to cons ... on lot sizes.
Within the p ... ially completed
units are ca ... .

2 TO MEET VARI ... ND

If the demand ... nown precisely, it
is feasible ... conomical) to pro-
duce the prod ... exactly. In the
usual case, ... completely known
and a *safety* ... therefore be main-
tained to abs ... eases in demand
because of pr ... seasonal demands
can be planne ... *inventory* allows
a more gradua ... anticipation of
this higher d ... re stable employ-
ment level wit ... tment.

3 TO ALLOW FLEXI ... SCHEDULING

The maintenanc ... finished goods
inventory relieves the pressure on the production system to get the goods out. This gives longer lead times, which allow not only production planning for smoother flow but permit lower-cost operation through more economical lot size production. High set-up costs, for example, favour the production of a larger number of units once the set-up has been made.

Unionist warns on misuse of GST

STAR 23/9/80

320

Labour Editor

DURBAN — The 283 000-strong Trade Union Council of South Africa (Tucsa) yesterday gave notice of its vigorous opposition to municipal efforts to use General Sales Tax to offset increases in property rates and taxes.

A unanimous resolution adopted at its annual conference here warned that:

"Any increase in the General Sales Tax — particularly for a purpose of this nature — will most certainly cause serious dissatisfaction and could possibly lead to civil unrest."

Tucsa's vice-president, Mr Ronnie Webb, described the "massive public campaign" of Johannesburg's Mr Francois Oberholzer to increase GST or take part of it to offset rates as a "diabolical scheme."

This amounted to asking "the poor to subsidise the more affluent," Mr Webb said.

The Administrator of the Cape had also suggested what he called other sources of revenue for local authorities. Other municipalities had climbed on the bandwagon too, the conference was told.

Mr Webb noted that Tucsa had apposed GST, particularly on basic foods.

Now another ugly monster was rearing its head in the form of a massive campaign for increased general sales tax or its use to offset rates.

RAND DAILY MAIL, Tuesday, September 23, 1980

Tax cuts to boost training of artisans

RDM 23/9/80

320

By STEVEN FRIEDMAN
Labour Reporter

THE Minister of Manpower Utilisation, Mr Fanie Botha, last night announced large tax concessions for employers who train apprentices.

The move reveals increased Government concern about the skilled manpower shortage and the fact that few employers are using official training facilities for black workers.

According to Mr Botha, the new concession will enable employers to deduct 200% of their expenses on the theoretical training of apprentices of all races at institutions maintained wholly or partly by public funds.

The concession is added to existing tax benefits employers may claim for training workers in private "in-service" training schemes registered with the Government. These concessions amount to almost 100% of training expenses.

The new incentive comes into effect retrospectively from October 1 last year.

Employers will now also be able to deduct expenses incurred by apprentices who obtain their theoretical training through correspondence courses.

All apprentices must undergo a period of theoretical training before they may take their trade tests and qualify to become artisans.

Because colleges in the "white" areas are not open to blacks, it is expected blacks will receive their theoretical training either by correspondence or in the Government's separate black training centres.

Mr Botha said he had introduced the new concessions "to stimulate the indenturing of apprentices and alleviate the acute shortage of artisans".

Government spokesmen have complained for some time that employers are not making sufficient use of official artisan training facilities.

It is also known that some employers have preferred to train black artisans privately because of the difficulties in finding adequate official training facilities for blacks.

Mr Botha's move is an attempt to encourage employers to use the official training facilities.

According to his statement, employers will be able to deduct from their income for tax purposes not only the normal deduction for training expenses, but the full sum paid to apprentices while they attend technical classes.

They will also be able to claim the full pay of apprentices while they are away undergoing their first trade tests.

It appears, however, that if apprentices fail their tests and have to undergo subsequent ones, the employer will not be eligible for the concession.

In addition, employers will be able to claim the full amount of any "class, course and examination fees paid by employers on behalf of their apprentices and which employers are not entitled to recover from their apprentices".

Mr Botha said the Government would also consider the training of apprentices when they were "non-productive" when they were being trained in classrooms at a training centre or under a private training scheme.

However, in this case the centre or scheme would have to be recognised or registered with the Department of Manpower Utilisation in terms of either the Black In-Service Training Act or the In-Service Training Act.

It is these two Acts which allow employers to deduct expenses incurred on private "in-service training".

In order to qualify, employers must include in their tax returns a full statement of the nature and amount of training expenses claimed and proof of their apprentices' attendance at a technical institution.

SA CONGRESS

'Tax evasion no sin—it's our national sport'

STAR 24/9/80

320

By Sieg Hannig
Labour Editor

DURBAN — Tax evasion was not a sin but a national sport, Mr Mickey van der Walt, Commissioner for Inland Revenue told the annual conference of the Trade Union Council of South Africa (Tucsa) in Durban yesterday.

A new term had been coined — tax "avoision" — to cover the grey area between the avoidance and evasion of tax. Plato had said that an honest man paid more tax than a dishonest one, and this was still true.

But the Government's proposed taxing of fringe benefits was no witchhunt — it was designed to treat everybody alike.

Mr van der Walt gave the assurance that employees and employers would be consulted before any decision was taken.

Dealing with fears that big business would force the Government to abandon fringe benefit taxation, Mr van der Walt said the Minister of Finance had said that legislation on such taxation would be introduced next year.

Replying to demands for basic foods to be exempted from general sales tax (GST), he said this would raise costs by giving shopkeepers more work.

Bread — which was becoming more of a "basic food" than maize products — was being subsidised to counter GST. A black man earning R2 000 a year and spending R400 on food would spend only R16 on GST a year and R1,33 monthly.

On separate taxation for married women, he said the present system did not militate against all married women. Some were better off under joint taxation.

Separate taxation required extra paper work and a "watchdog" to coordinate the separate returns.

Taxation was not a penal measure but the price paid for a civilised society and its amenities, Mr van der Walt said.

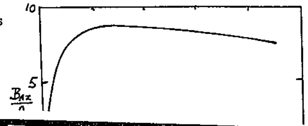
Miss Dulcie Hartwell, a veteran shopworkers' unionist, said "too many" people were wondering what amenities they were being taxed for.

A resolution calling for the rectification of the "high rates of marginal taxation and the inequitable taxation structure for married women" was accepted but referred to Tucsa's executive for further action.

It was pointed out that only those earning more than R14 000 a year stood to gain from separate taxation of married couples. That meant 86 percent of all taxpayers would lose.

4.8 *Fission and Fusion*

In the stable nuclei the nuclear binding energy B_{Az} increases as the nucleon number A increases. To show the rate of increase we plot the ratio (B_{Az}/A) versus A in fig. 22. The ratio is approximately constant and reaches a maximum of ~ 8 MeV nucleon^{-1} for "medium" nuclei ($A \approx 40$-120). The lower values for light nuclei can be attributed to enhanced



ST, Wednesday, September 24, 1980 Page 5

'Easing GST no help for blacks'

POST 24/9/80 (320)

THE Commissioner of Inland Revenue, Mr W J H van der Waldt, yesterday told a Tucsa conference in Durban that if basic foods were exempted from sales tax, the effect on black families would be negligible.

Mr Van der Waldt said a study done by the Bureau of Market Research at the University of South Africa had shown that a black family spends 20 percent of its income on food.

He said a family earning R2 000 a year would spend R400 on basic foods. The four percent tax on this is R16 a year, or R1,33 a month.

Mr Van der Waldt said abolishing the sales tax on basic foods could mean additional administrative work. "And this might mean an increased price structure, and thereby nullify the concession and even increase the cost of other goods."

He said four percent "can easily be shouldered".

Mr Van der Waldt told the conference that the Government was making progress in reforming black taxation.

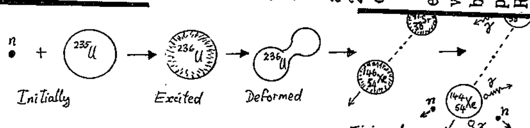


Fig. 23 Example of a fission

5. *Interactions and Measurements of Nuclear Radiations*

We consider only radiations (particles) having kinetic energies in the energy range (between ~ 0.1 MeV and a few $\times$ 10 MeV) typical of nuclear physics. The interactions of these radiations with matter are basic to many phenomena and to many aspects of nuclear technology. Examples are the detection of nuclear radiation, the design of radiation shielding and the assessment of radiation dose.

5.1 *Interaction of radiation with matter*

As a representative group of particles (radiations) we will consider the electron, proton, alpha particle, neutron and gamma photon (e, p, α, n, γ). Within these the charged particles form a natural group or subset which it is convenient to consider together.

(a) *Charged particles* (e.g. e, p and α) interact predominantly with the atomic electrons in matter. Their interactions with nuclei are extremely rare, in comparison, at the energies we are considering. The interactions lead to the ionization and electronic excitation of the atoms in matter in a process which can be viewed as a series of collisions between the incident particle (e, p or α) and the electrons of the absorber atoms. The particle loses kinetic energy in these processes and it will carry on losing energy until it is brought to rest (assuming that the absorbing medium is thick enough to completely stop the particle). The distance (thickness) required to bring the particle to rest is called the range of that particle (in that particular medium) at that particular incident energy.

The range of the particle therefore depends on the rate at which it loses energy along its path of travel, that is on the energy loss per unit distance $(-dE/dx)$ along this path. The energy loss $(-dE/dx)$ depends on the density of the medium and the charge and the velocity of the particle. It is higher for a higher charge or a lower velocity. If we compare alphas and protons at the same energy, for example, the alphas have a higher charge and (owing to their larger mass) a lower velocity. Therefore, in a given medium, $(-dE/dx)$ is larger for alphas than for protons of the same energy and the alpha range is less than the proton range for the same incident energy (see tables below and fig.24(a)). Furthermore, for either particle, the velocity decreases, and hence $(-dE/dx)$

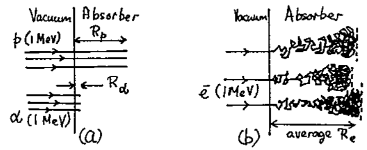


Fig. 24

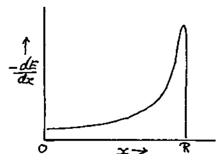


Fig 25

TAX REFORMS

The tough edges

(320) FM 26/9/80

Last year's reduction (from 55% to 50%) in the top marginal rate for personal tax, the abolition of the loan levy and other smaller changes in the tax system have brought SA a lot closer to a rational tax system. But the bureaucracy still appears to cherish hopes of a capital gains tax (CGT) (*FM* August 29) while there remain major anomalies in the system of taxing personal income. Some of these demand urgent attention.

First of all, and let it be said very explicitly: SA does not need another tax on capital, like the CGT. It already has two — estate duty and the related donations tax, neither of which is at all effective as a revenue raiser. Estate duty collections, for example, run at around only R50m.

Overseas experience confirms the ineffectiveness of the CGT as a revenue-raiser. It is a complex and expensive tax to administer, necessitating all sorts of complex exemptions (like those relating to the sale of personal dwellings in the US, for example). So revenue is never commensurate with the number of bureaucrat-hours required for its collection. Then there is the serious risk that a CGT introduced at a low and seemingly innocuous rate will show a subsequent tendency to creep up until it reaches dangerously disincentive levels.

The only real reason for the introduction of a CGT, therefore, must be as a craven concession to the "politics of envy," an attitude of mind which has its local adherents too. To be completely rational, SA should eliminate the other two capital taxes, rather than introduce a third, but this is asking more than is politically realistic.

It can be claimed, probably with only a little cynicism, that SA's income tax system already has a kind of CGT, in substance if not in form. And it is dangerously imprecise and unpredictable in operation.

Every investor in shares or property knows of the hazard described colloquially as "being declared a dealer." The same risk applies, at least in theory, to anyone buying and selling assets of any sort, from Krugerrands to stamps or old furniture.

Expressed more accurately, this term means the Receiver can and does scrutinise all transactions for the sale or exchange of a capital asset to determine the intention behind the transaction. If the Receiver's scrutiny draws him to the conclusion that the asset in question was sold or exchanged as part of a scheme of profit-making, then the profit will be taxed as income.

The trouble is that judgment on this vital point is so subjective and indeed arbitrary, as the run of reported cases on the subject shows. So, an investor is often in doubt whether he will be taxed at 0% or 50% (if his aggregate income including the capital gain at issue pushes him into the top marginal rate bracket). To make matters worse, the onus of proof to demonstrate the capital nature of the transaction lies with the taxpayer if he decides to challenge the Receiver's decision in court.

Then, too, inflation means many nominal capital gains are not anything of the sort, if the purchasing power of the capital gain is considered, rather than its nominal value.

Important industrial countries deal with this problem by imposing effectively objective tests for the capital nature of a realised gain on investments. So, the US employs a simple time test. Gains realised within a year of purchase are taxed as income, those accruing over a longer period as capital (with the CGT rate currently one half of the income tax rate and a maximum at 35%).

But the US also recognises the category of "market maker" or full-time professional speculator, who is taxed on all gains as income. It is, though, relatively easy to determine whether an individual is a dealer in this strict sense, so all the cogitation over "intention" required under the SA system is side-stepped.

One continental country, France, applies level of turnover as its main test. If the aggregate of purchases and sales of shares by an individual during a tax year exceeds a certain percentage of the value of his portfolio at the beginning of the year, then his aggregate gains will be treated as income. But if the turnover ceiling is not exceeded, the gains are treated as capital. France also recognises the category of professional speculator, who will be taxed generally, while small investors (up to a certain limit) are exempted from the turnover rule altogether.

Inland Revenue's Van der Walt ... a few more reforms, please

These examples show it is perfectly possible to cobble together an equitable, workable and predictable system to govern the tax treatment of gains on shares and property (and on other investment assets like Krugerrands). Such a system should also allow for the effects of inflation on long-term capital appreciation.

Significantly, it has been rumoured in the past that the Receiver does secretly apply a turnover test to quoted share portfolios to provide a test for dealing versus capital realisation. But to operate to a formula of this sort while keeping it secret, if indeed this is the case, is far less desirable than to have a firm statutory formula known to taxpayers and therefore available for advance planning.

With boom conditions far advanced in SA, the need for a reform of this sort is now very urgent.

Another set of intractable income tax problems centres on the taxation of dividends. The recently enacted section 8B (*FM* June 13), which taxes as dividends loans from private companies to their shareholders, although generally regarded as necessary to block a loophole, is also seen by tax practitioners as a blunderbuss provision, unfair to operate and already generating difficulties in its application.

One of the problems here is that the reduction in the maximum marginal rate on individuals has generated a rating anomaly. If a taxpayer trades in his own name, he cannot be taxed at more than the top marginal rate of 50%. But supposing that, for good reason — like a need for limited liability — he operates through a company, he will be taxed at the margin at over 61%. This inequitable result comes about through the effect of two taxes.

Of each R100 earned in the company, income tax takes 42%. If the remaining R58 is distributed as or deemed a dividend (which since section 8B, it must be, to reach the taxpayer's hands at all), then it will attract income tax in his own hands. Allowing for the one third deduction and tax at the maximum marginal rate, the tax will be one third of R58, or R19,33. So, all that is left is R38,67.

There are many possible ways to correct this anomaly, which goes against the equitable rejection of double tax underlying our law. For example, an increase in the proportion of dividend income exempted from income tax would achieve this result. But this might be regarded as politically unacceptable.

Another option would be a reduction in the rate of company income tax. But, if further reductions in taxes do take place next year, there are probably good arguments why there should be a further reduction in personal rates instead.

So, we are very probably thrown back on a system of apportionment of income from private companies, treating them in effect as partnerships for tax purposes. There is not really any fundamental reason why SA cannot revert to some or other system of this sort. It would also continue to motivate, as the present rating differences probably do already, that companies will in future only be registered where they are really needed to ensure limited liability or for other good business reason. The past proliferation of private companies registered only for tax reasons is an administrative nightmare best forgotten.

These two major problem areas are far from exhausting the scope for tax reform relating to tax on individuals. The system of taxing public company dividends is not in all respects perfect. And the problems of married women taxpayers need little additional publicity at the moment. But if the Commissioner for Inland Revenue can focus objectively on these two big problem areas, he will have made a very good start indeed.

Little hope of tax cuts, say economic experts

3/10/8 RDM (320)

By HOWARD PREECE
Financial Editor

ECONOMISTS now hold out little hope of any big tax cuts in the next budget, expected in March 1981.

They say the inflation threat is such that firm tax and monetary policies will be needed.

The gold boom this year will mean, however, that Senator Owen Horwood, the Minister of Finance, will have another huge surplus to report when the state finances for 1980-81 are completed.

Two major economic surveys have been published, by Standard Bank and, jointly, by Senbank and the Bureau for Economic Research of Stellenbosch University.

Points put forward include:

- Real growth next year will slow to 5,4% from 6,8% expected for 1980. But this will still be way above the 1975-79 average.
- Inflation will continue next year in the 13% to 14% range.
- Interest rates are likely to harden in 1981. (That could mean a hike in mortgage rates eventually).
- Shortages of skilled workers will become more acute on the one hand, while on the other unemployment among the unskilled will remain high.
- The mixture of inflation and real growth means the country's total salary and wage bill should increase by 21% this year and by 19,1% in 1981.
- The current account of the balance of payments will move back into deficit next year (unless the gold price goes roaring up again) but this is no reason for alarm.

South Africa has repaid so much foreign debt that she is "under-borrowed" and could easily raise loans overseas, if necessary.

There are different views about gold, however.

Standard thinks the price will average $619 next year and $615 this year.

Senbank/BER sees gold at $600 this year but slipping to average $500 in 1981.

If that lower forecast is correct it would certainly hit economic confidence and the stock exchange.

South Africa has sucked in imports to such an extent in the present boom that we are already living on a gold price of over $500.

But there are other economists and gold market experts who believe gold will average well above $600 next year in another surge.

What is common ground, however, is that South Africa's economic fortunes are still overwhelmingly related to gold.

We are also one of the few non-oil economies in the world to be booming — just as we were one of the worst-hit by recession three years ago.

● See Page 15

LOCAL AUTHORITIES 320

No aid FM 10/10/80

"There is no reason to believe that the place local authorities occupy in the national economy at present is unduly small," says former Secretary for Finance Gerald Browne, who headed the enquiry into local authorities' finances. Speaking at the 1980 congress of the Transvaal Municipal Association (TMA) in Nelspruit this week, Browne noted that the share of local authorities in the total output of general government services increased from 17,8% in 1970-1 to 18,2% in 1977-8, while the output of general government services as a proportion of GDP fell in the same period from 9,9% to 9,6%. And the contribution of the local authorities' general government services to GDP has remained relatively constant in the 27 years to 1978 at around 1,8%.

The Committee thus found it impossible to recommend state subsidies for general relief to the local authorities because they are getting "poorer." Instead, it suggests an intensive effort by municipalities to boost productivity and economise on expenditure. And while rejecting general relief, it proposes government aid for specific municipal work such as sewage construction and fire, ambulance and health services. The benefit is estimated at R26,1m.

Browne rejects the argument that failure to provide municipalities with alternative sources of income makes them over-reliant on property taxes and hits the homeowner especially hard. He defends property taxes, as they are raised on land in the local authority's jurisdiction.

Moreover, claims Browne, property taxes here are not excessive. In SA, they accounted for only 5% of total tax receipts in 1977-8 compared with 14% in Britain in 1974-5, while the ratio between property taxes paid on business undertakings to total company tax was just 7% compared with 52% in the UK.

But outgoing TMA president Steyn van der Spuy condemned the Browne Committee for paying lip-service to municipal democracy while in reality ignoring the need for a new constitutional dispensation which will decentralise power and maximise self-government for the different racial groups.

"It seems clear," he commented, "that the Browne Committee still clings to the principle of a highly centralised unitary system and that all taxing power will be retained by the central authority."

Subsidies, argues Van der Spuy, are no solution. Municipalities will be reduced to the status of "beggars," subject to handouts from the central authority at its whim.

And exhortations to greater productivity are small relief to local authorities which claim to have been doing that for years. Johannesburg Management committee chairman Francois Oberholzer, in this year's budget address, revealed that the city has saved R5,2m since 1975 through cutting its black labour force by 10%. "We have been efficient," said Oberholzer, "and saved money but there are 2 000 families starving in the homelands."

Oberholzer calculates that Browne's monetary benefits for Johannesburg will come to no more than about R3,2m — an insignificant amount considered against the heavy restraints on capital spending in the last few years, which have hit road, sewage and electricity provisions.

UNDISTRIBUTED PROFITS TAX

FM 10/10/80

A tax too many

(320)

SA is now firmly committed to tax reform. If the objects of that reform are simplicity, equity and the encouragement of investment, the revenue authorities need to re-examine the cumbersome undistributed profits tax (UPT). In particular, there is no longer any fiscal justification (if there ever was) for the application of UPT to public companies.

Most fiscal systems have some or other form of UPT, the need for which arises to prevent tax avoidance through the damming up of dividends in private companies. If this is permitted without fiscal penalty, the only tax payable is then in the company's hands, at a flat rate. This policy avoids the substantial additional income tax payable on dividends in the hands of a shareholder with a large income and, therefore, a high marginal rate of tax. (The current rate of UPT itself is 33,3%.)

There was a time when the UPT provisions obliged private companies (as defined for UPT purposes) to distribute a proportion of trading profits as well as dividend income, but the current rating basis for UPT is designed to penalise undistributed dividend income only. This flows from the relationship between the company tax rate (now 42%) and the plough-back allowance (58% of pre-tax profits) which exempts all trading income.

Loans banned

Until recently in SA, money accumulated in private companies in this way was channelled to shareholders in the form of loans (that is after any loans due to the shareholders by the company had been repaid). This formula for tax avoidance has now been invalidated by the enactment of section 8B, which, very broadly speaking, deems such loans to private company shareholders to be dividends.

But UPT still performs a residual anti-tax avoidance function, as some taxpayers will probably still find it attractive to accumulate dividends in private companies. It is therefore difficult to see how it can be abolished completely under the present system of private company taxation. Two major objections to UPT can be made, however. The first is its application to public companies. The second is its complexity.

The issue of public company UPT can be disposed of very simply. At present, a public company, as defined for income tax purposes, must distribute 65% of its dividend income to avoid liability for UPT. Although this penal provision is mitigated, for example, by an allowance for expenditure on prospecting, it imposes a constraint on investment policy which is particularly onerous in the case of mining investment companies (as indeed was complained of recently by Adrian Louw, outgoing GFSA chairman).

A mining holding company with a clutch of ageing gold mines receives dividend income which actually include a large element of amortisation of capital. A rational policy would provide for heavy retentions to generate working capital for new ventures, and such retentions might often exceed the 35% plough back allowance permitted for UPT purposes.

Bear in mind, too, that in this particular case, many of those dividends would (under formula tax and lease) have already attracted tax at a much heavier overall rate than the non-mining company rate of 42%. Why should a mining holding company in these circumstances be obliged to distribute nearly two-thirds of dividend income, possibly necessitating a rights issue to raise fresh capital?

Nor can it seriously be argued that tax avoidance is a major issue with public companies, in view of their dispersed shareholdings.

The case for the complete repeal of UPT on public company dividends in present circumstances of fiscal buoyancy is irrefutable.

The UPT on private companies requires elaborate provisions to block off loopholes. Thus the Act contains detailed provisions defining public companies for tax purposes. The definition is narrower than the definition in the Companies Act — by no means all public companies according to that Act, or even all quoted companies, qualify as public for UPT purposes.

Special rules

Another provision allows as a deduction for UPT purposes certain classes of expenditure not deductible for ordinary income tax purposes. On the other hand, the normal restrictive SA tax rules on source do not apply to UPT, which is levied on worldwide dividend income.

There are also special allowances for farming companies and for purchases of machinery by companies.

The question of timing is rather involved and requires detailed provisions. Approximately speaking, a dividend must be declared within six months before or after the end of the company's fiscal year to avoid UPT. But the Act has special rules to cover all sorts of timing contingencies.

Then, too, foreign-controlled companies are exempt from UPT. But this definition also involves considerable complications. There are various other categories of exempt companies, including certain classes of insurance companies.

There are also special rules for the bringing forward of assessed losses for UPT purposes. For these purposes, there is a definition of "deficit" which does not coincide with the definition of "assessed losses" which may be brought forward for income tax purposes.

Exempt income

Lastly, there is a set of exemptions from UPT only available to companies whose non-dividend income in the year of assessment exceeds their dividend income. These exemptions apply to companies whose reserves do not exceed R50 000 or 40% of their paid-up capital (whichever is the greater) and to companies whose profits for the year of assessment do not exceed 5% of their paid-up capital.

The intention is to restrict this set of exemptions essentially to trading companies. Otherwise, it would be too easy for taxpayers to shelter dividend income from UPT, through setting up a multiplicity of companies for shareholding purposes.

All in all, abolition of the UPT would effect a great simplification of a complicated Income Tax Act and alleviate pressure on over-worked accountants and revenue officials.

It is necessary to recognise, however (as already explained), that the UPT still performs an anti-avoidance function, if more limited than in the past as the result of the enactment of section 8B and the complete exclusion of trading income. So its summary abolition, without concurrent reform of the whole method of private company taxation, is not a plausible option (*FM* September 26).

Any reform of this sort would involve deep surgery on the present Income Tax Act, but there are other cogent reasons for such a bold move, quite apart from the need to eliminate UPT. The Commissioner should therefore take a deep breath and make a firm commitment to plan for this large area of reform.

Minister says no to separate tax

(320)

RDM 14/10/80

Pretoria Bureau

THE Minister of Finance, Senator Owen Horwood, has put paid to the hopes of working married women being taxed separately.

Addressing the Tax and Business Law Centre at the University of South Africa, the Minister said the tax unit in South Africa had always been the married couple.

The system was not, as had often been alleged, based on an old-fasioned concept of the inferiority of married women.

It followed the general practice of the majority of South African couples that the wife's income supplemented the husband's.

The Franszen Commission conceded that when married women went out to work the family had to do without her domestic services and, therefore, had an additional expense.

To compensate for this the maximum amount of the wife's earnings not subject to tax had been raised from R500 to R1 200. This had reduced a couple's tax burden by R600 in the highest bracket.

The rates of personal tax had been substantially reduced, and together with the increase in the tax free portion of the wife's earnings had the effect that the earnings of a married woman would in future be taxed at much lower effective rates than previously.

At the time of the Franzsen report, the earnings of a wife earning R8 000 a year was taxed at an effective rate of 32,23% if her husband's income amounted to R10 000.

EMBARGO: 18h00 on Tuesday, 14 October 1980

SPERTYD: 18h00 op Dinsdag, 14 Oktober 1980

370

THE FUTURE OF TAX LAW IN SOUTH AFRICA

Annual Lecture delivered by Senator the Honourable Owen Horwood,
Minister of Finance, at the Tax and Business Law Centre,
University of South Africa, Pretoria,
on 14 October 1980

Introduction

I am particularly pleased to be invited to deliver the Annual Lecture at the Tax and Business Law Centre of the admirable University of South Africa on the subject of "The future of tax law in South Africa".

As the Minister whose doubtful pleasure it is to introduce from time to time legislation imposing taxes, it is gratifying to see the importance attached to the subject of taxation and to the education of students in the intricacies of tax legislation; but what is more

important/....

Note time and date of STRICT EMBARGO

important is that through the work done at your Centre as well as through seminars of this nature, people are made tax conscious or become tax orientated.

This is particularly welcomed by the tax authorities as tax adminis= tration is greatly assisted if taxpayers are aware of their rights and obligations under the various tax statutes and are knowledgeable about the provisions of such statutes; this helps to ensure sound tax legislation.

I notice, however, that the curriculum of your tax law programme for 1980 is silent on general sales tax. This is perhaps a pity as sales tax is an important component of our tax structure and, as a new tax, it is necessary not only that continued research *per se* should be carried out to improve the tax but that students who are employed in commerce, industry and banking, and who are responsible for the application of the provisions of the Act in their business activities should be enlightened on this branch of indirect taxation. I am sure that the Commissioner for Inland Revenue would welcome suggestions arising from any studies you may pursue for the improvement of this tax.

Theme/....

a little earlier, a tax of 5 per cent on the net profit of gold mines under Transvaal Republic regulations of 1899 was re-imposed at 10 per cent in 1902. The tax formula governing gold mining taxation was imposed in 1936 as an additional tax over and above a 15 per cent basic tax rate.

Income tax as we know it today was first imposed in South Africa in 1914. From 1914 its importance steadily increased and by 1938 the ratio of income tax to indirect taxes was 45:55 and by 1978, before the advent of general sales tax, the ratio (excluding gold) was 70:30. Based on the estimates for 1980/81 the ratio for this year is expected to be 67:33. This clearly illustrates the measure of the redressing of the imbalance that was becoming very marked in our tax structure. We have now reached the turning point where the overloading of one source of revenue has been arrested and the question is, where do we go from here?

Before looking ahead, however, let us restate the purpose of taxation. It cannot be too often said that taxation is not an end in itself but

a means to an end,/....

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a means to an end, that is, the financing of state expenditure, and in the least inflationary manner; it has no profit motive and it should be so levied that "the subjects of every state ought to contribute towards the support of the Government as nearly as possible in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state" - to use the immortal words of Adam Smith.

Tax has also been described by Samuel Johnson in his Taxation No Tyranny as "a payment exacted by authority from part of the community for the benefit of the whole".

Bearing this in mind, let us look at -

<u>The road ahead</u> and examine each of the main sources of revenue, their shortcomings and possible improvements.

<u>Income tax</u>, which has been described as "intrinsically the most just of all taxes", is also the tax which is most closely related to all

spheres/....

assistance is used to best advantage. These days there are many kinds of incentive allowances, such as those for the encouragement of productivity (investment and training allowances); for exports (export allowances); for economic development (such as special deductions for industrial undertakings in economic development areas), to name but three. Some of these concessions may, of course, have a stimulatory effect resulting in an increase in tax yield in the long term, but there are also other types of deductions which do not fall within the ambit of expenditure directly linked with the earning of income. My own view is that the final say in all fiscal matters must rest with the fiscal authority (Treasury), including the granting of "tax expenditures".

Another area which will require attention (and is in fact receiving attention) is the removal of arbitrary determinations of the value of the income which is to be taxed. The ideal is to have fixed rules for the determination of the value of taxable income and to remove any subjective judgment. Fixed rules can, however, if they are

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inflexibly applied, cause hardship, which must also be guarded against. In this context I may say that I consider that the current proposals for valuing fringe benefits, derived by employees and holders of office, measure up very well to the criterion set, namely, that the valuation will generally be founded on fixed rules but that there will be enough flexibility in practice to meet the exceptional case where hardship may otherwise be experienced.

From time to time pleas are made for the effects of inflation to be accounted for in the income tax law. The main burden of the repre= sentations is that, under conditions of inflation, conventional methods for the depreciation of assets, as laid down in the Income Tax Act, are inadequate to provide for the replacement of assets and inventories. This is a large subject in which I have been closely interested for many years, but it cannot possibly be treated here. Suffice it to say that although these pleas are partly met through the investment allowances on machinery and plant (in addition to normal depreciation provisions), and through the system of valuation of stock-in-trade on

The aspects of private company taxation which should receive special consideration in the future are, firstly, the private company as a vehicle for tax avoidance (or is it "avoision" - that grey area between avoidance and evasion?) and, secondly, the necessity for neutrality in the tax treatment of different forms of undertakings, for example, the company versus the partnership or sole proprietor forms of under= taking.

Does the classical necessity for the establishment of a private company, namely, limited liability, the mobilising of capital, ease of succession, and so forth, still hold good in this modern age? And is it equitable that by the creation of a legal entity such as a company to carry on an enterprise a taxpayer can minimise his tax while other economic activities such as remunerated personal services and certain professions are incapable of enjoying an equal advantage?

A theoretically ideal means of taxing private companies was in vogue in South Africa from 1941 to 1951. That was the system of apportion= ment whereby the taxable income of a private company was apportioned

among/....

among its shareholders and taxed in their hands at the rates of tax applicable to the individual shareholder on his total taxable income including the apportioned amount. The apportionment was made irrespective of whether or not dividends were paid by the company.

The system was fraught with certain administrative difficulties but it did attain neutrality in the taxation of business enterprise, whatever the form of the undertaking, and obviated the need for trying to force out a reasonable dividend declaration for taxation in the hands of the shareholder. The apportionment system, as it was then applied, had certain practical disadvantages and was abandoned because of those shortcomings, and for other reasons. With the advent of computers it is quite feasible that the previous administrative difficulties can be overcome and this approach to the taxing of private companies merits closer scrutiny for future years.

Other matters which will continue to receive attention are, first, the efficacy of the concept of "source" as a basis for arriving at taxable income and, second, whether the machinery for the collection of income tax can be improved.

The alternative/....

or separately to the taxpayers, while in Belgium, France and Portugal the unit is the family. In South Africa the unit has, since income tax was first levied, always been the married couple. This system whereby the incomes of the spouses are aggregated and taxed in the hands of the husband, is not, as is often alleged, based on an old-fashioned concept of the inferiority of the married woman, but merely follows the general practice of the majority of South African couples that the income of the wife supplements that of the husband to form the combined means of the household.

The taxation of the income of married women which has long been a vexed question, especially with those in the higher income brackets, has been considered repeatedly by various commissions and committees. Although they have consistently recommended the retention of the existing system, nothing in this changing world is static and least of all tax systems. Accordingly, the tax position of married women is constantly being reviewed as is evident from the design of the latest income tax return forms which is aimed, inter alia, at obtaining greater clarity in regard to the incomes of married women.

The Franzsen Commission/....

The Franzsen Commission of Enquiry into Fiscal and Monetary Policy in South Africa, while recommending the retention of the existing system, also conceded that, when a married woman leaves the house to earn income, the family has to do without her domestic services and thus has additional expenses. The Commission accordingly expressed the opinion that in such a case the contribution made to the unit's means by the wife should be regarded as gross and not net and that, in comparison with the family in which there is only one breadwinner, this family's ability to pay tax is smaller in respect of an equal gross income. The Commission's recommendation that, to compensate for this situation, a maximum amount of R500 of the wife's earnings should not be taxed, was accepted and the exempt amount has since been increased from time to time until, for the 1981 tax year, it comes to R1 200. In practice this has the effect of reducing the couple's tax burden in the lowest income categories by R96 and in the highest brackets by as much as R600.

In a report/....

married couples without children whose combined incomes do not exceed R12 000, will have to pay more tax than at present. This is the category into which most newly-weds fall. The tax will only be reduced in those cases where the combined income exceeds that amount. When cognisance is taken of the fact that, according to the latest available statistics, 82,77 per cent of all married taxpayers have incomes of R12 000 or less and that the minority of married persons will benefit therefrom, it is clear that such a system will not be acceptable.

When the taxation of the incomes of married couples is considered, the equity principle must never be disregarded. Apart from the concession made upon the recommendation of the Franzsen Commission to compensate for additional expenses, there should be no difference between the tax payable on equal incomes by different family units. It cannot be justified that a household with only one breadwinner who through increased efforts earns a given amount of income, should pay more tax thereon than the unit where the spouses jointly earn

an equal expendable amount, merely because in the latter case the incomes are taxed separately and, therefore, at lower rates. Income tax, as the name indicates, is a levy on income and the composition thereof or social factors should not affect the amount of the tax payable.

It is, however, not only the problem of finding an acceptable system which has to be taken into account. There are also serious practical and logistic difficulties which will have to be overcome. It is estimated that the introduction of any system of separate taxation of spouses will result in an immediate increase of approximately 25 per cent in the <u>total number</u> of taxpayers from whom returns of income will have to be obtained and to whom assessments will have to be issued. To accomplish this would not only require additional accommodation, but will also necessitate a substantial increase in staff. Serious difficulties have for many years been experienced in recruiting sufficient and suitable staff to handle the existing work-load as well as finding sufficient accommodation to satisfy existing needs

As a country becomes more self-supporting and is less dependent on imports, so the fiscal role of customs duty diminishes. Excise, because of the limited range of goods it can be applied to has a restricted growth potential and can run into the danger of overloaded rates which in turn can prove to be counter-productive.

Taxes on consumption are nothing new and there are indications that they existed in the middle ages (probably in the form of a tax at production level). In his In Praise of Folly, Desiderius Erasmus, the Dutch humanist, said -

> "A good prince will tax as lightly as possible those commodities which are used by the poorest members of society, for example, grain, bread, wine, clothing and all other staples without which human life could not exist".

I think that we have succeeded in meeting Erasmus's wish in that our rate of sales tax is one of the lowest in the world and for as long as it is possible, I intend keeping it that way. Any additional yield

that may be required/....

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that may be required from this tax should rather first be sought from the broadening of the tax base by including more services in the tax net and by the economies derived from the ever more efficient administration of the measure. A sales tax, in whatever shape or form, is by nature regressive and it is therefore a tax which must be closely watched to prevent it from becoming burdensome.

I believe we have succeeded in making the administration of the general sales tax for the private sector, which has to collect the tax, as simple as possible so that the cost of tax collection to the business enterprise is minimal and does not affect the prices of commodities. The general sales tax has been in operation for just over two years, and I am glad to say, due to the thorough preparations made in advance of its introduction, as well as the close co-operation received from the business community, very few amendments to the principles contained in the Sales Tax Act have had to be made.

The sales tax/....

on wealth as such is not commendable. When, however, enrichment takes place either by the realisation of capital assets or the transfer of capital assets from one person to another on death or by donation inter vivos, a new situation arises and consideration should be given as to whether, and if so how, the realised gain or the transference of wealth should be taxed. Transfer of assets from one person to another is already covered by donations tax or estate duty and for purposes of this lecture we need only concern ourselves with the question of gains (and losses) on the realisation of capital assets.

The taxation of transferred wealth or realised capital gains has exercised the minds of tax authorities and tax commissions all over the world for many years. The variations on the theme are legion and range from the views of the Royal Commission on Taxation - Canada (the Carter Commission) on the one extreme, namely, the comprehensive tax system whereby 'capital' gains on the disposition of property are to be included in the ordinary income tax base, to the views of the Franzsen Commission in South Africa, which recommended a very limited

capital gains tax/....

capital gains tax on gains arising from the disposal of marketable securities and fixed property, which tax would be levied at the comparatively modest rate of 20 per cent.

It is interesting to note the concluding remarks by the Commission in making their recommendation, namely, paragraph 312 of the Commission's First Report -

> "An evaluation of any tax viewed in isolation can easily lead to either condemnation or excessive commendation of the tax beyond the limits of the impact and purpose intended. The proposed tax on capital gains should be seen as part of a comprehensive arrangement in connection with a reformed tax system .... When relief of normal taxation on earned income and profits which are not of a capital nature is recommended, it follows that a broader base will have to be sought in order to maintain the fiscal productivity of the system as a whole and to build equity into the system as a whole".

No final decision/....

Wat moet ons langtermyn beskouing oor fiskale maatreëls wees?

In die eerste instansie moet belasting nie 'n politieke speelbal wees nie soos ons in die jongste verlede sien gebeur elders in die wêreld waar 'n verkiesing voorhande is. Belastingtoegewings wat in sulke omstandighede gemaak word het eerder politieke bevoordeling as bevoor=deling van die belastingbetaler in gedagte en kan enersyds van korte duur wees tot na die verkiesing of kan andersyds nadelige ekonomiese gevolge hê. Verder moet tydelike meevallers nie as grondslag dien vir belastinghervorming nie. Meevallers is soos môre-mis en kan net so gou verdwyn terwyl hervorming standhoudend moet wees ten einde beplanning deur belastingbetalers te vergemaklik; daar moet dus sekerheid en stabiliteit in 'n belastingstelsel wees.

Omdat belastings in een of ander vorm indring in alle fasette van ekonomiese bedrywighede is dit noodsaaklik dat daar voortdurend krities na gekyk word dat hulle tred hou by veranderende omstandighede. In hierdie verband kan u Sentrum 'n waardevolle bydrae maak deur die resultate van u objektiewe navorsing in die belastingreg aan die

belastingowerhede/....

belastingowerhede oor te dra. Ek kan u verseker dat deeglike aandag daaraan gegee sal word.

Daar word dikwels gevra of ons nie 'n eenvoudiger belastingstelsel kan invoer nie. Dit is so dat dit nodig gevind word om van tyd tot tyd hoogs tegniese bepalings in ons belastingwette in te voeg. Die rede daarvoor is dat die groei van die landsekonomie nuwe situasies tot stand bring en belastingwette, net soos ander wette, nie stagnant kan bly nie en gewysig moet word om met die nuwe situasies tred te hou. In Suid-Afrika, soos in ander lande, word belastingwette al hoe meer gebruik vir ekonomiese doeleindes en is nie meer suiwer belasting=maatreëls nie. Die noodsaaklikheid van billikheid, sekerheid en helderheid in ons wetgewing is 'n ideaal waarna ons voortdurend moet streef. Hierdie probleem word ook in ander lande ondervind. In 'n oorsese tydskrif lees ek dat "the three main canons of taxation are equity, certainty and intelligibility ..... There has been a failure to strike the right balance. Equity must be balanced with simplicity and intelligibility. However, we accept that it is unrealistic to suppose that a taxation system in a complex society can be simple, as the word is generally understood".

Daar is nie/....

Daar is nie so-iets soos 'n volmaakte belastingstelsel nie. Wat vir die een aanvaarbaar is, is vir die ander aanstootlik. Daar is ook nie so-iets soos 'n onveranderlike belastingstelsel nie; die lewe en ekonomiese aktiwiteite bly nie staties nie; hoe kan 'n staatsaksie wat juis alle fasette van die menslike en ekonomiese aktiwiteite deurdring of aantas, dan staties bly?

Die toekoms van belastingreg in Suid-Afrika sal dus daarin geleë wees dat belastinghervorming 'n deurlopende taak moet wees in ons strewe om die bepaling van belasbare inkomste vir inkomstebelasting duidelik en eenvoudig te formuleer; om by die belasting van verbruiksbesteding die doelstellings van eenvoud en billikheid steeds na te jaag; om in die geval van ander belastings te waak teen proliferasie maar om doeltreffende eksploitasie van bronne na te streef en om deur middel van al hierdie ideale 'n lae totale belastinglas tot stand te bring.

Dit is voorwaar 'n formidabele taak om 'n algemeen aanvaarbare ideale stelsel te vind wat Burke so lank gelede as 1775 genoop het om te sê dat om te belas en almal tevrede te stel net so onmoontlik is as om

terselfdertyd/....

terselfdertyd verlief en rasioneel te wees. Dit is net nie vir 'n mens beskore nie.

I have sought, in the space of one short lecture, to give you an insight into official thinking at this time on some issues affecting tax law in South Africa. It goes without saying that there are a number of other fiscal issues - both actual and potential - which the exigencies of time and space prevent my mentioning, but which are under constant surveillance by the Standing Commission on Taxation Policy and the Commissioners for Inland Revenue and for Customs and Excise and their dedicated staff, to all of whom I pay tribute on this appropriate occasion.

ISSUED BY THE INFORMATION SERVICE OF SOUTH AFRICA AT THE REQUEST OF THE MINISTRY OF FINANCE.

UITGEREIK DEUR DIE INLIGTINGSDIENS VAN SUID-AFRIKA OP VERSOEK VAN DIE MINISTERIE VAN FINANSIES.

PRETORIA

14 Oktober 1980
14 October 1980

No final decision on this recommendation of the Franzsen Commission was ever taken, but the Standing Commission on Taxation Policy recently considered the matter and made recommendations to me.

Although the introduction of a capital gains tax will not automatically resolve the question of distinguishing between capital and revenue accruals - the matter is far too complicated (as is evidenced by the mass of cases decided by the Courts on this issue) to lend itself to a generally acceptable definition - it is not inconceivable that as experience is gained, gains made within certain parameters could be more closely defined as being of a capital nature and brought four square within the ambit of a capital gains tax, thereby removing them from any question of liability for normal income tax. To that extent the element of doubt and uncertainty attaching to all capital transactions would at least be removed from transactions falling within the defined parameters.

The Government is in no way committed as to a possible tax on capital gains, however the concept may be defined. Nevertheless, I believe

a useful purpose/....

a useful purpose can be served by having a public debate on the issue, as was the case with sales tax and the proposed taxation of fringe benefits. But first it is necessary to complete the last round of consultations on the fringe benefits tax issue, and to resolve that issue for the future.

<u>Belasting op transaksies</u> is seker een van die takke van belasting=heffing wat nie na reg aangeslaan word nie; dit word geheel en al geringskat. Die belastingreg met betrekking tot seëlregte, hereregte, belasting op koop en verkoop van handelseffekte word maar stiefmoederlik behandel en dit is hoog tyd dat ons weer hierdie belastingbronne van naderby en krities beskou of hulle in 'n moderne belastingopset nog bestaansreg het en, indien wel, of hulle ten volle eksploiteer word. 'n Belastingstelsel kan mank gaan aan 'n proliferasie van belastings wat nie alleen administrasie bemoeilik nie maar ook 'n ergenis vir die belastingbetalersbevolking kan inhou.

Wat moet ons/....

The sales tax is likely to play an ever-increasing role in budgetary considerations and, as I said in my introductory remarks, more attention should be given to it in any academic research into taxation. The philosophy underlying it is completely different from that of a tax on income. Where the latter is based on a concept of taxable income arrived at by the deduction from income of expenditure and losses incurred in producing that income, a sales tax does not depend on the profitability of the commodity sold or taxable service rendered. Exclusions from the tax are based mainly on considerations of preventing an undue escalation of the tax in the form of a tax on tax as the commodity passes through the various manufacturing and distribution channels.

The question may well arise in the future whether a value added tax system (VAT) of sales tax might be preferable to that which we have and then the same test will have to be applied as was done at the time when the choice fell on the general sales tax. VAT will have to more than measure up to general sales tax as to ease of administration and the productivity of the tax and, in the Africa context, it will have

to pass the test/....

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to pass the test that it is "most consonant with the circumstances and sentiments of the country". I doubt whether VAT will be able fully to measure up to these criteria but the future will tell.

It may be of interest to add that with the development of the concept of a constellation of states in Southern Africa, it will be desirable to harmonise the sales taxes imposed by the various member states.

To give depth to a country's tax structure, taxes on wealth cannot be ignored; certainly not in a rational discussion of taxation.

This is not a socialistic view but accords with the principles of a free enterprise society where there are no limits to the extent to which wealth can be acquired, but that does not mean that wealth should be left strictly untouched by the fiscus if the object is to spread the tax burden evenly over all economic activity, be it consumption spending, the earning of income or the acquisition of at least certain forms of wealth. My own view is that in our type of society a tax

on wealth/....

and these problems have been exacerbated by the introduction of sales tax which has placed an added burden on the available trained and experienced staff. Accordingly an immediate drastic increase in the number of persons on the income tax register can hardly be faced under present circumstances.

In conclusion it may be mentioned that, although only a relatively small proportion of the 1980 returns has as yet been processed, an analysis of the data which have already been obtained, has revealed some interesting facts. Thus, it has been shown that, while at the time of the 1976 investigation 34,7 per cent of married women earned salaries, that percentage at present comes to 39 per cent, which seems to indicate that the existing system does not, in fact, deter married women from taking up employment as is so often alleged. In addition, the processed returns have shown that where both spouses earn salaries, the average income of the married couple amounts to R10 461 of which the wife, on average, contributes R3 138.

And what of the future?/....

And what of the future? Let me repeat what I said earlier on, namely, that nothing, least of all tax systems, is static in this changing world. The search for the ideal tax system is the never ending task of tax authorities in South Africa as well as in other countries and it is interesting to note that in some countries where separate taxation of husband and wife is in operation, the search for better means of taxing the family unit continues.

We are therefore not merely adopting a negative attitude and leaving it at that, but we are continuously searching for the best solution.

Indirect taxes play an important role in the tax mixture. Up to fairly recently South Africa's most important indirect taxes were customs and excise duties.

Customs duties, apart from their revenue aspect, also have an important economic role in protecting local industry in certain defined circum= stances, while excise duties can and are also used as regulatory measures.

As a country/....

In a report which was tabled in Parliament during the 1976 Session, the Standing Commission on Taxation Policy again recommended the maintenance of the status quo and concluded that the main cause for the dissatisfaction with the system could probably be ascribed to the high marginal rates of income tax prevailing at that time, and I would like to quote the final paragraph of the Commission's recommendation -

> "The Commission strongly supports the view that, instead of further eroding the tax base by separating incomes of spouses, every effort should be made to bring nearer the attainment of the ideal of a general decrease in marginal tax rates, thereby conferring a benefit upon all sections of the taxpaying population while at the same time meeting the complaints against the high marginal rates which in the higher income groups result from the addition of a married woman's income to that of her husband".

The rates of personal income tax have since been substantially reduced and this, together with the increase in the tax-free portion of the

wife's earnings, has the effect that the earnings of married women will in future be taxed at much lower effective rates than previously. This is illustrated by the fact that, to quote but two examples, whereas at the time of the report, the earnings of a wife earning R8 000 per annum were taxed at an effective rate of 32,23 per cent if her husband's income amounted to R10 000, the effective rate on such earnings will, under the same circumstances, be only 20,25 per cent for the 1981 tax year; where a husband earns R20 000 and the wife R10 000, the effective rate of 50,72 per cent on the wife's earnings in 1976 will decrease to 32,80 per cent for the 1981 tax year.

One of the main obstacles preventing the summary introduction of a system of separate taxation for married couples, is the difficulty of devising a generally acceptable system which, while not increasing the tax burden of the single-breadwinner-family, would at the same time not result in an unacceptable loss of revenue. A system which continues to tax the spouses as unmarried persons after their marriage will, if the 1981 rates are applied, have the effect that all those

The alternative to taxing residents of the Republic on income derived solely from local sources is to tax them on all income wherever it is derived, as is done in many other countries. The problem is really one of double taxation, as the country in which income is derived has a prior right to tax that income, and if the person deriving the income is a resident of another country and that country also taxes the income, the country of residence must normally give relief for the tax paid in the country of source. Hitherto it has not been considered advantageous for South Africa to go over to the world basis, by reason of the comparatively low rates of tax prevailing here. The source concept makes for simplicity of administration. However, with the emergence of independent countries on our borders, changed circumstances may well indicate a necessity for a reappraisal of the method of determining taxable income.

The PAYE system of tax collection has proved to be reasonably successful. The payment of tax on income at about the time the income accrues and before it is disposed of is less painful to the taxpayer than payment

on assessment/....

on assessment at a considerably later period. It may well be advantageous both to the fiscus and the taxpayer to extend the system of withholding tax from income payments to income in the form of interest or dividends. There are difficulties, but a simple with=holding system has, with the general use of computers, become feasible.

Before finally leaving the discussion on income tax, there is an issue which has become very emotive of late and on which I feel constrained to say something. I refer to the question of the tax treatment of the income of married women and I ask your indulgence if I should dwell on this at some length.

The unit chosen for taxation is an important factor in and characteristic of any system for the taxation of personal income. This "unit" can be the individual, the married couple or the family with "family" narrowly or widely defined. Countries like Australia, New Zealand and Canada prefer the individual. The United Kingdom, United States of America and West Germany leave the choice whether they wish to be taxed jointly

or separately/....

the L.I.F.O. basis, I am not yet convinced that a method for the determination of taxable income based on financial statements drawn up on the Current Cost Accounting basis of accounting for inflation is acceptable at this stage. The same applies to pleas for indexation of income tax rates and rebates. These seem to me to be a surrender to inflation rather than a procedure to combat it.

We should bear in mind that state expenditure is also subject to inflationary influences and if the shortfall between an inflation-indexed tax yield and inflated expenditure is to be met by increasing the pre-index tax rate, we would, it seems, be back to square one. The alternative would be to finance the shortfall by means of borrowing, which would most probably add fuel to the inflationary fire. One can, of course, understand that in a case of runaway inflation, such as in some South American countries, indexation could be resorted to for political rather than for economic reasons. But that is something else.

Whatever one's views, it is clear that we have not heard the end of the depreciation of capital and of indexation in the context of income tax law under conditions of inflation.

In my view/....

In my view we should continue to exercise all reasonable discipline in State spending so that the lowest possible tax compatible with budgetary requirements can be achieved. Coupled with the efficient exploitation of tax sources, and the spreading of the burden of taxation as broadly and as equitably as possible, tax rates can be kept low without artificial means. We must cure the malady rather than keep on giving the patient ineffective medicine while his condition deteriorates.

Another aspect of income tax law which I wish to comment on for future consideration is the question of <u>taxation of companies</u>, and especially private companies. I understand that Professor J.B.J. van Rensburg of your University has already done some valuable research in this direction, the results of which were published in his treatise "'n Evaluasie van die Suid-Afrikaanse stelsel van maatskappybelasting met besondere verwysing na die privaatmaatskappy/aandeelhouer verwantskap".

The aspects/....

spheres of economic activity and the indications are that in modern developed countries it will remain the main tax vehicle of government.

Its effectiveness may, however, be weakened in that its main purpose as a tax gathering device can become frustrated first, by its becoming unnecessarily complicated due to constant attempts at its avoidance or evasion, resulting in the tax authority's efforts to thwart such attempts, and second, the constant erosion of the base on which the tax is levied by concessions and exceptions given for economic and social purposes.

Where this happens a distortion of the effects of the tax rates comes about in that certain sectors of the taxpaying population will pay tax at a lower effective rate than others on similar trading results as a result of extra balance-sheet allowances.

The question arises whether the time has not arrived for a hard look to be taken at these tax concessions or "tax expenditures". By tax expenditure is meant those tax deductions which do not fall within

the general scope/....

the general scope of the formula for determining taxable income but which, in effect, diminish the amount on which the tax is normally levied; in effect therefore tax revenue is forgone, which is tantamount to expenditure against a higher tax revenue, and which should more appropriately have been featured in the estimates of expenditure to be defrayed from tax revenues. This would have brought the item under constant Parliamentary control and scrutiny whereas now, a tax concession once approved and embodied in the Income Tax Act is automatically granted in the tax assessment process and the amount of revenue forgone is not again subject to Parliamentary scrutiny to establish whether such expenditure is justified in the light of results attained through the granting of the concession.

A question which is also sometimes asked is whether tax concessions should be continued in their present form or should be removed from tax law, with equivalent appropriations being provided on the votes of the various departments which, some argue, may be in a better position than the tax authorities to ensure that this kind of State

assistance/....

Theme

The theme of my lecture is "The Future of Tax Law in South Africa". I do not profess to be clairvoyant and therefore do not intend making a dogmatic prognosis of the future tax structure of South Africa, but will rather discuss some tendencies in taxation and developments in tax thinking as pointers to what the future may hold. To do this, we must look back along the road we have come, assess the present position and restate the purposes of taxation.

Modern taxation has its roots in ancient history and has come a long way from the early systems of tolls and tithes. It has developed universally in four main streams - taxes on income; taxes on goods and services, either at production or at import level, for example, excise and customs duties, on consumption, for example, sales tax in its various forms; taxes on wealth; and taxes on a diversity of transactions in the form of stamp duties, transfer duty, fees of office and various para-fiscal charges levied at the different levels of government.

Each country/....

Each country will adopt those tax measures which, in the words of Thomas Jefferson, "are most consonant with the circumstances and sentiments of the country". Although we may profitably learn from the experiences of others, the trite saying that "comparisons are odious" is nowhere more applicable than in the case of tax rates and structures unless all the surrounding circumstances, such as the state of development of the country, its likely tax sources, distribution of wealth, and so forth, are taken into account. It is, therefore, not always possible to transplant one country's tax system to another without adapting it to "the circumstances and sentiments of the country".

In South Africa the earliest form of taxation was transfer duty, which was first imposed on 21 January 1686 by Governor Simon van der Stel on the sale of property by free burgers. In 1798 this tax was re-imposed by Viscount MacCartney at 4 per cent on fixed property and 2½ per cent on buildings. The development thereafter was mainly in the form of stamp duties and customs and excise levies. Under the 1908 Gold Law of the Transvaal lease considerations were derived from gold mines and,

a little earlier,/....

GST is here to stay — Horwood

320

RDM 16/10/80

Pretoria Bureau

SOUTH Africa's GST rate was among the lowest in the world, and he intended keeping it that way, said the Minister of Finance, Senator Horwood, in Pretoria this week.

Addressing the Tax and Business Law Centre at the University of South Africa, he indicated that a capital gains tax was still an open issue, and that final consultations were being held on fringe benefits taxation.

Commerce and industry expect the perks tax to be introduced next year.

He said sales tax was likely to play an increasing role in budgetary considerations and more research attention should be given it.

The Department of Inland Revenue had succeeded in making the administration of GST as simple as possible. The cost of collections to business was minimal and did not affect the price of commodities.

Any additional yield should first be sought from a broadening of the tax base by including more services in the tax net, and by economies derived from more efficient administration.

He doubted whether value added tax (Vat) would ever measure up to the advantages of GST.

The Government was in no way committed to a tax on capital gains. However, he believed a useful purpose could be served by having a public debate on the issue.

First, however, it was necessary to complete the last round of consultations on the fringe benefits tax issue and to resolve it.

The current proposals for valuing fringe benefits would be founded on fixed rules, but with flexibility to meet exceptional cases of hardship.

Discipline in State spending would continue to be exercised so that the lowest possible tax compatible with budgetary needs could be achieved.

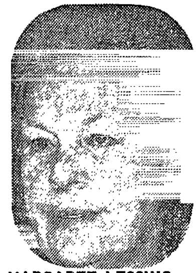
The PAYE system of tax collection had proved to be reasonably successful. It was less painful to the taxpayer.

It might well be advantageous both to the fiscus and the taxpayer to extend the system of witholding tax on income in the form of interest and dividends. There were difficulties, but a system had become feasible.

CHARLENE LEIBMAN — getting married next week because she thought separate taxation was on its way.

DR JOOP DE LOOR — "separate tax is not high on the priority list."

DR LEONORE VAN RENSBURG — "let's have a national congress to call for a new tax system."



MARGARET LESSING "give women the option of choosing to be taxed together or separately."

Tax: Give working women the option

STAR 16/10/80

320

Leading South African women have made some sensible and practical suggestions for implementing a new tax system in the wake of Senator Owen Horwood's statement that the present system of joint taxation would continue, reports SUE GARBETT.

Give married working women the option of being taxed separately or jointly. This has been the general reaction from women in the wake of a speech made by the Minister of Finance, Senator Owen Horwood this week, in which he said the present system of joint taxation would continue.

In his speech the Minister said that if separate tax was introduced, 83 percent of all married working couples would pay more tax. He said that separate tax would therefore benefit a minority.

"The Minister could have given the 17 percent of married women who fall within the higher tax bracket the option of choosing to be taxed together or separately," said Mrs Margaret Lessing, consumer affairs expert, top businesswoman and member of the President's Council.

"He ignored the sensitive fact that under the present system women have to give details of their earnings to their husbands while husbands do not have to do the same. Also the husband gets the rebate."

Scorn

She pointed out that in May this year, the South African Federation of Business and Professional Women passed a resolution which stated that if married women were not considered to have a tax identity, they should not have to pay PAYE.

The resolution was sent to the Minister of Finance.

Mrs Adele van der Spuy, champion of women's rights who has been fighting for separate taxation for six years said: "That 17 percent of the population that Senator Horwood is scorning produces over 90 percent of the revenue which he uses to run this country.

"One cannot justify a real injustice against one sector by projecting an imaginary injustice against another sector."

Mrs van der Spuy added that she was not depressed by the Minister's speech, "because I know we're going to get separate taxation. It's just a matter of time."

Dr Leonore van Rensburg, who is on the executive committee of the Women's Medical Association and who has twice led delegations to Department of Inland Revenue officials and to the Minister in an effort to get the tax system changed, said she was "terribly disappointed" by Senator Horwood's speech.

"We've asked that women be allowed to choose to be taxed separately or together. Married women really cannot continue to work under this present system."

Separate

Dr van Rensburg called for a national congress to be held where women could call with a united voice for a new tax system.

Mrs Helen Suzman, MP, who has made a point of looking after women's interests in Parliament, said she was not surprised by the Minister's speech.

"I don't think these men realise it is not only financial implications that are important. Women also want a separate tax identity."

She reacted to the Minister's remark that it was the general practice of the majority of South African couples that the wife's income supplemented the husband's by saying, "That may have been the case 20 years ago. It is not the case today when so many women supply a substantial part of the family income."

"I'm shattered," wailed Mrs Charlene Leibman, Managing director of a Johannesburg engineering firm. "Im getting married next week on the assumption that separate taxation was on its way."

Cheesecake

Mrs Leibman has been living with a divorced man who has children because they estimated it was prohibitive for them to marry under the present tax system.

"How can I carry on working? Here I am doing a man-size job, employing lots of engineers and now it looks as if I'll have to stay at home and bake cheesecake."

But Dr Joop de Loor, Director General of Finance had some crumbs of comfort.

He said Senator Horwood's remarks were not the end of the road for women wanting a new tax system.

"They are conclusive for the time being — say the next couple oi years. Our hands are so full of other things that separate tax is not high on the priority list. But it will move up later on," he said.

Logistics

When I asked Dr de Loor why the SWA/Namibia Administration could introduce a form of separate taxation as it did earlier this year, to encourage married women to return to work, and not South Africa, he paused before replying and said, "That's very interesting."

He said SWA/Namibia had a limited number of income taxpayers and therefore did not have the logistic problems in implementing a new system.

"Logistics is the main problem facing us," he said.

Professor Sandra van der Merwe of the Graduate School of Business Administration at the University of the Witwatersrand said, "This approach to logistics is a short-term view. We need a rationalising of systems. A more management - orientated approach to this problem (of dealing with extra tax forms) could cut down on administrative problems."

TAX REFORM 320

View from the bridge

FM 17/10/80

The private sector is unlikely to be enamoured of some of Fianance Minister Owen Horwood's ideas this week on tax reform. But in an address on the subject he did, on balance, leave some hope that there could also be further compensating reductions in the top marginal rates.

To take the bad news first, in the annual lecture at Unisa's Tax and Business Law Centre, Horwood fired another warning shot over the capital gains tax (CGT). While rejecting the concept of a tax on wealth itself, he observed that it was "not socialistic" to contemplate cer-

tain taxes on wealth. The free enterprise ethos "does not mean that wealth should be left strictly untouched by the fiscus if the object is to spread the tax burden evenly over all economic activity."

Noting that transfers of wealth by death and donation were already taxed through estate duty and donations tax, Horwood harked back to the first report of the Franzsen Commission, which recommended the introduction of a CGT (at a rate of 20%), to provide for the remaining contingency of wealth accrual through realised capital gains on shares and property.

No commitment

The Standing Commission on Taxation Policy recently considered the CGT issue and has made "certain recommendations" to Horwood. But the government is "in no way committed".

If a CGT were introduced, consideration might be given to define "gains made within certain parameters" as being of a capital nature and "brought four square within the ambit of a CGT, thereby removing them from any question of liability for normal income tax." As recently explained by the *FM* (September 26) there is at present often uncertainty about the tax implications of the sale of shares or property, so that any action on CGT should be balanced by introducing more objective criteria for distinguishing income from capital gains. Horwood's formulation suggests that he sees logic in this viewpoint.

On the question of the relationship between direct (ie income taxes) to indirect taxes, Horwood noted some progress: in 1978, before the introduction of the general sales tax (gst) the ratio of direct to indirect taxes was 70 to 30, excluding the contribution of gold to tax revenue. Based on the estimates for 1980/81, the ratio for the current year is expected to be 67 to 33. Thus "the overloading of one source of revenue has been arrested."

Tax avoidance

Horwood noted the use of private companies as a means for tax avoidance, mentioning with approval the old system of apportionment of private company income (in force from 1941 to 1951), which while "theoretically ideal", was fraught with administrative complexity. But the advent of the computer made it possible to look again at this system.

A sound system of taxing private companies would ensure that they would be formed only for non-fiscal purposes, like achieving limited liability, more convenient succession and more effective mobilisation of capital (*FM*, October 10).

Another extension of the tax system would follow if SA abandoned the concept of "source" as the basis for income taxes and moved to tax on a world-wide basis as many other countries do.

The present system of collection could also be improved, with the possibility of withholding payments on dividends and interest akin to PAYE on earnings through salary.

On married women's tax, Horwood defended the system of taxing the married couple as a unit. He pointed out, as an obstacle to introducing separate tax for married women, "the difficulty of devising a generally acceptable system which, while not increasing the tax burden of the single-breadwinner family, would at the same time not result in an unacceptable loss of revenue." The administrative difficulties of separate tax for women would also be formidable.

Horwood also felt that the system of special deductions (like investment allowances) had gone too far with consequent erosion of the tax base. So some pruning of this type of concession can be expected. He also felt that it might be better to require Parliament to approve such special deductions annually, rather than once-and-for-all as at present.

The proposed fringe benefits legislation also got a mention, as a sound example of "the removal of arbitrary determinations of the value of income." But the rules would be flexible enough in practice to meet exceptional cases of hardship.

Viewing this fiscal programme all in all, a quiet life for the more affluent class of taxpayer hardly seems in prospect.

STATE REVENUE (320)

Skimming the cream

FM 17/10/80

Having exceeded R5 000m in the five fiscal months to the end of August, state revenue figures released by the Treasury indicate a rising buoyancy within the domestic economy, despite the decline in the trade surplus.

The abolition of the import surcharge sliced nearly R100m off customs revenue, yet receipts from this source are more than R70m higher than they were in the April/August period last year, reflecting the sharp rise in imports.

Internal revenue for the five-month period rose 45% to R4 770m, with the income tax portion amounting to over R3 000m. This includes the August month-end tax payments, of which about R2 000m was estimated to have flowed from the private sector, coming mainly from the gold mining companies. This constitutes the highest single tax flow in the country's history.

The increase in dividend distributions abroad, also mainly a function of the healthy profits of the gold mining companies, is reflected in a 60% rise in non-resident shareholders tax receipts to R99m. And there appears to have been an increase in the volume of profit distribution locally, with state income from undistributed profits tax dropping to less than half last year's levels.

Revenue from marketable securities tax has doubled over last year to R13m. And transfer duty revenue, at R58m twice as high as in 1979, testifies to the buoyancy of the property market.

Export duty on diamonds, however, has dropped by more than 50%. Treasury sources say this indicates a fall-off in the volume of South African diamonds being sent by De Beers for sale in Europe and could imply a stockpiling strategy in anticipation of a downturn in sales.

The clearest indication of the rise in aggregate demand comes from gst receipts. This is backed up by the fact that private consumption expenditure has increased at an annualised 11% in the last year. At R640m, gst receipts are 34% higher than they were by August 1979.

Total inland revenue for the first five months of the 1980/81 fiscal year is already close to 50% of the amount budgeted for the whole year. With another major mining company tax payment due in March, there is a strong possibility that the government's real borrowing requirement may be lower than the stated amount. Any adjustment of it, however, will depend on the view taken by the authorities of money supply and interest rates.

One disturbing factor revealed by the Treasury's figures is that direct taxation of income is currently responsible for 60% of total revenue. This is still out of line with the generally accepted ideal of direct and indirect taxation contibuting to total revenue on a 50/50 basis.

Govt appoints woman to taxing commission

STAR 22/10/80

(320)

By Sue Garbett

A woman has for the first time been appointed to the standing commission of inquiry into taxation policy.

She is Mrs Kate Jowell, assistant director of the University of Cape Town's Graduate School of Business.

Three other appointments to the commission were announced by the Department of Information in Pretoria today.

They are Dr Simon Brand, Mr H V Hefer and Mr D Keys.

Dr Brand, the Prime Minister's economic adviser, has been appointed for an indefinite period while the other three have been appointed for a three-year period.

Mrs Jowell who is one of only two women on the Manpower Commission, teaches Industrial Relations, Manpower Development and Management in South Africa to MBA students and executives.

She is on a six-month sabbatical from UCT, four months of which are being spent as a visiting fellow at the Sloan School of Management at the Massachusetts Institute of Technology in Boston.

She said from New York she was pleased.

"Tax programmes largely reflect a government's industrial and social policies and I feel privileged to have been given the chance to take part in our continuing debate."

Mrs Jowell, who spent three years as a Fleet Street financial journalist, has also been a tax assessor.

Mr Hefer is a member of a Johannesburg firm of accountants and Mr Keys is chairman of National Discount.

MRS KATE JOWELL

DEPARTMENT OF FINANCE

No. 2177 24 October 1980

APPOINTMENT OF ADDITIONAL MEMBERS OF THE STATE PRESIDENT'S STANDING COMMISSION OF INQUIRY WITH REGARD TO THE TAXATION POLICY OF THE REPUBLIC

It is hereby notified for general information that the State President deems it necessary to extend the existing number of members of the above-mentioned Commission and it has pleased him to appoint Dr Simon Streicher Brand, Chief: Financial Policy of the Department of Finance, as a member of the said Commission for an indefinite period, as well as the following persons each for a period of three years ending on 30 June 1983:

Mr Hercules Viljoen Hefer.
Mr Derek Lyle Keys.
Mrs Kate Jowell.

No. 2166 24 October 1980

Notice is hereby given that the transfer books of the undermentioned local/internal registered stocks will be closed from 1 November 1980 to 1 December 1980,

DEPARTEMENT VAN FINANSIES

No. 2177 Gly 7267 24 Oktober 1980

AANSTELLING VAN ADDISIONELE LEDE VAN DIE STAATSPRESIDENT SE STAANDE KOMMISSIE VAN ONDERSOEK INSAKE DIE BELASTINGBELEID VAN DIE REPUBLIEK 320

Hierby word vir algemene inligting bekendgemaak dat die Staatspresident dit wenslik ag dat die bestaande ledetal van die bovermelde Kommissie uitgebrei word en dit hom behaag het om dr. Simon Streicher Brand Hoof: Finansiële Beleid van die Departement van Finansies, vir 'n onbepaalde tyd as lid van die genoemde Kommissie aan te stel, asook die volgende persone, elk vir 'n termyn van drie jaar eindigende op 30 Junie 1983:

Mnr. Hercules Viljoen Hefer.
Mnr. Derek Lyle Keys.
Mev. Kate Jowell.

No. 2166 24 Oktober 1980

Hiermee word bekendgemaak dat die oordragboeke van die ondergenoemde plaaslike/binnelandse geregistreerde effekte van 1 November 1980 tot en met 1

FM 24/10/80

LOCAL AUTHORITIES

Fighting Browne

(320)

Dismay in local government circles at the Browne Report will be expressed this weekend when the United Municipal Executive, representing the local authorities, meets in Port Elizabeth. A memorandum will be released which criticises the Browne Committee for its failure to recommend alternative sources of income for hard-pressed municipalities and central government will be asked to prepare a white paper incorporating more substantial financial benefits.

Speaking at the Transvaal municipal conference in Nelspruit two weeks ago, Browne said his committee has "found it impossible" to recommend general relief as "there is no reason to believe that the place local authorities occupy in the national economy at present is unduly small."

But the fine print of the statistics in the report's third volume shows a clear trend of declining municipal importance in the economy as a whole. Their gross domestic product as a percentage of SA's gdp has declined from 3,7% in 1972 to 3,1% in 1978. And local authorities' gross domestic fixed investment as a proportion of the national figure is down from 8,9% in 1970 to 7,2% in 1978.

Municipal crunch . . . services declining

This trend is likely to have been accentuated in the last three years as gold backed government revenues soar and municipalities are forced to adopt more desperate economies and into heavier reliance on property rates to raise money. Moreover, a significant proportion of general services, such as coloured and Asian housing, is not discretionary spending but stems from the municipality's role in acting on government's behalf.

To solve municipal financing problems, Browne urges the adoption of better cost efficiency and productivity measures. He also favours a programmed income budgeting system to forecast prospective income over a delineated period and match expenditure accordingly.

Here the Committee was probably inspired by the Programmed Budgeting System (PBS) of Sandton, whose Town Clerk Jan Hattingh was asked to outline its workings to the Committee. Sandton's PBS is a five-year programme which provides a detailed advance breakdown of spending on the council's undertakings and is reviewed annually.

No doubt tighter financial disciplines and reductions in manpower would benefit municipalities. But this is not a solution. Any PBS will run into the double-digit inflationary dragnet as municipal costs career wildly upwards. In recent years Johannesburg, for example, has been affected by higher electricity and coal costs, sales tax and the need to pay higher wages to keep up with inflation and hold on to staff. This has had to be financed by higher rate charges in the absence of other income sources.

Even Sandton's success in using the PBS to contain rate increases came to an abrupt end in 1977 and has been followed by some hefty rate rises which Hattingh attributes to "unexpected inflation." Moreover, Sandton benefited from well above average white population growth in the Seventies, which means more ratepayers.

Other Browne ideas can be faulted for vagueness. Municipal co-operation to save costs is fine but Browne seems to ignore the extent to which this has developed. On the Witwatersrand, sewage, refuse, parks, transport, civil defence and computer collaboration already exists.

And in wanting municipal services to be pooled, Browne ignores the question whether this will undermine the traditional concept of maximally devolved local government. Indeed, the absence of a coherent municipal philosophy explains much of the Committee's attitude. There is no appreciation of the potential for a strengthened community role for local authorities in government's new constitutional plans.

Similarly, as Hattingh argues, Browne is for the "municipal as part of government" theory when he says local authorities should not steal personnel from the other two tiers but against the theory when it comes to exempting municipalities from sales tax on the grounds that one tier of government should not tax another.

For its part, the UME wants government to provide State subsidies for public transport losses (which this year could reach R20m), place ambulance and health services under the State's aegis, end gst and customs duty on local authority purchases and let local authorities retain a greater portion of motor vehicle licensing fees.

Perks tax decisions still not known

[illegible]

THE Minister of Finance, Senator Horwood, may again delay the implementation of fringe benefit taxation, according to Pretoria sources.

Organised commerce and industry have urged the Minister to make a statement on his intentions as soon as possible.

They point out that it will take six months after the tax details are announced to adjust "earnings packages" to compensate for the effects of the tax on real incomes.

Speaking in Pretoria last week, the Minister said it was "necessary to complete the last round of consultations on the perks tax."

However, no approach has been made to the Federated Chamber of Industries, Assocom or the Afrikaanse Handelsinstituut for further comment, it was learnt yesterday.

The implementation of the tax was scheduled originally for the 1980/81 tax year.

The chairman of Assocom's tax committee, Mr R J Wood, said yesterday it was more than a year since the initial proposals were published.

He urged the Minister to make an announcement about his intentions soon.

He said Assocom had, months ago, submitted detailed memoranda on the tax — setting out its views. There was little more to say unless the Minister wanted further specific comment.

The Minister also has a comprehensive memo from the Federated Chamber of Industries.

The Public Servant's Association submitted its view on the tax months ago, particularly on its effects on subsidised housing loans available to Government workers.

One leading businessman said yesterday if the Minister "is bumping up against problems, he must tell us, and if we can help in resolving them, we will."

Abolish tax on basic food pleads PFP

RDM 29/10/80 (320)

By GERALD REILLY
Pretoria Bureau

THE Progressive Federal Party and labour leaders yesterday called on the Government to remove the General Sales Tax (GST) from basic foods urgently.

They were reacting to the "vicious" increase in the living costs of the poorer section of the population during the past six months.

A survey by the University of Port Elizabeth's Institute for Planning Research, to be released on Friday, shows that in the year to the end of October, the Minimum Subsistence Level (MSL) for blacks in Johannesburg was up by 16%, and by 18,9% for coloureds.

Even more alarming, economists emphasised yesterday, is that according to the survey the increase in the MSL for blacks in the six months to October rose a massive 11,2%, and 10% for coloureds.

The institute found that the minimum wage needed for a black family of six in Johannesburg was R195,77, and R211,27 for a coloured family of five. The figures for Pretoria are only minimally less.

The institute claimed that the steep rise in blacks' living costs is mainly because of the rocketing price of food.

This is borne out by the latest Consumer Price Index (CPI) which reflected a 5,6% rise in food prices during September, and more than 20% in the past year.

Yesterday Mr Harry Schwarz, chairman of the PFP's economics commission, called on the Government to give urgent attention to removing the GST from basic foods, and to slow down unprecedented increases in Government-administered food prices.

He was supported by leading trade unionists, who have been pleading with the Government for two years to abolish GST on basic foods such as maize products and bread.

Mr Schwarz said any revenue loss resulting from removing GST from essential foods would be an investment in security.

He said that for the poorer section — the mass of the population — food price rises this year had been "calamitous", and the increases in the past few months "outrageous".

He warned of the social destabilising effect if most poeple are unable to buy enough food to stave off hunger.

The vice-president of the Trade Union Council of South Africa, Mr Steve Scheepers, said Tucsa had repeatedly asked the Government to remove GST from basic foods.

"However, the Minister of Finance has told us that, administratively, it would be too difficult to exclude some products from the tax."

Mr Scheepers agreed with Mr Schwarz that to have food prices at a level which forced families to reduce their intake, aggravated the security threat in South Africa.

Tax relief to keep down flat prices?

8/11/80 Argus (320)

THE removal of protection afforded to tenants under the Sectional Titles Act has created a situation whereby tenants are being exposed to pressure tactics to buy units under sectional title.

Many tenants who are unable to purchase their own units have been given notice to vacate and now experience great difficulty in finding alternative accommodation.

Owing to the ravages of inflation the cost of building has soared during recent years to such an extent that it is no longer a viable proposition to build flats for letting purposes.

It is estimated that in order to let a newly-built flat, say a 3-roomed flat, a rental of at least R350 a month or so must be charged. This decline in the building of flats has aggravated the shortage of housing accommodation.

The procedure at present regarding the sale of units under sectional title, is governed by one basic principle — that owners of blocks of flats are chary of selling them themselves under sectional title as they are not sure whether they will be liable for tax on the profits arising from the sale thereof on the ground that they may be regarded by the Revenue Department as trafficking in property and taxed on the basis of historical costs.

On the other hand, if they sell the block as a whole (assuming that they acquired the block in the first instance as an investment) no tax liability arises on the well-grounded principle that such proceeds represent the realisation of an investment and constitute a capital accrual.

Owners of blocks of flats have been attracted by bids from speculators who offer them irresistible prices for their properties. They can well afford to offer high prices as they in turn reap a golden harvest by selling the units within a short period of time at inflated prices due to the present acute shortage of accommodation.

The tenant who acquires a unit at present is paying a price which is not in accordance with its intrinsic market value as the price has been loaded to accommodate not only the speculator's profit but also the tax he has to pay on the profits earned from this source.

If the transaction is dealt with through a company, the tax would amount to 42 cents in the rand and could conceivably amount to 50 cents in the rand where no company is involved.

NOT TESTED

It is submitted that, where a property owner has acquired a block of flats in the first instance as an investment and sells it piecemeal under sectional title, the profits arising from this source are not subject to tax.

There are numerous decisions of the Appellate Division confirming that a taxpayer is entitled to sell his asset (held as an investment) on a piecemeal basis in order to realise such asset to the best advantage and to accommodate the asset to the exigencies of the available market, without attracting tax.

GIVE tax relief to speculators selling flats under sectional title and keep down the prices of those flats, suggests Mr David Shrand, a well-known income tax consultant in this, the first of two articles on the highly controversial subject of sectional title.

However, this submission vis-à-vis the sale of units under sectional title has not been tested in the courts and is at present an open issue.

If the Government would confirm that the principle enunciated by these court decisions is acceptable and will be applied by the Revenue Department in respect of the sale of units under sectional title, this will, in my view, reduce the burden which falls on tenants who are forced to pay inflated prices for units under sectional title and relieve the existing pressure.

At present owners of blocks of flats who are not prepared to sell them themselves under sectional title because of the income tax, would do so if they are assured that the tax aspect will not affect them adversely. They will then be in a position to sell their units at a reduced price as the tenant will not be burdened with the speculator's profit as well as the tax liability that the speculator has to bear and which he passes on to the buyer of the unit. This approach would change the whole pattern of sales of units under sectional title.

DOUBLING RENT

There are various other factors relating to the buying of flats which should be taken into consideration. In the first instance, if the tenant buys a flat under sectional title, this will usually have the effect in most cases of at least doubling his previous rent, taking into account the interest on the capital invested which he loses and the fact that he is liable to pay a contribution towards the maintenance of the building which could be considerable in the case of an old building.

On the other hand, the tenant saves income tax by buying the unit under sectional title as the income which he would normally earn if he had invested the money in question, say, on fixed deposit, would attract tax. He now has no income from this source and consequently the relevant tax liability falls away.

If he had to invest, say, R40 000 in the acquisition of a unit under sectional title which he formerly invested on the basis of a 10 percent yield — that means that he has lost income amounting to R4 000 per annum.

If he had an annual income of, say, R16 000 which included the R4 000 referred to, this would now be reduced to R12 000 and his annual saving in income tax would amount to R1 000 (assuming he is married, under 60 years of age with no children).

There is another aspect that forms part of the equation, namely, that the tenant when buying a unit is in effect paying a higher rental.

(To be continued)

STAR
11/11/80
320

Separate tax: PM replies

By Molly Harding

The Prime Minister, Mr P W Botha, has acknowledged the personal plea made to him in July to allow women to keep their separate tax status on marriage, in what Adele van der Spuy says is "the first complete and comprehensive answer to our representations to Government in six years."

The representation, made by Mrs van der Spuy and her Action '75 Aksie group in an hour-long interview, was the first made to the Prime Minister himself. It was backed by a Markinor survey on tax and marriage, and a world survey on tax systems. It showed that most felt they were being penalised economically when they marry and couples were being encouraged to live together instead.

ADELE VAN DER SPUY — "First comprehensive answer we've had from Government. . . ."

Prime Minister Botha — "Separate taxation possible, but national interest must come first. . . ."

DISADVANTAGES

In a seven-page reply, Mr Botha commented on the presentation clause by clause, and "It's obvious that he has really studied the information we gave him and researched it thoroughly," Mrs van der Spuy said.

The Prime Minister said separate taxation was indeed possible, but that it would mean advantages and disadvantages for both married women and the State. He said these had to be weighed with the national interest in mind.

People might have to choose between tax concessions and the higher State expenses that would occur with separate taxation.

He negated the idea of individual choice between joint and separate tax. He also felt a possible tax loss with separate taxation could be made up elsewhere, but he had to look at that with the interests of the country at heart.

PERSONNEL

The introduction of a separate tax system would mean 25 percent more tax forms would be required, he said. This would mean more personnel would be needed to deal with them — and at a time when staff was in short supply.

As far as the tax situation encouraging people to live together rather than marry, the Prime Minister pointed to Sweden, the United Kingdom and the United States as countries where taxation was separate and where the trend was to more and more people living together without marriage.

He felt the trend was here and could increase regardless of the tax system.

IDEAL SYSTEM

But while the Government would carry on with joint taxation for the present, it didn't mean the matter would end there, Mr Botha said. He stressed the search for an ideal taxation system was a never-ending task.

Mrs van der Spuy said she was "completely satisfied" at this point with the Prime Minister's reply. "I can now make a second representation on my points which he ignored and on his points with which I disagree.

"But we have at last opened the door to the Prime Minister's office and it looks as if it will stay open to us. Now, for the first time, someone in government is actually talking to us — and you can't go higher than the top man."

Taxpayers must wait for R1 700m from loan levies

13/11/80 (320)

By GERALD REILLY
Pretoria Bureau

THE Government at present owes taxpayers nearly R1 700-million in loan levy funds, according to a Government source in Pretoria.

And this does not include the 5% a year interest earned by the loans.

Owed to companies so far for levies paid in 1975, 1976, 1977, 1978, 1979 and 1980, is nearly R1 200-million, with some still to be assessed for the 1980 tax year.

Individuals are owed R420-million from 1978, 1979 and 1980 levies.

However, not all individuals have been assessed for 1980, and the final figure for the three years could exceed R500-million.

The last levy paid out to individuals was for 1977 — in November last year, with a payback of about R160-million.

The Government source yesterday squashed rumours that the Minister of Finance, Senator Owen Horwood, was considering repaying the 1978 levy shortly.

With so much money splashing around the economy, causing "overheating" problems, it was extremely unlikely the 1978 levy would be paid out "for a long time", the source said.

The levies have to be paid back to taxpayers seven years after collection.

In fact, the source said, the Governor of the SA Reserve Bank, Dr Bob de Jongh, had stressed the adverse effects on inflation of the over-supply of consumer money in the economy.

He had also hinted at restraints to cool down an economy which is over-stimulated, according to some economists, by huge tax cuts this year, by big pay increases in most sectors of the economy, and by heavy hire purchase buying.

Some economists are betting on tougher HP conditions being imposed — at the latest, in next year's Budget.

It's still no change on GST systems

STAR 15/11/80

320

By Diann Shoebotham, Fair Deal Reporter

In February this year the Department of Inland Revenue wrote to commerce, agriculture, industry and mining organisations proposing that only the add-on system of GST be used.

Last month the Minister of Finance, Senator Horwood, made it clear there would be no change in the present General Sales Tax policy, despite calls to make only one system compulsory.

Although 90 percent of wholesalers and retailers opted for the add-on system when GST was first introduced, many dealers did not wish to be forced to use it.

The South African Consumer Council wanted the add-on scheme, but the Housewives' League preferred add-in because "consumers were only concerned with the total price — not with how much went to the taxman."

SENATOR HORWOOD

In its proposal the Department of Inland Revenue suggested only home milk deliveries, petrol and liquor by the tot be excluded from a uniform add-on system.

Newspaper editorials pointed out that add-in taxation would benefit the poor. Articles costing less than 13c are exempt from GST, except when they are part of a shopping basket whose total puts them into the sales tax bracket.

Many of these items are essential to the poor — candles, matches and half-loaves of bread. Under the add-in system they would stay tax free.

At the beginning of last year Checkers changed from inclusive to exclusive pricing, even though it still prefers the add-in system.

Mrs Peta Lomberg of Checkers said: "We were the only add-in store and had to change so as not to confuse the consumer.

"We still believe add-in is the better system because customers know what they are paying instead of getting a shock when they get to the till."

In the first six months of this financial year, the Government earned more than R782-million from GST, and should exceed its goal of R1 550-million for April next year.

In the 1979-80 financial year GST netted R1 150-million.

Sources:

i) 1960, 1970 and 1979A

Agriculture: regular and casual workers - Simkins 1978a Table 2 1979 figures taken to be the same as in 1976, the date of the last published Agricultural Census.

Subsistence farmers - Simkins 1978a, Table 13. The 1979 figure is reduced (from the 1960 figure) in proportion to the population excised from South Africa by the exclusion of Transkei and Bophuthatswana.

Urban areas - taken from the 1960 and 1970 Population Censuses, 1979 again taken as 1960.

All others: Taken from the relevant issues of South African Statistics. Mining figures include a small allowance for salt works employment. The 'series B' construction figures are an allowance to try and decrease the large discrepancies between Population Census and S A Statistics employment estimates. Private sector components of the transport, storage and comm... on estimates had to be obtained from In... gures for 1960 and 1970, but new series h... earance in the Quarterly Bulletin of Stat... used for 1979. Some components of fi... ector services employment have to be ... 969 & 1970 Population Censuses.

ii) 1979B

1979 averages tak... ulation Survey - Blacks - January ...), Statistical News Release, P27.3 of 14

DPP man detained?

UMTATA — The chairman of the Democratic Progressive Party youth league, Mr Mazwi Yako and the organiser of the student guardian fund resource, Mr Loyiso Mpumlwana, are believed to have been detained.

Relatives of both men said they were taken by security police yesterday and had not returned home last night.

Major-General Martin Ngceba, Commissioner of Police and head of the security police, could not be contacted yesterday for comment.

Mr Yako was detained twice this year and released without being charged. Mr Mpumlwana was detained before Transkei gained independence and was released without being charged. — DDR.

INCOME TAX FM 26/12/80

Period of grace (320)

Finance Minister Owen Horwood announced recently (at last month's *FM* investment conference) that industrialists could continue to rely on the 30% investment allowance for machinery until June 30 1985.

The investment allowance, although it has been in operation for many years, is not a permanent feature of income tax law, but has been renewed from year to year for the purpose of encouraging continuing investment in modern industrial machinery and plant.

The Income Tax Act currently provides for the continuation of the allowance until June 30 1983, and a possible extension would normally have been considered in 1982. Horwood pointed out that the allowance is currently the object of an intensive study by the Standing Taxation Commission, assisted by Professor A P Zevenbergen, head of the Bureau for Financial Analysis of the University of Pretoria.

Horwood indicated that the extension would apply only to machinery or plant brought into use before June 30, 1983 and used directly in a process of manufacture.

(The allowance no longer applies to processes similar to processes of manufacture, a restriction which narrowed its usefulness considerably.)

The period during which the related building investment allowance may be enjoyed has been extended to buildings the erection of which is commenced not later than June 30, 1985 and to improvements commenced not later than that date, and in both cases completed or brought into use, as the case may be, not later than June 30, 1986. The building investment allowance applies only to buildings in which a process of manufacture is carried on.

These concessions apply only to metropolitan areas, and not to economic development areas where more generous rules currently apply.

When making the announcement, Horwood explained that the extension of the investment allowance had been granted "having regard to the length of time which industrialists require to launch long-term projects and to do their financial planning," and to avoid "any uncertainty as to the future of the allowances in the two years after June 1983, especially where projects have already been initiated or are under consideration."

It is apparent that government is operating under a difficult conflict of priorities over the investment allowance. On the one hand, the allowance should be operating as an incentive to industrial expansion. With output now edging closer to capacity, and with the urgency to promote industrial expansion to give adequate employment opportunities over the next few years, all reasonable measures to stimulate industrial growth should be implemented.

And, as noted by Horwood, the allowance also serves "as a buffer against the steadily rising replacement costs of new equipment." While the SA revenue authorities refuse to implement a system of inflation-adjusted accounting and taxation, the importance of this supplementary function is not to be underestimated.

Concurrently, though, the revenue authorities feel that the investment allowance, in addition to other concessions like the initial allowance, had generated too widespread an erosion of the tax base, with too many companies paying tax far below the nominal rate (now 42%). It was this feeling which led to the narrowing of the investment allowance rules last year, to exclude processes similar to manufacturing.

The erosion of the industrial base in Britain in recent years points to the dangers, in an increasingly inflationary climate, of allowing industrialists' cash flows to become eroded to the point where they start to consume the seed corn. So the role of the investment allowance in acting as a buffer against inflation in the cost of new machinery should not lightly be overridden by the Commissioner in any future changes.

It is highly significant that most advanced industrial nations find it sensible to award this sort of tax concession for industrial investment. The IMF Survey of October 27, 1980 contains a detailed analysis of tax provisions to boost capital formation, written by George F Kopits, senior economist, IMF European department.

Thus, countries which make generous tax allowances for machinery include the US, UK, West Germany, Japan, France, Italy, Belgium and the Netherlands. These tax concessions can actually give rise to a tax subsidy for new machinery, based on certain assumptions as to the rate of economic depreciation compared with the rate of depreciation allowed for tax purposes, the rate of inflation and related factors. This appears currently to be the case in the UK and the US.

Dissatisfaction even with the current level of tax allowances has, notwithstanding, generated a spate of tax law writing in the US, where no fewer than three tax depreciation bills have been introduced into Congress — the Conable-Jones, Ullman and Senate Finance Committee bills. All three bills, notes the IMF Survey, "envisage a substantial shortening of asset lives for tax purposes and changes in the proportion of the tax credit allowed for short lived assets."

Whatever the final form revision of SA's tax incentive structure takes, it is essential, while inflation persists and aggravates, to ensure that industrialists receive a sufficient cash flow, net of tax, to permit a generous level of investment in new plant. The exclusion of "processes similar to manufacture" appears, in this context, to have been a retrograde step.

Hansard 6 Quest Col. 372

14/3/80

320

Taxation on fringe benefits

*11. Mr. H. H. SCHWARZ asked the Minister of Finance:

Whether he intends to introduce legislation during the current session in respect of taxation on fringe benefits?

The DEPUTY MINISTER OF FINANCE:

The matter is under consideration, but a final decision has not been taken as yet.

Question *12. Mr. Lorimer—Reply standing over.

3/6/80

320

~~102~~

Taxation of Blacks amendment Bill

(Second Reading)

See Hansard 16 Cols ~~9~~ 7998 - 8008
Committee st 8301 - 8304

Hansard 6 Question Cols 368/369

14/3/80

320

Sales tax

*7. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) Whether representations were made to him or to the Department of Inland Revenue during 1979 or 1980 asking for the adoption of one system only for the addition of sales tax to purchase price; if so, (a) by whom and (b) how many representations were in favour of the (i) add in and (ii) add on system;

(2) whether any decision has been taken on the matter; if so, what (a) is the decision and (b) are the reasons for it?

The DEPUTY MINISTER OF FINANCE:

(1) Yes.

(a) Die Afrikaanse Handelsinstituut.

(b) (i) None.

(ii) One.

(2)(a) and (b) No. In accordance with the undertaking given when the sales tax was introduced, namely, that no decision in regard to the enforcement of a single method of recovery will be taken until organized commerce, industry, consumer organizations, agriculture, mining etc. have been consulted, the Department of Inland Revenue is at present conducting a survey with a view to establishing the desirability or otherwise of such a step. A decision on the matter will only be taken after the views of all concerned have been obtained.

3 Convergence and Completeness. Mathematics III T

$f: \omega \to X$

3.1 Defn. A sequence (x_n) in (X,d) is said to be d-convergent if $\exists\, x \in X$ s.t. $\forall \varepsilon > 0$, $\exists N \in \omega$, s.t. $n \geq N \Rightarrow d(x_n, x) < \varepsilon$

ie $\forall \varepsilon > 0$, $\exists N \in \omega$ $x_n \in S_\varepsilon(x)$ $n \geq N$

from our knowledge of real numbers, can write above as:-

ie x_n in X is convergent if $\exists\, x \in X$ s.t. $d(x_n, x) \to 0$ as $n \to \infty$

We write $x_n \to x$ or $\lim_{n \to \infty} x_n = x$

Note The point x is unique (t... ...mit of (x_n)

3.2 Defn. A sequence (x_n) in (X,d) ...

ε ...

ie ...

3.2 Theorem ... Cauchy

Pf ...

... $m \geq N$

MARCH 1980 324

Income tax

334. Dr. Z. J. DE BEER asked the Minister of Finance:

(1) What amount of income tax was collected in the financial year 1978-'79 from (a) individuals, (b) gold mining companies, (c) other mining companies and (d) other companies;

(2) what was the total amount of (a) income tax and (b) loan levy collected in that year?

Hansard No 5 (323) 7.3.80 (380)

The MINISTER OF FINANCE:

(1)	(a) Individuals	R1 974 043 948
	(b) Gold Mining Companies	R 666 051 025
	(c) Other Mining Companies	R 127 418 424
	(d) Other Companies	R1 549 542 985
(2)	(a) Total income tax	R4 317 056 382
	Interest	R 6 825 512
	Total	R4 323 881 894
	(b) Total loan levy	R 518 727 735

Note It is of fundamental importance to understand that the converse of this theorem is not necessarily true.

eg. Let $X = (0,1]$ and let d be the usual metric on $\mathbb{R}$ restricted to $(0,1]$.

Let $(x_n) = (\frac{1}{n}) = \{1, \frac{1}{2}, \frac{1}{3}, \ldots \frac{1}{n}, \ldots\}$

Then (x_n) is Cauchy since $\left|\frac{1}{n} - \frac{1}{m}\right| \leq \frac{1}{n} + \frac{1}{m} < \varepsilon$ for $n, m \geq N(\varepsilon)$

But (x_n) wants to converge to 0, but $0 \notin X$.

12/6/80

320

Debate: Sales Tax Amendment Bill
(Second Reading)

See Hansard 17 Cols. 9196 - 9218

13/6/80

320

Debate: Income Tax Bill
(2nd Reading)
+
~~Stat~~

See Hansard 17 Cols 9476-9518

Debate: Sales Tax amendment Bill
(2nd Reading Resumed)

See Hansard 17 Cols 9518 - 9530

Debate: Revenue Laws amendment Bill
Second Reading)

See Hansard 17 (9530 - 9543)

12(719) 7/5/80 (320) (198)

~~Tobacco industry: tax~~

*7. Mr. A. B. WIDMAN asked the Minister of Finance:

(1) What amount of tax was derived from the tobacco industry in the latest financial year for which figures are available;

(2) in respect of what year are the figures given?

†The MINISTER OF FINANCE:

(1) Customs Duty......... R12 591 256
Excise Duty............ R269 052 539

(2) The Customs Duty for the financial

year 1979-'80 is not available yet and the figures for the 1979 calendar year is therefore given.

Because sales tax is levied on the taxable value of transactions, it is impossible to determine which portion of the yield thereof is attributable to sales of specific commodities. Statistics from which the yield of income tax from activities in the tobacco industry can readily be determined, are also not maintained. Consequently, this information can only be obtained at extraordinary cost by separately examining thousands of files. I, therefore, regret that, as far as these taxes are concerned, the information asked for is not available.

Han. 17 Q.C. 856 9/6/80

Black taxation 320 24

686. Mrs. H. SUZMAN asked the Minister of Co-operation and Development:

(1) What were the (a) highest, (b) lowest and (c) median wages reflected for Black taxation purposes by employers of Black full-time domestic workers in each of the 11 main urban centres of the Republic in the latest year for which statistics are available;

(2) in respect of what year are the figures given?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(1) and (2) Statistics with regard to the highest, lowest and median wages are not kept and consequently the information required is not readily available.

12/3071) 6/5/80 (325)

Income tax

600. Mr. H. H. SCHWARZ asked the Minister of Finance:

Whether any income tax was written off during the financial year 1978-'79 as irrecoverable; if so, (a) in respect of how many (i) individuals and (ii) companies and (b) what was the amount of tax written off in each category?

The MINISTER OF FINANCE:

Yes.

(a) (i) 1 958;

(ii) 106.

(b) (i) R827 008,48;

(ii) R701 537,01.

9/6/80

320

Taxation of Blacks

See S. Hansard 12 cols 2276-2288

13/6/80

320

Income Tax Bill

See. S. Hansard 12 cols 2599 - 2621

Sales Tax. Amendment Bill

See S. Hansard 12 cols

2634 - 2656

Revenue Laws Amendment Bill

See S. Hansard. 12 cols.

2656 - 684.

14(786) 22/5/80 (320)

Black Taxation Act

645. Mrs. H. SUZMAN asked the Minister of Co-operation and Development:

(a) What amount in tax was collected from Blacks in terms of the Black Taxation Act in each of the financial years 1978-'79 and 1979-'80 and (b) how many Blacks paid tax on income during each of these years?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) 1978-'79: R85 616 522
1979-'80 (preliminary figure): R74 409 893

(b) 3 889 683

TAXATION

9/1/81 – 31/12/81

MUNICIPAL FINANCE

Little relief

FM 9|1|81

320

On Thursday Deputy Finance Minister Danie Steyn opened the first meeting of a high-powered working group set up by Finance Minister Owen Horwood to consider the 133 recommendations on municipal finance formulated by the Browne committee. It will also consider the United Municipal Executive's memorandum to Horwood which expresses concern that the report has failed to recommend an additional source of municipal income.

Although Horwood apparently heard the UME's case with "sympathy," government's policy of financial discipline makes it unlikely that local authorities will be bailed out with large subsidies or cash transfers.

Moreover, there are problems with some of the UME solutions which have been suggested. For one, apart from the inflationary effect of raising general sales tax, how can the money so raised be fairly distributed? It is impossible to determine the amount of sales tax which the residents of each town pay. In Johannesburg, for example, an estimated 35% of purchases accrue from residents in surrounding municipal areas. The chances are, therefore, that the richer towns would benefit at the poorer ones' expense, as they would receive larger shares.

One means of tackling the problem is to link the provision of services more to ability to pay. But the big drawback here is that poorer suburbs like Booysens would receive less in infrastructure and services than a richer suburb like Houghton.

Part of the problem is that SA municipalities are much larger in size than towns or cities of equivalent population in Europe. More infrastructure (roads, electricity, lighting, sewerage, parks) is needed to serve fewer people and as wages and

Danie Steyn . . . spare a dime please

inflation continue their inexorable rise, the cost of providing such services becomes much higher. To this extent, it is probably unavoidable that residents, buffeted by higher rates, will have to keep paying more for services.

Undoubtedly, however, the working group will consider the UME's pleas for additional income. The fairest way of raising more money is probably by getting it from within the municipality's area, as this avoids charges that one local authority is supporting another. Browne has suggested that a 1% tax on all residents' income should be payable to the local authority. Road tolls are another possibility. This would help defray road construction and works costs, the biggest loss-making item in Johannesburg's budget.

And larger metropolitan authorities, in which smaller municipalities are submerged, as has happened in Europe, would enable greater savings to be gained from providing collective services and reducing purchase costs due to bulk buying. And this would sidestep the vexed question of "transfer payments," which would involve white local authorities contributing to the development costs of black and coloured authorities.

Should Indian and coloured areas be incorporated into "white" local authorities with full representation, as may be suggested later this year by the Veld committee investigating coloured affairs and the Slatter committee into Indian affairs, Browne's idea of transfer payments would be irrelevant. These areas would then be part of an already established authority. Development of black community councils would fall under the aegis of the central government, as happens at present.

Finance Department chief director Gerhard Croeser heads the working group, which consists of representatives from the Reserve Bank, the Department of Finance, the Administration Commission, the Prime Minister's Office, the four directors of Local Government, the UME and co-opted specialists.

Taxation of fringe benefits expected

RDM 9/1/81

(320)

By GERALD REILLY
Pretoria Bureau

THE Cabinet will make a final decision in the next few weeks on the introduction of a tax on fringe benefits during the 1981-82 financial year, according to the Director-General of Finance, Dr Joep de Loor.

Dr De Loor said yesterday there were "a few outstanding items" still to be discussed with organised commerce and industry, but that, broadly, the tax was ready for launching.

The Association of Chambers of Commerce (Assocom) and the Afrikaanse Handelsinstituut (AHI) have asked for assurance that the tax will be applied without "fear or favour".

The chairman of Assocom's taxation committee, Mr R J Wood, said Assocom's major concern, however, was that the tax would mean higher tax payments by the highest earning and most productive groups in the economy.

The introduction of the tax would involve a major restructuring of earnings throughout the private sector to compensate for what had been tax-free benefits, he said.

He said there was also concern in the private sector at the effect the tax would have on the availability of highly skilled workers.

Mr Woods said the many thousands of subsidised housing loans enjoyed by government workers, and workers in building societies and banks, were by far the biggest fringe benefits.

If these were to be taxed it was likely the tax would be phased in over a number of years.

The president of the Public Servants Association, Dr Colin Cameron, said if public servants were to lose their low-interest housing loans they would have to be fully compensated.

If the benefit was to be taxed, this would have a serious effect on recruiting, and aggravate staff shortages which were already serious in some areas.

Main targets of the tax are company cars, loans at subsidised interest rates, and lavish entertainment allowances.

Final proposals on the taxing of employees who have the use of company owned cars, it is understood, are:

- A car valued at between R6 000 and R9 000 would be assessed for tax purposes at R123 a month.
- Between R9 000 and R12 000 at R140.
- Between R12 000 and R15 000 at R160.
- Between R15 000 and R18 000 at R178.
- Between R18 000 and R21 000 at R201.
- Above R21 000 at R216 a month.

Political observers are watching with keen interest to see whether the "extravagant" fringe benefits enjoyed by members of the Cabinet will be subject to the tax.

These include large houses maintained and furnished by the Public Works Department in Pretoria and Cape Town, cars in the R20 000 to R28 000 category with drivers, and big entertainment allowances.

GENERAL SALES TAX

Double trouble

You can't please all the people all the time, goes the adage. And when one looks at the Sales Tax Act there seems to be a mite of wisdom in the old saying.

Since its promulgation in 1978, the Act has come under fire from various quarters, not least of all because of its fuzzy definitions. To rectify the situation and appease some of the critics, amendments to the Act were published last November and came into effect on December 1.

But, while manufacturers have had their position clarified, the repackaging industry is still unhappy.

The amendments allow a company registered for its purposes as a manufacturer to obtain all containers, packaging and wrapping materials (including labels) free of gst, if they are for use in the marketing of goods which are manufactured, assembled or processed by the company.

The exemption, however, does not apply to companies which buy bulk products from manufacturers for repackaging and resale.

Repackers insist that the ruling results in end-consumers of the product paying gst twice on an article, as the original gst is costed into the price of the article by the time it reaches the end-user. The consumer then pays gst on the total price of the article and so, in effect, pays gst twice. The repackagers' contention is that, as middlemen, they should not pay an end-user tax.

Howard Hudson, director of Maritzburg manufacturer and repacker British National Products, says that the amount being taxed twice in the industry is in the region of R8m or R9m. Products involved, says Hudson, include items like methylated spirits and paraffin which are required in volume by large sections of the population.

The effect, he says, is inflationary. To illustrate his argument Hudson says that on a 5 ℓ tin of turpentine substitute, at 39c/ℓ, the difference in price would be 5c/5 ℓ overall, 3c/5 ℓ more in gst if the packaging materials are taxed (allowing the same mark-ups on labour, power and profit, and the same retailers' mark-up). Packaging materials, says Hudson, are a vital part of their business.

The Johannesburg Receiver of Revenue's office says, however, that gst should not be costed in. A spokesman believes the control effect will be the competitive edge which will be lost by companies which cost in the gst they pay. "Somebody must bear the cost," was the comment.

For the immediate future it seems there is little chance of repackers receiving relief.

According to the amendments, welding and cutting gases can also now be purchased free of tax — if they are purchased in bulk and used directly in the manufacture, assembly or processing of goods, and if they are necessary for that process.

The interpretation of bulk purchasing has been made more flexible. Bulk is now a relative concept, which will be looked at in terms of the overall size of the company concerned. While one can see the rationale it is unlikely that individual interpretations will please everyone.

PAYE tables altered

DD 2/1/81 320

PRETORIA — Revised pay-as-you-earn (PAYE) tax tables will come into operation on March 1, the Department of Finance announced here yesterday.

In a statement, the department said that because of the substantial reduction in the rates of income tax payable in respect of the 1981 tax year ending on February 28, 1981, it was necessary to alter the deduction tables in operation at the time.

"The altered tables based on the reduced rates came into effect on July 1, 1980, which meant that the higher deductions prescribed in the earlier tables were not subtracted from income earned in the first four months of the 1981 tax year — from March to June, 1980. A factor to compensate for those higher reductions was incorporated in altered tables.

"That factor has no relevance to the employees' tax deductions which are required to be made from remuneration earned in the 1982 tax year which begins on March 1, 1981. Revised tables excluding the factor have, therefore, been designed and will come into operation on March 1." — SAPA.

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute
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For the best student in :-

Taxes will go up sharply in March unless . . .

DD 23/1/81

320

CAPE TOWN — South Africans hit by one of the highest inflation rates now face substantial effective tax increases unless new concessions are granted by the Minister of Finance, Mr Owen Horwood, in the March national budget.

The Department of Statistics yesterday released figures showing the all items consumer price index rose by 1,12 per cent in December giving a 15,79 per cent year-on-year increase.

And the Treasury released details of new PAYE tax rates to come into operation at the beginning of March which contain considerable shocks.

For example: A married man with two children earning a monthly taxable income of R1 250 will have to pay about R21 extra monthly, a single person earning R1 500 a month, faces an increase of about R60 each month, and one earning R600 will have to pay nearly R13 more. A married man with no children earning R1 000 a month will find his PAYE deductions up by about R17.

The new tables are required to replace those introduced from July which compensated taxpayers for effective overpayment in the first four months of last year before reductions in the budget could be implemented.

For the Treasury to have allowed the existing tables to continue into the next tax year would have been tantamount to announcing new tax concessions.

A leap in the Department of Statistics food only index of 29,46 per cent caused prices for the lower income group to rise a staggering 20,05 per cent last year, the middle income group index was up 16,88 per cent and the higher income group 14,09 per cent.

"Anybody would certainly be justified in describing the increases as alarming," commented the director of the Institute for Planning Research at the University of Port Elizabeth, Professor Johann Potgieter.

The institute compiles minimum household subsistence level (HSL) figures widely used by major employers as a guideline for wage increases, and the latest figures could be expected to be reflected in pay rises, but Prof Potgieter believed price rises now appeared to be getting out of hand.

"It should be a matter of great concern."

Mr Horwood cannot be expected to give any specific indication of what he plans for the budget, but economists are divided on whether he should grant further tax concessions to eliminate fiscal drag — higher taxes through incomes being moved into higher tax brackets by inflation — or attempt to keep prices down by effectively reducing consumer spending power with unchanged taxation. — DDC.

ARCHITECTURE

PAYE tables available

Argus 23/1/81

320

PRETORIA. — Revised pay-as-you-earn (Paye) tax tables would come into operation on March 1, the Department of Finance announced here.

In a statement, the department says that because of the substantial reduction in the rates of income tax payable in respect of the 1981 tax year ending on February 28, 1981, it had become necessary to alter the deduction tables in operation at the time.

The altered tables based on the reduced rates came into effect on July 1, 1980, which meant that the higher reduction prescribed in the earlier tables continued to be withheld from remuneration earned in the first four months of the 1981 tax year — from March to June, 1981. A factor to compensate for those higher reduction was incorporated in altered tables.

'That factor has no relevance to the employees' tax deductions which are required to be made from remuneration earned in the 1982 tax year which begins on March 1, 1981.

'Revised tables excluding the fact have, therefore, been designed and will come into operation on March 1.'

The statement adds that these tables do no imply any increase in the existing statutory rates of income tax. — Sapa. (The Argus published details yesterday.)

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John Perry Prize
For the best work in
third year.

R A van Rosenveld.

Income tax here to stay – Divaris

Argus 23/1/81 (320)

THE true purpose of income tax is the redistribution of money and not the collection of funds, as is popularly misconceived, says Mr Costa Divaris, an authority on income tax and author of books on the subject.

Speaking at a seminar conducted by the Liberty Life Association, Mr Divaris said the role of governments all over the world and the reason they stayed in power was that they were givers and not takers.

'Unfortunately, to give they have to take. The trick is to take in the least difficult and most acceptable way and to give in the most obvious and most rewarding way.

ECONOMIC FAVOURS

'In the modern democratic state and within political parties themselves, political power is bought and sold in return for economic favours. There is the market of the economy and the market of political power. Both run the same way and both are highly efficient.'

Income tax estate duties and concessions for insurance were here to stay. Despite the shift to indirect taxes such as general sales tax, there was a limit to the extent to which these could be imposed without harming the functioning of the market.

Mr Costa Divaris

Income tax also accounted for the bulk of state funds and could not be collected in any other way. It was a tried and tested political tool.

UNPOPULAR

Although estate duty was becoming unpopular and was amended almost every year, it was still serving the purpose of redistribution by taking some money away from a politically weak group — the wealthy.

Dealing with the insurance industry, Mr Divaris said there were two reasons for it being singled out for tax concessions.

In the political market the insurance industry was competing with other industries for governmental favours and was a highly organised, efficient and politically influential competitor.

It was also cheaper, easier and safer for a government to encourage individuals to provide for themselves and thus promote insurance companies, than to take on the job of cradle-to-grave security for everyone.

'The political results of such a project would be uncertain and, more probably, catastrophic,' he said.

MIDDLE COURSE

Mr Divaris warned that the government could take a middle course by gradually extending control over the industry, which had already begun in South Africa.

'Those whom the government favours it eventually seeks to control.

'It may well be that the current investigation by the committee of inquiry into pension matters is in truth a raid on the funds and cash flows of the insurance industry by competing industries.

'There will still be great conflict over the committee's report, and it is not cerain that its recommendations will be accepted, but even if they are, I predict we rely on tax concessions for a long time to come.'

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P A Rappoport

R3 786m in tax from gold mines

RDM 24/1/81

320

By JOHN MULCAHY

TAX from the gold mines, with some help from uranium, reached R782-million in the last quarter of 1980, taking the figure for the year to R3 786-million.

In 1979 the tax bill estimated by the Chamber of Mines was R1 700-million, and the 1980 amount is based on the chamber's estimates for the first nine months of the year, as well as the latest quarterlies.

Although the chamber usually overestimates the tax charge slightly, the figure for 1980 is unlikely to be much lower than R3 500-million.

In his last Budget the Minister of Finance, Mr Horwood, projected receipts from gold-mining taxes for the 1980-81 fiscal year of R2 485-million.

Allowing for the time lag between gold sales by the mines and tax receipts by the Treasury, the tax figure quoted by the mines for the calendar year should come close to the amount for the fiscal year to February 28.

Tax estimates for the mines were lower in the fourth quarter than for the September period because of reduced profits and in certain cases the rise in capital expenditure.

Many of the capital expenditure programmes now coming to fruition, or at least past the drawing board stage, were initiated when the gold price was steady at above $600 an ounce.

With the price now hovering in the mid-$500s producers will be wary of further major expansion and will also be looking to higher-grade areas.

Possibly the most distinguishing feature of the December quarterlies was the relative absence of highlights.

The lower average gold price had been anticipated, and this was generally the case, with the exception of the Gold Fields group, where prices were much the same as in the September quarter.

Grades were also down, but this trend began earlier in the year, and was a continuation of adjustments to levels required in terms of mining leases. Costs rose, although at a greatly reduced pace compared with the third quarter, reflecting the continued inflation in stores and labour costs, and seasonal factors.

These included the traditional trek by migrant labourers to their homes — particularly from the Free State and Klerksdorp areas — and the "holiday influences" on productivity.

These factors led to lower profits from most producers, notable exceptions being Buffelsfontein, Kloof and Vaal Reefs.

Cost increases were especially evident at Stilfontein, where unit costs rose 12% to R49,64/ton milled from R44,07; Western Deep Levels, which faced a 9% rise in costs to R49,66/t from R45,52/t; and President Brand, up 19% from R30,75/t to R36,69/t.

Possibly the best individual performance in the last quarter came from Buffels, which raised tonnage from 820 000 to 863 000, and reduced unit costs to R44,85/t from R45,80/t.

Another good performer was Welkom, which achieved higher profits than in any other quarter since September 1979.

A changed tax position because of heavy capital expenditure helped the Rand Mines producers to an average 6% rise in taxed profit. This was in spite of the lower average gold price — down to $625 an ounce from $664 — and a 2,2% fall in overall milling rate, which led to a 3,6% dip in gold production.

For the rest, Kloof had its best development results for some time at 4 000 cm.g/t, indicating that the mine still has a lot of high grade left in it.

An interesting point in Randfontein's results was the higher grade, which is expected to be maintained in the current quarter.

The Gold Fields group had a reasonable quarter, with mill throughput at the mines unchanged or higher, although lower grades caused gold production to fall. This was offset by a rise in the average gold price received — to $657,50 from $652.

Hans 1. Ques Col 6 28/1/81

320

(2) No.

PAYE system

*11. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) Whether any representations have been made to his Department in regard to the PAYE system; if so, (a) what was the nature of the representations and (b) what is his attitude in this regard;

(2) what is the estimated revenue which will be collected annually as a result of the change in the PAYE tax tables with effect from 1 March 1981?

The MINISTER OF FINANCE:

(1) (a) and (b) No, not at the time the question was put on the Question Paper. The hon. member did, however, write to me on 26 January 1981 in this respect to which I shall reply in the normal course.

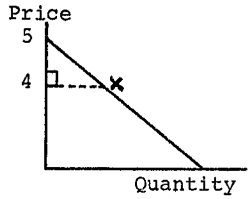
(2) The question as framed, is not clear to me. Should these tables remain in force until 28 February 1982, it is estimated that the total revenue which will be collected in the form of employees' tax will amount to R2 038 000 000 for the year.

I must emphasize that the technical adjustment now being made to the tables in accordance with the provisions of paragraph 9(1) of the Fourth Schedule to the Income Tax Act does not entail any increase in the rates of income tax.

Mr. H. H. SCHWARZ: Mr. Speaker, rising out of the hon. the Minister's reply, the effect of the change in the tables is to increase the deduction, and does the hon. the Minister not think that in times of high inflation, such as the present, it would help the wage earner if the tables were not adjusted now?

The MINISTER: Mr. Speaker, I am obliged to disagree with the hon. member for Yeoville. If we did not make this adjustment, there would have been an incorrect deduction in the period ahead.

1. The elasticity of demand at point x is



(1) $-\frac{4}{5}$

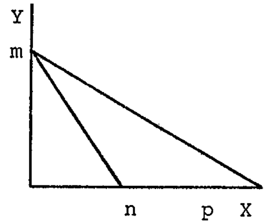
(2) -4

(3) -1

(4) $-\frac{5}{4}$

(5) Insufficient information has been provided.

2. A movement of a budget line from mn to mp indicates



(1) an increase in the consumers income

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3. Volume of … f output = a firm's

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STATE REVENUE FM 30|1|81

Cracking coffers

Total Treasury revenue for the current fiscal year from internal and external sources passed the R9 000m mark in December to yield a net taxable income of over R1 000m, according to Department of Finance figures.

[illegible]

at the end of November (the latest month for which detailed figures are available) was in the marketable securities tax. At nearly R24,5m, it was more than double last year's eight-month total, evidence of the rate at which financial claims to private sector securities have changed hands. The proceeds of the 1980 property boom were close behind in percentage increase terms, almost doubling over last year to nearly R103,5m. And the tax paid on company dividends drawn by non-residents was 84% higher at R190,6m. All these represent in effect the skimming of the foam off the top of an economic boom reflected initially in the furious tempo of financial, equity and property markets.

But the real benefits of economic growth are also in evidence, with income tax (both company and individual) over 50% higher at R4 500m, and gst about 30% higher at over R1 000m. At the same rate, total gst proceeds for the year should comfortably exceed the R1 550m tabled in the budget.

Total inland revenue in fact amounted to over R7 000m, an increase of 45%. This figure, set against the contribution from income tax, indicates, however, that the ideal 50/50 ratio of direct (income) tax to indirect tax (gst, mst and so on) has yet to be achieved.

Despite the abolition of the import surcharge slicing over R2m off customs revenue, takings from this source were a net R856m, about 17% higher than last year. In general, the government is set to sail through the closing months of the fiscal year on an easy financial note. But that doesn't mean, given the high rate of increase in the money supply, that it is likely to spend more.

Hansard 1 Ques Col 14 30/1/81

320

Capital gains tax

*15. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) Whether any decisions have been made in regard to the introduction of a capital gains tax; if so, what is the nature of such decisions;

(2) whether it is intended to introduce legislation relating thereto in the current session of Parliament?

The MINISTER OF FINANCE:

(1) and (2). No.

WOMEN'S PAGE

JOINT TAXATION: Will they, won't they . . . will they . . .

KATE JOWELL — hasn't heard a squeak from any of the women's groups.

There is unlikely to be a change in South Africa's system of joint taxation of married working couples this year, reports SUE GARBETT.

320 STAR 3/2/81

No change in sight

This is the time of year when telephone calls about the South African system of joint taxation of married working couples start pouring in.

This is because Parliament is back in session and once again hopes are raised that maybe, just maybe, this will be the year that the Government falls into line with most of the Western world and gives working wives separate taxation, and a tax identity and status of their own.

A friend of mine, who is a fairly high-powered public relations officer and promotions consultant, rang yesterday. "Sue, I'm thinking of getting married, but we've worked out it's going to cost us R250 a month EXTRA in tax if we do. I keep asking myself whether marriage is really worth it under these circumstances. Couldn't you find out if they aren't going to change it at last?" she inquired.

Well, the election of course means there will be a mini budget and therefore nothing major happening for about six months. Nonetheless, I spoke to Dr Joop de Loor, Director-General of Finance, who did not hold out much hope for tax reform this year.

In fact, he said it would be dangerous to raise hopes in this direction and pointed out that tax reform was a long process.

"What we're trying to do is see if we can relieve the tax burden for married working women by changing the tax rate and reducing the marginal rate of tax," he said.

When I pointed out it was not just the money, but a question of separate tax identity, he agreed sympathetically that tax status was a problem.

"But" . . . he said. And so the tax debate continues and people like my friend equivocate about marriage and whether or not they should work.

Some people have taken heart from the appointment of Mrs Kate Jowell, assistant director of the Graduate School of Business at the University of Cape Town, to the Standing Committee on taxation. She is the first woman on the committee.

However, she declined to comment on the possibility of a change in taxation of married women saying: "As a new girl it would be cheeky of me to make any specific comment.

"Obviously I have a great deal of sympathy for the separate taxation lobby, both personally and professionally, and although I haven't heard a squeak from any of the women's groups since my appointment I would be honoured to represent their views."

Mrs Jowell said she wanted women to be cheered by the appointment of a woman to the tax committee, but she hoped they would "see it in proper perspective."

Adele van der Spuy, veteran campaigner for a new system of taxation, said she was sure separate taxation would not come in this year.

"However, and I know I say it each year, I do feel we are very close to it now. I base this on the fact that one scale for married and unmarried people was introduced from July 1 last year. This has been the foundation for our representations since 1975.

"Before this, there were always two completely separate scales. I believe we are now almost three quarters of the way to getting separate tax status."

Mrs van der Spuy said 1981 would be "the most important thrust" in the campaign for a new tax system.

Maybe she's right.

Last year was certainly an eventful one, what with SWA/Namibia introducing a form of separate taxation for married working women in an effort to get them back into the labour force; and our Prime Minister, Mr P W Botha, receiving a delegation headed by Adele van der Spuy, after which he said he would consider separate taxation.

It was also a year which saw several conflicting statements on the issue of taxation. In September 1980 the Deputy Minister of Finance, Mr P T C du Plessis, said the Government was in favour of some form of separate taxation for married working women, but the very next month the Minister of Finance, Mr Owen Horwood, stated categorically that the tax unit had always been the married couple, and he dashed hopes.

What many people wonder is why a report undertaken for the Human Sciences Research Council on women's taxation, by Dr Dina Wessels, has never been released. She did the report in the late '70s and I know a lot of people who would like to read it — myself included!

DR JOOP DE LOOR — it would be dangerous to raise hopes.

TUESDAY, 3 FEBRUARY 1981

*Indicates translated version.

For written reply:

Sales Tax Act

Hsn B. Qu.Col 25 3/2/81

7. Mr. N. B. WOOD asked the Minister of Finance:

(320)

(1) How many registrations in terms of the Sales Tax Act had been made as at the latest date for which figures are available;

(2) how many prosecutions for failure to register in terms of the Act have been instituted up to the latest date for which figures are available?

The MINISTER OF FINANCE:

As at 31 December 1980—

(1) 224 615.

(2) 2.

Hans 2 Q's Col 26 3/2/81

320

Income tax

29. 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 1979 year and include loan levy. Not all assessments for that year have been issued.

	(a) Number of Taxpayers Liable for Normal Income Tax	(b) Amount Assessed R '000
Cape Province		
(i) Whites	441 969	434 460
(ii) Coloureds	213 060	35 587
(iii) Asiatics	6 363	3 083
Natal		
(i) Whites	200 520	227 371
(ii) Coloureds	14 011	3 370
(iii) Asiatics	102 348	24 100

Orange Free State		
(i) Whites	107 928	115 176
(ii) Coloureds	2 819	315
(iii) Asiatics	4	2
Transvaal		
(i) Whites	809 180	1 107 898
(ii) Coloureds	27 403	6 955
(iii) Asiatics	21 943	12 509

Tax payers

122. Mr. H. H. SCHWARZ asked the Minister of Finance:

What was (a) the number of individual tax payers in each income category and (b) the tax assessed in each income category expressed as a percentage of total tax assessed, in the 1979-'80 tax year?

The MINISTER OF FINANCE:

(a) and (b). Reliable statistics for the 1979-'80 tax year are not yet available. The following figures reflect the position in respect of the 1978-'79 tax year as at 31 December 1980:—

Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
LOSS	15 642	—
1 — 1 000	191 404	0,04
1 001 — 2 000	173 850	0,53
2 001 — 3 000	209 044	1,36
3 001 — 4 000	181 801	2,05
4 001 — 5 000	148 138	2,35
5 001 — 6 000	130 656	2,83
6 001 — 7 000	118 636	3,42
7 001 — 8 000	113 664	4,18
8 001 — 9 000	108 359	4,94
9 001 — 10 000	99 844	5,59
10 001 — 12 000	161 338	11,98
12 001 — 14 000	108 651	11,31
14 001 — 16 000	67 071	9,38
16 001 — 18 000	41 315	7,47
18 001 — 20 000	26 054	5,87
20 001 — 22 000	16 828	4,59
22 001 — 24 000	10 778	3,47
24 001 — 26 000	7 440	2,79
26 001 — 28 000	5 178	2,23
28 001 — 30 000	3 646	1,77
30 001 — 40 000	7 851	4,92
40 001 — 50 000	2 555	2,32
50 001 — 80 000	1 846	2,50
80 001 — 100 000	312	0,64
100 001 — 150 000	256	0,74
150 001 AND OVER	120	0,73
TOTAL	1 952 277	100,00

*6. Mr. H. H. SCHWARZ asked the Minister of Finance:

4/2/81

(1) Whether a final decision has been made in regard to the taxation of fringe benefits; if so, what is the nature of such decision;

(2) whether it is intended to introduce

legislation relating thereto in the current session of Parliament?

†The MINISTER OF FINANCE:

(1) No. Certain interested parties asked for a further opportunity to submit their comments on the matter to me, and this has meant that no final decision has as yet been taken.

(2) No.

Mr. R. J. LORIMER: Mr. Speaker, arising out of the reply given by the hon. the Minister, will he please tell us whether it will then be introduced after the election? [Interjections.]

Mr. SPEAKER: Order!

Company tax

*7. Mr. H. H. SCHWARZ asked the Minister of Finance:

What amount in company tax was collected from (a) mining and (b) non-mining companies in each month of 1980?

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

Hans 2 Ques Col 34

4/2/81

	(a) Mining Companies R	(b) Non-Mining Companies R
January	5 035 453	293 654 226
February	623 375 516	121 427 507
March	5 162 025	208 027 382
April	6 863 051	135 479 811
May	368 255 879	120 255 702
June	47 105 337	178 095 042
July	9 751 114	330 140 082
August	1 333 333 080	118 539 272
September	15 335 046	241 468 000
October	943 003	174 107 567
November	403 453 866	104 744 362
December	64 628 992	286 229 318

56

390

180

210

These amounts include loan levy where applicable.

TAX BONUS IN BOND SCHEME

S Tribune 8/2/81

320

By CHRIS VICK

TAX dodgers have turned South Africa's first State lottery into a haven as they sink their undeclared thousands into the Bonus Bond scheme.

The bonds are fast turning into a different type of bonanza for taxpayers — allowing the man with too much cash to bury it far from the Receiver of Revenue's eagle eye.

Police are aware of the latest tax shelter — they have uncovered at least one case in Johannesburg so far — but say the matter is really in the hands of the Department of Inland Revenue.

A spokesman for the Department in Pretoria had no official comment when approached by the **Sunday Tribune**.

However, an employee at the Receiver of Revenue in Johannesburg said taxmen were aware of the problem but there's little they can do about it, mainly because it's hard to prove that a Bonus Bond purchaser is doing so to dodge tax payments.

Investigations this week showed Bonus Bonds were being used for anything from nondescript cash payments to massive under the counter transactions.

One tax consultant said Bonus Bonds were 'the in thing" for today's tax dodger.

"It's the ideal way out for the man with extra cash," he told the **Sunday Tribune** this week. "And there seems to be a trend towards Bonus Bonds in situations where people have large amounts of cash which they haven't declared to the Receiver of Revenue.'

"It's an excellent place for excess funds you don't want the Receiver of Revenue to get hold of — and the more money involved, the more you score.

Bonus Bond manager Neville Reinders was aware of the "ins and outs of Bonus Bonds", but said it was hard to block loopholes.

According to Mr Reinders, the only time a name is connected with a Bonus Bond is when the bond is cashed — the drawer fills in his name and address on the back of the bond.

GST heads for R70m above target

RDM 11/2/81 ~~250~~ 320

By HAROLD FRIDJHON

GENERAL sales tax earned R159-million for the Treasury in December compared with R124-million in November and R142-million in each of September and October.

In the nine months of the fiscal year to December, GST brought R1 208-million to the Exchequer; Mr Horwood had calculated on collecting R1 550-million from this impost for the year. It seems that when the final accounts are drawn he may gather R70-million more than he budgeted for.

Other heads of revenue confirm that the Treasury's income will be way above estimates.

Customs duty earned R530-million to the end of December. This is R195-million more than in the comparable period of the previous fiscal year and R77-million more than Mr Horwood thought that he would collect for the year. If imports continue to flood in at current rates, the Treasury will collect 50% more than expected.

Excise duty should reach the R1 111-million target. By the end of December R853-million had been paid into the Treasury against R683-million in the previous year from this source.

Income tax has netted R5 095-million. This must be compared with Budget estimates of R5 991-million for the year and R3 460-million at the end of December 1979. While big tax payments are due at the end of February and there is every probability that the budgeted figure will be surpassed, the Treasury will not wind up with as much cash as had been forecast. The reason is the lower gold price.

Gold-mining leases have brought in R550-million of the estimated R635-million, which should be exceeded by the fiscal yearend.

The export duty on diamonds is well down with R17-million collected compared with R31-million budgeted for the year and R23-million collected in the first nine months of the previous year. This tells the story of the depressed diamond market.

Non-resident shareholders' tax has brought in R220-million — R20-million more than expected for the full year. Swollen gold-mine dividends are largely responsible for this increase.

The booming property market is reflected in collections from transfer duties which have jumped from 1979's R60-million to R116-million at the end of December. Mr Horwood expected R95-million for the full year.

Total revenue, including departmental and miscellaneous receipts, was R8 177-million for the nine months, 42% more than was collected in the same period of the previous fiscal year. The Budget target is R9 841-million.

Taxpayer is hit by Govt crisis

RDM 13/2/81

Political Staff

CAPE TOWN. — The Auditor-General's report highlighting the Government staff crisis revealed that he was able to examine less than a third of the offices and institutions on the audit register.

The report revealed the staff position could be costing the country millions — and that was before it was known that not all offices had been taken into account.

And with this new aspect, Opposition spokesman, Mr Harry Schwarz, asked: "How much is the country losing?"

Of 612 authorised posts in the audit staff, in October last year, only 394 were filled by permanent staff, 41 by temporaries and 50 by part-time units.

He pointed out that the Auditor-General had revealed that while only 613 offices and institutions had been checked, it had resulted in 2 0[illegible] queries and the recovery of R[illegible] 450.

"The department was able to check only 613 of the 2 0[illegible] offices and institutions on the audit register and was able to do only a limited test on income tax assessments," Mr Schwarz said.

"However, even with this limited check, they were able to recover R1 212 330. How much is the country losing when they can audit less than a third of the offices and do little more than spot checks on income tax?"

Apart from this, what the Auditor-General had described as "limited audit tests" on income tax assessments, had led to the recovery of R[illegible]45 6[illegible].

"The taxpayer has to pay more to make up for the missing millions," Mr Schwarz said.

"Owing to the serious shortage of trained staff, certain aspects of the work cannot receive the necessary attention and in addition to efficiency auditing, the auditing of computerised financial systems has not yet come fully into its own.

"Audit tests have already been curtailed to such an extent that further curtailment is virtually impossible," Mr Schwarz said.

More areas of government breakdown
— Editorial Comment on Page 8

Tax 'holiday' over—now most earners will pay more

STAR 13/2/81

320

By Mervyn Harris

The taxman will take a larger slice out of pay-packets from March 1 under revised tax scales issued today by the Department of Inland Revenue.

The take-home pay, for example, of a married person with two children earning R1 000 a month will be reduced from R933,50 to R918,75 a month.

The new scales come into force because the Income Tax Amendment Act of 1980 was only passed by Parliament in June last year.

This means that the Tax Deduction Tables, with the higher income tax rates, still applied up to June 30.

COMPENSATION

To compensate for the over-deduction of tax in the first four months of the tax year, the tax deduction tables used from July 1, 1980, till the end of the tax year on February 28, 1981 were calculated to ensure that the total tax deducted for 1980-81 would be the appropriate tax laid down in the Act.

But these deductions did not reflect the amounts demanded in the Act.

The first table gives a few examples illustrating the working of these tax scales (in each case a married person with two children was taken as an example).

The income tax rates for 1980-81 automatically remain in force until the next budget proposals are approved.

In view of the snap election, the rates cannot be amended — if at all — until towards the end of this year, probably by mid-October.

Deductions from a taxpayer's pay packet will, from March 1, be at the applicable rates, which will approximate the tax that should have been deducted over the whole of last year.

The dent in take-home pay from March 1 appears because less tax was deducted in the last eight months of the financial year than was required.

The big reductions in taxes granted to the higher income brackets in the 1980 budget resulted in a considerable "over-deduction" in the first four months of the year and a consequent "under-recovery" in the last eight months.

This accounts for the big increase in taxes which top salary earners will have to pay from March 1, as the examples in the second table show.

● The question of percentage increases in taxes under the new scales can be misleading. For as reported in The Star on Wednesday, a married person over 60 earning R501 a month could find his tax has jumped 90 percent. But this could be from tax of say R1 to R1,90.

TABLE NUMBER ONE

Tax table Monthly pay	Deductions until June 1980	Deductions from July 1980	Tax required
R800	R69,93	R32,82	R45,19
R1 000	R114,03	R66,50	R82,34
R1 500	R282,83	R183,57	R216,65
R2 000	R526,78	R320,11	R389,00

TABLE NUMBER TWO

Monthly Income	Tax Up to February 28	Take home Up to February 28	Tax From March 1	Take home From March 1
R450	—	R450,00	R2,50	R447,50
R550	R2,46	R547,54	R11,46	R538,54
R750	R25,37	R724,63	R36,38	R713,62
R1 000	R66,50	R933,50	R81,25	R918,75
R1 250	R120,25	R1 129,75	R141,13	R1 108,87
R1 500	R183,57	R1 316,43	R214,38	R1 285,62
R2 000	R320,11	R1 679,89	R384,25	R1 615,75
R2 500	R473,41	R2 026,00	R584,13	R1 915,87
R3 000	R663,70	R2 336,30	R812,35	R2 187,65

A married person with two children only becomes liable for tax if he earns R416 a month or more.

Possible end to tax return forms

RDM 17/2/81 (320)

POLITICAL STAFF

THE ASSEMBLY. — Annual tax assessment returns may soon become a thing of the past for many South Africans.

Mr Owen Horwood announced yesterday that the Government was considering introducing a once-off PAYE deduction system that will remove "buff forms" from the lives of people earning salaries up to a certain limit.

The move is part of a two-pronged plan to reform and improve the existing tax structure.

The second measure under consideration is to raise the level at which income tax becomes payable by individuals.

Mr Horwood said his department was seeking ways to reduce the volume of tax returns which had to be processed.

Tentative plans to relieve many taxpayers of the burden of filling in tax returns would entail the introduction of more accurate tax deduction tables.

"It could even lead to the introduction of differentiated tax rates — a small income tax rate and rebate on the one hand and a differentiated rate for higher incomes on the other," Mr Horwood said.

RDM 17/2/81 (320)

No tax rate changes — only adjustments

THE ASSEMBLY. — The Minister of Finance, Mr Owen Horwood, said yesterday there had been no change in tax rates. Deductions in terms of the new tax deduction tables were merely an adjustment.

Mr Horwood said sensational banner headlines had recently appeared in certain newspapers announcing tax "shocks" as if this were an unknown event suddenly sprung on an unsuspecting public.

He and the Deputy Minister of Finance, Mr Danie Steyn, would deal more fully with the background to the new tables during the Budget debate.

Mr Horwood pointed out that personal income tax had been substantially reduced last year.

Employees' tax deduction tables to give effect to these reduced rates came into operation on July 1, 1980.

These not only reduced the deductions in accordance with the lower tax rates, but also adjusted for the higher deductions for the first four months of the tax year when the previous year's (1979-1980) tables were still in use.

"As a matter of fact I specifically emphasised this in my Budget speech last year when I said the taxpayer would receive the full benefit of the reduction in the 1981 tax year instead of having to wait for a refund of the higher deductions until the assessment is issued." — Sapa.

Fringe benefits tax

POLITICAL STAFF

THE ASSEMBLY. — The Government may announce its fringe benefits tax plans before the next session of Parliament later this year.

Mr Owen Horwood said yesterday the question of the tax treatment of fringe benefits had not yet been finally considered by the Government. He was considering further representations before making a final decision, which, he hoped would be before the next session of Parliament.

FACULTY OF ENGINEERING

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Miss N C Davidson

CHEMICAL

appear after a delay of several years. The 1974 report was the latest available at the commencement of this study. There are two series, one for Whites, Asiatics and Coloureds which cover the whole country[2], and one for ~~Blacks~~ Africans for selected magisterial districts which comprise the main urban areas[3].

DD. 18/2/81 (320)

Louw backs tax slice for councils

CAPE TOWN — The Administrator of the Cape, Mr Gene Louw, strongly favours financial relief for local authorities through a percentage of general sales tax and income tax.

In a wide-ranging interview yesterday he spoke of the "wretched" financial position of local authorities in the Cape, the tremendous burden on ratepayers, the servants' quarters "key law", racial incidents such as that involving President's Council member Mr Lofty Adams at the Cango Caves, "open" beaches and the financial situation of the province itself.

Mr Louw disapproved of the findings of the Browne Committee investigation into local-authority finances.

"There is a lack of insight into the understanding of the wretched financial position of local authorities in the Cape," he said.

He strongly suggested that a percentage of GST and income tax be granted to the provincial administration for distribution to municipalities and divisional councils.

Ratepayers were being "milked", he said, and were being taxed from all quarters as the "same man in the street" had to pay taxes to various government authorities — local, provincial and central.

But he warned that higher motor vehicle licences, hospital fees and the like were becoming a distinct possibility.

Other points made by the Administrator were:

o Local authorities were being reminded constantly to avoid racial incidents such as that involving Mr Adams who was ejected from the Cango Caves restaurant. "We do not want friction situations," Mr Louw said.

o "Open" beaches were receiving his constant attention. He was concerned about resorts becoming overcrowded, and resultant anti-social behaviour, regardless of the race of beachgoers. If local authorities needed capital to improve law and order on beaches, they should approach the province for financial aid. He suggested that admission fees be charged at beaches. — DDC.

deaths "are not catagorically divided in urban or rural areas or cause of deaths" according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among ~~Blacks~~ Af were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for ~~Blacks~~ Aff.

Methods.

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardized Mortality Rates. Two standard populations were used : England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Age and Cause Specific Death Rates. Calculated mainly in five year age groups for the seventeen major divisions of the eigth revision of the International Classification of Diseases (ICD).
4. Proportions of Causes of Death.
5. Infant Mortality Rates.
6. Expectation of Life. Calculated for 1970, the last census year.
7. Competing Mortality Risks[8] This the mortality experience of a population under the hypothetical conditions which would exist if a particular cause of death were eliminated. It gives an indication of the relative effect of that cause on the expectation of life. ~~Competing risks will be fully covered in Part 3 of this series of papers.~~

The calculation of rates involves a knowledge of the base population age specific population. No official estimates of this are available for intecensual years. For Whites, Asiatics and Coloureds the 1970 populatior as

Louw wants tax funding for local authorities

CT 19/2/81 320 261

By NEVILLE FRANSMAN

THE Administrator, Mr Gene Louw, has come out strongly in favour of financial relief for local authorities in the form of a percentage of general sales tax and income tax.

In a wide-ranging interview this week he spoke of the "wretched" financial position of local authorities in the Cape, the tremendous burden on ratepayers, the servants' quarters "key law", racial incidents such as that involving President's Council member Mr Lofty Adams at the Cango Caves, "open" beaches and the financial situation of the province itself.

Mr Louw, who at the end of this month will have served as Administrator of the Cape for 18 months, expressed implicit disapproval of the findings of the Browne Committee investigation into local-authority finances when he said that "there is a lack of insight into and understanding of the wretched financial position of local authorities in the Cape".

The Cape had more severe problems because of greater depopulation of the platteland, greater distances resulting in higher costs, lesser industrial and mineral wealth and the fact that the Cape was to a large extent dependent on its agricultural resources.

The financial position of muncipalities such as Cape Town was far worse than in other provinces and relief simply had to be given to local authorities by way of extra sources of income.

He suggested that a percentage of general sales tax and income tax be granted by the central government to the provincial administration for distribution to municipalities and divisional councils.

Ratepayers were being "milked", he said, and were being taxed from all quarters having to pay taxes to various government authorities — local, provincial and central.

As regards the financial situation of the province itself, Mr Louw felt that he had made reasonable progress in his representations to the government for a revised subsidy formula which would bring increased funds into the coffers

The Administrator, Mr Gene Louw

of the provincial administration.

The province had also been able to effect savings by eliminating non-essential projects and postponing other projects, but he warned that increased taxation in respect of higher motor-vehicle licences, hospital fees and the like was becoming a distinct possibility.

More details of the province's financial affairs would be made during next week's short session of the Provincial Council.

Questioned about the effect of the servants' quarters "key law" in areas such as Sea Point, the Administrator said it had brought about a remarkable degree of "self-discipline". There had been very few prosecutions in terms of the law.

Many social problems, like those resulting from overcrowding in servants' quarters, could be avoided if a strong municipal police force existed which could check on contraventions of municipal by-laws and which could call on the state police when really criminal misdemeanour was detected.

If such a strong municipal police force operated, legislation such as "key laws" would be unnecessary, Mr Louw said. He fully backed the initiatives of Cape Town city councillor Mr David Bloomberg in trying to establish such a force.

Other points made by the Administrator were:

- Local authorities were be ing reminded constantly t avoid racial incidents such a that involving President' Council member Mr Lofty Ad ams who was ejected from th Cango Caves restaurant. "W do not want friction situa tions," Mr Louw said.

- "Open" beaches were r ceiving his constant attentio He was concerned about r sorts becoming overcrowde and resultant anti-social beha iour, regardless of the race beachgoers. If local authoriti needed capital to improve la and order on beaches, th should approach the provin for financial aid. He suggest that admission fees be charg at beaches.

(320) FM 20/2/81

NEW TAX TABLES

In his speech on the Part Appropriations Bill ("mini-budget") Finance Minister Owen Horwood explained the background to the PAYE tables which come into force on March 1 1981 (the start of the new tax year for individuals).

As personal income tax was substantially reduced last year, PAYE payments from March 1 to June 30 1980 were made at a higher rate than the reduced rates announced in last year's budget. It was decided to give taxpayers the immediate benefit of the reductions, instead of making them wait for the issue of individual assessments for the tax year 1980/81 when a refund of the deductions would normally have been made.

To give effect to this decision, tax tables were issued setting out PAYE rates from July 1 1980 onwards. The rates provided were actually lower than those derived from the 1980 tax concessions, to compensate for the fact that payments from March 1 to June 30 1980 were made at the (higher) 1979/1980 rates.

But Horwood made it clear in last year's budget speech that it might be necessary to publish a further set of PAYE tables effective from March 1 1981 to remove the compensating element already described. He noted that he was mentioning this "well in advance" to avoid the accusation that the tax rates were being increased without parliamentary sanction — as happened when a similar adjustment was made some years ago.

Despite all his warnings, exactly the same type of inaccurate criticism has once again been levelled with regard to the newest set of tax tables. He emphasises that the tables, in effect from March 1 1981, reflect precisely — for a full tax year — the concessions made in the 1980 budget.

The excerpts set out below reflect a representative sample of the PAYE rates effective from March 1 1981, as applicable to the major classes of taxpayers — those under 60 paid on a monthly basis. The married rates apply also to widows and widowers.

Anyone over 60, or with more than three dependants (if married) or more than two dependants (if unmarried), should consult the full set of tax tables. So, too, should anyone remunerated on a daily, weekly or yearly basis and part-time and married women employees, or anyone needing to refer to intermediate income figures.

Married taxpayers with an income over R40 000 per year (R3 333 per month) and unmarried taxpayers with an income over R28 000 (2 333 per month, should deduct 50% of the income in excess of these limits to extend the aggregate deductions beyond the limits calculated in the tables.

(Comparable extracts from the tables in force from July 1 1980 to February 28 1981 were printed in the *FM* of July 25 1980).

Monthly remuneration	Annual equivalent	Married Dependants				Unmarried Dependants		
		0	1	2	3	0	1	2
R	R	R	R	R	R	R	R	R
701-705	8 435	46,74	38,41	30,08	21,74	64,08	54,08	44,08
901-905	10 835	79,19	70,86	62,53	54,19	103,03	93,03	83,03
1 001-1 005	12 035	98,98	90,64	82,31	73,98	126,73	116,73	106,73
1 101-1 105	13 235	121,37	113,03	104,70	96,37	153,62	143,62	133,62
1 201-1 205	14 435	146,09	137,76	129,43	121,09	183,26	173,26	163,26
1 301-1 305	15 635	173,15	164,82	156,48	148,15	215,73	205,73	195,73
1 401-1 405	16 835	202,54	194,21	185,88	177,54	251,04	241,04	231,04
1 501-1 505	18 035	232,60	224,27	215,93	207,60	287,10	277,10	267,10
1 551-1 555	18 635	248,60	240,27	231,93	223,60	306,27	296,27	286,27
1 601-1 605	19 235	264,60	256,27	247,93	239,60	325,52	315,52	305,52
1 651-1 655	19 835	280,60	272,27	263,93	255,60	344,68	334,68	324,68
1 701-1 705	20 435	297,33	288,99	280,66	272,33	364,74	354,74	344,74
1 751-1 755	21 035	314,33	305,99	297,66	289,33	385,16	375,16	365,16
1 801-1 805	21 635	331,33	322,99	314,66	306,33	405,58	395,58	385,58
1 851-1 855	22 235	348,72	340,38	332,05	323,72	426,38	416,38	406,38
1 901-1 905	22 835	366,72	358,38	350,05	341,72	448,05	438,05	428,05
1 951-1 955	23 435	384,72	376,38	368,05	359,72	469,63	459,63	449,63
2 001-2 005	24 035	402,78	394,44	386,11	377,78	491,28	481,28	471,28
2 051-2 055	24 635	421,78	413,44	405,11	396,78	514,11	504,11	494,11
2 101-2 105	25 235	440,78	432,44	424,11	415,78	536,86	526,86	516,86
2 151-2 155	25 835	459,78	451,44	443,11	434,78	559,69	549,69	539,69
2 201-2 205	26 435	479,50	471,17	462,83	454,50	583,33	573,33	563,33
2 251-2 255	27 035	499,50	491,17	482,83	474,50	607,33	597,33	587,33
2 301-2 305	27 635	519,50	511,17	502,83	494,50	631,33	621,33	611,33
2 351-2 355	28 235	539,89	531,56	523,23	514,89	655,79	645,79	635,79
2 401-2 405	28 835	560,89	552,56	544,23	535,89	680,79	670,79	660,79
2 451-2 455	29 435	581,89	573,56	565,23	556,89	705,79	695,79	685,79
2 501-2 505	30 035	602,95	594,62	586,28	577,95	730,79	720,79	710,79
2 551-2 555	30 635	624,95	616,62	608,28	599,95	755,79	745,79	735,79
2 601-2 605	31 235	646,95	638,62	630,28	621,95	780,79	770,79	760,79
2 651-2 655	31 835	668,95	660,62	652,28	643,95	805,79	795,79	785,79
2 701-2 705	32 435	691,68	683,34	675,01	666,68	830,79	820,79	810,79
2 751-2 755	33 035	714,68	706,34	698,01	689,68	855,79	845,79	835,79
2 801-2 805	33 635	737,68	729,34	721,01	712,68	880,79	870,79	860,79
2 851-2 855	34 235	760,87	752,54	744,20	735,87	905,79	895,79	885,79
2 901-2 905	34 835	784,37	776,04	767,70	759,37	930,79	920,79	910,79
2 951-2 955	35 435	807,87	799,54	791,20	782,87	955,79	945,79	935,79
3 001-3 005	36 035	831,40	823,07	814,73	806,40	980,79	970,79	960,79
3 051-3 055	36 635	855,40	847,07	838,73	830,40	1 005,79	995,79	985,79
3 101-3 105	37 235	879,40	871,07	862,73	854,40	1 030,79	1 020,79	1 010,79
3 151-3 155	37 835	903,40	895,07	886,73	878,40	1 055,79	1 045,79	1 035,79
3 201-3 205	38 435	927,76	919,43	911,10	902,76	1 080,79	1 070,79	1 060,79
3 251-3 255	39 035	952,26	943,93	935,60	927,26	1 105,79	1 095,79	1 085,79
3 296-3 300	39 575	974,31	965,98	957,65	949,31	1 128,29	1 118,29	1 108,29

POLITICS

DD. 26/2/81 (320)

Horwood rules out ditching food GST

THE ASSEMBLY — The Minister of Finance, Mr Owen Horwood, has again ruled out any possibility of abolishing general sales tax on food.

Mr Horwood said he did not believe such a step would in any way relieve the burden on the floor.

"One can make it far worse for them," he said during his reply to the mini-budget yesterday.

Countries which had abolished sales tax on food had run into enormous administrative problems.

"If you give one exemption on foodstuffs today, tomorrow you have to exempt clothing, the next day on rent and the next day on something else," said Mr Horwood.

He was replying to requests by opposition members who had appealed to the government to remove GST on food because of the effect it had on the poor.

"I say we have to be very careful before we start playing around with this."

Mr Horwood said it was not clear from the opposition argument whether an exemption for food would really benefit the lower income groups.

"Our GST system is simple. It is designed to cause the least amount of administrative work to the businessmen who collect tax.

"Exemptions on a commodity basis will be troublesome and will result in increased administrative costs which will have to be passed on to the consumers by way of price increases."

If the saving by abolishing GST on food was one per cent, nobody could guarantee that administrative costs would not eventually outweigh the saving.

He added that the government was already subsidising food to a total of R250 million a year.

If the bread price was not adjusted soon food subsidies would exceed R300 million.

"I cannot possibly recommend to the cabinet any change in our sales taxation policy which I think is very well founded," Mr Horwood said. — PS.

Minister against GST changes

CT 20/2/81

320

HOUSE OF ASSEMBLY. — The Minister of Finance, Mr Owen Horwood said yesterday that he would not recommend to the government the exemption of basic foodstuffs from General Sales Tax.

Such a step would generate its own set of problems which, far from alleviating the burden on the poor, could make matters much worse for them.

Countries abroad which had deviated from the basic principle of taxing transactions instead of commodities "have run into enormous administrative problems", the minister said in his reply to the second reading debate on the Part Appropriation Bill.

Britain abolished GST on food but soon found it had to extend the policy to clothing. "The last I heard, sales tax in the United Kingdom was standing at 15 percent," Mr Horwood said.

The corresponding figure in West Germany was 13 percent, whereas in South Africa sales tax was levied at four percent.

Higher prices

Locally, sales tax had been designed to give the least possible amount of administrative work to businessmen who collected the tax. Tampering with the system would lead to more administrative work and higher prices which would be passed on to the consumer.

"I cannot possibly recommend to the cabinet any change in policy (on sales tax) on the basis of arguments raised in the House," he said.

Mr Horwood said he had referred to the standing committee on taxation the question of deducting from income tax interest paid by home owners on building society bonds.

But the minister pointed out that serious misgivings had been expressed by leading overseas tax experts, because the measure could inflate house prices. It would constitute a departure from the principle that only expenditure incurred on the producing of income should be tax deductible.

Mr Horwood said he had listened in vain for good and constructive comments about the country from Progressive Federal Party speakers. The Official Opposition had chosen not to share in the exciting times in which South Africans were living, he said.

The Part Appropriation Bill was read a second time after division. — Sapa

GST on food to stay says Horwood

RDM 20/2/?

320

Political Staff

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Mr Horwood said he did not believe such a step would in any way relieve the burden on the poor.

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He was replying to a request by Opposition members to remove GST on food because of the effect it had on the poor.

"I say we have to be very careful before we start playing around with this," he said.

Mr Horwood said it was not clear from the Opposition argument whether an exemption for food would really benefit the lower income groups.

"Our GST system is simple. It is designed to cause the least amount of administrative work to the businessmen who collect tax," he said.

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If the saving by abolishing GST on food was one per cent, nobody could guarantee that administrative costs would not eventually outweigh the saving. He added that the Government was already subsidising food to a total of R250-million a year. If the bread price was not adjusted soon, food subsidies would exceed R300 million.

"I cannot possibly recommend to the Cabinet any change in our sales taxation policy, which I think is very well founded," Mr Horwood said.

FACULTY OF ENGINEERING

Corporation Medals

For the best student in each of the 2nd, 3rd and final years.

Second Year (Bronze Medal)

Miss G C Littlewort

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T J Cumming
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Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering Drawing.

L Menegaldo

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For the first year student obtaining the highest average mark.

G L Cragg

worker in a single microplan and include the job description, it is more practical not to. It is more appropriate for a job description to state that a particular grade of worker should be able to undertake the tasks described in a given series of microplans than for a microplan to contain a job description. The exception may be the community health workers whose abilities are so limited that they could be planned for in a single microplan which also contains their job description.

27/2/81 (320)

More PAYE will mean less pay

Next month's increases in income tax deductions will have most effect on the lower income groups.

The average increase seems to be about 20 percent, according to the Department of Inland Revenue's latest set of PAYE tax tables which come into effect on March 1.

Married men with two children earning about R555 will pay about R12 a month instead of the previous R2,87.

A married man (no children) who earns about R305 a month will pay R7,57 instead of R4,29. This is an increase of about 76 percent.

A married man with four children and earning R800 a month will have a 63 percent increase when his deduction is lifted from R16,95 to R27,67 a month.

In the higher tax brackets, the monthly payments have not risen so sharply. A married man with no children will pay 20,5 percent more on a monthly salary of more than R3 000 but less than R3 005. A single man on the same salary will pay 17,77 percent more.

Some economic experts feel that the increased payments will help to take the heat off the country's spending boom as the Government prepares to combat inflation.

OF A MICROPLAN

plan have to be described in a worker's manual
he required actions seem reasonable. It is our
hat might be unfamiliar to a primary school
nple, is described in the chapter on discharging
th practice. Inevitably, much of the theory is
's manual becomes an integrated system of
ly a cookbook or bare set of norms. The
ge is only possible in such a comparatively
ld care. Were a microplan to be prepared for
ll the prerequisite anatomy might have to be

nd practice has to be described in a logically
thout reference to other books, since in the
rker is unlikely to own any. This system has
ented, completely detailed, well-illustrated,
indexed, and pleasant to read. If it is to be
, particularly those not accustomed to English,
le, both in lexis and syntax. At the same time
ated reader. The linguistic perfection of the
the care of the sick is more than mere tech-
y compassion. Because the manual of a master
its structure must be flexible. All these are
st development of the health care manual as a
to succeed, its manuals must have the qualities

needs of both training and retraining; it should be both a book to learn from in school and a reference book afterwards. The ability to use it in a field situation should thus be a major educational objective in training and retraining workers. The successful application of a microplan depends upon every worker and every student owning his own manual. If possible, the entire work force concerned with the activity in question should be saturated with them. If, as often happens, the clerks in a health department have private practices of their own, they need manuals and help in using them. Where there is no effective restriction on medical practice, the manuals should be available in the shops. They can only improve informal practice.

This contains components related to the managerial and teaching roles. Its main purpose is to help the manager to measure the quality of care in his district and to bring it up to the level specified in the worker's manual. The manager's guide also contains detailed advice on how to run an implementation program lasting, say 6 months. It contains guidance on running the necessary workshops for introducing the microplan, and it tells the teacher how to teach the technologies in school. Its approach is practical and it contains the minimum of theory.

The manager needs any rapid practical instrument that would help him to measure and improve anything in the field of the microplan relating to the competence of his workers, the quality of care in his clinics, or the coverage they provide. To fill this need, the manager's guide contains batteries of multiple-choice questions for measuring his worker's knowledge, check lists for measuring their psychomotor skills, a test to measure their understanding of the language in the manual, another test to measure their capacity to find their way around it and use it, a simple survey method to determine the coverage of services, and a variety of instruments of other kinds. It should be the aim of the manager to see that his workers achieve high scores with these instruments. High scores are therefore among his management targets. He also needs simpler targets listing what should happen in his clinics or be available in them, e.g. "Rehydration tray available [jug, cup, salt, sugar . . .]," the items in brackets specifying what is meant by a rehydration tray. The manager's guide lists about 150 targets. These need to be carefully specified, since it may not be easy for a manager to pick out objectively observable targets from the pattern of practice embodied in the worker's manual. Some of these targets are positive ("A special care register is kept") and others negative ("Liver and vitamin B12 are not injected"). These negative targets depend on local faulty practice.

Ready-made sets of multiple-choice questions are necessary because few managers or teachers have the necessary time or skill to prepare and test a sufficient number of good ones. In all, the manager's guide contains about 100 multiple-choice instruments, each of 25 questions. These are all precoded to 1 of 8 answer codes and can be answered on self-correcting sheets prepared locally with such simple materials as phenolphthalein, sodium carbonate, and any colored fluid such as soy sauce. These instruments encourage a worker both to learn and to measure his knowledge. One series forms a triplicate set covering the entire content of the worker's manual. One set of this series can be used as a pretest, one is for formative evaluation by the students in their own time, while the third serves as a post-test. There is also a further series of questions based on short case histories. This series is intended to be used with the manual open as a means of encouraging the worker to find his way around it. In practice, they have proved to be a very substantial incentive to mastering the manual during both initial training and retraining. It was remarked in one district that "nobody looked at the manuals [then in early draft] until the multiple-choice questions arrived."

The teachers in a training school need anything that can help them to teach the chosen technologies. One of the most valuable features of the microplan is that it requires little, if any, prior knowledge by the teacher of the technologies in the micro-

24/2/81 STAR 320

Tax official: It can cost more if you're black

By Mervyn Harris

Single or married blacks without children pay less tax than their white counterparts but married blacks with two or more children pay more than whites in similar circumstances.

This is the anomalous position under the present tax system. But the Minister of Finance, Mr Horwood, has committed the Government to eliminating differences in taxes between whites and blacks next year.

A spokesman for the Department of Finance in Pretoria said today that there was much misapprehension about the tax scales for blacks and whites.

"It is unfair to say blacks pay more taxes than whites, coloured people and Asians. Some black people pay less," he said.

The spokesman was reacting to criticism from some employers who said that, under the revised tax scales which come into force on Monday, some of their black staff would pay more tax than white staff earning more money.

An example was that of a married black, with two children, who earned R350 a month. He will pay R7,20 a month tax.

But a married white with two children starts paying tax only when he earns R550 a month. And then he pays only 67c.

A married white with two children would have to earn R600 a month before paying tax of R7,15.

These anomalies arise because a black, irrespec-

To Page 3, Col 6

24/2/81 STAR 320

Employers criticise apartheid in taxation

from page 1

tive of his marital status or family circumstances, pays the same amount of tax on the same income.

In other words, he receives no rebates or concessions.

Mr David Broomberg, managing director of an electronics company, said: "I think the system of not giving rebates to married blacks is unfair."

But housing, uniforms and protective clothing are not regarded by the taxman as remuneration and Mr Broomberg says his lawyers are investigating ways of paying rental and providing clothing for some of his black staff to correct the imbalance in the tax scales.

At present black and white taxes are administered by different bodies.

An examination of the two scales shows that single or married blacks without children pay less tax than their white counterparts.

The tax of a white in this category earning R8 000 is R696 a year — R210 more than a black in a similar category.

A married white, without children, earning R4 000 a year will pay R120 tax — R44 more than a black in a similar category.

But the present system works to the advantage of the super-income blacks. Taxation reaches parity for people earning R40 000 a year except that, for every R1 above that amount, a white pays 50c in the rand while a black pays 48c in the rand.

Latest statistics show that between 20 000 and 21 000 blacks earn more than R5 000 a year.

Notes:

In addition, much research at universities is funded privately. MRC grants constituted only 21,5% of UCT medical research funds.

Additional costs are: disability grants; compensation for industrial accidents; compensation for occupational disease.

In the latter category, the mines alone accounted for compensation worth R17 million for occupational diseases:

sick pay funds; unemployment insurance paid to workers off sick; health care provided by the industrial sector.

No increase in provincial tax

CT 26/3/81

By NEVILLE FRANSMAN

THE Administrator, Mr Gen. Louw, received loud acclaim in the Provincial Council yesterday when he announced that provincial taxes — motor vehicle licences, hospital fees and the like — would not be increased in spite of previously expressed pessimism.

The R22 million deficit he had budgeted for last year had been wiped out.

He also announced that the province was now completely in the black and slated press reports that the Cape was in dire financial straits and that it is inevitable that the tariffs over which we still have control will have to be raised considerably".

Mr Louw explained that the Cape's improved financial position was largely due to a revision of the formula governing the subsidy from the central government to the provincial administration. The government, in fact, had agreed to give the province R115 million more in the subsidy payable for the financial year ending March 31.

He added: "My heads of department and their subordinates maintained sustained financial discipline, sometimes under extremely difficult circumstances."

Mr Louw was delivering his Additional Appropriation speech in which he asked the council to formalise the spending of an extra R107,5 million over and above the [illegible] million originally sanctioned in last year's budget.

This would bring the 1980/81 budget — the financial year ending on March 31 — to a record total of [illegible] million. This record revised figure still exceeded revised revenue by R12,24 million, but because the province had a surplus of R12,24 million at the end of last year, that is, the 1979/80 financial year, the deficit had been wiped out and a nil balance attained this year.

He said: "As I undertook I have had discussions with the Minister of Finance regarding our financial position. With the finalisation of the subsidy due to us this year it is clear that my approaches have not fallen on deaf ears."

The provisional subsidy originally stood at just over R695 million. The new formula brought it up to over R811 million, which represented increased central government aid of more than R115 million.

As regards the extra R107 million the Administrator said most of it had gone into salary adjustments and fringe benefits which came into effect on April 1 last year.

Debate on the Additional Appropriation Draft Ordinance was postponed till today.

... The racial distribution of health expenditure (insofar as this can be judged from official statistics) is more uneven than that of either income or total consumption. 73% of Whites are covered by medical aid, but very few Blacks. There are disparities in both quality and quantity of hospital beds in relation to population. The geographical differences in population per doctor (969:1 in the 13 largest urban areas and 23 037:1 in 'homelands' in 1970) are representative of the differences in the availability of health services by area, and this further accentuates racial and income inequalities.

3.2 HEALTH STRUCTURES IN SOUTHERN AFRICA: SOME CASE STUDIES

Papers discussed in this section are those by Smith (*11), Raine (Ch. 15), Ross, Maswego and Moja (Ch.17) and Kitai (Ch.16), on urban health services and Westcott (Ch.11 & *55) and Scott (*58) on rural services. Kevin Solomons' paper on mental health services, although relevant here, will be discussed in section 9.

All these provide some evaluation of the existing models of health service in South Africa and illustrate the practical possibilities of simple ...ice based research. It is useful to consider these studies ...t of some historical experience with alternative health ... as described by Kanis, in Chapter 8, where he discusses the ...mmission and the Health Centre experiment. The 1944 ...mmission[9] investigated the contemporary health service ...nd found it fragmented, poorly distributed in relation to ..., and excessively oriented to curative medicine. It pro...latives for future development, which were later practised in ...ther countries, but which failed at that time to gain wide ...n South Africa.

...on advised the establishment of a National Health Service, ...modern concept of health', an integrated preventive, promotive service at grassroots level, using a team approach.

...SERVICES

Day Hospitals (in the Cape Province) have been seen in the health centre experiment, Raine (Ch.15) points out that the ... tenuous: the Day Hospitals have no preventive role at present and operate with conventional staffing patterns; they treat those who attend without attempting to work directly in the community. This is the work of the district sisters organisation and health educators employed by the Cape Divisional Council.

Despite the impressive improvements in health status in the Cape cited by Smith in support of the Day Hospitals Organisation (DHO), Raine shows the difficulties in relating such benefits to the nature of health services when so many other variables are involved.

BD 4/3/81 320

Tax tables not so harsh

JOHANNESBURG — At first glance the new pay-as-you-earn (PAYE) tax tables appear to be extremely harsh on taxpayers.

But one must remember that taxpayers have had something of a tax holiday for the last eight months.

Finance Minister Owen Horwood's 1980/81 budget, delivered on March 26 last year, granted tax concessions which added up to a massive R1 560 million.

Most of this was on the individual's tax payments, and were in line with the minister's policy of shifting the tax burden from direct to indirect taxation.

A major reconstruction of the PAYE tables followed, and because of its complexity the new tables were only introduced on July 1, 1980.

Taxpayers thus paid more tax than they were supposed to in the first four months of the year, when payments were based on the 1979/80 tax tables.

To make up for this, the tax tables introduced from July last year were actually 25 per cent lower than the amounts announced in the budget.

For the new tax year, (March 1, 1981 to February 28, 1982), the old tax tables had to be adjusted again to what they in reality should have read from March 1, 1980.

One can now really see what concessions Mr Horwood actually announced in his March budget speech last year.

An unmarried person who earns R500 a month will be paying R37,75 a month, compared with the R26,62 paid over the last eight months.

Another example is a man married with one child and earning R1 000 a month.

His monthly PAYE deduction will rise from R73,61 to R89,58 at the end of the month, but this is well below the R126,67 he had to pay in 1979/80.

The general election, the falling gold price and the inflation rate have brought about a lot of uncertainty regarding the tax payments for the rest of this year.

The general election means there will be no customary March budget speech. The budget, will now only be read in August.

Significantly, the then Minister of Finance, Dr Nico Diederichs, announced tax cuts in his August 1974 budget, and despite the falling gold price, observers believe Mr Horwood could follow this policy.

They believe it is unlikely the minister will raise taxes in August as he has declared he is firmly for a policy of indirect taxation, which means a shift of the tax load from the individual's back.

More likely is the long awaited fringe benefits tax which would be levied on individuals who have the use of company cars, expense accounts and the like. — DDC

Tax will take bigger bite into pay packets

RDM 4/3/81

(320)

By ALEC HOGG

TAX will take a bigger bite out of this month's salary cheque than it did last month.

At first glance the new pay-as-you-earn (PAYE) tax tables appear to be extremely harsh on taxpayers.

But taxpayers have had something of a tax holiday for the last eight months.

The Minister of Finance, Mr Owen Horwood's, 1980 81 Budget, delivered on March 26 last year, granted tax concessions which added up to a massive R1 560-million.

Most of this was on the individual's tax payments, and were in line with the Minister's policy of shifting the tax burden from direct to indirect taxation.

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For the new tax year (March 1, 1981 to February 28, 1982) the old tax tables had to be adjusted once again to what they in reality should have read from March 1, 1980.

The monthly PAYE deduction of a married man with one child, and earns R1 000 a month, will rise from R73,61 to R89,58 at the end of the month. But this is well below the R126,67 he had to pay in 1979/80.

The General Election, the falling gold price and the inflation rate have brought about a lot of uncertainty regarding the tax payments for the rest of this year.

The General Election means there will be no customary March Budget speech. The Budget, like when a similar circumstance occurred in 1974, will now only be read in August.

Observers believe it is unlikely that the Minister will raise taxes in August as he has declared he is firmly for a policy of indirect taxation which means a shift of the tax load from the individual's back.

More likely is the long awaited fringe benefits tax.

Taxpayers have had 'a holiday'

NM 6/3/81 (320)

Finance Reporter

AT FIRST glance, the new pay-as-you-earn (PAYE) tax tables appear to be harsh on taxpayers. But they have just had an eight-month tax holiday.

In the March 1980 Budget, Finance Minister Mr Owen Horwood granted R1 560 million in tax concessions — most of which was on individual tax payments.

This followed the minister's policy of shifting the tax burden from direct to indirect taxation.

A major change in the PAYE tables followed, and because of the complexity, the new tables were late — they started from July 1.

In the first four months of the tax year, taxpayers paid more tax than they were supposed to when payments were based on the 1979-80 tax tables.

To make up for this, the new tables were 25 percent lower than the amounts announced in the budget.

For the new tax year — March 1981 to February 28, 1982 — the old tax tables had to be adjusted again to what they should have been from March 1, 1980.

The 1980 tax concessions can be seen:

- An unmarried person who earns R500 a month will be paying R37,75 a month, compared with the R26,62 paid over the last eight months. But this is still the R56 he would have had to pay in the 1979/80 tax year.
- Another example is for a man married with one child and earning R1 000 a month. His monthly PAYE will rise from R73,61 to R89,58 at the end of the month, but this is well below the R126,67 he had to pay in 1979/80.

The general election means there will be no customary March Budget speech — it has been postponed to August.

When this happened before the then Minister of Finance, Dr Nico Diederichs, announced tax cuts in his August 1974 budget, and in spite of the falling gold price, observers believe Mr Horwood could follow this policy.

Type of work	Hours a week	Cash wage (weekly, R)	Payment in kind (daily)
Unknown	?	1,50	?
	?	2,31	?
	?	3,46	?
	?	3,46	?

In addition to meals, many women get other items of payment in kind - working clothes, food, materials for dresses and other 'presents' at Christmas. Except for working clothes, these payments are included - with the cash wage of the women - in estimates of 'total family income', above.

THE FORUM Letters to the Editor

Food prices a burden on pensioners

NM 320 7/3/81

SIR — One often wonders whether adjustments in costs upwards are ever compensated by a reduction in prices when the basic raw materials decline sharply in price and may stay depressed for a considerable time. For example, take the tyre industry, there was apparently an increase of 10 percent in January 1980, a further 10,6 percent in January 1981.

These increases in prices allowed by the Price Controller were said to be justified by the overall increase in costs.

One of the main factors in price in the production of tyres is the basic price of natural crude rubber. If you refer to Page 18 of The Natal Mercury of January 31 there is a report on a company showing a trading profit up by 41 percent, with ordinary dividends rising by 50 percent from ,34 cents to ,51 cents a share.

Share prices

The price of the share on the Stock Exchange is not relevant to the actual functioning of the company other than from an investment viewpoint, and it follows that basic investment in this company would yield shareholders a very handsome return on capital investment.

There is another interesting report (Mercury, Page 19, January 28) which is headed 'Prices down in London for tin, rubber, and cocoa', cocoa plunging to a five-year low, while rubber also showed a sharp decrease.

I would venture to suggest, and this would bear inquiry, that rubber prices peaked somewhere between 1950 and 1960, and at that period may well have been higher than the current ruling prices for raw rubber. These examples are cited merely because of ease of reference to Press reports.

However, it might be of interest to investigate, inquiring into the justification for the excessive prices of goods from the source of supply, and in particular regard to foodstuffs, where all sectors of the community are affected.

As a particular example, it might be interesting to relate the cost of materials going into sausage manufacture with the ruling prices in supermarkets. The other day I made some small purchases for an elderly woman, and this was the result:

6 bananas 46 cents; 2 mediocre yellow peaches (15 cents each) 30 cents; plus GST 3 cents: Total 79 cents.

This should be a fair illustration of the burden on people in the lower-income bracket and pensioners.

We are now looking at bananas at a cost of ,08 cents each. Now I am aware from my own knowledge that the black-stemmed giant cavendish banana should yield on average 200 bananas per bunch, that is on the retail basis, a single bunch of bananas is worth R16 in terms of the price the end consumer pays. It would be interesting to know what the grower of the bananas gets per fruit, bearing in mind that he has to produce the fruit and which would take say 12/18 months form the sucker stage.

All this prompts me to suggest that it would be expedient to exempt all foodstuffs from GST, which would at least ease the burden on the people on whom the structure of foodstuffs has the heaviest impact.

Income tax

The authorities are also concerned about the question of streamlining and reviewing the whole question of income tax. Since we have GST as a permanent institution it should not be difficult to devise a method of relating income tax other than company tax i e, for the vast number of taxpayers by scrapping the whole question of income tax in its present concept and relating the taxation to a revamped concept of GST. Thus, with an exemption of foodstuffs and graded according to the category of goods, i e luxury goods such as jewellery, diamonds, etc, and non-essentials falling in the highest brackets the burden of taxation would be spread over those who are in the fortunate position of being able to bear it.

Anyway, these are just a few views which occur to yours faithfully,

OLD ROPE

ners considered themselves responsible for

percent of all workers) received no extra payment at

Of the 57 workers in the lowest category, 27 (21

MICHAEL JACQUES

320 FM 13/3/81

The myth of taxing employees

Michael Jacques is a management consultant with an international firm of accountants.

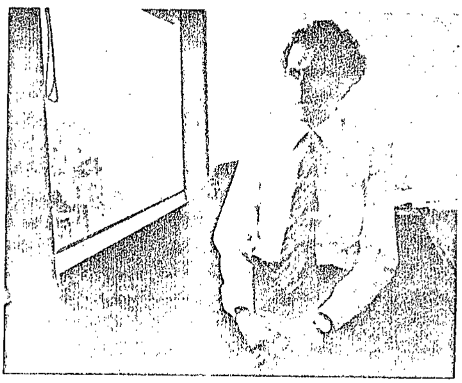
Professor Owen Horwood's mini budget produced a potentially significant, but, judging from the lack of comment, little understood, announcement: "Consideration is being given to exempting certain taxpayers, specifically those whose income is derived wholly from wages, from completing a tax return."

What has prompted this apparently strange move is the spectre of millions of black taxpayers coming on to the same tax system as other taxpayers. While this will remove the anomalies and injustices of the "Bantu Taxation Act," it will also mean that *all* taxpayers will be obliged to complete a tax return. This could of course, result in a breakdown in the administration of the Receiver's office. The extra returns won't bring in any extra tax and the additional burden on the Receiver could result in bigger fish slipping through the net.

The new system will presumably work in a similar way to the British system, where the total deducted by the year-end equals the total tax due even if there have been changes in the taxpayer's status during the year. If the taxpayer's income falls below a certain level, and all income is from earnings, the taxpayer will then be exempted from completing a tax return.

One might well ask what is significant about this when it all makes such good sense, but the next logical question is this: if the "taxpayer" does not have to complete a tax return, why make him pay tax at all? Why not release him from the tax system by calling his present net after-tax income his gross income and let the employer pay the tax without reference to the employee? Again one might ask what the significance of this will be when nothing but an apparent semantic change has taken place.

However, case studies in the British journal *Management Today* reveal that companies which have removed their factory employees from the tax system have achieved remarkable results. They all speak of higher productivity, greater staff morale, higher earnings and, to cap it all, more after-tax profit in spite of paying more tax. Part of the reason for this is that workers feel that they receive the full benefit of their work, increases and overtime do not put them in higher tax brackets and working wives are not demotivated by large tax deductions. Reports from the UK indicate a wide interest in these experiments; acceptance of this philosphy could signal the end of PAYE as it is known today.



What really is behind all this? We are imbued with the idea that employees are taxable entities. This is patently not true; their earnings are due to the collective effort of all employees of the enterprise as a whole and their input in relation to the whole is generally small. Few could stand on their own. Taxation of employees is therefore a myth; the so-called PAYE tax is in reality paid out of the total product of the enterprise, albeit based on a notional wage and the tax status of the employees.

Where the employee is a civil servant, there is also patently no "product" from which to pay this tax; civil servants are paid out of taxes collected from the product of productive enterprises. How can they, by any stretch of the imagination, be taxable entities? The same applies to employees of quasi-government enterprises such as the Railways and Escom. We could make civil servants, teachers, nurses, railway workers and so on considerably happier by removing them from the idiocy of the PAYE system.

Ultimately it would be right if the PAYE system was scrapped altogether. It would cost the employers no more in total and the revenue would lose no tax, but the benefits are more than a play on words;

- It would stop the confusing charade of contracting to pay an employee one figure and then actually paying him something less;
- It would reduce the wage inputs into costs. (We tend not to realise that tens of millions of rands, the costs of the Railways, are paid over to the government in the form of PAYE);
- It would evaporate entirely the debate on fringe benefits tax and cut out the need for such legislation; and
- With the payroll tax being shown with company tax instead of as a cost of production, it would show the full taxes being paid by productive enterprises. This may also reveal how heavily marginal enterprises are being taxed and how lightly others are let off.

The fallacy of PAYE has hoodwinked us for far too long; is it too much to believe that Professor Horwood has started to see reality? The monetarists of this world see a reduction in income tax as a boost to productivity and one of the ways to cut inflation. If we are serious about tackling low productivity and high inflation, then PAYE must go.

Holiday is over — new tax applies

Argus 24/3/81

320

THE new PAYE tax deduction tables, announced by the Treasury in January, will mean an end in the next week to an eight-month tax holiday enjoyed by South Africans.

Although March salary cheques will show a greater tax reduction than those made since last July, this does not mean taxes have been increased.

The tax rate is simply reverting to what it was before July, according to a spokesman for the Department of Inland Revenue.

Because it took four months before tax concessions from last year's budget were applied, taxpayers ended up paying a lower 'adjustment rate' for the rest of the financial year.

'UNLOADING OF CONCESSIONS'

Taxpayers, according to the spokesman for the department, had paid less tax to rectify the 'unloading of concessions'. The new tables, which are effective at the beginning of the month, 'do not imply any increase in taxation'.

Because of the new rates this month, a single man earning R1 500 a month will see his tax bill rise by R60 a month.

A married man with two children earning R600 a month will see his taxation rise from R7,15 to R16,50 — an increase of R9,35.

The table below shows monthly tax deductions since July last year and the new deductions to be made from this month's salary cheque:

MONTHLY TAX DEDUCTIONS

Monthly income R	Current rate R	New rate R
Married man, no children		
250	0,54	3,17
400	10,98	15,17
600	25,50	33,46
800	48,63	61,00
1 000	79,64	97,17
1 250	130,15	157,75
1 500	189,93	231,00
Married man with two children		
250	—	—
400	—	—
600	7,15	16,50
800	32,82	44,33
1 000	66,50	81,25
1 250	120,25	141,08
1 500	183,57	214,33
Single person		
250	8,52	11,75
400	20,18	26,17
600	35,46	48,08
800	61,30	81,23
1 000	96,53	125,50
1 250	152,49	197,25
1 500	225,54	285,17

Conversations with town clerks in three towns established the extent of the official housing shortage:

in Beaufort West at least 350 Coloured families are waiting for houses in the municipal housing scheme, including 30 squatter families. Some had been on the waiting list for two years;

in Fraserburg the waiting list was 80 to 100 families and up to 21 people were living in three-roomed houses;

in Middelburg there was a shortage of 150 to 180 sub-economic houses for Coloured people and 200 African families were waiting for two and three-roomed houses.

It seems that in some places (Beaufort West, at least) it is difficult to get a council house without first having a job, and it may be equally difficult to get a job without first having a house. In Fraserburg not even the municipality will employ a man unless he has a house.

It may in fact be difficult for most farm workers to get a job even if they can get a house. None of the officials spoken to thought there was unemployment in the towns and a BAAB official in Graaff Reinet said that in February there were only 187 registered African work-seekers

(18)

Banks raise overdraft rate

DD 25/3/81

320

JOHANNESBURG — Barclays Bank, Nedbank, Trust Bank and Standard Bank yesterday announced a 0,5 per cent increase to 11,5 per cent in the prime overdraft rate, effective immediately.

The increase in the prime overdraft rate means all other overdrafts will automatically be adjusted in line.

The country's other large commercial bank, Volkskas, has not yet decided to follow the lead of the four, but is expected to announce a similar increase today.

The rise brings the prime overdraft rate to its upward limit of 3,5 (per cent) above Pretoria's bank rate, which was increased by 1 (per cent) to 9 (per cent) on February 2 this year.

According to an agreement concluded between the Reserve Bank and South Africa's clearing banks on July 12, 1975, the prime overdraft rate must be kept between 2,5 per cent and 3 per cent higher than the bank rate.

An amendment to the Usury Act was announced in mid-February which adjusted the maximum rate which the banks may charge on an overdraft of over R1 000 from 14 per cent to 18 per cent. Most individuals with overdrafts fall into this category.

Good news for the man-in-the-street, however, is that the interest payable on money deposited with Standard Bank will be sharply increased. Barclays has increased its rates to the same levels and other banks are likely to follow suit. — DDC.

Tax bites deeper into group companies

RDM 25/3/81

320

By SUSAN DALLAS

TAXATION is harder on companies which are part of a group than on companies which have divisional structures, says the Association of Chambers of Commerce.

A memorandum sent by Assocom to the Commissioner of Inland Revenue says that taxation of companies within a group on an individual basis "unfairly differentiates" them from divisional businesses.

In the case of a business based on a divisional structure, losses incurred in one area of the business may be offset against profits made in another division in the profit statement.

This cannot be done by companies within a group as they are taxed as individual entities.

Assocom says no facility exists for the transfer of losses incurred by one company to offset profits made by another company in the same group.

"Many dormant and therefore completely unproductive companies exist simply to retain assessed losses," says the association.

It claims this system gives rise to the unproductive exercise of "financial engineering" — manipulation of company figures to minimise the tax liability of the group as a whole.

As losses incurred by subsidiary companies in the course of export deals cannot be used to offset group profits, Assocom says the system reduces the effectiveness of export tax incentives.

Further criticisms of the tax system are:

- It exposes subsidiary companies with a temporary loss to forced liquidation.
- Taxation of subsidiaries affected by business cycles shows wide fluctuation. This would be evened out if spread over the whole group.
- It may discourage groups from new ventures with heavy initial costs because they are unable to offset the initial losses against other group profits.

The association says that in April last year, the Commissioner for Inland Revenue undertook to investigate the feasibility of taxing South African companies on a group basis.

Support for changes to the system has come from both the Federated Chamber of Industries and the International Chamber of Commerce.

The FCI recommended the introduction of a system to allow companies with tax losses to surrender their consequent tax relief to other companies within the same group.

Two forms of group relief popular overseas are "full consolidation" and "loss transfers".

Assocom recommends the adoption of the "loss transfer system" involving a fiscal transfer of loss from one company in a group to another profit-making company.

Conditions of this system include that a subsidiary must be 75% owned, that is with voting control.

Profits and losses are offset primarily for the same periods of account, but may be carried over to another year by the company accepting the loss.

It is used in the United Kingdom in preference to the consolidation system.

Assocom considers a change to this system would entail less disruption to tax authorities and to companies than other systems of taxation.

Full consolidation takes two forms.

In one, the parent company of the group is legally responsible for the tax liabilities of all the companies in the fiscal consolidation.

In the second form, subsidiaries are taxed individually then aggregated. Only asset transfers and sales between the group and a party outside it are taxed.

Now taxes will be forced up, warns Martin

NM 26/3/81

320

What they'll get now

	OLD Min	OLD Max	NEW Min	NEW Max	Percentage increase
SENIOR MATRON					
W:	R7 410	R11 100	R8 730	R12 915	16,9
C,I:	R6 750	R9 300	R8 730	R12 915	34,9
B:	R5 520	R8 070	R8 010	R11 925	34,5
SISTER					
W:	R4 395	R7 410	R5 190	R8 730	17,9
C,I:	R3 975	R6 750	R5 190	R8 730	29,8
B:	R3 195	R5 520	R4 230	R7 290	32,2
STAFF NURSE					
W:	R3 000	R5 820	R3 582	R6 480	18,1
C,I:	R2 610	R4 620	R2 610	R4 620	25,7
B:	R1 920	R3 975	R2 334	R4 710	19,5
STUDENT NURSE					
W:	R2 610	R3 098	R2 934	R4 014	12,1
C,I:	R2 220	R3 198	R2 502	R3 582	12,3
B:	R1 506	R2 220	R1 704	R2 502	12,9
PARAMEDICS					
W:	R4 620	R7 740	R5 430	R9 090	17,5
C,I:	R3 975	R7 030	R5 430	R9 080	31,3
B:	R3 390	R5 745	R4 470	R7 650	32,0
PHARMACISTS					
W:	R7 210	R11 100	R8 730	R12 420	12,3
C,I:	R7 080	R9 300	R8 730	R12 420	29,1
B:	R5 745	R8 050	R8 070	R11 430	40,7

W = white. C,I = coloured and Indian. B = black.

Pietermaritzburg Bureau

IF the Government were to cope with the nursing and medical pay increases announced yesterday — up to 40,7 percent — the public could expect general taxes and GST to be increased after the elections, Mr Frank Martin, MEC for hospitals, said yesterday.

The pay increases put white, coloured and Indian senior matrons, sisters, paramedics and pharmacists on a par in their fields. Black increases in the same fields, while not on a par, rose more dramatically.

'White staff may be despondent about some of the increases but if they regard nurses as a professional group, the closing of the racial pay gap for which they have been asking has arrived,' said Mr Martin.

'We should be able to reach equality within a year or two, provided the economy holds out,' said Mr Martin.

Even if the Minister of Finance, Mr Owen Horwood, had the nursing pay increases in mind when he announced the mini-budget, he didn't say anything about them, said Mr Martin.

'I fear the election forced the minister into rushing into it,' he said. 'I'm always afraid of an early Father Christmas, and I believe this money hasn't been budgeted for.

'The Government intends to spread the tax base, and if they want more money they're going to have to get it from GST. It's a pretty obvious thing to look at,' said Mr Martin.

'They may decide they need more than 5 percent GST.'

Mr Martin predicted a general tax increase after the elections.

'Mr Horwood's cure for inflation is taking money out of the economy.

'If he hits luxury goods that's fine as it affects a limited field. But to get a meaningful slice of the economy back he is just going to have to increase GST.'

(Report by T Shapiro, 3 Fraser Lane, Pietermaritzburg) van 1953, 199 van 1954, 141 van 1956, 199 van 1956, 242 van 1958, 141 van 1961, 28 van 1963, 43 van 1964, 334 van 1964, 330 van 1970, 66 van 1976, 205 van 1976, 237 van 1976, 127 van 1977, 137 van 1977, 257 van 1977, 362 van 1977 en R. 182 van 1978, en Goewermentskennisgewings 2615 van 1978, 1156 van 1979, 1404 van 1979 en 1337 van 1980.

2. Gebied 10 (Kimberley) in die Bylae by die Kennisgewing word hierby gewysig deur die distrik Mafeking te skrap.

No. 413 27 Februarie 1981

KENNISGEWING KRAGTENS ARTIKEL 2 (i) VAN DIE WET OP PADVERVOER, 1977 (WET 74 VAN 1977), SOOS GEWYSIG.—PLAASLIKE PADVERVOERGEBIED

Kragtens artikel 2 (i) van die Wet op Padvervoer, 1977 (Wet 74 van 1977), wysig ek, Hendrik Stephanus Johan Schoeman, Minister van Vervoerwese, hierby die Goewermentskennisgewing in paragraaf 1 van die Bylae vermeld, soos aangedui in paragraaf 2 van die Bylae.

H. S. J. SCHOEMAN, Minister van Vervoerwese.

BYLAE

1. In hierdie Bylae beteken "die Kennisgewing" Proklamasie 334 van 1948, soos gewysig deur Proklamasies 99 van 1950, 55 van 1951, 100 van 1953, 250 van 1953, 199 van 1954, 141 van 1956, 199 van 1956, 242 van 1958, 141 van 1961, 28 van 1963, 43 van 1964, 334 van 1964, 330 van 1970, 66 van 1976, 205 van 1976, 237 van 1976, 127 van 1977, 137 van 1977, 257 van 1977, 362 van 1977 en R. 182 van 1978, en Goewermentskennisgewings 2615 van 1978, 1156 van 1979, 1404 van 1979 en 1337 van 1980.

2. Gebied 15 (Pretoria) in die Bylae by die Kennisgewing word hierby gewysig deur die distrik Moutse, daarby in te sluit.

of 1956, 199 of 1956, 242 of 1958, 141 of 1961, 28 of 1963, 43 of 1964, 334 of 1964, 330 of 1970, 66 of 1976, 205 of 1976, 237 of 1976, 127 of 1977, 137 of 1977, 257 of 1977, 362 of 1977 and R. 182 of 1978 and Government Notices 2615 of 1978, 1156 of 1979, 1404 of 1979 and 1337 of 1980.

2. Area 10 (Kimberley) in the Schedule to the Notice is hereby amended by the deletion of the district of Mafeking.

No. 413 27 February 1981

NOTICE IN TERMS OF SECTION 2 (i) OF THE ROAD TRANSPORTATION ACT, 1977 (ACT 74 OF 1977), AS AMENDED.—LOCAL ROAD TRANSPORTATION AREA

In terms of section 2 (i) of the Road Transportation Act, 1977 (Act 74 of 1977), I, Hendrik Stephanus Johan Schoeman, Minister of Transport Affairs, hereby amend the Government Notice mentioned in paragraph 1 of the Schedule as indicated in paragraph 2 of the Schedule.

H. S. J. SCHOEMAN, Minister of Transport Affairs.

SCHEDULE

1. In this Schedule "the Notice" means Proclamation 334 of 1948, as amended by Proclamations 99 of 1950, 55 of 1951, 100 of 1953, 250 of 1953, 199 of 1954, 141 of 1956, 199 of 1956, 242 of 1958, 141 of 1961, 28 of 1963, 43 of 1964, 334 of 1964, 330 of 1970, 66 of 1976, 205 of 1976, 237 of 1976, 127 of 1977, 137 of 1977, 257 of 1977, 362 of 1977 and R. 182 of 1978 and Government Notices 2615 of 1978, 1156 of 1979, 1404 of 1979 and 1337 of 1980.

2. Area 15 (Pretoria) in the Schedule to the Notice is hereby amended by the addition of the district of Moutse.

ALGEMENE KENNISGEWINGS

KENNISGEWING 156 VAN 1981

DEPARTEMENT VAN FINANSIES

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 21) 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 Maart 1981 in werking en bly tot nadere kennisgewing van krag.

Voorts word dit bekendgemaak dat die aftrekkingstabelle wat op 1 Julie 1980 van krag geword het, teruggetrek word met ingang van 1 Maart 1981.

2. Die werknemersbelastingaftrekkingstabelle is deur geregistreerde werkgewers verkrygbaar by die kantore van Ontvangers van Inkomste op die diensstaat van die Direktoraat: Binnelandse Inkomste, Departement van Finansies.

W. J. H. VAN DER WALT, Kommissaris van Binnelandse Inkomste.

(27 Februarie 1981)

GENERAL NOTICES

GG 7439 27/2/81

NOTICE 156 OF 1981

DEPARTMENT OF FINANCE

329

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 21) 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 March 1981 and shall remain in force until further notice.

It is further notified that the employees' tax deduction tables which came into force on 1 July 1980 shall be withdrawn with effect from 1 March 1981.

2. The employees' tax deduction tables may be obtained by registered employers from the offices of Receivers of Revenue on the establishment of the Directorate: Inland Revenue, Department of Finance.

W. J. H. VAN DER WALT, Commissioner for Inland Revenue.

(27 February 1981)

Taxation system criticised

SOWETAN 27/1/81 320

BLACK single or married people without children pay less tax than their white counterparts but married black people with two or more children pay higher taxes than white people.

This is the anomalous position under the present tax system which the Minister of Finance, Mr Owen Horwood, has committed the Government to bring into parity next year by eliminating discrimination in taxes between whites and blacks.

A spokesman for the Department of finance in Pretoria said yesterday there was much misapprehension about the tax scales for blacks and whites.

"It is totally unfair to say blacks pay more taxes than whites, coloureds and Asians as some black people pay less taxes," he said.

He was reacting to criticism from some employers who say that under the revised tax scales which come into force on Monday some of their black staff will pay more taxes than white staff earning the more money.

One example given was of a married black person with two children earning R350 a month. He will now pay R7,20 a month in taxes.

But a white married person with two children only starts paying tax when he earns R550 a month. And then he only pays 67c tax.

A white married person with two children will have to earn R600 a month before he pays tax of R7,15 a month.

These anomalies arise because a black man, irrespective of his marital status or family circumstances, pays the same amount of tax on the same income.

In other words, he gets no rebates or concessions.

Mr David Broomberg, managing director of an electronics company, said: "I think the system of not giving rebates to married black people is unfair."

But housing, uniforms and things like protective clothing are not regarded by the taxman as remuneration and Mr Broomberg says his lawyers are investigating ways of also paying rental and clothing of some of his black staff in a bid to correct the imbalance between the tax scales.

At present black and white taxes are administered by different bodies.

An examination of the two scales shows, however, that black single or married people without children pay less tax than their white counterparts.

The tax of a white person in this category earning R8 000, for instance, is R696 a year — R210 more than a black person in a similar category.

And a married white man without children earning R4 000 a year will pay R120 in tax a year — R44 more than a black person in a similar category.

The present system, however, works to the advantage of the super income blacks. For the tax reaches parity for people earning R40 000 a year except that for every R1 above that amount a white person pays 50c in the rand tax while a black person pays 48c in the rand.

Latest available statistics show that between 20 000 and 21 000 black people earn more than R5 000 a year.

The following tables show taxes paid by black and white single people, married people without children and married people with two children. The third column in each table shows the difference in taxes paid by blacks and whites.

The advantage is in favour of black people in the first two instances except after an income of R9 000 when the pattern changes.

TAX FOR SINGLE PEOPLE

INCOME A YEAR	WHITE	BLACK	DIFFERENCE
R 1 600	R9	R0	R9
R 1 800	R28	R0	R28
R 2 000	R48	R2	R46
R 3 000	R144	R24	R120
R 4 000	R240	R76	R164
R 8 000	R696	R486	R210
R 9 000	R864	R641	R223
R12 000	R1 512	R1 233	R279

ANNUAL TAX OF MARRIED PEOPLE WITHOUT CHILDREN

INCOME A YEAR	WHITE	BLACK	DIFFERENCE
R 1 600	—	—	—
R 1 800	—	—	—
R 2 000	—	R2	R2
R 3 000	R40	R24	R16
R 4 000	R120	R76	R44
R 8 000	R500	R486	R14
R 9 000	R640	R641	R1
R12 000	R1 180	R1 233	R53

ANNUAL TAX OF MARRIED PERSONS WITH TWO CHILDREN

INCOME A YEAR	WHITE	BLACK	DIFFERENCE
R 1 600	—	—	—
R 1 800	—	—	—
R 2 000	—	R2	R2
R 3 000	—	R24	R24
R 4 000	—	R76	R76
R 8 000	R300	R486	R186
R 9 000	R440	R641	R201
R12 000	R980	R1 233	R253

Letter asks PM to recognise economic status of women

STAR 1/4/81

RD

The debate about this country's system of joint taxation of married working couples continues. Women's rights campaigner Adele van der Spuy is corresponding with the Prime Minister, Mr P W Botha, on the matter and will see him again later this year. Meanwhile the Minister of Finance, Mr Owen Horwood, has given his reasons for rejecting a petition bearing 8 000 signatures which asked for a new tax system. SUE GARBETT reports.

ALE VAN DER SPUY — give women majority status as economic units.

MR OWEN HORWOOD — would "consider" the introduction of an alternative system.

MR RAY SWART — there are anomalies in the present tax situation.

MR P W BOTHA — the one breadwinner family in the majority.

Mrs Adele van der Spuy has said in a letter to the Prime Minister that "our Income Tax Act is clearly based on sexual intercourse (co-habitation) within marriage and not on marriage as such."

"A married friend of mine lives in the same house as her husband and children, but sleeps separately from her husband," wrote Mrs van der Spuy to Mr P W Botha.

"She earns approximately R20 000 a year and she has obtained separate taxation status under the section 7(2) from the Department of Inland Revenue. By so doing, she is enjoying the accompanying financial benefits that Separate Tax Status gives to a woman in her circumstances. In this case, my friend is gaining a few thousand rand per year. The State is benefiting financially out of

whi coloured and Asian population groups and this t is not only ethically unacceptable, but it is a listasteful."

i van der Spuy also quoted the example of anot married friend, who had decided on a divo in mutual consultation with her husband, afte ich they would continue living together beca the divorce would result in a R250 tax savi ery month.

van der Spuy wrote, "This is the practical situa for many couples in the Republic. Our divo figures are among the highest in the worl this should be taken into account when we a our Income Tax Act in depth."

pointed out the present Income Tax provi or separate tax status of married working wom

In her lengthy letter Mrs van der Spuy queried the Prime Minister's statement that one breadwinner families, "will as is the case, at present probably (always) be in the majority."

She pointed out that the percentage of married women who are the breadwinners had risen sharply in the last two decades and in some countries, two breadwinner families had become the norm.

She took the Prime Minister to task for suggesting that if a system of taxation was implemented, steps would have to be taken to guard against an excessive loss of tax income through such a system. This was because a serious situation could result in State spending on vital services having to be curtailed, and the safety of the country thus exposed to danger, said Mr Botha in his letter.

Mrs van der Spuy pointed out that the nursing and teaching services in SA had already been endangered due to incorrect salary scales which, combined with a lack of economic status for women (who comprise 70 to 90 percent of these professions) resulted in no real power of negotiation for them.

She pointed out the present Income Tax System failed to recognise the married working woman as an individual.

She did not receive deductions and tax rebates in her own name and right, in spite of her contribution of earnings to the couple's joint income.

The married working woman did not even receive the tax-free allowance of R1 200 she was entitled to because her husband took it off his annual income in his IRP 12 form.

Mrs van der Spuy said it was curious that a report by Dr Dina Wessels for the Human Sciences Research Council dealing specifically with the influence of the joint tax system on the working habits and economic activity of female graduates, was never released publicly.

She made the point that if women were accorded majority status as economic units (with a tax identity of their own) they would with better access to capital, be able to join men in creating new business and job opportunities for the growing population of South Africa.

(Report by S Garbett, 47 Sauer St, Johannesburg).

This with the 10 year census should give us the necessary denominator

In addition we should continue to notify the formidable or very dangerous infectious diseases such as Rabies. If these are universally brought to an acceptable level the rest of the information we need could be responsibly and more accurately gained by a survey method

Areas of poor coverage can be selected and in these small well trained and supervised teams can actively gather

STAR

Income tax change in SWA

The Star's Africa News Service

WINDHOEK — SWA/Namibia's Council of Minister or "cabinet" has accepted in principle a proposal that private income tax should be allotted to the territory's second-tier ethnic authorities.

This was announced yesterday after the council studied the report of a commission of inquiry into financial arrangements between the central Government, representative authorities, and local government.

The council also accepted a recommendation that the central Government's coffers be filled by tax from the territory's diamond mines, other mining industry interests, foreign shareholders, customs and excise duties and non-mining companies.

process by which all will start to value the discipline needed for routine statistics on a wider and more complete basis

There are various bodies involved in this field who have the necessary expertise and experience to get such a scheme going on an experimental basis. To list a few

- Department of Statistics
- Department of Health
- Medical Research Council and its units such as the TB Research Institute and the National Research Institute for Nutritional Diseases

- Human Sciences Research Council
- Medical Schools

It is important that the level of sophistication of the scheme is such that it will be able to be executed by a small local authority and various homeland departments of health if it gets beyond the experimental stage

For this reason special attention should be given to planning something that can give accurate results taking into account the limited resources and expertise available. The most universally available health trained people are nurses and it would therefore be good to build the scheme in such a way that they can do all the measurements and recording of data

A team consisting of two nurses and a driver clerk with expert guidance and supervision with one vehicle and the backup facilities available through one or more of the listed experienced bodies should be enough for a pilot project

<u>Designing meaningful measures for the survey</u>

The purpose of the Comprehensive Health Care System is to promote health and to care for ill health. It is a system which makes comprehensive integrated primary health care possible and enable patients to gain access to secondary and tertiary care. Other factors that we are interested in is the degree of self reliance in health and illness of the people in their families and communities, also to what extent the service is able to be truly comprehensive in terms of having promotive, preventive, curative and rehabilitative care to the people it serves

THE ARGUS, FRIDAY APRIL 3 1981

WOMAN'S ARGUS

LIVING-IN-SIN TAX?

(320) Argus 3/4/81

LAST YEAR more than 8000 women signed a petition asking the Minister of Finance, Mr Owen Horwood, to tax married working women and their husbands separately.

Mr Horwood has now replied to the petition rejecting the request of the women but adding that if an 'equitable, generally acceptable alternative system' could be devised he would 'certainly consider its introduction.

The petition was handed to Mr Horwood in Cape Town last year by Mr Ray Swart, MP, Progressive Federal Party deputy-chairman, on behalf of Ms Margaret Milner Smith, who organised the collection of signatures.

This is not the first appeal to be made against the present system — last year 570 delegates to the Transvaal Women's Agricultural Union congress in Johannesburg made a similar appeal.

However, this petition is probably the biggest condemnation of joint taxation by women in South Africa since its introduction.

The basic argument of the women was that 'joint taxation of the work effort of married couples is presently taxed at a much higher marginal rate than their income would be if taxed as two single people.'

This was compounded by the effect of increased reduction of abatements for children, dependants, medical and insurance expenses, and resulted 'in a substantial and unjust increase in their joint tax payment from fairly low level of income.'

As a result, the women claimed, this led to a lack of incentive, in fact a 'disincentive' to work, a detrimental effect on marriage as an institution and the undermining of the morale of women and moral structure of South African society.

The tax system, they said, 'penalises couples who marry and obey the social norm, but favours couples who live together without making the marriage commitment.

'It has become commonplace for people to live in sin in order to avoid the financial drain of joint taxation, and for happily married couples to contemplate divorce for the same reason.'

In his reply Mr Horwood said that his latest budget (the mini-budget in February) had caused the main argument of the women to fall away.

'The adjustment of the marginal rates together with the increase in the tax-free portion of the incomes of married couples, will have the effect that for the 1981 tax year the earnings of married women will be taxed at lower effective rates than before.

'In addition, the substitution of a system of constant tax rebates for the system of diminishing income abatements will ensure that in future all taxpayers with similar personal circumstances will receive the same amount of tax relief, irrespective of their taxable incomes.'

Mr Horwood said conclusive proof had not, as yet been furnished that the present system of taxation was in fact, a significant factor encouraging people to defy established social norms and to 'live in sin.'

He pointed out that the phenomenon was most prevalent among the younger generation, who would actually benefit from joint taxation.

'One cannot, therefore, escape the feeling that, if there is an increased tendency for couples to live together out of wedlock, it is more likely due to a general decline in moral standards. . .'

Mr Horwood said it was probably that people, because of the wide publicity given to the issue, were using joint taxation as an excuse for doing what they would be doing anyway.

HAPPENINGS

APRIL 4: Music Is Fun Programme starts this month with The Lonely Piano introduced by Laura Searle. The South African College of Music has some famous names to introduce music and various instruments in amusing and memorable ways to young people from five to 85 on Saturday afternoons. Booking for ALL the concerts at R5 for seven concerts at the Baxter. Single tickets cost R1 each.

known: 8)

>15	TOTAL NO. OF WORKERS
7	91
	1
	5
1	4
	2
1	5
	7
1	5
	2
	0
10	122

and cash wage.

level of

Challenge to PM on sales tax

CT 8/4/81 (320)

Staff Reporter

THE PRIME Minister, Mr P W Botha, has been challenged to remove General Sales Tax on essential foodstuffs immediately to relieve the plight of pensioners and the very poor.

Dr Alex Boraine, Progressive Federal Party candidate for Pinelands, last night challenged the Prime Minister to announce the removal of GST on essential foodstuffs at his meeting tomorrow in Cape Town's Good Hope Centre.

"I warn the Prime Minister and this government that we who are more affluent will not be able to sleep safely in our beds at night if our close neighbours within South Africa are starving," Dr Boraine said.

Relief measures

The removal of GST could form one of several relief measures to assist people on fixed incomes, pensioners and the very poor, he said in a speech prepared for a meeting in Rondebosch.

"Something is badly wrong. We are told that we are in the midst of a boom, but thousands of people grow hungry every day. Beware when you hear of record crops. That is an indication of further price hikes. If exports are up or down, the prices go up. If imports are up or down, the prices go up. If the price of gold is up or down, prices go up.

"Indeed, the only thing you can be sure of under this government is that prices will continue to go up."

Quoting from a survey on food price rises, he said that for every R100 with which the consumer bought food in 1976, he now needed R281,12.

Inflation could be combated through increased productivity, but although the only potential source for skilled manpower was domestic black labour, the educational requirements of most blacks had been shamefully neglected.

Influx control cost South Africa about R112-million a year and land was being consolidated in a non-productive way for ideological purposes. According to government sources, general consolidation would cost R5 000-million over a 10-year period.

Elaborating on the PFP's call for a national convention, Dr Boraine said it would be counter-productive to exclude any genuine leader from such a convention — "there is no point in dealing with puppets or stooges". Advocates of change would not be invited.

Commenting on "the constant bleating of my opponents about Mandela" (imprisoned leader of the banned African National Congress), Dr Boraine said it would be foolish to exclude anyone who enjoyed widespread support.

"Provided that person is prepared to forsake violence or subversion, it only makes good sense to consult and to negotiate with such leaders.

"I remind you that the present Prime Minister of Israel was once regarded as a terrorist by the British government. I remind you that Hastings Banda, the President of Malawi, spent a long time in jail, but is now an honoured guest and visitor to this country, under the auspices of the Nationalist government. I remind you that Sithole, Nkomo and Mugabe spent years in jail and that this government put pressure on Mr Smith to release them because they believed it was important that the genuine leaders be present at any worthwhile negotiation."

(Report by R Meintjes, 77 Burg Street, Cape Town).

Staff shortage may force tax changes

(320)

S. Times 26/4/81

By Tony Hudson

THE rapidly growing manpower crisis in the offices of the Receiver of Revenue could well force major changes in the present system of taxation.

Finance Minister Owen Horwood has already announced that the Government intends to abolish the need for tax forms to be filled in by people whose only form of remuneration is via the wage packet and whose PAYE deductions cover the required payment.

A spokesman for the Department of Internal Revenue tells Business Times that the first priority is to shed the burden of processing the forms of those who rely on salaries for their living.

This, he says, will enable staff to be freed for the more complicated areas of operation such as the payment of provisional tax.

However, local tax experts have said that one of the answers to the problem is to introduce a system of self-assessment such as that used in the US and Australia.

Under this system, the taxpayer fills in his form, works out the amount owed to the Receiver and gives the form along with his payment to the Receiver.

But penalties for fiddling the books are steep, and those who get caught can be sent to jail.

In the US, the man from the Internal Revenue is a much feared person, more so than the FBI or the police.

Costa Divaris, co-editor of Businessmen's Law, tells Business Times that, while there is no doubt that a self-assessment system would lift a tremendous burden from the shoulders of the Receiver of Revenue, it would make life a lot more difficult for the taxpayer — and lead to much more business for tax consultants.

With the built-in heavy penalties for tax evasion, the taxpayer is going to have to be careful when filling in his forms. And if he comes up for audit, he may have to answer questions on matters that happened up to five years before.

Basically, says Mr Divaris, the relationship between the taxman and the taxpayer is friendly in South Africa, and the introduction of self-assessment could make the relationship more vicious.

Durban tax consultant Neville Hebrard would like to see a self-assessment system introduced, but adds the rider that it is not going to help the Receiver solve his staffing problem.

"What is going to happen is that he will not needs hordes of clerks to process forms, but is going to have to get his hands on trained men to handle the auditing procedure who must really know their oats. And these are scarce and expensive."

However, points out Mr Hebrard, the problem could be overcome by creating special posts with attractive salaries. The drop in the number of clerks could well keep the overall wage bill within reasonable limits.

He says the revenue authorities have been looking at the system and have sent teams all over the world to look at various systems.

Tax consultant Terry Bubb is enthusiastic about the scheme and feels that the rapidly worsening staff shortage leaves the Receiver no choice.

While he agrees that the system is more complicated and that more use will be made of tax consultants, he feels that this could be offset by making the fees tax-deductible, as they are in the US.

Mr Divaris and spokesmen for the Department of Internal Revenue point out that one of the major stumbling blocks for self-assessment is that assessors will have to have an up-to-the-minute interpretation of the tax laws, which are murky at the best of times.

GST

FM 1/5/81 320

Settling disputes

Strong-arm tactics against alleged gst offenders are now a thing of the past.

As a result of consultations with the Assocom Taxation Committee earlier this year, Inland Revenue has adopted a new procedure for the handling of disputes. Vendors' attention will be drawn to their right to an assessment in terms of Section 19 of the Sales Tax Act. This provides that, before giving written notice of assessment for sales tax due, the Commissioner must send the vendor a notice of intention to raise an assessment. That notice must contain details of the transaction on which the assessment is to be raised, the tax period concerned, the amount upon which sales tax is payable, the amount of tax and the penalty.

Vendors will then have 21 days to query the proposed assessment and can request that the matter be referred to a Sales Tax Advisory Committee.

Commissioner of Inland Revenue, Mickey van der Walt, says the earlier method had been an attempt by certain tax offices to short-circuit the procedure. However, the department would not return to longer methods of settling disputes.

Tax specialists round the country have welcomed the decision, claiming that the earlier letters of demand ran contrary to the Act, were costly to taxpayers and implied an automatic threat.

Most believe that the man in the street does not know his way around the Sales Tax Act. It's a difficult piece of legislation and they believe too few people have fully investigated its application to their own situations.

Costa Divaris, co-editor of *Businessman's Law*, says the previous method deprived taxpayers of their rights. By paying the amount demanded, taxpayers could have prejudiced their rights. Because there was no assessment as laid down by the Act, he says, taxpayers lost the right to go to the income tax courts and were also unable to appeal to the Advisory Committees, which were set up in each major centre.

Van der Walt, however, denies that the

Inland Revenue's Van der Walt ... taxing problems for gst

short cut deprived vendors, who disputed the gst claimed from them, the right to appeal.

The Advisory Committees have been little used since the Sales Tax Act was promulgated and Assocom's taxation committee is now attempting to draw attention to the facility.

THE ARGUS, WEDNESDAY MAY 6 1981

Argus 6/5/81

320

AHI 'accepts' fringe benefit tax

THE Afrikaanse Handelsinstituut (AHI) has reiterated that it accepts in principle the Bill on taxation of fringe benefits — subject to four conditions.

In its annual report, the AHI lays down the four conditions as follows:

- All revenue from taxes on fringe benefits should be used to reduce the high marginal level of personal income.
- The income scales should be continually revised upwards to correspond with the inflation trend.
- To ensure just taxation, no consideration should be given to race or status, excepting the State President.
- Taxation must be based on the market value of the fringe benefit rather than a specific cost based on the cost to the employer.

In addition to these conditions, the AHI makes certain recommendations regarding company cars, business meals and housing.

It says the value given for the private use of a car does not provide adequate incentive to use a smaller vehicle.

The institute alleges that some companies are already manipulating car prices to reduce the value. It therefore recommends a uniform car price as the best solution.

With regard to business meals, the institute says these should not be taxed because railway officials receive free passes and army officials free transport to and from work.

In these cases, the benefits were regarded as relatively small and difficult to control, which would also apply to business meals.

The AHI also strongly opposes the exemption of home rentals for people earning less than R12 000 a year.

It says that if the privilege is extended to tenants, it should also be extended to people buying houses and receiving subsidies.

People who live in houses with low rentals should also be subject to the same 'phasing period'.

7/5/81

Understaffed tax men await rush

Revenue offices around the country are bracing themselves for the last-minute rush of tax returns before next week's deadline. To compound their problems most offices are still operating well below staff requirements.

Last month The Star reported that the Johannesburg tax office had a staff shortage of 50 percent. Germiston is similarly poorly staffed and in Pretoria 31 percent more staff is needed.

The situation is bad in all main centres of the country. Poor salaries are the main bone of discontent, causing even older, more experienced staff to leave and preventing effective recruitment campaigns.

In Johannesburg, 184 000 tax returns have been sent to salaried people, 72 000 to provisional and business taxpayers and 68 000 to companies.

Mr A Chemaly, Johannesburg's Receiver of Revenue, said so far 36 000 returns have been received from salaried taxpayers, 6 601 from provisional and businesses taxpayers and 700 (or one percent) from companies.

Final date for tax returns to be submitted is May 15.

Graduates would fill gap in demand for professional services

Report shows tax system keeps women out of work

By SUE GARBETT

Research has shown that up to 21 percent of married graduate women would go out to work if the system of joint taxation was abolished.

This was the finding of a survey into the taxation of the income of 9 065 graduate women which was carried out for the Human Sciences Research Council by Dr Dina Wessels in 1977.

Of these 6 505 were married.

This research, the first scientific research ever done on this issue, has not been published before, in spite of repeated calls by leading women and women's organisations and those interested in the whole question of the effect of the system of joint taxation on married working women.

The Star's Women's Page has consistently asked to be allowed to see the research and this week its request was granted. The report is exclusive to The Star.

The report reveals that more than 75 percent of the married women surveyed were highly dissatisfied with the system of joint taxation and that it had a detrimental influence on their motivation at work.

The report shows that at the time of the survey, 47 percent of married graduate women in South Africa were not working. In 1977 this figure represented 16 000 women.

Dr Wessels deduced that up to 3 500 graduate women could be encouraged to work if the joint income tax system was abolished.

DR DINA WESSELS — "It's the first scientific research on the taxation of married women graduates ever done."

'The tax system will have a strong influence in deciding whether I go back to work and to what sort of position I take.'

The report states that if these women (who range from doctors to architects, and social workers to teachers) did work, it would almost completely meet the demand for professionals and semi-professionals in towns such as Standerton, Graaff-Reinet, Wellington and Potgietersrus.

Dr Wessels emphasised it should be remembered that the proportion of professional people in the entire labour force is small.

Dr Wessels, who surveyed 9 065 graduate women, points out in her report that if more women worked, and if they could be encouraged to push their incomes up to the highest possible level, the tax accrued from this source would make up, at least partly, for the tax loss to the treasury that might result from a change in the present tax system.

Comments from the people she surveyed showed women were not working to their maximum potential because they did not want their joint earnings to push up their income into a higher tax bracket.

A survey on the effect of joint taxation on graduate women, which was done by Dr Dina Wessels in 1977, was released this week to The Star's Women's Page. It shows that 75 percent of the married women surveyed were highly dissatisfied with the tax system. Women leaders have reacted with concern to the report.

Comments in the report show that the tax system was causing job dissatisfaction, frustration both at home and at work, and in some cases was causing matrimonial problems.

Some women said they were thinking of getting divorced, and others said they would not marry until the tax system changed.

Dr Wessels found that the tax system contributed to a turnover in female workers, and that those who worked in spite of the system, were dissatisfied.

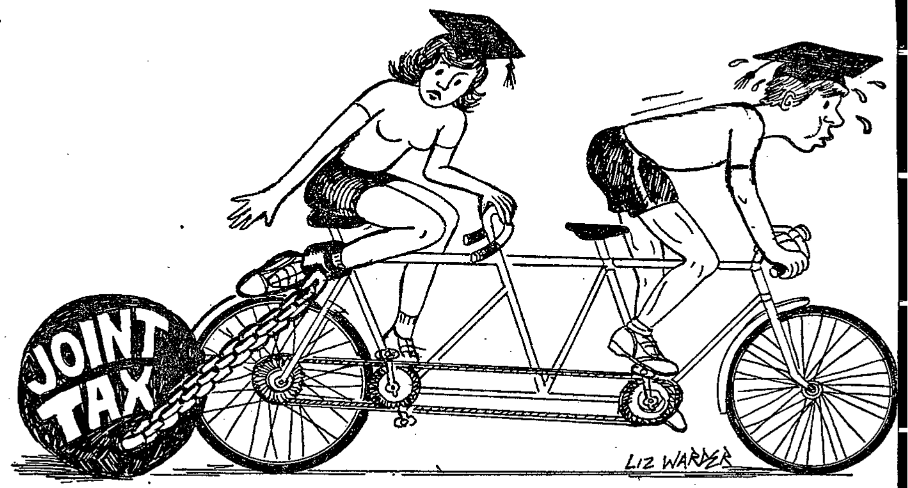
An unstable female work force as a result of the tax system was a possibility that could not be ignored, stated Dr Wessels.

In her survey 71,8 percent of female graduates were married. Of those who were working, 71 percent worked full-time and 29 percent part-time. Even if the tax system was changed, 37,2 percent of married graduate women said they would not work.

In background to her report Dr Wessels wrote that the number of women in the white labour force rose from 25,7 percent in 1960 to 34,1 percent in 1975. She wrote that the country's married female population had become the major labour reservoir for new women workers. (The number of women in the labour force now is 39,4 percent).

Some of the comments in the report that were made by married graduate women included:

● "The tax system will have a strong influence in deciding whether I go back to work and to what sort of position I take."



(attorney).

● "I do not work as a doctor because of the tax burden."

'I do not work as a doctor because of the tax burden.'

● "I am not working at present, but could only consider working in future if the present tax system was changed to suit couples, especially those in the higher income bracket." (psychologist).

● "Our combined tax is probably nearly twice my present salary. There is no incentive apart from interest in the work itself." (a PhD.)

● "The deciding factor for my stopping work is tax — in which case I shall work again only if the system is abolished."

● "The tax system would deprive us of any real financial gain if I worked for a salary. I therefore confine my activities to occasional major charitable ventures."

● "Because of Income Tax, I shall not work longer hours," (part-time librarian).

● "Present tax system interferes with natural promotion in the event of doing less responsible work in order to earn less."

● "I'm cutting down on my work due to the tax burden." (speech therapist).

The following comments in the report were made about the effect of joint taxation on marriage.

Married women:

● "We are seriously considering divorce which will save us R5 000 a year in tax." (Principal medical officer).

● "Tax is the reason why my husband does not want me to work." (a probation officer, Juvenile Court).

● "My husband has forced me to stop work now as my income forces me into a higher tax bracket and thus we repay my entire income plus," (senior assistant teacher).

Unmarried women:

● "I live with a man, we will not marry until we want a family because of the tax system." (teacher).

● "We have postponed our marriage because of the tax system."

● "I am working and for this (tax) reason will not get married until I have a child." (hospital social worker).

Spring?

mentally preparing for the worst.

For Mr Schmidt it would be bad enough to see President Giscard d'Estaing — his close personal friend and closest foreign ally — fail to gain a second term in the Sunday polling.

But an upset in Paris

Bonn alliance — is looking very shaky indeed.

Its collapse could spell the removal of the SPD from the Berlin government for the first time since the war. It would also mean a big setback to the career of Mr Hans-Kochen Vogel, the SPD governing mayor of Berlin and the man so far felt most likely to become Chancellor if Mr Schmidt were to step down.

The end of the Berlin coalition would not of itself mean disaster for the coalition in Bonn, but it would be widely seen as a watershed.

It is only six months since Mr Schmidt's government was returned to power with an increased majority for a further four-year term, but in that short span very little has gone right for it.

Indeed from the backbiting and pessimism in the coalition, combined with the calm satisfaction of an opposition which feels the government is tearing itself to pieces, it would be easy to mistake the election victors for the vanquished.

There have been three main reasons for this. The first is that Mr Schmidt — generally and somewhat exaggeratedly seen as an "Iron Chancellor" in his first six years — seemed to have lost his touch in the months after the election.

It has since emerged that he was seriously ill last year, refused medical advice to take a lengthy rest, and emerged from the campaign mentally and physically exhausted.

The second is that the FDP, buoyed by an increase in its general election support, greatly overplayed its hand in the coalition negotiations which followed.

And finally enough problems have presented themselves to daunt even the staunchest of partners under the strongest of leaders.

At home economic prospects this year are unfavourable — despite a growth in demand for German exports. And with the Polish crisis simmering and the Ostpolitik in danger, Bonn has been anxiously waiting to see which faction will prevail in Washington to guide

Prince Norodom Sihanouk as chief of state.

The creation on paper or in fact of such a third force could greatly improve international backing and possibly internal Cambodian backing, of the anti-Vietnamese resistance.

The Carter administration, embarrassed by having to support the much-despised Pol Pot force in the United Nations as the alternative to the Vietnamese-backed Phnom Penh regime, sought inconclusively to improve the image of the Cambodian resistance.

The Reagan administration, in a decision made in its early weeks in office, but never announced, decided to give a higher public profile to US contacts with Son Sann to encourage him in a resistance leadership role.

life for Likud

mon Peres and former premier Yitzhak Rabin has hurt Labour with Rabin's open criticism of Peres and the Labour team, adding votes for the Likud.

Indecision over who should take over as Labour's Finance Minister, a wrangle which took some months to sort out, has left its mark and Israelis feel that despite the undisputed academic brilliance of the man chosen, Professor Haim Ben Shahar is second best since Labour financial strongman Yaakov Levinson could not be persuaded to take the job.

Labour's leaders also lack the charisma that Menachem Begin holds and this lacklustre representation has lost a lot of support in what has been a traditional Likud stronghold, the North African community.

The latest poll shows that most of the Likud supporters are younger voters of lower education

wide effect on voting patterns. These cuts were proposed by the new Minister of Finance, Yoram Aridor. Polls here show that because of these cuts (brought about by reducing sales taxes) 7,5 percent of the voters will now switch to Likud.

Interestingly, the polls also show that five percent of those asked said they had initially intended to vote Labour but that the tax cuts had changed their mind.

This year elections will definitely be close and one of Premier Begin's top advisers is reportedly taking bets on the outcome. He forecasts Labour will win with 43 seats, Likud 39, National Religious Party (NRP) 10 with the new "Telem" Party of former Defence and Foreign Minister Moshe Dayan getting only five seats.

However, such a result would definitely not auto-

ical or personal *faux pas* which might cost them votes, especially during the month of June itself.

The current tension with Syria serves Mr Begin's hard line party and Western diplomatic sources here would not rule out some limited Israeli military action "or even a little war in southern Lebanon" to be engineered by Prime Minister and Defence Minister Begin which would promote Israeli jingoism and serve the Likud in the polls.

Although many persons who support the Likud, including some of its senior officers, view Mr Begin as a liability politically, because of his health and his apparent lack of control of what's happening, the Israeli premier has picked up remarkably during the past few weeks.

Indeed, in a fine display of his old spirit and oratorical powers, Mr Begin told a crowded party conference this week he would stay on in office, if the party wished it, even though he had publicly announced he would quit in two years, aged 70.

But if he doesn't get in then he will leave politics altogether, a confidant said.

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bearing no relationship to the needs of the region, and development projects that failed significantly to ease unemployment.

Shortly after the army moved in, Dolanc said: "Thus we shall settle accounts with every kind of nationalism which might emerge wherever in Yugoslavia."

Yugoslavia passes into its second year without Tito in a somewhat chastened mood. Politicians are calling for more open discussion. Milovan Djilas, and others, think this is the only road the country

The Star

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an Argus publication

THE ARGUS, FRIDAY MAY 8 1981

Argus 8/5/81

Call to abolish tax on food opposed

320

A FOUNDER member of the Consumer Council, Mrs Margaret Lessing, yesterday opposed calls for the abolition of general sales tax on basic foods.

Speaking at an Institute of Citizenship meeting in the city, she said that people calling for this should remember the Government spent millions of rands subsidising foodstuffs.

Last year the Government subsidy of whole wheat bread was about 10 cents a loaf.

Mrs Lessing rejected accusations sometimes levelled at the Consumer Council that it was composed of 'yes men' because it received financial help from the Government.

Mrs Lessing also advocated moving away from price controls as she said the council — like the Government — believed in free enterprise.

She said, that if the five percent annual growth rate of living standards could be maintained, they would double by the turn of the century.

An unfortunate fact of South African consumerism was the attitude that housewives would buy anything.

The consumer, she said, should not be embarrassed to return goods to the seller if they were found to be unsatisfactory.

Anger over joint tax revealed

320 STAR 15/5/80

By Sue Garbett, Women's Page Editor

A Human Sciences Research Council survey, conducted in 1977 and released for the first time this week, shows that three-quarters of married graduate women are highly dissatisfied with the system of joint taxation.

Of these, 47 percent were not working. Up to 21 percent said they would work if the system of joint taxation were abolished.

The survey was done by Dr Dina Wessels who at the time was chief research officer for the council's Institute of Manpower Research.

The survey had not been published in spite of repeated calls to the Government to release it. The Star has asked for it several times and this week the report was made available exclusively to it.

Leading South African women, reacting to the report, said if the tax system prevented highly trained women from working at this time of a great skills shortage, the Government should review it.

● See page 15.

Fringe benefit tax is likely next year

RDM 9/5/81

320

By GERALD REILLy
Pretoria Bureau

THE tax on fringe benefits, which has been threatening for three years, is expected to be introduced for the 1982/3 tax year, according to sources in Pretoria.

This means that valuable perks which have boosted real incomes by millions of rands a year — especially those of executive-level workers — will be pulled into the tax net.

Though the tax could be introduced under existing legislation, which lays down broadly that all income is taxable, the provisions are not specific enough.

So it is expected that the Minister of Finance, Mr Owen Horwood, will announce new tax legislation in his Budget speech in August.

There will be final consultations on the tax within the next few weeks between the Director-General of Finance, Dr Joep de Loor, the Commissioner of Inland Revenue, Mr Mickey van der Walt, and organised commerce and industry.

Assocom, the Federated Chamber of Industries, and the Afrikaanse Handelsinstituut agree that it is fiscally right that all income, no matter in what form, be taxed. But it is on the tax value of the perks that there is still disagreement.

The chairman of Assocom's tax committee, Mr R J Wood, has stressed that a perks tax would mean higher payments by the highest earning and most productive groups in the economy. This could affect the availability and performance of highly-skilled workers.

Political observers are waiting with interest to see if the lavish perks enjoyed by Cabinet Ministers are to be taxed. They include two large homes — in Cape Town and Pretoria — which are furnished and maintained by the Public Works Department, free cars in the R25 000 to R32 000 category, with drivers, and large entertainment allowances.

The Handelsinstituut view is that only the State President should escape the tax.

The Public Servants' Association is concerned that the low interest housing loans enjoyed by many thousands of public sector workers will be taxed.

If they are, according to the president of the PSA, Dr Colin Cameron, this would have a disastrous effect on recruitment.

He stressed that cheap housing loans were part of the whole employment package of public servants.

The perks tax will be aimed primarily at company cars, loans at subsidised interest rates, and entertainment allowances.

Earlier this year, it is understood, the Department of Inland Revenue worked on concept figures for the taxing of employees with company cars.

It is understod the figures are: a car valued at R6 000 to R9 000 would be assessed for tax at R123 a month; R9 000 to R12 000 at R140; R12 000 to R15 000 at R160; R15 000 to R18 000 at R178; R18 000 to R21 000 at R201; and above R21 000 at R216.

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Joint taxation rejected

Argus 11/5/81

(32d)

Argus Correspondent

JOHANNESBURG. — A Human Sciences Research Council survey, done in 1977 and just released, shows that 75 percent of married graduate women were highly dissatisfied with the system of joint taxation.

Forty-seven percent of these women were not working. Up to 21 percent said they would go out to work if the system of joint taxation was abolished.

The survey was done by Dr Dina Wessels who was at the time, the chief research officer for the council's Institute of Manpower Research.

EXCLUSIVE

The survey had not been published in spite of repeated calls to the Government to release it. The Argus has consistently asked for it, and this week the report was made available exclusively to it.

Leading South African women, in reacting to the report, said that if our tax system prevented highly trained women from working at this time of a great skills shortage, the Government should review it.

Tourist hotels to get new tax concessions

RDT 19/5/81

DURBAN. — New tax concessions to assist in financing tourist hotels were announced by the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, in Durban yesterday.

Speaking at the 32nd annual meeting of the Council of Fedhasa (Federation of Hotel Associations of SA), Dr De Villiers said that the Minister of Finance had approved amendments to the Income Tax Act regarding the hotel grading subsidy. They would appear in the Government Gazette on May 22.

The announcement was made during Dr De Villiers's comments on the problem of financing tourist hotels.

He said that with the increase in the number of quality tourists to South Africa, it was of utmost importance that the trend should be stimulated and encouraged. A lack of facilities and services in popular key areas should not be an inhibiting factor.

It was clear, he said, that better tourist hotels had to be established. He had in mind hotels specifically for the tourist, and not just those that gave them accommodation.

Referring to South Africa's liquor position, Dr De Villiers said the investigation by the Competition Board into the liquor trade was making good progress. Its recommendations — some of which might be drastic — were expected at the end of the year.

He said that though he could not commit the Government at this stage to the recommendations, the report was considered very important.

He said it appeared that there was an increase in the number of off-consumption retail outlets that became involved in illicit liquor dealings.

"These transgression are not merely technical offences, but constitute wilful premeditated acts."

Dr De Villiers said he was aware that most of the offences were because there was no proper control of the liquor trade in the black metropolitan areas, where most of the existing outlets were unlicenced.

Administrative problems had caused delay since the Government announced its intention to allow blacks to participate legally in the liquor trade, he said. — Sapa.

Liquor sale snag

DURBAN. — Dr Dawie de Villiers, Minister of Commerce and Tourism, told hoteliers in Durban yesterday it appeared an increasing number of off-consumption liquor retail outlets were involved in illegal liquor dealing.

Addressing the annual congress of the Federation of Hotels Associations of SA, Dr De Villiers said: "These transgressions of the law are not merely technical offences, but constitute wilful, premediated acts which reflect adversely on the liquor industry."

He was aware most of the offences occurred because there was no proper control of the liquor trade in the black metropolitan areas, where most of the existing outlets were unlicensed.

Administrative problems had caused a delay since the Government had announced its intention to allow blacks legal participation in the liquor trade.

He said the report and recommendations from the investigation into the liquor trade were expected at the end of the year — and some of these might be drastic.

Although he could not commit the Government to the recommendations at this stage, the report by the Competitions Board was considered very important. — Sapa.

RDM 19/5/81

Hopes for drop in State gold rake-off

By JOHN MULCAHY

THE proportion of gold-mining profits taken by the State may be reduced because of the Government's often-stated position that it will encourage the private sector to play a greater role in new capital development.

The president of the Chamber of Mines, Mr Bill Lawrence, told the World Gold Markets 1981-82 conference in London yesterday that such a tax reduction would encourage new capital investment in gold mining.

In addition, the higher distributable profits realised by the mines and their shareholders would have a significant multiplier effect on the SA economy by increasing the amount of capital in the private sector available for reinvestment.

Value added to the economy by gold mining in 1970 accounted for about 6% of GDP. In 1980, direct value added by mining contributed an estimated 17% of GDP.

Allowing for the indirect effects arising from spending in mining affecting other areas of the economy, the multiplier effect, Mr Lawrence said it was estimated that last year about 26% of total expenditure on GDP was generated by the gold-mining industry.

The shortage of skilled manpower would, if it persisted, undoubtedly act as a brake on expansion plans. Mr Dennis Etheredge, the previous chamber president, said last year there was a shortfall of 1 600 skilled personnel on the chamber's member mines, equivalent to the entire complement of skilled workers required to man two medium-sized gold mines employing 20 000 people.

Mr Lawrence said this problem had not been alleviated to any significant extent.

He believed the next decade would be marked by a return to a greater degree of stability in world economic systems and financial markets.

However, fluctuations related to economic cycles would continue and currency parities would react to differing rates of inflation or balance of payments positions in the world's trading nations.

Inflation might be reduced, but would certainly not disappear. Rapid changes in interest rates, equity values and political instability would still cause short-term surges of money into and out of investment assets, including gold.

Three factors would be of prime importance in determining the performance of the gold price over the next 10 years, said Mr Lawrence.

Industrial demand, which in eight out of the past 11 years accounted for 85% or more of total gold consumed, should stage a revival from current low levels as a general economic recovery gets under way in the near future.

Purchases of gold jewellery continued to increase steadily in nominal terms over the past decade and this type of increase could still be expected.

However, the sharp rise in the gold price had reduced the physical volume of gold consumed in jewellery, and a full revival of gold jewellery demand to its previous levels of about 1 000 tons a year could probably be expected only when the rate of increase in real disposable incomes on a worldwide basis equalled or exceeded the rate of increase in the gold price.

The current renationalisation of gold reserves would continue to be a feature of the system in the years ahead, said Mr Lawrence. Central banks would add to their gold reserves if and when feasible and gold collateral transactions would become more commonplace.

"I would not be surprised to see the re-emergence of an inter-central bank market for gold, enabling countries in balance of payments difficulties to utilise their gold reserves as collateral or for currency swaps without affecting the free-market price of gold."

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Hoteliers welcome tax relief

Argus 25/5/81

320

Argus Correspondent

DURBAN. — Tax concessions for building hotels were welcomed by the president of Fedhasa, Mr Arnold Brock, at the close of Fedhasa's congress here.

He told a Press conference he welcomed the extension of tax concessions over a period of five years instead of only one.

Speaking about Fedhasa's aims for the coming year, he said the organisation would take a closer look at one and two-star hotels and assist them.

'There are routes off the tourist circuit that are far more beautiful than the beaten track.

'We are going to look at the commercial marketability of hotels on these routes, and try to offer holidaymakers a package that would be a genuine deal.'

These hotels should be allowed to keep their own unique style and identity, he said.

The grading system was only to ensure minimum quality control, which should not affect the style and services of smaller hotels.

Fedhasa would also continue its battle to try and influence the teaching profession to stagger its holidays.

'The tourist plant can't cope with the holiday crowds.

'The hotels, railways and airways are all congested, and nobody is comfortable.

'If school holidays were staggered, it would also help to level off valley periods for the hotel industry.'

On the issue of licences being granted to supermarkets to sell wine, Mr Brock said it was a misconception that wine farmers needed more retail outlets.

'Wine is a potentially dangerous product, and should not be associated with groceries.

'What is needed is an orderly marketing system that would ensure responsible control over the distribution,' he said.

Fedhasa would continue to oppose the granting of licences to grocers to sell wine in their own shops, but would support it if existing licensees could extend their licences to a wine counter in supermarkets, he said.

FM 5/6/81

320

TAX ON FARMING

Farmers' loaded scales

The tax returns which farmers should have been submitting during the last two or three weeks ought to show substantially improved profits. In many cases they will. Even so, declarations will probably bear little or no relation to profits the farmers have actually been making.

For a start, the February year-end makes a mockery of farm profit and loss accounts. Most crops are planted in one tax year and harvested in the next. So the maize farmers, for instance, will be setting the growing costs of this year's bumper crop against the income of last year's average one. And for good measure, many of them will be throwing in the expense of some of next year's fertilisers as well.

Unlike other businessmen, farmers are not obliged to value work in progress and few of them even acknowledge the existence, let alone declare the value of consumable stores on hand at the year-end. In an industry typified by slow turnover, the value of inventories, work in progress and control board *agterskotte* in the pipeline may exceed total annual revenue.

Confusion is compounded where perennial crops are involved. Sugar cane and vines may absorb costs for two and three years before they generate any income. With these it may take three to five years before any visible taxable income becomes apparent. In the meantime, the farmer who has planted them could have added tens or even hundreds of thousands of rands to his private balance sheet (the one he shows to his bank manager rather than the Receiver) in the form of hidden reserves. Tree crops, like apples, oranges, avocadoes and pecan nuts, take even longer to bear taxable fruit.

It is true that all of these investments eventually generate a net cash inflow that will have to be declared, but the system effectively allows the individual farmer to escape income tax as long as he keeps expanding. The accountant's standard advice to every successful farmer client is to "Expand! Otherwise the Receiver will catch you."

Stock farmers can conceal profits in cattle, sheep and pigs, which may be declared at ridiculously conservative standard values. At today's prices, this provision affords the farmer an opportunity to understate the value of each cow by as much as R400 and even sheep and pigs by R40-R50. Standard values are usually justified on the grounds that they put the farmer on the same basis as the industrialist who can value inventories on a last-in-first-out basis.

The argument is superficially true. But there is a subtle difference. Animals are the grazier's capital equipment as well as his stock in trade. So standard values allow him to write off as much as 90% of his capital costs in the year of expansion. New farm buildings, fences, tractors, combine harvesters, trucks and implements for use on the farm can also be written off entirely during the year of purchase. Once again the farmer who expands is privileged to escape the tax net.

Defenders of the system argue that agricultural expansion is a good thing and that measures that encourage it ought to be lauded rather than criticised. Their simplistic view fails to take cognisance of the types of investment that are being encouraged. If expansion means buying out a smaller neighbour (as it very often does) the country may end up with less production than before.

In SA agriculture, economists agree that management is generally the limiting resource rather than land, labour or capital. That being the case, big farmers tend increasingly to opt for simple farm systems modelled round one or two extensive enterprises. There is ample evidence to suggest that their farms are both less productive and less efficient than the small to medium-sized family units which they are currently absorbing at the rate of over 1 000 a year.

A great deal of publicity attended the closure of the dairy unit on the previous Minister of Agriculture's own farm. But Hendrik Schoeman's decision probably reflected the large scale of his farming operations rather than the producer price of milk. There comes a time when even the keenest millionaire will opt out of five o'clock milking on Sunday mornings. Smaller fry are still bidding up to R1 000 a heifer to expand their Friesland herds. They, too, of course, are allowed to slip these animals into their balance sheets at standard values. But the provision doesn't benefit them to the same extent because, unlike the land barons, they wouldn't be liable for high marginal taxes anyway.

Windmill . . . spinning tax-free

For the pig and egg industries, the bias in the value of tax reliefs is even more damaging. Both enterprises are management intensive and naturally belong on small to medium sized family farms, where tender, loving care can be provided round the clock, throughout the week and round the year.

But instant capital write-offs have encouraged and are still encouraging large arable farmers and feed millers to pour millions of rands into vast new production units. Half the cost to them is effectively subsidised by money that would otherwise have gone in taxes. Interest on the money borrowed for expansion is deductible too. But the smallholder, whose markets they are flooding, gains little or no benefit from either allowance. His tax bill would scarcely be affected if he had to depreciate his buildings over 10 years instead of one, because he would still be in a low tax bracket for each of them. He benefits little through being allowed to deduct interest, because nobody will lend him money to expand and his marginal rate of tax is already low.

During four years of egg surpluses (generated almost entirely by milling companies, cane growers and western Cape wine farmers) it seemingly never occurred to the Minister of Agriculture that his colleague at Finance was to blame. The egg board was exporting surpluses at a loss and resorting to permits and quotas to halt expansion while the Receiver was nonchalantly priming the pump at the other end.

All in all, there would appear to be a good case for a re-examination of the whole system of assessing farm income and levying farm taxes. Current provisions are undoubtedly aggravating a serious and harmful trend towards the consolidation of farms into larger units which are then encouraged to substitute imported capital equipment for local labour. While they are at it, the investigators would also do well to look into the effects of the averaging option. Since 1962 farmers have been allowed to "equalise" their tax rates by using the average of five years' profits to determine their marginal rates of taxation. As a means of putting the erratic profit earner on the same footing as a consistent one, the idea of equalisation was a good one. But when inflation is galloping along at 16%, the option allows farmers to average five sets of historic earnings denominated in rands of very different values. So farmers who exercise the option are effectively being taxed according to a separate and more generous set of tables of their own.

In the current political climate, farmers should no longer be allowed the time-honoured privilege of virtually writing their own ticket either for tax or for produce prices.

Government recently summoned up the political courage to give the maize farmers much less than their original (and thoroughly unreasonable) request (*FM* April 10).

The logical follow-up would be for the standing commission on taxation to examine in depth all the special rules relating to tax on farming operations. Any that are economically counter-productive should be effectively modified.

Perks tax Bill looms

320 9/1/81

By GERALD REILLY
Pretoria Bureau

THE Income Tax Act is likely to be amended during the coming parliamentary session to clear the way for the introduction of the tax on fringe benefits in the 1982-83 financial year.

Commerce and industry leaders believe the Government is too deeply committed to the additional taxation for it to be abandoned now.

Before the proposed legisation is tabled, however, it will be the subject of further discussion between the advisers to the Minister of Finance — including the Commissioner for Inland Revenue, Mr Mickey van der Walt, and the Director-General of Finance, Dr Joep de Loor — and organised commerce and industry.

The draft Bill on the tax proposal published last year will form the basis of discussion. It will be circulated for comment to organisations including the Afrikaanse Handelsinstituut, the Association of Chambers of Commerce and the Federated Chamber of Industries.

The draft sets out proposals on how the tax should be evaluated and applied.

Meanwhile the AHI is due to meet the Minister of Finance, Mr Owen Horwood, next week, during his annual round of pre-budget discussions with organised commerce and industry.

It is considered certain that the fringe benefit tax, and the timing of its introduction, will be high on the agenda.

Mr Horwood, it is understood, has given an undertaking that a reasonable time will be allowed companies to adjust salary packages before the tax goes into operation.

One source pointed out: "If they are going to tax company cars and other perks, employers will have to restore the real incomes of employees with bigger salaries."

Budget day is August 12 and economists agree that the possibility of more tax concessions can virtually be ruled out.

The Government has embarked on a determined campaign to slow down inflation and is unlikely to raise total spending power by a new round of tax cuts.

Some sources claim there is even a possibility of a reintroduction of the savings levy — scrapped last year as part of ... effort to stimulate the ...

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered): leave columns (2) and

TAXES

Punishing excellence

320 FM 12/6/81

The task of Receivers of Revenue is thankless. While we all demand those services which only the State can supply, it goes against human nature to contribute earnings to an amorphous pot to be used by others for our good.

What makes it worse, of course, is that product of the politics of envy, the progressive rate of tax. As we all know, the philosophy behind this scheme is that the more we earn, the more we can afford to pay.

In the age of welfare, however, it is has been taken to the point that not only does one pay more tax when one earns more, but one pays a *greater* proportion of those rewards for hard work, dedication and risk-taking. Steeply progressive tax rates are a punishment for excellence. A system which says, in effect, that the better you do, the greater the punishment.

It is not surprising that when tax rates become too oppressive economic growth suffers. This reflects the old maxim that if you want society to produce less of something, then tax it. Applied, for example, to productivity, it is not difficult to see that society suffers, rather than gains, from punitive tax rates.

It has been estimated that, in SA, a flat rate of tax of some 12% would yield the same revenue to the state as the present graduated scale which rises to 50%. However, more than 80% of taxpayers would, under such a regime, pay more tax than they currently do.

Penalising productive talent

As is always the case in any society, regardless of its system, brains, talent and energy are not widely distributed. Only a few people can write good books, or run the 100 m in under 11 seconds. The same holds true for the talent to make money (and in the process create jobs and enrich society at large). However, we see fit to tax the productive members of society punitively in spite of the argument that, for example, a flat rate of tax would generate such growth that all would be better off. We reject the argument that low taxes are inflationary. Not only do they stimulate output, but it is also difficult to understand why our money spent by us is more inflationary than when it is spent for us by the State.

This matter becomes germane at this time as the government is pressing on with its scheme to tax fringe benefits, themselves a reaction, over many decades, to increasingly punitive tax rates.

Now there can be no argument with the principle of equity in taxation. The approach must at all times be evenhanded. However, having allowed, by default as it were, the system of fringe benefits to become part of the fabric of remuneration in SA, the revenue must tread warily in its reform. There is no just cause why individuals should suffer because the revenue, as part of overall reform including healthy reductions in rates and increases in thresholds, decides to spread its net.

Clearly, a straight cash basis would be preferable. We could then decide for ourselves what to do with our earnings instead of having this dictated to us by company policy.

This, however, is unlikely, particularly in the civil service where, incidentally, increased housing benefits have just been announced by the Minister of Finance. Clearly, also, the revenue is to be encouraged in stamping out abuses, many of which are linked to fringe benefits.

But the vast majority of ordinary taxpayers are decent, honest people who do not want to cheat. In fact, social scientists in high tax countries attribute declining public morals to the erosion of values which happens when cheating on tax becomes endemic and even socially acceptable. We must all pay Caesar his due. But it is the duty of the revenue to recommend to parliament a system which does not discriminate between those in the public and private sectors; which treats evenly the highly ranking politician and the man of business affairs, both of whom play essential roles in society.

Equity needed

The revenue must also consider those many thousands of productive South Africans who serve in the banking, insurance and building society movements: their contribution is no less important than that of the civil service. It is a mark of the civilised society that tax law is fair, as unambiguous as possible and is administered in as evenhanded a manner as men can achieve.

And uppermost in the minds of those charged with this task must be the thought that our tax system, if it is to serve the long-term interests of SA's security and prosperity, must not discourage innovation, sheer hard work and the creation of capital, for these are the foundations of growth.

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Laundry, Cleaning & Dyeing (Cape).				
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Cotton Textile				
Worsted Textile	At discretion of management committee, an initial fee may be paid by fund.	On recommendation of the committee. 25% of cost of artificial dentures.	Fund may arrange for testing of eyes. Fund pays: 50% of cost of lenses and R5 towards cost of frames.	Excludes obstetrics, surgery.

OAU sanctions plan

Star 20/6/81 320 DRG

The Star's Africa News Service

NAIROBI — How the Organisation of African Unity and other countries plan to enforce oil sanctions against South Africa were revealed at the OAU Foreign Ministers' Conference in Nairobi yesterday when a lengthy document was approved.

The first moves in the sanctions plan will be to send a special commission to Botswana, Lesotho, Swaziland, Zimbabwe and Malawi — all of which rely on South Africa for oil supplies — to study the impact of sanctions on their economies.

The commission will also report on how oil can be stockpiled in these countries to eliminate their dependency on South Africa, and investigate alternative oil routes.

It will make recommendations on providing assistance to these states.

For the second stage, the OAU has decided to set up an enforcement commission which will be a watchdog against embargo breakers, and recommend penalties for violations.

Opec states will be asked to require countries which sell oil not to permit it to go directly or indirectly to South Africa — or SWA/Namibia while it is "under South African occupation," and to demand end-user certificates to be sent back to Opec countries.

All states, inside and outside Africa, will be asked to prohibit their tankers calling at South African or Namibian ports, and to take action against violators.

I9/...

Only one out of the twelve industries in which medical benefit schemes have been established extends benefits to dependants. The contributions are low and the funds claim they do not have the finances to include dependants. All the funds have free medical treatment by a panel of doctors. All have pharmaceutical benefits. In three of the funds, a minor part of the cost of medicine is borne by the member. In one there is an annual limit on pharmaceutical benefits. Four of the funds allow a limited number of visits to specialists or make provisions for this, according to the discretion of the management committee. Three of the funds make provision for partial payment of hospital fees. Eight funds have optical benefits and nine have dental benefits. Both of these are partly in the form of subsidies. We can see from the table that the main benefits from medical benefits schemes are free medical attention from general practitioners and pharmaceutical benefits prescribed by the panel of doctors. African workers are excluded from the medical benefit schemes in the Bespoke tailoring and Bedding Industry. This is because the Minister of Labour did not extend these agreements to African workers. In all these funds, African workers cannot be directly represented on the Industrial Council. Although there is a tendency towards more preventatively based medicine in medical benefit funds, in terms of stating in theory that they make attempts to provide general health education to workers, but only the Clothing and Millinery Industries and the Baking and Confectionery Industry provide practical benefits in this direction. The Baking and Confectionery industry provides for vaccinations and preventative injections. The Clothing and Millinery industries have established gynaecological, optical and dental clinics. They conduct mass immunization campaigns and have in the past carried out worker health surveys.

This bias towards curative medicine is very apparent in the field medicine in South Africa, in general. For example, Government and local authorities expenditure on hospitals as a percentage of total expenditure on health has risen from about 80% (I949-50) to about 83%(I950-60) to about 84% (I970-7I) and to about 85% (I974-75). Whereas Provincial expenditure on Public Health as a percentage of total expenditure on health has decreased from 3,6% (I949-50) to 0,7% (I959-60) to 0,07% (I970-7I) to an almost negligible percentage in I974-I975.[9] All the medical benefit schemes require between thirteen and sixteen weeks of weekly contributions to the fund, before members are eligible for benefits.

Sick pay benefits

Of the twelve industries reviewed here, in which medical benefit schemes exist, all have sick pay benefits as part of their /...

iii) Little or no education at home on proper hygiene in food preparation, treatment of wounds and baby care.

The first two factors are mainly related to economic factors but their impact could be moderated to a large degree by education on how to make the best of food available and the prevailing housing. However, the third factor, hygiene, or the lack of it, is eminently possible to improve. This factor is almost solely responsible for Gastro-enteritis (white communities too) also for the range of problems referred to as hygiene-related earlier in this survey.

One of the most powerful ways of reaching a community is through schools, and because these children receive less health education at home they require far more at school than white children. The optimal situation would be to teach health as a separate subject - which receives some attention every day at school. In poor communities it has far greater relevance than Mathematics.

Economic status is obviously a highly important factor but is one that should be laid at the door of the Central Government and private enterprise.

Farm labourers are less affected by this than townspeople; although they earned a low cash wage, this was offset by the other perks they received. For instance, they had free housing (generally better than the housing in town), on the average about one slaughtered sheep per month, use of equipment to fetch wood on the farm, milk and subsidised staples. The average wage was between R40,00 and R60,00 per month with a bonus at the end of the year as well.

In addition, the farmer is required to pay premiums for Workmen's Compensation for his labourers.

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further util ... the skill of the nurses involved could be increased by extra training to increase the proportion of situations where they act. The 'coloured' nursing staff were particularly impressive for dealing with blacks, and appeared to me to be more effective than whites in this situation. They had more empathy with patients and had a better attitude to them

Staff crisis delays the taxman, but beware . .

By GERALD REILLY
Pretoria Bureau

THE worsening staff shortage in the public service is causing disruptive delays in some key services, say senior public servants.

One of the departments hard hit is the Department of Inland Revenue where tax backlogs are building up.

But the Commissioner for Inland Revenue, Mr Mickey van der Walt, warned yesterday that the tax collecting machine was "far from juddering to a halt".

"The wheels may be turning more slowly, but they are still grinding exceedingly finely," he said.

Other senior public servants said that, with a staff shortage in all State departments totalling about 17 000, there had to be a slowdown in many important areas.

Earlier this year the Public Servants' Association warned of the growing threat to important government services and functions. Some, according to reports received by the association, were nearing breaking point.

After 12% rises for government workers were announced in the mini budget, the association stressed the new salary levels would fall short of what was needed slow down the resignaion rate and attract staff.

Resignations in the police and prisons services are also causing serious concern.

Mr Van der Walt said staff shortages were causing delays in his department, but it was no worse off than other State departments.

Temporary morning-only staff were being employed, procedures were being streamlined and special staff bonuses were being paid as incentives to keep up with the work.

Mr Van der Walt said inevitably there were delays in tax collecting, but the position could not be compared to that of the 1950s when the backlog stretched to nearly four years.

"People must not get the idea that, because we are fighting staff shortages, they will somehow benefit. Every cent due to the department will be collected, if not today then tomorrow."

SWAZILAND GOVERNMENT — MINISTRY OF HEALTH

BACKGROUND INFORMATION — PRIMARY HEALTH CARE

The Kingdom of Swaziland is a small country covering an area of 17,363 square kilometres. It is landlocked, being situated between Mozambique and the Republic of South Africa.

Within its borders there is a great variety of physical features and climate. Swaziland is divided into four well-marked topo... each of which runs from North to South acr... the ... spl... 120... Lar... ann... Mba... alt... of ... vel... dus... tro... typ... tro... gan... runs along the eastern length of the Lowveld. It is slightly hotter and drier than the Middleveld.

Swaziland is fortunate in possessing a number of rivers which flow perenially across the country.

Government

Swaziland gained Independence on September 6, 1968. Prior to that date, it was a protectorate administered by the British Government. The King (ngwenyama) is the Head of State. The Prime Minister leads the Government. Side by side with the system of elective government, there is the customary government of the Swazi Nation, whose council advises the Ngwenyama on all matters regulated by Swazi law and custom and connected with Swazi tradition and culture.

The country is divided into four districts and each is administered by a District Commissioner. The two main towns, Mbabane and Manzini, both have Town Councils. All district administration falls directly under the Minister for Local Administration.

Population

Swaziland is unusual among African countries in that the vast majority of its population shares a common language, tradition and history. The last population census, taken in 1976, enumerated a ... are African...

...ment of this aim will involve expansion of the programme for consolidation of land holdings, resettlement and the creation of basic infrastructure in rural areas. The Government is concentrating its development efforts in a number of Rural Development Areas (R.D.A.), where it promotes resettlement schemes and provides soil conservation, infrastructure and dams for irrigation purposes. There are 4 RDAs at present. The estimated number is 7 for the country.

The Home Economics section in the Ministry of Agriculture has extension workers who are based in rural areas and work with women's organizations and other community members. There are 150-160 active Zenzele Associations which are regularly visited by home economics field staff. The registered membership was 2200-2500 during the year

Anti-SA tone set at OAU summit

Star 25/6/81

320

By Henry Reuter, The Star's Africa News Service

NAIROBI — With a bitter attack on South Africans, whom he described as "hypocrites," President Daniel arap Moi has set the tone for the 1981 OAU summit meeting which opened in Nairobi last night.

In a speech on acceptance of the OAU chairmanship for the ensuing year, Moi said South Africans were hypocrites "because while they profess to be Christians and upholders of civilised Christian faith they reject and betray the most fundamental commandments of God."

Hitting out at the five nation Western contact group on Namibia Moi said there were countries which supported the South African regime on the pretext of containing communism in Africa and protecting sea lanes to the west.

SAFEGUARD

"But they should clearly understand that the South African situation can no longer sustain any meaningful safeguard for what they refer to as their vital economic interests.

"On the contrary the situation in that unhappy country is a direct threat to stability and peace in Africa and internationally.

"It therefore endangers the political and economic interests of all nations and groupings, including the West.

"More pressure simply must be brought to bear on the South African regime, until the legitimate rights of the people are attained and upheld."

Moi added that African states must now make it clear that those who support the South African regime and "its abominable system of apartheid" are against African states individually and collectively.

A Kenya Government statement today said 31 heads of state and government had arrived for the OAU summit meeting which continues this morning.

Libyan attempts to subvert other African nations has caused bitter infighting at the summit.

Sudan President, Gaafur el Numeiry accused Libyan leader, Muammar Gaddafi of wanting to sabotage the OAU.

Numeiry has accused Gaddafi of playing a role in international terrorism as a proxy of the Soviet Union.

Libya, Numeiry says, is using her oil wealth, not for development, but to destabilise other African nations and to retard their development.

"Gaddafi spends billions of dollars on armaments from the Soviet Union. What does he need this for? He should turn the 5 000 tanks he has into tractors. I have to keep some tanks because of Gaddafi, I would sooner turn them into tractors if he was not a threat to my country."

The Standard newspaper said in an editorial that Gaddafi was attempting to build an image as a peacemaker with a view to securing the OAU chairmanship but nobody in his right mind could consider Gaddafi peacemaker.

● Page 5: OAU — Nujoma alleges secret US pact with SA.

Africa leaders united only on apartheid and SWA

Summit that showed up OAU debt to SA

Star 29/6/81 (320)

Colonel Gaddafi . . . always at the beginning.

By Henry Reuter, The Star's Africa News Service

NAIROBI — With a 15-hour all-night session, OAU heads of state wound up yesterday what Egyptian Foreign Minister Boutros Ghali aptly described as "the summit conference of transitional solutions."

In four days of talking the 33 heads of state and government and delegates from the other 17 African countries were united only in their opposition to apartheid and demands for an independent Namibia.

They passed 53 resolutions and agreed on two declarations. They solved none of black Africa's pressing internal disputes, shelving major issues by referring them to committees. But although Africa's leaders piled up problems for the future, they managed to keep the fragile unity of the organisation intact — at least for another year.

On South Africa, they predictably called for comprehensive sanctions, including an oil embargo, and demanded a special UN General Assembly session September to discuss Namibia.

They declared that armed struggle remained the most effective course of action to bring independence to Namibia and decided to attempt to co-ordinate the OAU's back-Swapo campaign with that of the non-aligned states and any other countries willing to help.

Three major issues referred to an ad-hoc committee with instructions to report to OAU Foreign Ministers in 1983, were proposals to form an OAU defence force, an OAU boundary commission and an OAU political security council on the lines of that of the United Nations.

Demands by half-a-dozen black countries for the withdrawal of the Libyan invasion force from Chad amounted to a big nothing when Chad President Goukhouni Queddi (who called in the Libyan forces in the first place to help him defeat the Sudan-backed forces of his Defence Minister, Hissine Habra) was given carte blanche to decide whether he wanted the Libyans to stay or go.

In their dedication to a pro-Swapo stance, the African heads of state seemed determined that the only way to Namibian independence was through violence.

Libya won another major victory at the summit when, in the face of strong opposition by Egypt, Sudan, Tanzania, Ghana and several other countries and despite complaints by 10 presidents of Libyan attempts to subvert their governments, the Libyan capital, Tripoli, was confirmed as the venue for next year's OAU summit.

This will make Libyan leader Muammar Gaddafi the OAU chairman for 1982-83, although several African heads of state have said they will boycott any OAU conference held in Libya.

Somalia President Siad Barre was told to accept the findings of a committee on his border dispute with Ethiopia that he should stop claiming territory belonging to Ethiopia, Kenya or Djibouti.

Vehemently rejecting the findings, Barre declared that they would result in bloodshed in the Horn of Africa.

On the most crucial issue affecting OAU unity — the war between Morocco and Polisario for the western Sahara — a split between the 26 states which support Polisario and the 15 which agree that this former Spanish territory is traditionally part of Morocco was avoided.

The bluff of the 26, who threatened last year to quit the OAU if the Polisario's Sahrawi Arab Democratic Republic was not accepted as the OAU's 51st member, was called.

What Morocco described as "this non-existent phantom state" was not allowed into the summit. And nobody quit the OAU.

Instead, following a declaration by Libya that it would stop arming Polisario, Morocco accepted the advice of an OAU good offices committee that there should be a ceasefire while the territory's fate was determined by a referendum.

Another adhoc committee was set up to work out procedures for the referendum.

Once again the great economic problems confronting the African continent were virtually ignored, although more lip service was paid to them than is usual.

There was evidence of growing agitation among the black states about the dominant role being played by the Arab states in OAU affairs.

The Arabs were not allowed to get away, with their attempted condemnations of Egypt for the Camp David agreement. As Egyptian Foreign Minister Ghali pointed out, repeatedly, Egypt's objective in signing the agreement was to remove Israelis from "African" soil.

At least ten heads of state went home disappointed because of a ruling by chairman President Moi of Kenya that the summit would do its work before listening to heads of state who wanted to make speeches.

Provincial Reporter

Cape faces big question on need for tax increases

Argus 30/6/81

320

THE Transvaal, Free State and Natal all faced increased provincial taxes and service fees this year. The last increases in the Cape were in 1977 — indicating the likelihood of Cape increases next month.

But since he took office two years ago, Mr Gene Louw has repeatedly committed himself as Administrator to keep the man in the street's tax burden as low as possible.

With the help of the Provincial Executive Committee and all departments, he has repeatedly pared expenditure to the bone, making hospital services and education his priorities at the cost of other services, including roads, public resorts and conservation.

SUBSIDIES

The big question that faces Mr Louw and the Executive Committee this year is whether the new, higher Treasury grants and subsidies are enough, or whether, like the other provinces, the Cape will have to increase taxes and fees.

Mr Louw will present the Cape budget to the Provincial Council on July 29. Last year, tax increases were dropped by the Administrator and Executive Committee at a last-minute meeting before the budget. This year they may have no option.

Mr Louw has already indicated he is unlikely to put up betting taxes, which are already high — 'You don't want to kill the goose that lays the golden egg,' he said last year.

About 80 percent of patients at provincial hospitals are classified as 'needy patients' and receive subsidised treatment, but the patient cost has increased three-fold in the past 10 years.

Vehicle licence fees are likely to be tapped to help meet the backlog in urgent road construction. 'We just have to find the money somewhere,' Mr Louw said earlier this year.

The Cape collects about R61-million in direct taxation — R10-million from betting and totalisator tax, R1-million from entertainment duty, R50-million from motor vehicle licences and nominal amounts from game and fishing licences.

A further R35-million comes from departmental receipts, including about R17-million from hospital fees, R11-million from school fees, boarding fees and examination fees, and R4-million from admission to public resorts, as well as fines and forfeits.

This year, the Administrator will budget, for the first time, for expenditure in excess of R1 000-million. Between 70 and 80 percent will be received by way of Treasury subsidies and grants.

'Only top earners will benefit'

RDM 1/7/81

326

By MARIKA SBOROS

SEPARATE taxation for married women would benefit only top income earners, a legal academic has said.

Mr Errol Danziger, lecturer in the Department of Mercantile Law at the University of South Africa, says this in the latest edition of De Rebus, the South African legal journal.

Married couples could opt for separate taxation provided the husband's total taxes payable were not less than those payable had he alone been assessed on both incomes, Mr Danziger said.

This meant that the separatist lobby's sole object was the reduction of the tax burden on the country's top income earners, he said.

Mr Danzinger discounted separatist lobby arguments that:

- Separate taxation would benefit the economy.
- Joint taxation was inequitable, did not recognise married women's independent status and promoted immorality.
- Married couples should be allowed to choose joint or separate taxation.

The immorality argument was the weakest, he said.

The number of couples who would place tax liability before marriage vows appeared to be few.

"The fact that they stand to reap substantial benefit from the decision not to marry indicates they are in the top income category," Mr Danziger said.

Falling tax rates, increasing deductions for a wife's earned income and increasing rate of employment of married women weakened these arguments.

A completely equitable tax system was a "pipe dream" and the assessment process could not view taxpayers in a vacuum, Mr Danziger said.

QUANTITY SURVEYING (Continued)

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URBAN & REGIONAL PLANNING

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More taxes for blacks

Sowetan 9/7/81

MOST blacks in South Africa were taxed more heavily than whites, a speaker at the Polstu congress in Pretoria claimed yesterday.

Delivering a paper on "Capitalism, Socialism, Africa-Socialism or a New Alternative," was Mr Kane Berman, a free-lance journalist.

He said blacks, for instance, were not eligible for the rebate that whites got for wives and children.

"The current thrust of taxation policy is indeed to swing the balance even further in favour of the rich by imposing indirect taxes, like GST, which hit the poor particularly severely."

Mr Berman said it was his view that the country should move in the direction of social democracy and not of undiluted capitalism.

This involved:

- Placing much greater emphasis on State intervention to relieve poverty and distress;
- Redistribution not only of income, but also of certain capital assets, especially land, and the introduction of State-sponsored agricultural and other enterprises;
- Legislation making racial discrimination an offence, and
- Movement towards a political democracy in place of our present "racial oligarchy."

320

(320) Argus 11/7/81

RISE IN SALES TAX ON CARDS

THE severe drop in the gold price since the end of March may well result in a raising of the sales tax in next month's Budget, says Professor Z Gurzynski, director of the University of Cape Town's School of Economics.

By Vincent Leroux

He told Business Argus raising the sales tax was a much greater possibility than raising income tax if the Government had to make up any shortfall in revenue resulting from a substantially lower gold price.

'By taxing income the Government would be taxing savings, which they want to avoid as they are keen to promote as much saving as possible.

'Furthermore, higher personal taxes would result in expectations of future demand for output being less optimistic, causing a fall in real investment.'

Professor Gurzynski

Borrowing

The other options open to the Government in the event of a shortfall in the required revenue to finance state expenditure were to increase its internal borrowing by issuing Government securities at a reasonable rate of interest, and to cut down on State services and handouts.

'Naturally everything will depend on just how much of a shortfall there

If it is small, we might just be landed with a higher sales tax. If it is high, we could see all the options coming into effect.'

Other economists interviewed pointed out that in itself the plunge in the gold price had so far not constituted much of a threat to South Africa's economic future, in spite of the loss of valuable foreign exchange that it entails.

Of far more significance, they said, was the mood of despondency that the depressed gold price had precipitated in the business community.

Even at the present gold price the country was still very well off, but the fact that gold — the kingpin of the economy — had slid so far, so quickly, and the uncertainty of where and when it would finally bottom out, had generated a pessimistic investment outlook.

Related

Dr J Cloete, chief economist of Barclays Bank, said: 'The level of business confidence has always been closely related to the gold price and the latest fall has had a significant effect on investor confidence.'

Although the recent drop in the gold price was not a serious threat to the economy, it would doubtless be felt.

'Since Government revenue from gold will be down this year, its borrowing requirement will be much higher. It may have to borrow more money in the capital market, at a time when capital is short, and this will have an adverse effect on private sector borrowing.'

Professor Gurzynski said that in spite of falling gold eanings the prospects before the country were not unfavourable.

'Only now we will have to create and support our own prosperity rather than somewhat fortuitously benefiting from world inflation and deepening despair as has been the case over recent years,' he said.

Rand's fall

It was not 'a national disaster' when the rand fell in relation to the dollar nor 'a national triumph' when it rose.

'You cannot just consider the rand in relation to the dollar.

'While the rand has fallen in relation to the dollar, it has also risen against a number of other currencies,' the spokesman said.

Professor Gurzynski also was unconcerned by the lower rand. He said: 'A lower rand will make exports more profitable and imports dearer, thus also helping to redress the pressure on the balance of payments.

'As the economy's of the world begin improving, it will be easier to earn more to import more.'

As much in the news

FINANCE

AHI calls for tax reforms

Argus 21/7/81

320

Argus Correspondent

PRETORIA. — The Afrikaanse Handelsinstituut has called for wide-ranging tax reforms to be introduced in the Budget.

Among the reforms and concessions the AHI proposes are:

- Increasing the amount deductible for married women to R2 000.
- The final equalisation of tax rates for whites and blacks.
- Raising the minimum amount tax is payable on from R1 000 to R3 000.
- Relaxing the scales of personal tax so that the maximum is achieved as close as possible to that for company tax.
- Increasing the levels at which the maximum personal tax is reached to R60 000.
- Increasing the amount of profit companies are allowed to plough back from 35 to 50 percent.
- Increasing the amounts exempt from tax in estates.
- Increasing the tax rebates for deductions such as providing housing for black farmworkers to a more realistic level in view of inflation.

DISCIPLINE

The AHI says the Government will have to continue with its policy of strict financial discipline, but warns that the policy of increasing real Government spending, coupled with growth through the private sector is not the answer.

This policy could lead to overloading the country's resources and increase the inflation problem.

Attempts must be made to present a neutral Budget in view of current economic conditions.

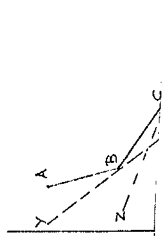
Such a Budget would prevent the increase of demand inflation while the depressing effect of inflation on consumer and economic growth would be partly relieved.

A delicate balance between growth and the prevention of inflation has to be achieved, but inflation remains the priority.

The applicability of this technique may be very limited. It is doubted whether health care processes can normally be represented simply as a production process involving inputs and outputs. (Perhaps it is a reflection on the conventional types of health care that it can be so represented.) A second problem is the extremely precise information needed on each process of care. Outcomes are often unknown even in medical ...

is the same along each price line (isocost line), lines to the right (e.g. X'X') representing a higher cost. A choice is therefore indicated where the lowest cost line intersects the 'possibility frontier', AB, - in this case at point A. With non-linear 'possibility frontiers' the choice may involve a combination of techniques.

Choices between 3 or 4 techniques can also be shown:



At pric... ratio a...

Techniqu... resource... process of choice using the ratio or prices carried out by computer. The process is known as linear programming, since the relations between inputs and services rendered is assumed to be linear: i.e. a doubling of inputs leads to a doubling of outputs.

Handelsinstituut calls for range of tax reforms

810 22/7/81

320

URB REG PLA

Own Correspondent

The Afrikaanse Handelsinstituut has called for wide ranging tax reforms to be introduced in the Budget next month.

Among the reforms and tax concessions the AHI has called on the Minister of Finance Mr Horwood to announce are:

- Increasing the amount deductable for married women to R2 000.
- Finally equalising tax rates for whites and blacks.
- Increasing the minimum taxable amount from R1 000 to R3 000.
- Relaxing the scales for personal tax so that the maximum is as close as possible to that for company tax.
- Increasing the level at which the maximum personal tax is reached to R60 000.
- Increasing the profit companies are permitted to plough back from 35 percent to 40 percent.
- Increasing tax rebates for deductions such as providing housing for black farm workers to a more realistic level.

The AHI said the Government would have to continue with its policy of strict financial discipline. It warned that the policy of increasing real Government spending, coupled with growth through the private sector was not the answer.

It said this policy could lead to overloading the country's resources and might increase inflation.

The current high economic growth rate could cause bottlenecks in the physical and social infrastructure. To implement Government policy of giving the private sector an increasing share in the economy these bottlenecks would have to be identified and overcome.

The AHI said Government priorities should include the continued provision for defence expenditure and security matters.

Manpower development, education and the development and consolidation of the national states were also of great importance.

Special attention should be paid to infrastructural development and housing because of the employment the construction sector generated.

The AHI said a delicate balance between growth and the prevention of inflation had to be achieved — but curtailing inflation remained the priority.

QUANTITY SURVEYING (Continued)

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P R Swift

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Working for the taxman

S Times 26/7/81

(320)

By Elizabeth Rouse

THE average family man spends fully three months of the year working for the taxman, while top executives have to work for more than six months before they can put money into their own pockets.

This is the conclusion reached by a leading Johannesburg personal income tax adviser, who has computed a timetable of "Tax Freedom Days" for various income categories.

The term, Tax Freedom Day (TFD), is widely used in the US, where tax advisers usually calculate the day when taxpayers have worked enough to pay off their yearly obligations to the Federal State, their own State and their city.

The adviser's table, listing tax free days and percentages of the year worked to pay tax, is based on current tax rates (which hopefully will remain unchanged in next month's Budget).

The income table assumes that the earnings apply to a married man under 60 with two children and assuming maximum insurance and medical allowance deductions. The tax year starts on March 1.

Earnings	TFD	% of 365 days
R 5 000	March 1	0
R10 000	March 13	4
R15 000	April 2	9
R20 000	April 21	14
R25 000	May 5	18
R30 000	May 24	23
R40 000	June 11	28
R60 000	July 6	35

[redacted]

Govt urged to reveal plans for tax on perks

RDM 27/7/81 320

By GERALD REILLY

ORGANISED commerce and industry has urged the Minister of Finance, Mr Owen Horwood, to announce his intentions on fringe benefit taxation by August 12 — the day he delivers his budget speech.

The tax which will affect tens of thousands of taxpayers — it is estimated the Government will siphon off R50 million in revenue from the perks — has been threatening for nearly three years.

It is estimated that as much as a third of the income of many executives is made up of perks — free cars, subsidised housing and other loans, and lavish entertainment allowances.

However, one of the major problems and a basic cause of the delay in implementing the tax is the many thousands of public sector workers who get big housing loans at give-away interest rates.

The Public Servants Association has made strong appeals through the Commission for Administration to have housing loans exempted from the tax.

Impartial

But the Minister has said the tax would be implemented with scrupulous impartiality — which was taken to mean that all people, irrespective of whom they worked for, would be subject to the tax.

Assocom, the AHI and the Federated Chamber of Industries have made it clear that if there was any attempt at discrimination between the public and private sectors, there would be an uproar from the business community.

However, it is learnt on good authority, that the Government is h[illegible] thoughts on taxing housing benefits and there is probably more fringe benefit money wrapped up in subsidised housing loans than in any other form of tax-dodging perk.

The Director General of Finance, Dr Joep de Loor, has declined to say whether or not legislaton would be tabled during the coming parliamentary session to prepare the way for implementing the tax on perks.

Discussions

Dr De Loor said final discussions would be held with organised business sometime after the budget. In this case, the earliest the tax could be introduced was at the start of the 1982-83 tax year.

Assocom's tax spokesman, Mr R J Wood, says organised business urgently wants clarity on the tax.

The threat had been rumbling for the past three years. A draft Bill setting out proposals had been examined from all sides and the Minister had the views of the business community, Mr Wood said.

"He has all the relevant data to make up his mind."

Mr Wood said the uncertainty in the business world increased with the continued delay in announcing the Government's intentions.

Companies would have to assess to what extent their employees were affected, what part of their real incomes would be classified as perks, and how they were to be compensated for those that were taxed, he said.

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Concern over a higher GST

RDM 31/7/81

320

By GERALD REILLY

SPECULATION that the Minister of Finance, Mr Owen Horwood, intends raising the General Sales Tax level from four to five or 6% in next week's budget is causing concern.

And yesterday the Progressive Federal Party and the Trades Union Council of SA not only appealed to Mr Horwood not to raise GST, but to remove it from basic foods.

However, the PFP's spokesman on finance, Mr Harry Schwarz, said the Government was in a dilemma.

Because of the steep decline in the gold price during the past few months taxation from the gold mines could fall by as much as R800-million for the first half of the financial year, compared with the expectation at the start of the financial year.

Revenue

"This is why speculation has grown that the Minister and his advisers are looking for supplementary revenue sources and to GST to recover some of the revenue lost because of the lower gold price," Mr Schwarz said.

According to the Department of Inland Revenue the collections from GST during the 1980-81 tax year were estimated at R1 550-million.

If the GST was increased by only 1% revenue would rise to more than R2 000-million, economists estimate.

"The temptation to raise the tax, therefore, must be strong, but it must be resisted because it would intensify inflation, impose further burdens on lower income groups and aggravate the potential for unrest," Mr Schwarz said.

Intentions

He appealed to Mr Horwood to make his intensions about GST known immediately — before next Wednesday's budget — to end the undesirable speculation.

The president of the Trades Union Council, Mr Andre Malherbe, said Tucsa and other trade union organisations had pleaded with the Government on a number of occasions to remove GST from basic foods.

"There is now more reason than ever for the Government to take another look at the issue," he said.

The chairman of the Federal Consultative Councel of Railway Staff Associations, Mr Jimmy Zurich, said there would be strong support from the Railways' seven unions for scrapping GST on essential foods.

QUANTITY SURVEYING (Continued)

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Speculation govt may raise GST

CT. 31/7/80

320

Political Staff

SPECULATION that the Minister of Finance, Mr Owen Horwood, intends raising general sales tax from 4 percent to 5 or 6 percent in next week's Budget is causing concern. And yesterday the Progressive Federal Party and the Trade Union Council of South Africa not only appealed to him not to raise GST, but to remove it from basic foods.

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Women may get new deal

CHANGES to the income tax laws to introduce a new deal for working women are to be considered by the Standing Commission of Inquiry into Fiscal Policy.

A Government White Paper on a special report on high-level manpower by the National Manpower Commission, tabled in Parliament yesterday, agrees with a recommendation that trained women, including married women, must be utilised more extensively in high-level manpower occupations.

This could only happen if "the Department of Finance [illegible] serious consideration to the revision and adaptation of the present tax structure which is applicable to individuals, with a view to the possible further reduction of the disincentives related to it, especially in so far as it is still prejudicial to the optimum development, utilisation and maintenance of female employees", the white paper said.

The report says employers in general should reconsider their attitude to the utilisation of trained women to promote optimum use of this labour source.

Private and government sectors should create more opportunities and facilities to employ women on a part time basis, and employers in general should give attention to the provision of facilities such as creches, daycare centres and the introduction of flexitime to make optimum use of married women's labour.

The report also recommends the utilisation of retired people in high level [illegible] on a larger scale, especially for training purposes, and the use of the Manpower 2 000 project, to encourage retired people to offer their services and draw the attention of employers to the important contribution they could make. — Sapa.

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Reference

LISP 1.5 Programmers reference (UPLI 800022)

5.6. @APL

A very powerful and sophisticated language with teaching facilities built into it. The character set causes problems because of the restricted terminal keyboard at UCT.

Anyone wishing to use APL should contact the advisors.

References:

(1) APL/360 User's Manual (A1115)

(2) APL/360 Primer (A1116)

Tax structure for women under review

CT 4/8/81

320 (8/2)

HOUSE OF ASSEMBLY. — The Standing Commission of Inquiry into Fiscal Policy is to consider revising and adapting the income tax structure with a view to "reducing disincentives to women in the labour market".

A government White Paper on a special report by the National Manpower Commission tabled yesterday concurs with a recommendation that trained women must be utilized more extensively in high level manpower occupations.

The White Paper says this could happen only if, amongst others, "the Department of Finance once more gives serious consideration to the revision and adaptation of the present tax structure applicable to individuals, with a view to the possible further reduction of the disincentives related to it, especially in so far as it is still prejudicial to the optimum development, utilization and maintenance of female employees".

Private and government sectors should create more opportunities and facilities to employ women on a part time basis and employers in general should give attention to the provision of facilities such as creches, day-care centres and to the introduction of flexitime to make optimum use of married women's labour.

The report also recommends the utilization of retired people in high level management occupations on larger scale, especially for training and retraining purposes and the use of the Manpower 2000 project to encourage retired people to offer their services. — Sapa

Women welcome possibility of income tax structure revision

NM 6/8/81 (320)

Mercury Reporter

WOMEN'S organisations throughout the country yesterday welcomed the possibility of a revision of the income tax structure which would encourage women to enter the labour market.

Reacting to a report that the Standing Commission of Inquiry into Fiscal Policy was to consider revising and adapting the structure, Mrs W Kilpatrick, chairman of Womanpower 2 000 in Johannesburg, said the news was 'very significant and welcome'.

'But things must start moving a lot faster,' said Mrs Kilpatrick, 'there is a vast reservoir of womanpower and tax is the major deterrent which is stopping them going back to work.'

Mothers

On Monday, a Government White Paper on a special report on high-level manpower by the National Manpower Commission, concurred with the recommendation that trained women, including married women, must be utilised more extensively in high-level manpower occupations.

Mrs Kilpatrick pointed out that tax was not the only deterrent and that a lack of day care centres for working mothers' children, discrimination and 'flexitime' were areas which also needed attention before women would be successfully drawn back into the labour force.

Mrs Cristina Rodel, principal of the Single Women and Parents' Association, said her organisation 'wholeheartedly supported the recommendation'.

Children

She applauded in particular the recommendation in the report which stated that private and Government sectors should create more opportunities and facilities to employ women on a part-time basis, and that employers should give attention to the provision of facilities such as creches, daycare centres and to the introduction of flexitime to make optimum use of mothers' labour.

'A lot of our members would love to work but they find it very difficult and worrying when they have nowhere to leave their children,' said Mrs Rodel.

Mrs Bobby Bonfield, president of the National Council of Women of South Africa's Durban branch said: 'It is essential that married women should have a tax incentive to go back to work.

'A separate taxation policy, where a wife's income is not joined with her husband's at the end of the financial year, is vital.'

The report also recommended the utilisation of retired people in high-level management occupations on a larger scale, especially for training and retraining purposes.

320 13/8/81

Deductions are degrading and insulting, say top women

By Sue Garbett

"This is an insult." "It's peanuts." "What a sterile budget."

These are some of the comments of leading South African women on the announcement that tax deductions for working married women are to be increased by R400 to R1 600, phased in over the next two years.

Top businesswoman Mrs Elisabeth Bradley, who is a director of Wesco, said she found the deduction "positively degrading."

"I see it as a disability allowance and no substitute for the principle that a working woman should be taxed as an individual her own right."

The general reaction was one of shock that the Minister of Finance had not even spoken about the possibility of a new tax system for married working women at a time when South Africa is experiencing such a skills crisis.

"The Government will never have the full economic commitment of women until it changes the system," warned Professor Sandra van der Merwe of the University of the Witwatersrand Graduate School of Business.

"If we don't get women back into the labour force, it is going to cost the Government more in the long run, than changing the tax system now," said Vella Kirkpatrick, head of Womanpower 2000, a committee that is trying to get married women back to work.

Deductions for working married women were just part of Mr Horwood's tax package.

He said his department was also involved in seeking ways and means of reducing the volume of tax returns.

"Work in this direction is so far advanced that I hope to introduce legislation during the current session or early in 1982 to enable a start to be made with the new scheme from March 1, 1982.

"The proposed measure will have the effect of relieving individual taxpayers with taxable incomes of not more than R7 000 a year from the necessity of rendering income tax returns where such incomes are derived entirely or almost entirely from salaries or wages.

"The PAYE deductions from their salaries will be regarded as the full settlement of their tax liability.

"One of the consequent adjustments which will be required to bring the new system into operation is that the deduction allowed from the earnings of married women will have to be increased from the existing R1 200 to R1 600.

"It is felt advisable to spread this increased deduction over two years, and t[illegible] allow R1 400 with e[illegible] fect from March 1981.

"In a full year th[illegible] estimated loss of reve[illegible]nue will b[illegible] R18,9-million but a[illegible] the 1982 tax year i[illegible] already so far advan[illegible]ced and deductio[illegible] tables will not b[illegible] amended, the loss fo[illegible] the 1981/82 financial year is estimated at R2,4-million," Mr Horwood said.

Govt faces pay rise row over perks tax

14/8/81

Rian

320

By GERALD REILLY

THE Government will face an unprecedented outcry from public and private sector workers if the taxing of fringe benefits — particularly subsidised housing loans — is not offset by higher earnings.

This is the widespread reaction to the Budget announcement by the Minister of Finance, Mr Owen Horwood, that fringe benefit taxation will be introduced in the 1982-83 tax year.

Mr Horwood said the tax should not be used as a pretext for higher salaries.

Organised commerce and industry welcomed the news that the tax would be phased in over two years and the Minister's assurance that it would be "moderate".

However, it is pointed out that as much as a third of the real earnings of some middle and top management executives is paid in fringe benefits, including company cars, big entertainment allowances and subsidised loans.

The taxation would therefore mean restructuring the remuneration package.

The president of the Public Servants' Association, Dr Colin Cameron, said public servants had few perks "and the little we do have, we intend protecting".

The cheap housing loan facility was the main fringe benefit enjoyed by thousands of public sector workers.

Blast

Dr Cameron said: "If this benefit is taxed, we intend going for full compensation, in

14/8/81

320

a pretext for higher salaries.

Other senior public servants said the Government faced an unprecedented blast of protest from State workers if any attempt were made to deprive them of the housing perk without adequate compensation.

"We have a staff shortage now estimated at 17 000," Dr Cameron said. "The resignation rate is still high, but will become dramatically higher if we lose this benefit."

The delays and disruptions at present bedevilling work in some State departments would deteriorate into a situation of "near-chaos", it was stated.

Pay cut

The chairman of Assocom's taxation committee, Mr R J Wood, said the real earnings of workers would have to be maintained.

"The Minister surely cannot expect affected personnel docilely to accept what would amount to a cut in their earnings because they have lost fringe benefits."

The average man's take-home pay would be reduced if his perks were taxed, and he would expect compensation.

Mr Wood agreed with other business leaders that at a time of acute shortage of skilled labour, no company could afford to risk losing skilled staff by refusing to compensate loss of earnings through the perks tax.

The vice-president of the Trade Union Council of SA, Mr Steve Scheepers, said trade unions would react strongly if employers took Mr Horwood's advice and failed to raise earnings to make up for perks tax losses.

However, he said, he and other leading trade unionists fully supported the tax move.

Adjustments

Mr Scheepers warned, however, that if any attempt were made to escape paying full compensation for the effect on subsidised housing loans, there would be an outcry.

The chairman of the Federated Chamber of Industries tax committee, Mr George Thomas, said salary adjustments would obviously depend on the extent to which perks were to be taxed.

However, it was unlikely employers would be able to avoid salary adjustments — and this would, unfortunately, be inflationary.

Mr Thomas said that to some extent Mr Horwood had compensated for the impending taxation by last year's tax concessions.

The president of the Railways Artisan Staff Association, Mr Jimmy Zurich, said there would be an outcry from Railway workers if their cheap housing loans were taxed and there was no compensation.

If the Railways refused full compensation, the administration would risk losing skilled workers at an even faster rate.

Mr Zurich said the issue would be included in the ASA's pay discussions with the Minister of Transport, Mr Hendrik Schoeman, next month.

More tax relief needed for married women

(320) CT 15/8/81

THE proposal to increase the deduction allowed from the earnings of married women from the existing R1 200 to R1 400 with effect from March 1, 1981 and from R1 400 to R1 600 with effect from March 1, 1982, is likely to bring much joy to working wives, especially those highly skilled women whose husbands are already paying very high marginal tax rates.

To ensure that these women make their skills available in the labour market, a greater degree of relief is necessary. If, as would seem to be the case, the Treasury is opposed to the separate taxation of women, the additional deductions proposed should have been larger to make them more meaningful. The handsome concessions in relation to retirement benefits, breeding stock and estate duty should perhaps have taken their place in the queue!

Living together

It seems anomolous that the Treasury is not prepared to countenance a system of separate taxation for a married couple while it applies this basis to couples living together without being married.

The position at present is that two people living together out of wedlock enjoy the following concessions:

(a) They are taxed separately on their incomes;

(b) if they have children not over 18, each party can claim the child rebate;

(c) if either party can show that he or she maintains out of their own resources any one of the children and pays more than 50 percent of the cost of maintenance of that child, each is treated as a separate married person for tax purposes;

(d) they can also double up on the other rebates such as the insurance rebate and the additional rebates for the aged;

(e) they can double up on the medical expenses and the physical disability allowances. For example, an unmarried couple over 60, living together, can claim a combined allowance of R3 000 for medical expenses and R2 400 for physical disability expenses, as compared with R1 500 and R1 200 respectively being granted to a married couple.

A married couple over 60, each spouse earning R20 000, pays some R12 000 in tax, whereas a couple over 60, living together but umarried, pays only about R8 000.

Marriage penalty

These concessions are mentioned to show up the heavy penalty against marriage in our tax system and not to propagate the concept of free love!

Income taxpayers must have breathed a sigh of relief after the Budget announcement that individual and company taxes would not be increased although, for many employees, this must have been tempered by the news that it was the intention to introduce a new system for the taxation of fringe benefits commencing on March 1, 1982.

On the other hand, the minister has proposed very useful structural reform in regard to the introduction of a final PAYE tax deduction system and the phasing out of the separate taxation system for blacks.

He also proposed some further tax reforms that would benefit the aged, retired employees, parents maintaining physically disabled children, farmers and working wives.

In addition, the minister proposed concessions in respect of public companies deriving dividend income and a reduction of estate duty liability.

The minister's silence on the possible introduction of a capital gains tax must have brought a further sigh of relief by many taxpayers.

Personal tax

The minister stated that the substantial lowering of personal income tax rates last year was necessary to prevent the so-called "fiscal drag" — the combination of inflation and a progressive tax system — from increasing the real tax burden on the community.

Regrettably, the problem of fiscal drag continues and with inflation at about 15 percent and our present progressive tax system, the employee who is fortunate enough to receive a salary increment that would match the inflation rate may find that in spite of the increment his real disposable income is substantiably reduced because the additional tax payable on the salary increment may be much in excess of the inflation rate.

The shortfall in disposable income could be much higher for those employees not fortunate enough to receive increases in salary at the inflation rate.

A system of indexation in the Republic's tax system ought to contribute largely to the removal of "fiscal drag" and would be a tremendous boost ot the taxpayer's confidence in the integrity of the tax system.

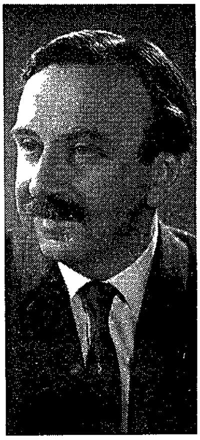
For how is he able to keep his head above water when every increment in his salary designed to meet the increase in his cost of living has to bear tax at the highest marginal rate of tax that has not been adjusted for inflation?

Big improvement

The minister's proposed measure which will have the effect of relieving individual taxpayers with taxable incomes of not more than R7 000 per annum from the need to render annual income tax returns where such incomes are derived entirely, or almost entirely, from salary or wages, will be a tremendous improvement to the tax system bearing in mind also the minister's announcement to put the taxation of blacks on the same basis as all other population groups as from March 1, 1982 under the jurisdiction of one tax authority.

The minister indicated that work in this direction was so far advanced that he hoped to introduce legislation during the current session of Parliament or early in 1982 so that the new scheme would start as from March 1, 1982.

As the value of tax returns will be very substantially reduced (possibly a million or even more taxpayers could



South Africa's leading tax expert, Professor Silke, takes an incisive look at this week's Budget, especially for Business Report readers.

be removed from the Register) this will, as the minister stated, allow the available manpower to be more productively employed on higher revenue producing work.

In this respect, we hope the additional manpower will also be utilized to maintain an effective administration that would benefit all taxpayers by ensuring the maintenance of an equitable and efficient system of tax assessment and collection.

Fringe benefits

It is hoped that the new system for taxing fringe benefits to be phased in over the next two tax years commencing on March 1, 1982 on March 1, 1983 respectively, will clearly define the value to be taxable, will not draw any distinction between employees in the private and public sectors and will be administered in such a way that taxpayers can feel confident that every one bears his fair share of the tax burden.

Certain employees should not be allowed to "get away" with tax on fringe benefits. This evitably affects the morale of those taxpayers who are wholly taxable on fringe benefits and this will lead to a loss of confidence in the integrity of the tax system.

This will, of course, necessitate an effective revenue administration, an essential requirement to ensure fairness and equity among all employees and employers.

It was, therefore, gratifying to hear the minister say that the proposals that he will be submitting to Parliament will be found to be moderate and equitable, that all taxpayers will receive the same tax treatment in respect of their earnings and that assessments will invariably be pitched at levels below the value of the fringe benefits.

We look forward to the revised proposals which will be made available by the Department of Inland Reenue to interested parties in the form of draft legislation and an explanatory memorandum so that any remaining problem areas and the practical implementation of the proposals can be clarified and discussed before they are passed by Parliament.

● To be continued on Monday

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FRIDAY, 21 AUGUST 1981

†Indicates translated version.

For oral reply:

Hvu 3 21/8/81 (c) 124

Blacks: tax

320

*1. Mrs. H. SUZMAN asked the Minister of Co-operation and Development:

(a) What amount in tax was collected from Blacks in terms of the Black Taxation Act in the 1979-'80 financial year and (b) how many Blacks paid tax on income during this period?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) 1979-'80: R83 547 109.

(b) 2 045 029.

b) <u>From Ordinance 50 to 1861</u>

There are sufficient indications that had the Batavian Republic remained at the Cape, it would have raised the status of the free blacks[57] and been responsible for the emancipation of slaves. Change in nineteenth century Cape Town was necessary, if the Cape was to keep abreast with the traditions of Western Europe, traditions which, as a result of the call of freedom and equality of the French Revolution, had undergone tremendous changes. The task of introducing change fell to the British. They became the agent of change and in the second decade of the nineteenth century introduced the rule of law in Cape Town for the first time.

Ordinance 50 of 1828 and the emancipation of slaves were important stepping stones to popular participation in the Cape government. The first actual move in this direction was the promulgation of Ordinance 3 of 1839. Prior to this, the people at the Cape had no part in local or central government. Ordinance 3 of 1839 allowed for the election of wardmasters and commissioners to a municipal executive, called the Municipal Board. A voter had to own or occupy premises with a yearly rental valued at not less than £10.[58]

Black tax reforms will give — and take

13/5/81

320

The Budget's tax reforms for blacks will give with one hand and take with the other.

The major advantages to blacks will be that they will now receive the benefits of rebates, and taxation will begin at a figure higher than the previous R1 830 a year.

But the reforms will place black married working women in the situation which white women have been fighting for years to change.

In the past, black married couples were taxed separately — a situation which white women have demonstrated and petitioned for without success. Now black women will lose this advantage.

In presenting his Budget in Parliament yesterday, the Minister of Finance, Mr Owen Horwood said the phasing out of separate taxation for blacks was part of the ongoing process of systematic tax reforms.

It was his intention to effect the final phase from next March in terms of the Black Tax Act of 1969.

Last year blacks paid R107 703 347 in income tax. Of this, R78 819 617 came from blacks living and working in white areas, and the rest from those in black "states."

If black tax collection is shifted from the Department of Co-operation and Development to Inland Revenue, it will place a massive burden on the drastically short-staffed revenue offices.

A number of tax consultants in Johannesburg said that in their opinion married black working women would not necessarily be put at a disadvantage by the new tax reforms.

They said that to date blacks had not enjoyed the abatements which white taxpayers receive.

Black families could possibly fare better under the new system — particularly if they have several children and are on medical aid and pension schemes.

But one consultant said the new system might cause confusion for those married by African custom. A man with more than one wife would have problems.

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TYPE OF INVESTMENT	MAXIMUM INVESTMENT ALLOWED	INVESTMENT PERIOD	CURRENT INTEREST RATE	WHEN INTEREST PAID	REDEMPTION CONDITIONS	TAX POSITION	LOAN FACILITIES
POST OFFICE SAVINGS BANK ACCOUNTS	R10 000 per person	Indefinite	5% per annum on daily balance	Credited to account yearly	R200 repayable on demand. Larger amounts on application	Interest tax free up to R200 a year per person (on an investment of R4 000)	None
POST OFFICE SAVINGS BANK CERTIFICATES	R20 000 per person	Indefinite	8% per annum on daily balance	Half yearly by cheque or credited to post office savings bank account	On application. If redeemed before 6 months interest reduced to 5% p.a.	Interest tax free up to R800 a year per person (on an investment of R10 000)	None
POST OFFICE NATIONAL SAVINGS CERTIFICATES	R15 000 per person	5 years	1st/2nd year 8,5% 3rd year 9% 4th year 9,5% 5th year 10%	Half yearly	On application, can be redeemed after 2 years	Full amount of interest tax free	None
TREASURY BONDS *	R40 000 per taxpayer (inclusive of previous issues)	5 years	8%	Half yearly on 15th April and 15th October	On application, can be redeemed after 18 months	Full amount of interest tax free	None
DEFENCE BONUS BONDS	No maximum	Indefinite	a) 5% b) Prizes by monthly draw	On redemption	On application, can be redeemed after 1 year	Full amount of interest and prizes tax free	None
BUILDING SOCIETY TAX FREE SHARES	R20 000 per taxpayer	5 years	8,75%	Half yearly	After 15 months on 3 months notice	Full amount of interest tax free	90% loans usually available at 1% above interest rate
BUILDING SOCIETY SUBSCRIPTION SHARES	R50 000 per taxpayer	3 years minimum	8,25%	Credited yearly to account; payable on maturity	At society's discretion after 15 months on 3 months notice	Full amount of interest tax free	90% loans usually available at 1% above interest rate
BUILDING SOCIETY PAID UP SHARES	No maximum	Indefinite	11,5%	Half yearly	After 15 months on 3 months notice	Interest treated as dividends and ⅓ tax free (if total income in excess of R4 600)	90% loans usually available at 1% above interest rate
BUILDING SOCIETY FIXED PERIOD SHARES	No maximum	Minimum of 5 years	12,5% guaranteed	Half yearly	Maybe transferred but not surrendered before maturity	Interest treated as dividends and ⅓ tax free (if total income in excess of R4 600)	None

* Issue closes 30th September 1981. New series commences 15th October 1981 (Terms and conditions still to be announced)

Tax changes in investments

S. Times 16/8/81 (320)

By Elizabeth Rouse

TWO changes were made in tax-free and partly tax-free investments — in building-society shares and Treasury and defence bonds — by Minister of Finance Owen Horwood in this week's Budget.

First, the maximum investment in building-society tax-free shares has been increased from R10 000 to R20 000 per taxpayer, and the interest rate has been increased from 8,25% to 8,75% per annum.

Secondly, the interest rate on building-society paid-up shares goes up to 11,5% from 10% and the interest rate on fixed-period shares increases to 12,5% from 11,5% on October 1.

The other important change involves Treasury bonds and defence bonds. Existing Treasury issues, which are offering yields not competitive with current market rates, will be closed on September 30 and two new series will be offered from October 15 at market-related values. Terms and conditions of these issues will be announced in due course.

The table of tax-free and partly tax-free investments, compiled by a leading Johannesburg firm of chartered accountants, shows the new interest rates available to investors, plus relevant tax advantages.

Other points of interest to Business Times readers which affect individuals are:

- A further rebate of R80, in addition to the rebate of R120 to persons over 60, is to be allowed to taxpayers who are 70 or older.
- The maximum amount deductible from the earnings of a married woman has been increased from R1 200 to R1 400 a year, and is to be increased to R1 600 per annum in the year ending February 1983.
- Estate duty abatements have been increased as follows — primary abatement and the abatement applicable to a spouse goes up from R37 500 to R50 000, while abatements applicable to children rise from R37 500 to R40 000 (applicable from April 1 1981).
- The tax-exempt amount of lump-sum payments received by an employee from his employer by way of bonus, gratuity or compensation upon retirement due to attainment of retiring age, or old age, ill-health or other infirmity increases from R15 000 to R20 000 with effect from March 1 1981.
- The portion of the lump sum remaining after the deduction of the exempt amount will be subject to tax at the average tax rate applicable to the employee's other income and not at the marginal rates which previously applied.
- From March 1982 individual taxpayers with taxable incomes of not more than R7 000 a year, where such income is derived entirely or almost entirely from salaries and wages, will no longer have to render income-tax returns.

The PAYE deductions from their salaries will be regarded as full settlement of their tax liability.

purely technical charge. At the end of the three-day trial the leaders were released,[95] sister organisations having contributed financially towards the cost of lawyers, etc.[96] It was several months before the organisation could publish the second issue of the newspaper, due mainly to lack of funds.[97] The newspaper proved to be a useful means of communication and propaganda amongst the working-class element of Cape Town.

The political and tactical objectives of the organisation in connection with labour's ongoing struggles, unique in their nature, were very similar to those of the Johannesburg-based Communist League led by Andrew Dunbar who was a major exponent of syndicalism in South Africa.[98] The ISL-CT was highly critical of the 'old-fashioned' trade unions and the Cape Federation of Trade Unions was a very regular target of attack, although many prominent members of the League participated openly in its functions (A.Z. Berman, M. Lopes amongst others).[99] The Federation was usually the scapegoat for every labour and strike defeat.[100] It was accused of inconsistency, resulting mainly from its advocacy of continuous support for craft unions (bakers, milliners, musicians, etc.), and the consequent neglect of the unions of industrial (i.e. productive) workers.[101] The League strongly advocated the abolition of all trade unions in the Cape Peninsula and hoped to use their financial backing in order to establish and support the 'Big Industrial Union of the Proletariat', which would subsequently lead to the abolition of tl ... 102

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'Use GST for training'

Argus 18/8/81 (320) (362)

LOCAL authorities should be allowed to use sales tax for training officials in local government, Mr J W Kleynhans (NP Algoa) said in the Assembly yesterday.

Delivering his maiden speech during the Budget debate, he said the newly announced system whereby Government buildings were rateable by local authorities would change the position of local government.

'Numerous restrictions in the past have affected the independence of local authorities. I am now very optimistic about the future of this third level of government,' he said.

He urged the Government not to allow a situation to develop where citizens could not own their own homes.

Mr A Savage (PFP Walmer) said that while there was room in South Africa for private enterprise to play a role in black housing this could only happen if blacks were allowed the right of freehold title.

'Let us do away with this 99-year leasehold fiction for blacks and give them the right to own their own homes,' he said.

He said the Minister of Finance, Mr Owen Horwood, should not shoulder all the blame because it was the entire Cabinet who 'set brutal and impossible policies which cannot be carried out.'

There was nothing wrong with the staff in the Department of Finance, but it was the impossible framework in which they had to work that was to blame for the problems.

South Africa was facing a massive construction job and without carrying it out, the country could not survive.

'What we see today is a Government stumbling away from Verwoerdian madness,' he said. — Sapa.

'Nobody (even the PM) must escape perks tax'

By GERALD REILLY

THE Government was warned yesterday that nobody — not even the Prime Minister and his Cabinet — should slip through the perks tax net.

The tax will be phased in over two years starting next year.

Labour leaders said yesterday the PM and his Cabinet had perks even more lavish than top business executives — and official figures support the claim.

- The Prime Minister has a basic salary of R52 452, plus a reimbursive tax-free allowance of R26 376.
- A Cabinet Minister's basic salary is R36 072 plus a tax-free reimbursive allowance of R10 992.
- A Deputy Minister gets R27 348 with the same allowance.
- MPs get a basic R16 620 with an allowance of R9 228.

Two homes

MPs claim, however, that their allowance compensates for running two homes — one in Cape Town and another in their constituencies.

The Prime Minister and his Cabinet have luxury accommodation in Cape Town and Pretoria which would cost R1 000 a month to rent.

They pay only token rents.

They have chauffered R30 000 luxury cars which, a motor trade executive estimated yesterday, must have a real income value of R650 a month.

Deputy Ministers' housing and transport benefits are only slightly less lavish and maintenace and repairs on houses and cars are free.

So the house and "company" car perks the PM and his Ministers enjoy are worth about R20 000 a year *above* their reimbursive allowances.

Proposals

Mr Mickey van der walt, Commissioner for Inland Revenue, said from Cape Town yesterday that the tax would be applied without fear or favour.

He would be having talks next month with the Afrikaanse Handelinstituut, Assocom, the Federated Chambers of Commerce and the Trade Union Council on proposals for measuring the value of perks.

PFP finance spokesman Mr Harry Schwarz emphasised the right across the board — nobody should escape."

Mr Schwarz added that the tax would mean tremendous demands for compensation for loss of real income and would be inflationary.

Tucsa general secretary Mr Arthur Grobbelaar said everybody should be taxed on their real incomes — no matter what form — from the State President down.

"We have had the assurance from the Minister of Finance that the tax will be applied equitably. This means the Prime Minister, his Cabinet and senior Government officials must be made to pay up on all income — cash or kind.

To be acceptable to the public the new tax must be seen to be scrupulously non-discriminatory, Mr Grobbelaar said.

Fringe tax could prompt public servants to quit

Star 320 20/8/81

Own Correspondent

Taxing public servants on housing subsidies and other fringe benefits could result in a further mass exodus from the service.

This warning comes from senior public service spokesmen who said the already critical staff situation would be aggravated unless salaries were increased to make up for the money officials would lose in the new taxes.

They said most public servants lagged behind the private sector in real income, and they would be hit particularly hard if the few fringe benefits they enjoyed were taxed.

More than 60 000 officials of the central government, provincial administrations and service departments would be affected by the proposed taxation on housing subsidies, one official said.

"The subsidies mean to most of them an additional R80 to R120 a month. Many are completely dependent on these subsidies, or they would not be able to afford homes of their own."

Other fringe benefits such as car purchase schemes affected only a small number of top officials, but the house subsidy scheme touched the lives of nearly everyone in the service.

"We are not asking to be exempted from taxes on fringe benefits," he said, "but our salaries are nearly 40 percent lower than those paid to workers in the private sector, and it would be unfair to tax us on the same basis."

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.

FISCAL DEBT FM 21/8/81

Modest demands

320

Contrary to the initial post-Budget reaction of a string of commentators, the financing of Finance Minister Owen Horwood's 1981/1982 Budget deficit will place no undue strains on the capital market. Next year, however, the picture could be very different.

In Parliament last Wednesday, Horwood presented his fiscal balancing exercise in this manner. The projected deficit of revenue relative to expenditure amounted to R2 817m. To this was added government debt maturing during the fiscal year of R2 842m, yielding a total of R5 659m. He proposed to finance this amount from the following sources:

	Rm
Public Debt Commissioners:	1 850
New issues already funded and re-investment of maturing debt	2 510
Non-marketable debt	550
Foreign loans	350
Loan levies	45
Surplus from previous year	40
SUB—TOTAL	3 345

This left a deficit of R314m. which Horwood, wishing to "refrain from placing undue pressure on the money and capital markets during the next few months," reduced to R204m by subtracting the revenue to be gained from higher customs and excise duties on liquor, cigarettes and "less-essentials."

Different analysts have dissected in differing ways the implications for private sector capital sources of these figures, but the end results show a remarkable consensus. One large insurance institution, for example, offers this rough breakdown: of the R5,7 billion total financing requirement, about R1 billion is to come from miscellaneous sources like foreign loans, non-marketable debt, etc; the PDC will provide close on R2 billion; about R500m in new money was raised by the stock issue in May this year; and about R200m has probably come from Reserve Bank open market operations. Of the remaining R2 billion, the May issue rolled over half of that, leaving R1 billion not yet accounted for. Of this, about R800m will be rolled over in the remaining government stock issues this year (October and December), most of it probably short-term and taken up by the banks, which will neither add to nor subtract from their liquidity bases. This leaves R200m to come from the long-term capital market, an amount that can be viewed with equanimity, and one for which there appears to be an ample supply of funds.

Another institutional analyst arrives at a similar conclusion by an alternative route. He estimates that the whole fiscal year will demand about R700m from the private sector. Up to R500m has already been raised in the May issue and in subsequent open-market sales of government debt, leaving about R200m in net new money still to be found.

This modest amount raises the question as to why Horwood bothered to relieve the capital market of the R110m he chose to fund from customs amd excise revenue. It could be that he genuinely wished to minimise domestic capital demands, given the current liquidity squeeze. It could also suggest that he wished to use all possible means to blanket rises in interest rates.

But it could also be — and economic analysts are making strong suggestions of this nature — that he did not fully trust some of his own conservative expenditure figures and liberal revenue figures.

Excluding defence and public sector salary percentage increases, most government departments have been allocated expenditure rises of about only 9%. And gst revenues are budgeted to increase by as much as 30%. Both these are felt to be unrealistic, and since Horwood wishes to steer clear of bank credit, could imply further demands on the capital market before the fiscal year is out. In addition, the Public Debt Commissioner failed last year to provide his budgeted amount, and there is no reason why this year should be different.

So capital market sources believe the modesty of this year's financing requirement does not in itself suggest an easing in interest rates. This year, they say, will run into next year, and the net deficit funds then required by government could run towards R4 billion or R5 billion.

But added upward pressure on long-term interest rates could come sooner. The secondary capital market is extremely quiet right now, as participants await the Reserve Bank governor's annual speech at the end of this month with perennial expectations of important changes in liquid asset and prescribed requirements. Long-dated RSAs are at about 13,09/12%, and Escoms at 13,20/22%. But investors believe the next government issue, probably in October, could push RSAs to a new benchmark of 13,15%, and Escoms could touch 14% before this time next year.

Quite apart from the institutions taking long views on likely inflation rate movements, the PDC is also said to be a contender for better rates of return. It allegedly pays 11% to the state institutions that deposit their pension funds with it, and does a substantial amount of lending business to worthy causes at about 10%. Profit and loss considerations alone demand workable margins

DUTIES 320

Less-essential duties

FM 20/8/81

Duties on items such as cosmetics, motorbikes, watches and gramophones have gone up by 5% in terms of the amendments to the Customs and Excise Act of 1964 made by Minister of Finance Owen Horwood in the Budget.

These items are among those Horwood described as "less-essential" in his budget speech — items included in the schedule of goods subject to *ad valorem* excise and customs duties (Section B of Part 2 of Schedule No 1 to the Customs and Excise Act). Goods in this schedule have remained taxable on an *ad valorem* basis since 1978, when the old sales duties were abolished and gst introduced.

The examples mentioned by the Minister were jewellery, photographic equipment and furs, but the list is in fact fairly extensive. Details of the new duties have now been released and are shown in the table.

A full breakdown of customs and excise duty increases on cooldrinks, beer, fortified and sparkling wines, cigarettes, cigars and tobacco has also been published. Details of how the increases would affect the retail prices of these items were given in last week's *FM* Budget issue (14 August).

Consumers will contribute a total of R110m to the Exchequer through the increased customs and excise duties announced in the Budget.

DUTY ON "LESS-ESSENTIAL" ITEMS

Description	Present rate		Proposed rate	
	Excise	Customs	Excise	Customs
		%		
Perfumery, cosmetic or toilet preparations	20	20	25	25
Aqueous distillates/solutions of essential oils	20	20	25	25
Photographic paper	15	15	20	20
Photographic film	15	15	20	20
Furs and fur clothing	20	20	25	25
Artificial furs and clothing	20	20	25	25
Pearls	20	20	25	25
Precious and semi-precious stones	20	20	25	25
Jewellery and articles of precious metal	20	20	25	25
Imitation jewellery	20	20	25	25
Microphones, loudspeakers and amplifiers	20	20	25	25
TV and radio receivers	20	20	25	25
Motorcycles (with engine capacity of 200 cc or more)	15	15	20	20
Mounted lenses for photographic cameras	20	20	25	25
Sunglasses	20	20	25	25
Refracting telescopes	20	20	25	25
Photographic cameras	20	20	25	25
Photographic flashlight apparatus	20	20	25	25
Cinematographic cameras and projectors (8 mm film and smaller)	20	20	25	25
Image projectors	20	20	25	25
Pocket watches, wrist watches and other watches	15	15	20	20
Clocks	15	15	20	20
Gramophones, dictating machines, tape decks, tape recorders, video recorders	20	20	25	25

could move them up, you see. That's where she sort of
got some advantage if t

The people called the Bailens 'Ba
just a more familiar name - and c
because of his baldness. "They n
Mrs Zurne recalled, and Mr George
one time in District Six theatre

One of the things Mrs Zurne recal
and her sisters played the piano
taught to put that music together
and suddenly we had to come forth
remembering how they had worked it
had the sheet music marked - cowbo
and Vera (next after Anne) turned
this time, they were aged eleven to

The hired staff she remembered as m
manager, was a key person - an "all
the premises". He looked after bot
served as chucker-out, and saw to t
Posters "came in four pieces and we
was a serious matter if one got stu
were a brother and sister - he play
piano, at the Empire, and "this gav
pianist was Thomas - a 'coloured' -
music. There was a cashier, Johann
and "the sweetest thing you could h
young Bailens how to take cash. Th
Once the Bailens retired from their
these people except for Thomas, who
the driver of his own taxi. Mrs Zur
was paid on Fridays, but of wages sh

With the Bailens' success came new t
his the United. He wanted people tc
connection with her parents' Union, she claimed with a delighted
chuckle, observing that they were all "sharp and shrewd". "All
these people who opened bioscopes were Jewish men", she stated,

Perks tax may be delayed

S-Times 23/8/81 320

WORK on preparing the draft legislation to introduce fringe-benefit taxation is still under way, but it is not yet clear whether it will be completed in time for the current short session of Parliament.

This was confirmed yesterday by the Commissioner for Inland Revenue, Mr Mickey van der Walt, who declined to comment further.

When the Minister of Finance, Mr Owen Horwood, introduced the Budget last week he said the intention was that the Bill would be submitted to Parliament "hopefully during the present session as part of the annual Income Tax Amendment Bill".

But this week hints emerged that the legislation may only be introduced during next year's parliamentary session.

It is understood that the Government is anxious to get the legislation passed as quickly as possible to ensure that the new taxation can be affected by next year.

But Mr Horwood gave an undertaking during his Budget speech that the draft legislation would be canvassed among interested parties before it was introduced in Parliament.

With less than two months of the current session left, this will leave little time for a comprehensive canvas.

The proposal to introduce fringe-benefit tax has already caused considerable controversy.

The Opposition's chief finance spokesman, Mr Harry Schwarz, said this week that the timing was wrong for fringe-benefit taxation to be introduced.

Compensate

"We are not satisfied that this is the right time to bring in such a tax," he said.

"There is no doubt it will result in salary demands to compensate for what is being lost.

"That, in turn, will cost companies more money and will therefore feed inflation.

"You do not introduce this sort of measure during a downturn in the economy and when there is a high inflation rate," he said.

The Opposition, along with public servants and the labour movement, is also insisting that if the tax is introduced it must apply to all, from the Prime Minister down.

Mr van der Walt has already given an assurance that the tax will be applied "without fear or favour".

One of the problems with applying the tax effectively to members of the Cabinet is that many of their perks will be difficult to quantify.

This applies particularly to housing and transport. Cabinet members pay a nominal rental for their homes in Cape Town and Pretoria and are supplied with expensive cars and drivers.

If the tax is applied to MPs, they will be certain to demand higher salaries to compensate them. At present, MPs draw a tax-free allowance of R9 225 a year over and above their salaries of R16 620.

They have to maintain two homes and several have confirmed that if their allowances are taxed they will demand higher salaries.

Deputy Ministers earn R27 384 a year with tax free allowances of R10 992, Cabinet ministers earn R36 072 with the same allowances, while the Prime Minister receives R52 452 with a tax free allowance of R26 376.

129. Emma Goldman, pp.3-4

130. On syndicalism in En…)irdick, 'Syndicalism and industrial unior… unpublished D.Phil. thesis, Oxford Univ… ce, B.H. Moss, The Origins of the Fren… : The Socialism of Skilled Workers, (… ss, 1976).

131. See Bolshevik, 1, …

132. See 'Reform or rev… December 1919, p.4.

133. Bolshevik, 1, 4, … litical action', p.3.

134. Ibid.

135. Ibid., p.4; and …).6, 'The last days'.

General sales tax revenue

200. Mr. P. A. MYBURGH asked the Minister of Finance:

What (a) is the anticipated general sales tax revenue from (i) bread and (ii) maize products for the current financial year and (b) was the general sales tax revenue in each such category for the 1979-'80 financial year?

The MINISTER OF FINANCE:

Because the sales tax is a general levy on the taxable value of transactions without regard to the commodities involved, no record is kept of the yield thereof resulting from sales of specific commodities and the information asked for is, accordingly, not available.

136. Justice, 267, part 1, 3.1064.18, Letter from Commissioner of SAP to Secretary for Justice, 30th November 1920.

137. See 'Democracy and revolution' in Bolshevik, 2, 1, November 1920; 'The coming of socialism', Bolshevik, 1, 12, October 1920; and 'Parliament and mass action', Bolshevik, 1, 11.

138. Bolshevik, 1, 11.

139. Two members were expelled during 1919 when found helping 'political' candidates during the elections. See 'A year's activity' (1919-1920), as reported in Bolshevik, 1, 8, May 1920, p.3.

140. The strong attacks by Dunbar against the ISL-Jhb are reported in detail in Justice 267 and 269, 3.1064.18. See also Johns, op cit.

141. 'Communist Party of SA: Principles and methods', programme of the Party published in Bolshevik, 1, 12, October 1920, p.1.

142. Ibid.

143. Ibid.

144. I. Vermont, 'Socialism and the coloured folk', in Bolshevik, 1, 6, March 1920, pp.2-3.

145. See 'Socialism and the Labour Party', M. Lopes in Bolshevik, 1, 7, April 1920, pp.2-3.

146. Harry Haynes 'White workers awake', in Bolshevik, 1, 9, June 1920, p.2.

147. 'The Cape' as quoted in Bolshevik, 1, 3, December 1919, p.2.

148. Ibid.

149. 'Socialism versus violence', in Bolshevik, 1, 4, January 1920, pp.2-3.

150. According to E. Goldman there are three main methods used by syndicalism: direction action, sabotage and general strike. The ISL-CT strongly advocated the first and third. See Goldman, pp.8-9.

151. Bolshevik, 1, 4, pp.2-3,

(326) 26/8/81

Urban bus services

*26. Mr. S. S. VAN DER MERWE asked the Minister of Finance:†

(1) Whether companies operating urban bus services are exempted from the payment of general sales tax on materials required for the provision of such services; if so, what is the nature of the exemption; if not,

(2) whether he will consider granting such exemption?

†The MINISTER OF FINANCE:

(1) No.

(2) No.

Urban bus services

*27. Mr. S. S. VAN DER MERWE asked the Minister of Mineral and Energy Affairs:†

Whether companies operating urban

bus services are exempted from the payment of any levy forming part of the price of petrol or diesel; if so, what is the (a) nature, and (b) amount per litre, of such exemption?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS:

No.
(a) and (b) fall away.
In the light of the next question of the Order Paper I want to point out in order to prevent confusion, that my reply refers to the Equalization Fund Levy and not to the customs and excise portion of the fuel price.

Urban bus services

*28. Mr. S. S. VAN DER MERWE asked the Minister of Finance:†

Whether companies operating urban bus services are exempted from the payment of any duty forming part of the price of petrol or diesel; if so, what is the (a) nature, and (b) amount per litre, of such exemption?

The MINISTER OF FINANCE:

Petrol—No.
Diesel—Yes.

(a) Partial rebate of customs and excise duty for use in road transport for public passenger bus transport in terms of item 410.04/27.10(2) of Schedule No. 4 and item 609.05.10(1) of Schedule No. 6 to the Customs and Excise Act.

(b) Customs duty 9,976c per litre
Excise duty 9,975c per litre

For written repl

Donations tax

257. Mr. D. J. N. MALCOMESS asked the Minister of Finance:

(1) (a) What is the latest specified date on which the rates of donations tax were altered and (b) what were they prior to being so altered;

(2) (a) what amount may a tax-payer donate to his children free of donations tax and (b) (i) what were the last two alterations of such amount and (ii) when was each such alteration effected;

(3) (a) what amount may a tax-payer donate on a casual annual basis and (b) (i) what were the last two alterations of such amount and (ii) when was each such alteration effected;

(4) (a) on what date were the rates for the tax-free portion of dividends altered and (b) by what amount were they altered?

The MINISTER OF FINANCE:

(1)(a) and (b) The rates have never been altered.

Hans. SQC 243
31/8/81

320

(2) (a) R15 000 multiplied by the number of children of the donor who are alive on the date on which the donation is made.

(b)(i) and (ii) The amount of R4 000 (£2 000) was increased to R10 000 (£5 000) with effect from 20 March 1957 and the latter amount was increased to R15 000 with effect from 1 April 1978.

(3) (a) R1 000.

(b)(i) and (ii) The amount of R400 (£200) was increased to R1 000 (£500) with effect from 1 July 1955.

(4)(a) and (b) The rates have never been altered.

At last, some tax hope for married women

RDM 9/9/81

320

By DAVID CARTE

OBSTACLES to the separate taxation of married people have become less formidable and the tax authorities will soon be able to consider the arguments on their merits, says Dr Joop de Loor, Director General, Finance.

Speaking at the Unisa Business School's "Policy Options for the Decade" seminar in Johannesburg yesterday, Dr De Loor said recent proposals changing the tax system would go a long way towards solving the practical problems of separate taxation.

A new system of final PAYE deductions and the repeated raising of the tax threshhold, he said, would partially solve the logistical problems involved.

The major problem in the past, he said, was to produce a system that would not increase the tax burden of the single-breadwinner family, while ensuring that the Fiscus did not lose an unacceptable amount of revenue.

Dr De Loor said, at 1981 tax rates, couples without children earning less than R12 000 a year would pay more tax if they were separately taxed.

Nearly 83% of all taxpayers earned less than this amount. This meant that only a minority of taxpayers would benefit by separate taxation.

He said separate taxation for married couples would increase the workload of tax officers by 25%, but this problem could be solved in time.

Dr De Loor said the tax system decided upon would have to be the most productive one and would have to result in skilled women returning to the labour market. Some studies, he said, suggested that separate taxation would result in a "moderate" return while others doubted it.

TAX POLICIES 320

Price of survival?

FM 11|9|81

The desperate educational and other social needs of SA's blacks will largely dictate the fiscal policies to be pursued over the course of the decade. This is the clear implication of the recent address on fiscal policy by Dr Joep de Loor, Director-General of Finance to the Seminar on Policy Options for the Decade.

The eventual choice of fiscal options for the Eighties will be "very much dependent on the outcome of the constitutional deliberations," and will be materially affected by events abroad.

Thus, the impact on SA's finances would be profound if the independent black states like Transkei achieve international recognition and so gain access to foreign aid sources.

De Loor propounded a series of assumptions on which fiscal planning for the 1980s will be based. The first is that the rate of population growth will gradually diminish although the benefits will not show up for one to two decades.

The second is that foreign political attitudes will not change so dramatically as to allow SA's readmission to the international community. Defence expenditure, however, will remain limited to less than 20% of gross budget expenditure.

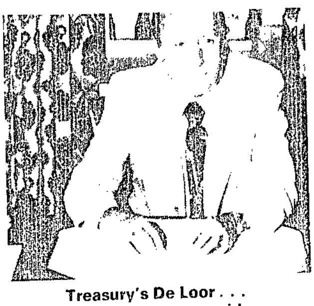
A third assumption is that rising living standards, especially those of blacks, will result in substantially increased economic power.

Finally, inflation will persist, although, hopefully, at lower levels than at present.

De Loor argued that possible claims on the State oblige the revenue authorities to have at their disposal a "wide array of taxation powers."

Income tax on individuals and companies will remain "one of the main tax vehicles of government in the 1980s." Its effectivity has been weakened steadily over the past decades through the introduction of many anti-avoidance and anti-evasion provisions. In addition, the tax base has been eroded through various concessions and exemptions for economic and social ends.

These hidden concessions, or "tax expenditures" should be re-examined. It might be better to keep tax rates constant through repealing the exemptions while providing money for these incentives through visible appropriations on expenditure account. Such a system would permit parliamentary scrutiny on an annual basis. The types of tax expenditures at issue include investment and training



Treasury's De Loor . . . spreading the net wider

allowances, export concessions and decentralisation allowances.

The Standing Commission on Taxation Policy is currently investigating the somewhat haphazard use of investment allowances as compensation for the effects of inflation on replacement costs.

The rate for company tax should not deviate too far from the maximum marginal rate applicable to individuals (obviously to limit tax avoidance by channelling income through companies.)

Also, the arbitrary determination of income subject to tax should be eliminated as far as possible — hence the effort to formalise the rules for taxing fringe benefits.

Another issue is the indexing of income tax rates for individuals to compensate for the effects of fiscal drag. De Loor noted tartly that the services financed by tax payments are not indexed at all and rise as fast as costs increase although this possibility would be kept in mind.

The unit chosen for taxation (either the individual or the family unit) is also important. The inclusion of black taxpayers in the system on an equal basis complicates this issue because of cultural differences.

It has been thought in the past that it was better to reduce the tax burden on married couples through reduction in marginal rates and an increase in the existing level of exemption for married women's earnings than to introduce radical changes in the basis of taxation. Thus, by next year, the exemption for married women's earnings will be R1 600 a year.

One of the main obstacles preventing the summary introduction of separate taxation for married women has been the "difficulty of devising a generally accepted system which, while not increasing the burden on the single breadwinner family, would at the same time not result in an unacceptable loss of revenue."

Thus, if 1981 rates were applied, and spouses taxed separately, all childless couples whose combined annual income did not exceed R12 000 would pay more tax than at present. And nearly 83% of all

DEPARTEMENT VAN BUITELANDSE SAKE EN INLIGTING

No. 1928 11 September 1981

TOEKENNING, POSTUUM, VAN DIE ORDE VAN GOEIE HOOP IN DIE EERSTE KLAS: GROOTKRUIS

Hierby word bekendgemaak dat bogenoemde dekorasie op 3 Maart 1981 kragtens die reëls vervat in die Bevelskrif wat by Goewermentskennisgewing R. 311 van 2 Maart 1973 gepubliseer is, postuum toegekén is aan—

mnr. Archibald Gardner Dunn, wat die Suid-Afrikaanse Ambassadeur in El Salvador was.

DEPARTMENT OF FOREIGN AFFAIRS AND INFORMATION

No. 1928 11 September 1981

POSTHUMOUS AWARD OF THE ORDER OF GOOD HOPE IN THE FIRST CLASS: GRAND CROSS

It is hereby notified that, on 3 March 1981, the above-mentioned decoration was, in terms of the rules contained in the Warrant published under Government Notice R. 311 of 2 March 1973, posthumously conferred on—

Mr Archibald Gardner Dunn, who was the South African Ambassador to El Salvador.

DEPARTEMENT VAN FINANSIES

No. 1910 11 September 1981

AANSTELLING VAN LEDE VAN DIE STAATSPRESIDENT SE STAANDE KOMMISSIE VAN ONDERSOEK INSAKE DIE BELASTINGBELEID VAN DIE REPUBLIEK

Hierby word vir algemene inligting bekendgemaak dat dit die Staatspresident behaag het om mnr. Philip Walter Sceales en professor Hendrik Stephanus Cilliers vir 'n verdere termyn van drie jaar, eindigende op 30 Junie 1984, as lede van die bovermelde Kommissie aan te stel.

(320) 889775

DEPARTMENT OF FINANCE

No. 1910 11 September 1981

APPOINTMENT OF MEMBERS OF THE STATE PRESIDENT'S STANDING COMMISSION OF INQUIRY WITH REGARD TO THE TAXATION POLICY OF THE REPUBLIC

It is hereby notified for general information that the State President has been pleased to appoint Mr Philip Walter Sceales and Professor Hendrik Stephanus Cilliers as members of the above-mentioned Commission for a further period of three years ending 30 June 1984.

PAYE system

*2. Mr. S. S. VAN DER MERWE asked the Minister of Finance:

Hans E Q C 337 (320)

(1) Whether employers in Walvis Bay have been provided with Volume 21 of the tables relating to the deduction of tax in terms of the PAYE system; if not, why not; if so, when;

(2) whether such tables were provided to these employers prior to the date on which they became effective; if so, on what date were they provided to such employers; if not, (a) why not and (b) what procedure are these employers to follow in regard to making arrear deductions?

The MINISTER OF FINANCE:

(1) Yes. On 7 August 1981.

(2) No. Due to an administrative oversight for which the Commissioner for Inland Revenue expresses his regret, the tables were not provided to employers in Walvis Bay prior to the date on which they became effective, but were despatched to them immediately the oversight was discovered. Employers are not required to make any adjustments in regard to amounts which have been underdeducted as such adjustments as may be necessary will be effected in the normal manner when assessments are issued to the taxpayers concerned.

S. Tribune 13/9/81 320

TIME FOR REFORM OF TAX ON MARRIED WOMEN

TEMKIN in the TRIBUNE

ONE OF the most significant moves in the South African taxation system was when we adopted the General Sales Tax — a positive move towards the principle that every person should pay his share of the cost of running the country.

There is, of course, a very valid economic and social argument against the General Sales Tax in that it is levied on all goods which means that the lower-income groups are hardest hit. They have to spend all or nearly all of their incomes while the higher-income groups do not pay sales tax on the monies they save and invest.

This is probably the thinking behind the suggestion by Dr Joep de Loor this week that one of the elements in further tax reform might well be a tax on wealth.

I think it would be precipitate to go into the arguments for and against a wealth tax at this stage as, obviously, a great deal of care will have to be taken before its introduction to avoid its acting as a disincentive to the ambitious who wish to create more wealth for themselves.

In any case, the first stage in any form of wealth tax would appear to be some kind of capital gains tax.

What excites me is the enlightened way in which the Government is investigating the taxation system and reforming it.

What is less exciting is that the reforms are not being made all that swiftly — particularly reform of the taxation of married women.

Again, the issue of married women's tax has been debated at length but there are several other issues which have not been discussed so fully.

MBA students at the Graduate School of Business Administration of the University of the Witwatersrand completed a number of research projects recently on taxation — in place of an examination — and these were compiled into a booklet which the school has published.

Michael Menof, the lecturer concerned, is looking for other taxation issues and problems to research in much the same way, among those discussed in the booklet are:

- The taxation of capital gains.
- The avoidance of taxation.
- Progressive versus proportional taxation.
- The problems and advantages of taxing according to residence rather than source,
- Whether building societies and leasing companies should pay tax.
- The taxation of consumption,
- Whether South Africa is a tax haven,
- Whether incorporation is the answer — form a taxation point of view — for professional people.

What interests me about these research projects is that they bring into sharp focus a number of taxation issues which are not normally publicly debated.

It will be interesting to see how many of these, in due course, become the subject of taxation reform.

Just incidentally, I do hope we don't really have a wealth tax. Let's do something about that terrible taxation system of married women first.

Tax payers/income tax

347. Mr. H. H. SCHWARZ asked the Minister of Finance:

Hans 7 Q c 406

What was the (a) number of taxpayers in each income group and (b) percentage of income tax revenue derived from each such group in the latest specified year for which figures are available?

15/9/81

The MINISTER OF FINANCE:

320

(a) and (b). The following figures reflect the position in respect of the 1978-'79 tax year as at 30 June 1981:

Income Category	Number of individual taxpayers in income category	Tax Assessed in income category as percentage of total tax assessed
LOSS	16 622	—
1– 1 000	204 504	0,04
1 001– 2 000	182 245	0,54
2 001– 3 000	214 752	1,37
3 001– 4 000	185 187	2,04
4 001– 5 000	150 737	2,33
5 001– 6 000	132 773	2,81
6 001– 7 000	120 439	3,39
7 001– 8 000	115 090	4,14
8 001– 9 000	109 565	4,88
9 001– 10 000	100 978	5,53
10 001– 11 000	163 092	11,85
12 001– 14 000	109 986	11,19
14 001– 16 000	67 998	9,29
16 001– 18 000	42 067	7,44
18 001– 20 000	26 666	5,88
20 001– 22 000	17 336	4,63
22 001– 24 000	11 067	3,48
24 001– 26 000	7 678	2,82
26 001– 28 000	5 387	2,27
28 001– 30 000	3 785	1,80
30 001– 40 000	8 293	5,09
40 001– 50 000	2 698	2,40
50 001– 80 000	1 971	2,62
80 001–100 000	327	0,66
100 001–150 000	276	0,78
150 001 and over	124	0,73
Total	2 001 643	100,00

Unequal tax contributions

CT 16/9/81 (320)

HOUSE OF ASSEMBLY. — People earning between R833 and R1 166 a month are responsible for 23 percent of the income tax collected by the government — although they make up only 13,6 percent of individual taxpayers.

The Minister of Finance, Mr Owen Horwood, gave the figures in a written reply to Mr Harry Schwarz (PFP Yeoville). They show that of the 2 001 643 taxpayers in South Africa in the 1978/79 tax year, 273 078 earned between between R10 001 and R14 000 a year and contributed 23,04 percent of the total income tax assessed.

Those earning between R14 001 and R24 000 a year made up 8,25 percent of taxpayers and contributed 30,7 percent of the total tax assessed. The other 19 percent was paid by the 30 539 people earning more than R24 000 a year.

Mr Horwood said the figures reflected the position for the 1978/79 tax year on June 30, 1981. — Sapa

Wealth tax the key to capitalist future: academic

Star 17/9/81 (320)

Own Correspondent

DURBAN — A call has been made for the introduction of an annual wealth tax as a means of ensuring the survival of capitalism and the future security of South Africa's white community.

University of Natal economics lecturer, Mr M D McGrath today told the Economics Society conference at the University of Durban/Westville that a major cause of income inequality was the unequal distribution of personal wealth.

In a paper entitled "Wealth and economic justice in South Africa," Mr McGrath said personal wealth should be reduced dramatically in order for black South Africans to wish to perpetuate the economic system.

"The time left for implementing reforms has become limited, and intervention to redistribute wealth through increased rates of death duties and an annual wealth tax seems imperative."

"Such a new tax should not be seen as a substitute for income tax and death duties" but as "a necessary complement."

The proceeds from a wealth tax could go towards financing policies that would narrow racial income inequalities — mainly policies and programmes concerned with education, health, housing, and rural development.

Mr McGrath said little research had been done on wealth and income distribution in South Africa. But it seemed clear that the country's distribution pattern was similar to that of other Western nations. This meant a vast proportion of the wealth was concentrated in a few white hands.

This concentration would act as a factor perpetuating racial income disparities. Besides the economic power yielded by this concentration, it was an indirect source of social and political power, Mr McGrath said.

The concentration of wealth represented a potential for conflict. Until this was tackled the mere imposition of equal practices legislation would not lead automatically to the desired goal of overcoming discrimination and institutionalised racial inequalities.

The biennial economics conference has as its theme "Economic policies for the 1980s" and has drawn top economists.

In my opinion

(320) FM 25/9/81

ERROL DANZIGER

Taxing "excessive" profits

Errol Danziger is a lecturer in the Department of Mercantile Law at Unisa and associated with the Unisa Tax and Business Law Centre.

SA's economy is at present emerging from one of the most vital booms in its history. During 1980 an economic growth rate of 8% was achieved, but the inflation rate rose during this period to an unprecedented 15% a year.

Growth has dropped off, but the inflation which accompanied it has persisted. At the time when the inflation rate began to rise significantly — but was matched by record growth — inflation was ascribed by most economists to the record expansion in the money supply, although secondary reference was made to excess consumer demand. In the ears of the layman, the former explanation rang somewhat hollow, as the phrase "growth in the rate of increase in the money supply" seemed to him to be little more than a euphemism for, or one of the symptoms of, inflation, rather than one of its causes. At a time of spiralling prices, reports of company results indicated — as they still do — great increases in turnover percentages, which, however, are often accompanied by profit increases vastly higher proportionately than increases in turnover. This situation gave the man-in-the-street cause to wonder whether a more concrete solution could not be found.

An important recent development has been that despite significant progress having been made in curbing the growth rate in the money supply, inflation continues unabated. It would thus appear that a question mark has been cast over the "rate of growth of the money supply" rationale as the major cause of inflation.

It is submitted that the aforegoing remarks are not without substantiation. In a recent article, Professor D J Botha, head of the Economics Department at the University of the Witwatersrand, stated that in his opinion, manipulation of the money supply was unlikely to bring about price stabilisation and that price rises were not only caused by cost increases, but by expectations of continued inflation. He added, significantly, that a reduction in the growth rate of the money supply did not necessarily mean that inflation would be thereby controlled, particularly if what he regarded as the enormous profit margins of most large SA monopolies and importers were considered.

He referred also to an excessive number of monopolies and oligopolies operating in the economy, which, he said, did as they liked with prices, thereby distorting the market mechanism and bringing about inflationary pressures.

In a recent comment, the July 1981 *Opinion Survey* report of the Stellenbosch University Bureau for Economic Research reported that, although the business sector expected turnovers to stagnate, the general feeling was that prices would not only continue to increase, but that the rate would accelerate. This expectation, said the report, was "an indication of a general psychological climate where it does not seem to matter if costs are rising because they can be passed on to the consumer."

Although the government clearly remains committed to the promotion of free market conditions in the economy, concern has been expressed recently with what is seen as exploitation of freedoms under the free enterprise system.

On May 20 1981, the Minister of Commerce and Industries stated that inflation was partly attributable to elements active in the economy which were continually driving to improve their positions by abusing the weaknesses of the free market system, precipitating increased prices, inflation and consumer resentment directed at the economic system as a whole.

The Minister called for the support of the business community in the government's fight against inflation, by asking the community to display "a high degree of responsibility in determining the prices of their goods and services. Unless (the private sector) discipline themselves regarding price increases and cooperate with the government in its fight against inflation," said the Minister, "it is going to be more difficult to achieve the objectives of less state intervention and control."

Judging by the results of the survey of the Bureau for Economic Research, the Minister's appeal has fallen on deaf ears. Both price rises and inflation continue unabated. The main method applied thus far by government to combat inflation, has been a monetary policy in terms of which interest rates are manipulated in order to cut the rate of growth of the money supply.

The question now arises as to what further action should be taken. Wage and price controls are considered to be too stressful on the economy.

An alternative which presents itself is a fiscal measure — the imposition of an excess profits tax.

Taxes of this nature were imposed in SA during both World Wars. It is interesting to note that when the then Minister of Finance introduced the legislation in 1940, he stated that the purpose was not only to raise revenue for the war effort, "but also to discourage the making of excess profits at the cost of the consumer."

More recently, an excess profits tax was mooted in March 1981 by a leading figure in the business community, Raymond Ackerman.

It is submitted that a tax on excess profits, introduced perhaps subject to the proviso that its currency be compulsorily reviewed by Parliament each year, would be a logical step in the current economic climate, and certainly deserves more consideration than it has hitherto enjoyed.

Despite progress in curbing the growth of the money supply, inflation continues unabated

Considering that SA is currently engaged in an economic war against inflation, a measure of this nature cannot be regarded as excessive. The legislative framework for such a tax, which would include a definition of the concept "excess profit," could be drafted with comparative ease and the tax would be simple to administer.

What is needed at this juncture is not a confiscatory tax which would have the effect of destroying the profit motive in business, but rather a milder measure aimed not at raising revenue, but at combating the psychology prevalent in the business community that prices and profits must rise at the expense of the consumer.

To be effective, the tax would need to be imposed not only on company profits, but on all sectors of the economy, including professionals and agriculture. It would do much to boost flagging consumer confidence in free enterprise.

Hans 9 **Black taxpayers**
CC 5304 28/7/84 320

436. Mr. H. H. SCHWARZ asked the Minister of Co-operation and Development:

What was the (a) number of Black taxpayers in each income group and (b) percentage of income tax revenue derived from each such group in the 1978-'79 tax year as at 30 June 1981?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) Statistics of Black taxpayers in each income group are not kept.

(b) Falls away.

Vasbyt! Public workers united on Perks Tax

29/9/81

320

Pretoria Bureau

PUBLIC sector staff associations are solidly united in their demand for compensation if their housing subsidies are hit by the proposed Perks Tax.

Pretoria sources said yesterday resistance to taxing of their main fringe benefit was a major reason for delay in implementing the tax.

Senior Government workers warned of an "unprecedented outcry" if the Government taxed their only benefit without adequate compensation.

The Minister of Finance announced in his Budget speech this year that the conditions of the tax would, hopefully, be included in the Income Tax Bill to be introduced in the Assembly towards the end of the session.

He also announced that a draft Bill evaluating perks would be sent to commerce and industry for comment.

This had not happened and Pretoria sources said there was too little time for consultations before the end of the session.

This meant the measure would probably be further delayed until the 1982 parliamentary session.

Improved housing loan conditions for Government and Provincial workers, announced by the Minister in his Budget, operate fromOctober 1.

The maximum loan has been doubled to R40 000 and the interest rates have been reduced to 3% and 4%.

From October 1 the average building society rate on which the subsidy will be calculated will be 12,5%.

Loopholes

Senior public servants said taxed housing benefits would seriously affect staff turnover and recruitment.

Public Servants' Association president Dr Colin Cameron said yesterday the PSA had made it clear to the Minister of State Administration, Dr Trnicht, that public servants must not be hit by the Perks Tax.

He said the private sector's search for tax loopholes had spawned fringe benefits and added:

"If this tax is applied the public servant must be no worse off than he is now. He will have to be fully compensated for whatever he loses if the tax is applied to housing loans."

A Posts and Telegraphs Association spokesman said: "If they tax our only perk then they must compensate us some other way."

The 10 Railways staff associations — including two coloured and an Indian one — were unanimous that housing subsidies must be left alone.

Hous 9 QC 366-70 1/10/81 320

Tax-payers

444. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) What percentage of each group of tax-payers in respect of the 1978-'79 financial year falls into the (a) White, (b) Coloured and (c) Asian race group;

(2) what is the total amount of taxation collected from individual tax-payers for the (a) 1979-'80 taxyear and (b) 1980-'81 tax year up to and including 30 June 1981?

The MINISTER OF FINANCE:

(1) In respect of the tax year ended 28 February 1979 the information asked for, is as follows:

Income Group R	(a) White %	(b) Coloured %	(c) Asian %
Loss	97,5	0,8	1,7
0– 1 000	67,0	23,2	9,8
1 001– 2 000	48,1	39,5	12,4
2 001– 3 000	60,7	26,4	12,9
3 001– 4 000	70,9	17,9	11,2
4 001– 5 000	75,2	15,3	9,5
5 001– 6 000	80,9	11,3	7,8
6 001– 7 000	86,6	8,0	5,4
7 001– 8 000	91,0	5,3	3,7
8 001– 9 000	93,9	3,6	2,5
9 001–10 000	95,7	2,5	1,8
10 001–11 000	96,8	1,7	1,5
11 001–12 000	97,4	1,2	1,4
12 001–13 000	98,0	0,8	1,2
13 001–14 000	98,3	0,7	1,0
14 001–15 000	98,4	0,5	1,1
15 001–16 000	98,5	0,4	1,1
16 001–17 000	98,3	0,4	1,3
17 001–18 000	98,5	0,3	1,2
18 001–19 000	98,4	0,3	1,3
19 001–20 000	98,3	0,3	1,4
20 001–21 000	98,3	0,3	1,4
21 001–22 000	98,3	0,2	1,5
22 001–23 000	98,3	0,2	1,5
23 001–24 000	98,2	0,3	1,5
24 001–25 000	98,4	0,1	1,5
25 001–26 000	98,4	0,2	1,4
26 001–27 000	98,4	0,2	1,4
27 001–28 000	98,0	0,1	1,9
Over 28 000	98,6	0,2	1,2

(2) An analysis of collections of normal tax disclosing the tax years to which they relate, is not available. The total amounts collected from individual taxpayers during the financial years (a) 1979-'80 and (b) 1980-'81 were as follows—

(a) R1 944 168 782.

(b) R2 090 902 049.

An analysis showing the amounts collected from individual taxpayers since 1 April 1981 has not as yet been made.

Perks still escape tax net

Star 5/10/81

(320)

Political Staff

CAPE TOWN — The Government has published significant changes in income tax laws which will tighten existing regulations affecting companies while broadening tax-deductible donations to educational institutions.

But the controversial fringe benefits tax has not been introduced in the Income Tax Bill published today.

Mr Mickey van der Walt, Commissioner of Inland Revenue, declined to comment on the issue. But it is understood that the main reason for delays in announcing steps to tax fringe benefits has been opposition within the public service.

The Bill enables individuals and companies to make largescale tax-deductable donations to all educational institutions other than primary schools.

Up to now only donations to universities were tax-deductible.

In future, companies can donate, and claim, five percent of their taxable earnings to educational institutions while private individuals can claim R500 or two percent of their earnings, whichever is greater.

There are no race barriers to the donations and private schools are included in the measure.

DIVIDENDS

But the Government is to close more loopholes in the so-called "dividend stripping" practice which companies use to avoid tax by replacing dividends with some other form of payment.

The promised tightening of tax claims for plant and machinery is contained in the Bill. In future, companies will be able to claim only the actual cost of plant and machinery as a tax deduction and may not include finance and other charges.

Horwood's 'hint on higher taxes...'

6/10/81 320

'But the authorities must proceed cautiously'

Mercury Correspondent

PRETORIA—The Minister of Finance, Mr Owen Horwood, has given an early warning of the possibility of tax increases next year, according to economists.

In an interview in Washington, Mr Horwood also warned that the economic growth rate was declining and would probably go still lower next year, posing the threat of more unemployment.

He said in the present circumstances, where the growth rate could fall further, it would be regrettable if any significant tax increases had to be imposed.

This was why, he said, the authorities must move with caution.

The PFP's finance spokesman, Mr Harry Schwarz, said yesterday that at this stage there was no justification for even hinting at a possible tax increase.

Increases in incomes had placed large numbers of taxpayers in higher income brackets, but because of the persistently high inflation rate the real purchasing power of earnings was either static or declining.

Mr Horwood also warned that there were indications that South Africa was beginning to live beyond its means.

Economists agreed with the minister that the economy had reached a critical stage where, if control and balance were lost, great damage could be done.

In the Washington interview Mr Horwood also reflected the Government's growing concern at the high rate of black unemployment, and the threat this posed to national security.

Important

Speaking in Piketberg last week the Prime Minister, Mr P W Botha, emphasised the need to create jobs to reduce the 'threat of revolution'.

Mr Horwood said it was particularly important in South Africa that there should be continuous growth.

The president of the Trade Union Council of South Africa, Dr Anna Scheepers, estimated the number of unemployed and underemployed blacks to be more than 1 500 000.

Added to this were the 230 000 new black workers who entered the labour market annually.

It was estimated that to achieve near full employment a 6 percent growth rate was necessary.

The most hopeful expectation this year was for a growth rate of between 4 and 5 percent, with a further decline next year.

It was obvious therefore, that the dimension of the problem was increasing, Dr Scheepers said.

MARRIED WOMEN (322)

No tax separation

FM 6/11/81

No less an expert than Dr Daantjie Franzsen of Stellenbosch University, formerly Senior Deputy Governor of the Reserve Bank, has firmly dismissed the arguments for separate tax on married women's income. Delivering the annual lecture of the Unisa Centre for Tax and Business Law in Pretoria on October 28, he noted the persistence of two major objections to a change.

The loss of revenue entailed would require the raising of compensatory classes of revenue which would exceed the carrying capacity of SA's limited taxation potential. Nor could a system of separate tax meet the requirement of equity for the greatest possible proportion of the population. Here the small proportion of the total SA population which pays income tax is very relevant.

SA's approach of recent years — to reduce the maximum marginal rate of tax on personal income and to exempt a proportion of married women's earnings — was therefore the soundest approach. Franzsen pointed out that the tax exempt portion of married women's earnings would go up to R1 600 on March 1, 1982.

Franzsen claimed that opening the door to separate taxation of married women would introduce as many problems as it would solve. According to the Director-General of Finance, Dr Joep de Loor, under the 1981 scale of tax all married couples without children earning less than R12 000 per year would pay more if SA switched to a system of separate tax. And as around 83% of all married taxpayers fell into this category, it would not be equitable to prejudice them to benefit the rest.

Stellenbosch's Franzsen ... supporting joint taxation

Despite his preference for a system of joint tax, Franzsen noted the contrary arguments.

- The joint system imposes — above a certain income level — a considerable increase in the tax burden on two workers contemplating marriage. This is the so-called "marriage penalty."
- It discriminates against two-income families, while it is not feasible to design compensatory provisions adequate to meet all contingencies.
- It generates a disincentive against work for the married woman, because her earnings subject the joint income to tax at a higher marginal rate. The married woman tends to regard her earnings as comprising the top layer of the couple's aggregate income.

The criticisms directed against taxing individuals include the following:

- The individual system fails to meet the criterion of equal tax treatment as between one- and two-breadwinner families.
- The division of income between the two spouses becomes a critical issue under the separate tax system. It provides scope for avoidance practices (like income splitting) which also introduce inequities.
- A particularly stubborn problem is introduced by the treatment of investment (unearned) income. If this class of income is excluded from one of the individual returns and lumped in with the income of the other spouse, it undermines the system of separate tax. If investment income is included in the individual return, this approach amounts to "an open invitation to tax avoidance."

An examination of overseas experience is instructive. Tax or no tax, the proportion of married women working has increased apace. In the US, for example, women, as a proportion of the total work force, increased from 27,4% in 1940 to 49,1% in 1978. The proportion of married women who work increased over the same period from 14,7% to 47,4%.

Deeply divided

Data furnished by a working group of the OECD show that member countries are deeply divided in their approach to the thorny problem of taxing the income of family units. Some of these systems have the additional disadvantage of being complex and therefore more difficult to administer. The variants which fiscal ingenuity can devise are quite remarkable.

Married women may be entitled to the option of having their earned income taxed separately, but may be obliged to aggregate their investment income with their husbands' total income. There may be an arrangement to tax the family unit — as in France, Belgium and Italy. But Canada rejected the introduction of this arrangement despite its recommendation by the Carter Commission on taxation.

The US, the UK and Germany operate a system of joint tax with an option for married women to be taxed separately, while Canada, Japan and the Netherlands tax separately.

Franzsen claims that none of the systems for separate tax is really free of criticism. He argues that any future proposal for reform of the system of tax on married women should be subjected to three pertinent tests: what will the concession cost; who will be prejudiced by it; and will it promote tax avoidance?

...ood hints at hike in taxes

RDM 6·10·81

320

By GERALD REILLY

THE Minister of Finance, Mr Owen Horwood, has given an early warning of the possibility of tax increases next year.

In an interview in Washington, Mr Horwood also warned that the economic growth rate was declining and it would probably go still lower next year — posing the threat of more unemployment.

He said that in these circumstances it would be unfortunate if significant tax increases had to be imposed — and the authorities would have to move with caution.

The Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, said yesterday that at this stage there was no justification for even hinting at a possible tax increase.

In any case, he said, because of fiscal drag taxpayers were already paying more.

MR OWEN HORWOOD
... rate

Inflation

He said increases in incomes had placed large numbers of taxpayers in higher income brackets, but because of the the persistently high inflation rate the real purchasing power of earnings was either static or declining.

Economists agreed with Mr Horwood that the economy had reached a critical stage when, if control and balance were lost, great damage could be done.

In the interview Mr Horwood reflected the Government's growing concern at the high rate of black unemployment and the threat this posed to national security.

Speaking in Piketberg last week, the Prime Minister, Mr P W Botha, stressed the need to create jobs to reduce the "threat of revolution".

Problems

Mr Horwood said it was particularly important for South Africa that there should be continuous growth, because unemployment could create great problems.

The president of the Trade Union Council of South Africa, Dr Anna Scheepers, conservatively estimated the number of unemployed and underemployed blacks at more than 1,5-million.

Added to this were the 230 000 new black workers who entered the labour market annually.

It was estimated that to achieve full employment, a 6% growth rate was necessary.

The most hopeful expectation this year was for a growth rate of between 4% and 5% with a further decline next year.

It was obvious, therefore, that the problem was increasing, Dr Scheepers said.

R6 999 a year: No tax returns

CT 6/10/87

(320)

HOUSE OF ASSEMBLY. — Individual taxpayers earning less than R7 000 a year will not, in most cases, be required to submit income returns from next year in terms of the 1981 Income Tax Bill published here yesterday.

According to an explanatory memorandum, the bill contains a clause designed to facilitate a change in the method of collecting normal tax from taxpayers whose incomes do not exceed R7 000 and consist entirely or almost entirely of salaries, wages and other remuneration subject to the deduction of Employees' Tax.

The provisions would come into effect on March 1 next year and apply to the year of assessment ending on February 28, 1983.

The memorandum said it was anticipated that the majority of salaried taxpayers earning up to R7 000 a year would find their Employees' Tax deductions would equal their liability for normal tax almost exactly and the necessity for tax assessments would fall away.

New deduction tables would take effect on March 1.

The rate of normal tax payable by any taxpayer whose taxable income did not exceed R7 000 would be 10 percent. Although this was higher than the present rate of eight percent for taxable incomes up to R6 000, the cumulative effect of a further rebate of R120 and the special deductions and standard insurance rebate provided for in the bill would effectively reduce tax liability in all cases except where standard deductions and rebates were inadequate.

The new tax tables would be drawn up in such a way that the special deductions and rebates would be taken into account.

According to the memorandum, the clause is preliminary and it is anticipated that further legislation will be necessary in due course to round off the scheme.

It was not proposed that assessments in the R1 to R7 000 category should be eliminated entirely.

"In those exceptional cases where Employees' Tax deductions substantially exceed or fall short of the taxpayer's liability for normal tax, and in the case of self-employed taxpayers and provisional taxpayers, assessments will still be necessary." — Sapa

and (ii) no redistributi[...] ~~as~~ assumes that the distribution is optimal. Extern[...] ~~to~~ affect in benefit approach.
It is difficult to [...] his Benefit from the tax. What is more important he[...] decides what it ~~should have~~ needs and not the govt wha[...] pplies what it thinks the public sector want.
There is a social co[...] not get taxed. An externality is the effect of the [...] a good or service by one consumer on the we[...] ~~to~~ on another consumer. Externalities are closely related to p[...] when property rights are ill-defined there is effic[...] production. Property rights are expensive to [...] rds must be scarce. Externalities can be reduced by u[...] instead of sole owners of oil-fields drilling for oil [...] t as much as possible before everyone else ~~g~~. They [...] lds, take shares and can work more economically. Thus more efficient. It is difficult to tax this extra social cost. eg. If a paper mill is polluting the water, this is a social cost to the public but the ~~paper~~ cost isn't ~~including~~ included in the paper mill.

GST on food stays

GT 7/10/87 (320)

HOUSE OF ASSEMBLY. — It was impractical to remove General Sales Tax on food as it would not be to the advantage of the consumer in the long run, the deputy Minister of Finance, Mr Danie Steyn, said yesterday.

Replying to the Second Reading Debate on the Sales Tax Amendment Bill, he said the present system of GST was aimed at keeping the tax structure as low as possible for as long as possible.

It was estimated that a person earning R3 000 a year, was paying about R32 a year on GST on food.

The bill, among other things, proposes certain changes in respect of the tax-free inputs of rental enterprises, manufacturers, service, printing, and mining enterprises, farmers and fishing enterprises.

Mr Harry Schwarz (PFP Yeoville) moved an amendment that the House should decline to pass the bill till the GST on the "essentials of life" and in particular, foodstuffs, has been removed".

It was read a second time after Mr Schwarz's amendment had been defeated in a division. — Sapa

<u>Ability to pay approach</u> refers to exactly this. You are taxed on your ability to pay. Therefore those earning higher incomes will be taxed more heavily than those with lower incomes. Thus the richer people provide publics wants and services for those who can't afford it. eg a public park. Thus ~~you~~ the govt can relate income earned to tax payed which is much easier than trying to determine the benefit recieved ~~fro~~ for the cost of the tax.

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53

Horwood hope on fringe benefits tax

CT 7/10/81 (320)

HOUSE OF ASSEMBLY. — The Minister of Finance, Mr Owen Horwood, still hopes to introduce fringe benefits tax by March 1 next year.

Introducing the second reading of the Income Tax Bill, he expressed the hope that it would be possible to reach finality on the matter at an early date.

In his recent budget speech, Mr Horwood said he hoped it would be possible during the present session of Parliament, to submit draft amendments on the taxation of fringe benefits as part of the Income Tax Bill.

"Unfortunately the shortness of the session has prevented us from realizing that hope."

Once certain final details had been approved, the draft legislation would be made available to interested parties for further elucidation of any problem areas and discussion of the best way to implement the proposals.

"It is my sincere hope that it will be possible to reach finality in this matter at an early date. If that can be done and the necessary legislation can be introduced early next year, it will still be possible to put the new rules into operation on March 1, 1982."

The bill was praised by the Opposition's chief finance spokesman, Mr Harry Schwarz, who said it contained no fewer than 19 points of agreement between himself and the minister.

"It must be something of a record," he commented. The opposition would not oppose its second reading.

Although the minister had not increased taxes, he did benefit from fiscal drag and inflation. People were paying more tax in real terms and during inflationary times there was a case for a tax reduction to achieve inflation-related taxes.

The New Republic Party supported the bill through Mr George Bartlett (NRP Amanzimtoti), who said he was particularly pleased that there had been no tax increases.

Concessions for contributions to private schools were welcomed, as the burden of financing schools would in future have to shift from the State to the private sector. — Sapa

New law on income tax finds favour

RDM 8.10.81 (320)

By HARRY MASHABELA

THE Urban Foundation, a non-profit-making organisation dedicated to improving the quality of life in black townships, has welcomed amendments to the income tax law as "a new dispensation in the financing of educational projects by the private sector and individuals".

The amendments allow for a much wider range of donations for educational projects to be deducted for income tax purposes.

Mr J H Steyn, the foundation's executive director, said that by making the amendments the Government had shown its concern over the problems facing the funding of education in the country.

Concession

"Before these amendments were announced, only donations to universities, technicons and to the National Study Loan and Bursary Fund were, subject to certain limitations, deductible from taxable incomes.

"Now this concession has been extended to include, in effect, donations to secondary schools, to universities in the national states and to various training colleges and other institutions," he said.

Of particular interest to the foundation was the fact that these concessions extended to vocational and technical education as well as to all forms of adult education.

"For the private sector, these are major educational priorities and the concessions should therefore receive widespread support," he said.

Labour leaders hit at tax on basics

RDM 8.10.81

320

Mail Reporter

LABOUR leaders yesterday condemned the Government for again rejecting a demand that the General Sales Tax be scrapped from basic foods.

In the Assembly on Tuesday the Government voted against an amendment to the Sales Tax Bill, moved by the PFP finance spokesman Mr Harry Schwarz, that the tax should be abolished.

The Government was supported by the NRP.

Labour leaders said the Government was either unaware of, or uncaring about the massive poverty among the country's blacks. They also stressed that lower-income group whites including the growing number of old-age pensioners, would also have benefited significantly had the Government agreed to abolish the tax on basics.

Yesterday Mr Schwarz pointed out that the lower-income groups spent up to 45% of their incomes on food — and mostly basic foods.

During the past two years, because of the high inflation rate, which the Government had failed to curb, the price of food had rocketed — some items like bread by more than 50%.

Mr Schwarz pointed out that in other parts of the world, Governments had exempted basic foods from their sales tax, or their equivalent of the tax.

The abolition of the tax on basics, he stressed, could be handled without significant administrative adjustments.

The general secretary of the National Union of Clothing Workers, Mrs Lucy Mvubelo, said her union had pleaded for the removal of the tax on basic foods. "When you consider that we are spending more than R2 000-million this year on defence the revenue lost by exempting essential foods from the tax would be tiny indeed."

It was obvious that with high unemployment, ongoing inflation and rising prices of all essential goods that poverty was spreading in black townships.

The president of the Trade Union Council of South Africa, Dr Anna Scheepers, said Tucsa and her own union, the Garment Workers Union of South Africa, strongly favoured the scrapping of the tax on essentials.

"If they can do it in Britian and other countries, why not here?" she asked.

Steyn hails Tax Act changes

CT 9/10/89

(320)

missing the point.

AMENDMENTS to the Income Tax Act constituted "a new dispensation" in the financing of educational projects by the private sector and individuals, the executive director of the Urban Foundation, Mr J H Steyn, said yesterday.

Commenting in a statement on the proposals, Mr Steyn said the government had shown insight and concern for the problems facing the funding of education.

The new bill allowed for a much wider range of donations for educational purposes to be deductible for income tax purposes.

"Before these amendments were announced, only donations to universities, technikons and the National Study Loan and Bursary Fund were (subject to limitations) deductible from taxable income. Now this concession has been extended to effectively include donations to secondary schools, to universities in the national states and to various training colleges and other institutions."

Mr Steyn said the Urban Foundation had made representations to the government and it welcomed the amendments. The Foundation was especially pleased about the provision for the establishment of special educational funds through which donations could be channelled.

The concessions also extended to vocational and technical education, as well as all forms of adult education.

"For the private sector, these are major educational priorities and the concessions should therefore receive widespread support."

The amendments brought South Africa into line with most advanced countries in the world, he said.

Mr Steyn said that "hopefully and in time", the benefits would be extended to include not only immovable assets and other hardware items such as facilities, fixtures and fittings but also the equally important resources such as manpower subvention and bursaries.

Tax relief for school donors

RDM 13/10/81

By PAT SIDLEY

320

THE new Income Tax Bill, shortly to be gazetted, will allow tax deductions for the first time for donations made to schools — within certain limits — by both companies and individuals.

In the past, only donations to universities, colleges and the National Study Loans and Bursaries Fund were deductible.

Now donations for "specified educational projects" — largely expenditure on capital projects — will be deductible.

These projects are defined as the erection of buildings, purchase or construction of permanent fixtures and fittings, acquisition of land or any right or interest in land, the purchase of movables, such as laboratory, sports or workshop equipment, visual or audio-visual aids or any motor vehicle with seating for more than six, and the repayment of loans to buy any of these.

An amendment allows for the inclusion of libraries, books, interest on certain loans and electronic equipment.

But donations for school fees or bursaries will not be deductible.

The thinking behind these clauses in the Bill appears to be to encourage private enterprise to shoulder some of the costs of schooling — particularly black schooling — along with the State. Operational expenses would be paid by the school itself.

Donations to certain educational funds will qualify for deductions from taxable income. These funds have been defined to include the National Study Loans and Bursaries Fund and any fund established to carry out the "specified educational projects".

Another ammendment provides for funds to be used by educational institutions outside SA with the approval of the Minister of Finance.

● The Bill also makes it easier to donate to political parties. In the past a donations tax would have interfered with a generous political donation — but the Bill provides for donations to political parties to be made without the penalty of the donaltions tax.

A new loophole appears for dividend strippers

RDM 14/10/87 (320)

By PAT SIDLEY

A LOOPHOLE has appeared in the measures introduced in the new Income Tax Bill to prevent tax avoidance by "dividend stripping".

Dividend stripping frequently involves the avoidance of tax in private companies by the use of loans as a de facto way of distributing profits.

New measures in the Bill — Section 8C and 8D — set out to prevent these tax avoidance schemes and to close the loopholes allowed by legislation passed last year.

But late last week in Parliament an amendment was introduced and passed which re-opens the possibility of dividend stripping.

In the past the individual shareholder in a private company would often not take the profits out of the company by declaring a dividend because this would be taxed. Instead, he borrowed the money from the company.

This left the accumulated profits in the company and raised the problem that if the company was liquidated, these profits would be taxed in the shareholders' hands after he had spent the money through his earlier borrowings.

So the shareholder sold the shares to a corporate buyer.

His payment for his shares would be a capital gain and therefore not taxable; he would pay back his loan account with that money and would have enjoyed most of the profits of the company over the years without technically receiving a dividend, which would have been taxed.

The corporate buyer also gained. After buying the shares he declared the profits of the private company to himself as a dividend — on which he was not taxed, being a company. Then he sold the worthless shares at far less than he paid for them and then claimed a tax loss.

Last year Section 8B of the Income Tax Act tried to end this scheme. It deemed the loans from the private company to the shareholder, to be a dividend and therefore taxable.

But the section left so many loopholes that the practice continued virtually unchecked.

In addition it was worded so broadly that many innocent transactions were caught in its net.

And it was severely criticised by tax experts over the fact that the section assumed guilt before innocence.

It was anticipated that this would be amended by legislation this year.

Instead, the largely ineffective Section 8B remains — as well the criticisms of it — and two further sections were introduced — 8C and 8D.

The first, 8C, deems the profit on the sale of the private company's shares to be a dividend — not a capital gain — and is therefore taxable.

The second, 8D, deems as trading income the dividend distributed by the private company to the corporate shareholder — and will therefore be taxed at 42% where it was not taxed before.

But last week the latest amendment was introduced, which according to tax experts, might partially open the scheme up again.

In terms of the amendment, if the corporate buyer receives the dividend from the private company it bought more than four years before it sells the private company, that dividend will not be taxed.

This means that the corporate buyer can pay the profits of the private company to himself by way of a dividend, sit on the company for four years after this and if he then sells the company his dividend paid four years before would not be taxable.

Perks tax next year

RDM 15.10.81 (320)

By JOHN MULCAHY

TAX on fringe benefits will come into effect from March 1. This was made clear yesterday by Dr Joop de Loor, the Director-General of Finance.

He was speaking at the annual congress in Durban of the Association of Chambers of Commerce.

● See Page 15

Perks tax from March 1

Assocom urges R50 000 ceiling

ROM 15/10/81

320

IT'S OFFICIAL — the legislation to tax fringe benefits will come into effect from March 1. This was made clear yesterday by Dr Joop de Loor, the Director-General of Finance.

By JOHN MULCAHY

He was speaking at the annual congress in Durban of the Association of Chambers of Commerce.

Assocom, however, has urged the Government to use the 1982 Budget to offset fiscal drag — higher effective taxation through inflation — and the impact of the proposed fringe benefit taxation by raising the taxable ceiling to R50 000 from R40 000 and reducing marginal tax rates.

A motion by the Johannesburg chamber suggesting that next year's Budget should place more emphasis on supply-side incentives as part of a stabilisation policy was adopted yesterday by the congress.

Dr De Loor said the Minister of Finance would come back to organised commerce on the question of fringe benefits, but would introduce the legislation early in the next parliamentary session so that the tax would become effective on March 1.

He said the Department of Finance would take note of Assocom's suggestion, and the Government was conscious of the inflationary effect the intended perks tax could have. The timing of its introduction would be carefully considered.

The Johannesburg chamber said the rationale behind its proposals was that taxes affected decision-making and economic behaviour mainly at the margin, and that by reducing marginal tax rates the economically creative sector's incentives to work, save and invest would be restored.

A PLEA was made to the Minister of Transport Affairs to establish a transport advisory council as soon as possible.

The Natal regional chamber proposed a motion urging the minister to implement the private-sector proposal to achieve the best use of transport facilities and to ensure adequate provision of transport infrastructure.

It was necessary, said the chamber, to establish a direct line of communication between the Minister of Transport and the proposed transport advisory council and private and public sectors should be fully represented on it.

In addition, issues affecting all forms of transport should be fully investigated and researched by, or through, the proposed council.

TAX RATES AND GROWTH

Eating the seed-corn?

320 FM 16/10/81

Countries which tax individuals too heavily may be eating into savings rates and thereby into capital investment. This alarming, even if previously suspected, conclusion emerges from a comparison of US tax and savings rates with those in other industrial countries initiated by the Office of Economic Research of the New York Stock Exchange. The investigation was performed by international chartered accountants Price Waterhouse.

The study reveals a startling divergence both in personal savings rates and the tax burden on investment income in the industrial countries. The savings rate in the US is a miserly 6,3%, compared with 12,2% in the UK, 14,5% in West Germany, 17,2% in France, 21,5% in Japan and a surprising 23,1% in Italy.

These statistics are compared with the tax on a standardised "basket" of investment income, determined for an individual with earned income of $50 000, $10 000 in dividends, $5 000 in interest and $34 000 in capital gains. There is no precise correlation between high tax on investment income and low savings rates, but there is some highly suggestive evidence when the average figures for the period of 1975-79 are analysed.

Thus, the income basket would be taxed to the tune of 33,5% in the US, 32,5% in the UK, 11,8% in West Germany, 7,3% in France and 6,4% in Italy. High savings rates seem to correlate more closely with low rates of capital gains tax (cgt) than with overall tax rates on the income basket. This statistical evidence seems to make sense, particularly in the light of the adverse influence of high cgt rates on mobility of capital.

It is fairly obvious that investors who can only realise their holdings at the cost of close to 30% of their gain in the unpleasant form of a cgt will tend to remain locked in. So a substantial cgt has a double impact on savings and investment.

The study also concludes that much of the blame for America's lagging economic growth can be laid to low savings and investment — forging the final link between unwise tax systems and poor economic performance.

It would be useful indeed to see the results of a comparable study undertaken in SA. There are hopes that the work could be done as the results of efforts of the JSE, says its president Richard Lurie.

Some interim inferences, in the *FM*'s opinion, can meanwhile be drawn from the present structure of SA taxes.

□ A cgt would be a most undesirable addition to the existing repertoire of taxes on capital transfers — donations tax and estate duty. But the current basis of drawing the distinction between capital and income is not, in everyone's view, altogether satisfactory. At times, the present state of affairs could even lead one to the conclusion that SA already has an ad hoc cgt in the form of treating too many gains on investment as trading income.

JSE's Lurie ... will SA avoid US errors?

Rationalisation in this area of tax law to permit greater certainty about the fiscal implications of investment decisions ought to be beneficial, especially if carried out in the context of a rationalisation of all the forms of tax on capital. But reform ought not to carry the price tag of higher capital taxes than those at present.

□ The limitation of the top marginal rate of tax on individuals to 50% must be commended as a long overdue reform. But action must be taken to prevent fiscal drag — as the result of inflation — from eroding a portion of the benefits through pushing everyone closer to the top marginal rate.

□ SA's system of pension and retirement annuity tax relief (to a maximum of 15% of income) must be regarded as positive. Obviously, though, the stream of savings generated in this way is not available to the individual businessman but confined to institutional hands. This situation, too, cannot be regarded as ideal.

'MPs must also pay for perks'

RDM 24.10.81 (320)

By GERALD REILLY

IF LOOPHOLES were left in the new perks tax to allow politicians, including the Prime Minister, to escape their liabilities, there would be an "enraged outcry" from the trade union movement, as well as from leaders of the private sector.

The new tax will be introduced from the start of the new financial year in March.

Labour leaders, including the chairman of the Federal Consultative Council of Railway Staff Associations Mr Jimmy Zurich were commenting on new perks for MPs — subisdised interest on loans up to R13 000 for cars, and a constituency travel allowance of R354 per month.

Mr Zurich said MPs should have to pay tax like everybody else.

Meanwhile the Prime Minister and his Cabinet enjoy perks even more extravagant than top executives in the private sector, it is claimed.

The Prime Minister's total earnings are just under R80 000, but with all the fringe benefits his real income is well in excess of R100 000 a year, making him one of the highest-paid politicians in the Western world.

Houses

He, like members of his Cabinet, have two large furnished houses — one in Cape Town and the other in Pretoria — maintained by the Public Works Department, a chauffeur-driven R30 000 luxury car, and big entertainments allowances.

But in addition, R25 000 of his salary is a tax-dodging reimbursive allowance.

If it were not, he would pay the marginal tax rate of 50% on the allowance. The fact that he does not, effectively lifts his earnings by another R12 500 a year.

A Cabinet Minister earns R46 800 a year with a R10 100, tax-free reimbursive allowance.

On the subject of the new subsidised interest rate available to MPs for buying cars, a Pretoria motor industry executive said in the private sector finance houses could charge up to 24% interest on car loans up to R10 000.

Above R10 000 the effective interest rate was a maximum of 24%.

Would the Government, he asked, grant the same concession to travellers and representatives who used their cars for business within their operating area.

"It's the same thing. The justification for the MP's subsidised interest rate is that he moves around a lot in his constituency on official business. Well, so does a rep — so where's the difference?"

Ciskei plan may hit SA business

DD 19/10/81

320

EAST LONDON — A threat that sales tax would be dropped in Ciskei and South African merchants blocked from repossessing goods in Ciskei when hire purchase instalments were not paid was made at the weekend by a Ciskei cabinet minister.

The startling suggestions were made in a statement issued by the Ciskei's Minister of Agriculture, the Rev W. M. Xaba.

Although the statement is marked "secret," it was specifically issued to the Daily Dispatch by Mr Xaba.

Outlining his reasons for wanting to withdraw sales tax, he said: "The Ciskei Government has clear intentions of building Bisho as a prosperous capital of Ciskei where large business concerns will be set up to enhance economic prosperity.

"Bisho will not only be a seat of government, consisting of offices and government residences, but will be a place where provision will be made for private residential areas, public facilities and industrial sites.

"Industry and commerce will need to be encouraged to the extent that the question of economic concessions has been investigated because it is such concessions that will encourage entrepreneurs from far and wide to set themselves up in Bisho.

"The 4 per cent sales tax will have to be dropped in Ciskei and this will encourage consumers to support Bisho businesses."

Turning to HP transactions, he said there were many other areas the government would probe to assist economic growth in Ciskei, entrepreneurs at Bisho and Ciskei in general.

"There is, for instance," he said, "the issue of hire purchase which will most likely turn out to be a thorny one.

"I cannot visualise a situation where a resident in Ciskei enters into a hire purchase agreement with a shop in the Republic (of South Africa) and, when that customer fails to pay, the shop-owner simply enters Ciskei to repossess his property.

"Such transgressions will not be allowed by the Ciskei state.

"Ciskeians must gear themselves to support this economic growth of their new capital; entrepreneurs will not be encouraged by concessions only, but also by consumer support and a climate of tranquil business progress that is not prone to upheavals.

"The man in the street will also benefit in that such prosperity is geared to alleviate unemployment," he said.

Mr Xaba said blacks in the Ciskei, and indeed in many parts of South Africa, were not defeated by whites on the battlefield, but on the economic front.

"Since the time of their defeat, which followed the Nongqause cattle-killing episode, the economic war has continued without a pause," he said.

Ciskeians always had been subjected to white domination because of the need to earn a living . . . ." And what they earned was a mere pittance, thus subjecting them to endless subjection, generation after generation.

"It is expedient that Ciskeians should be clear on the question of their priorities before we go to Bisho."

As in the days of old, the present battle was the same economic battle and Ciskeians had to work for economic upliftment if they were to win that battle. — DDR.

Warning on Ciskei sales tax forecast

EV Post: 19/10/81 (320)

By SANDRA SMITH

EAST LONDON — If sales tax was dropped in the Ciskei, South African taxpayers would lose out and it would be detrimental to the economy of the Border area.

This was said today by a member of the East London City Council, Mr Donald Card, in response to a statement by the Ciskei's Minister of Agriculture, the Rev W M Xaba.

In a statement issued at the weekend, Mr Xaba suggested that sales tax might be dropped in the Ciskei and that South African merchants could be blocked from repossessing goods in the Ciskei when hire-purchase instalments were not paid.

"The 4% sales tax will have to be dropped in the Ciskei" and this would encourage consumers to support black businesses, Mr Xaba said.

A UPE report on the Border area pointed out that problems in the region included the fragmentation of economic resources, Mr Card said.

"This is why we were looking at co-prosperity zones in the Ciskei, Transkei and the Border — and then we get a statement like this," Mr Card said. "This can only be detrimental to us all."

"They throttled Mafeking by doing the same thing in Bophuthatswana. Mafeking was forced to seek incorporation into the homeland, and the same thing will happen in King William's Town."

The reason why sales tax was introduced in South Africa was to recover further taxes from the country, and it was obvious that the Ciskei would be subsidised by South Africa.

"The less money the Ciskei brings into their coffers, the more money the South African taxpayer will have to subsidise them by," Mr Card said.

There was a flourishing hire-purchase business in the Border region and the blocking of repossession would be detrimental to businessmen.

"I have warned against this before. If black businessmen were allowed to move into the Central Business District, this would not happen, because it would hit them as well," Mr Card said.

Call for uniformity on sales tax

DD 20/10/81

320

KING WILLIAM'S TOWN — If sales tax were to be dropped in Ciskei, then it would have to be dropped in the King William's Town area as well to enable businesses to remain competitive, the president of the Kaffrarian Chamber of Commerce, Mr Bob Stanford, said yesterday.

He was reacting to a weekend statement by the Ciskei Minister of Agriculture, the Reverend W. M. Xaba, that the four per cent general sales tax would have to be dropped to encourage business at the new capital , Bisho.

Mr Xaba also said he could not visualise a situation where South African shopowners simply entered Ciskei to repossess hire-purchase goods. Such transgressions would not be allowed.

Mr Stanford said the chamber felt Ciskei was entitled to take any steps for its own economic development.

However, if Ciskei did drop sales tax, the South African government should allow the abolition of the tax at King William's Town and East London.

"We have been given an assurance that we will not be prejudiced in any way," Mr Stanford said.

On the issue of repossessions, he said he was quite sure complex agreements between the two governments would provide for reciprocal enforcement of legal obligations through the South African and Ciskei courts.

There would be so much development in the whole area that the provision of amenities and services would not be able to keep up with demand.

"Both Bisho and King will be needed to cope with the astronomical demand," he said.

The chairman of the industrial portfolio of the East London City Council, Mr Donald Card, said if sales tax were abolished, it would mean the end of King and it would have to be incorporated in the Ciskei to save itself.

"We would then be supplying money to cut our own throats," Mr Card said.

On hire purchase, he said blacks would suffer because most blacks did not have money to buy larger articles such as TV sets and cars cash and bought these on HP.

"All we require is to work as a team in the interest of all the people in the area," he said.

Sales tax was introduced to bring further income into the coffers of the state and if the Ciskei abolished it, it would mean that they would have to get more financial assistance from the South African government.

A lawyer said yesterday he would hate to think of the consequences of Ciskei preventing repossession of goods.

Mr G. Moolman was replying to a question at a debate on the granting of credit to Transkei and Ciskei which was organised by the East London branch of the Institute of Credit Management.

Mr Moolman said he understood Mr Xaba to be referring to "voluntary repossession".

Asked what the legal position would be in terms of the South African Credit Agreements Act where goods remain the possession of the seller until paid for, Mr Moolman said in terms of the Act a plaintiff was obliged to go into the magisterial district of the debtor.

He hoped Ciskei, as was the case with Transkei, would adopt much of the South African legislation. — DDR.

BUSINESS

● MERVYN HARRIS reports from East London on the Federated Chamber of Industries convention.

Briefing wanted on new tax

8Q 22/10/87

320

Employers and workers need to be made aware as early as possible of the way in which fringe benefits are to be subjected to tax.

This was the major plea of delegates at the FCI taxation committee debate.

Mr A G Bramwell, president of the Cape Chamber of Industries, stressed that statements already made by Inland Revenue showed that heavy onus will be placed on employers to declare the amount of non-cash income for tax purposes.

It would be naive to assume that employers would not be subjected to pressure to adjust remuneration packages in the light of the fringe benefits tax, said Mr George Thomas, chairman of the FCI taxation committee. The Fringe Benefits Tax would therefore add to wage inflation in the economy.

WELCOMED

The FCI welcomes the tax-reform measures introduced by the Government, including the reduction of tax scales, and will continue to press the authorities for further tax reform in regard to:

● Systematic steps to offset the effect of fiscal drag in the tax system so as to avoid a gradual escalation of the real-tax burden as a result of inflation.

● Steps to simplify and rationalise the tax system where this is possible.

● Incentive systems harmonised to the market mechanism.

● Methods to offset inflation in investment allowances without discriminating arbitrarily between companies or classes of assets.

● Ensuring that after-tax yields do not discourage productive investment, confiscate savings or induce non-productive

TAXATION POLICY (320)

Fiscal drag again

FM 23/10/81

Assocom has called on government to make a downward correction in the scale of tax rates on personal incomes. Action on the personal tax front is urgently required, if the impetus of the drive for tax reform is not to be lost. Tax adjustment is required to compensate for inflation and — at any rate partially — for the impact of the taxation of fringe benefits likely to be introduced next year.

In a resolution passed at its Durban conference, Assocom proposed an adjustment of the progression of the basic marginal rates so that the maximum rate for married persons would be reached only at R50 000. The maximum marginal rate itself should be reduced from the present 50%.

By reducing marginal tax rates, said Assocom, "the economically creative segment's incentives to work, save and invest will be restored." And tax cuts could additionally help curb inflation by spurring gains in real output — Reagan's "supply-side economics" could also find application in SA.

Assocom points to the alarming extent to which fiscal drag is currently making inroads into after-tax, inflation-adjusted personal income. (See table). As noted by the *FM* (August 14), the superficially generous appearance of the 1981/1982 Budget was achieved only by sleight of hand. The 50% increase in government's take from tax on personal incomes — caused by fiscal drag — made it quite unnecessary to impose even a slight increase in the scale of rates themselves.

The adjustments envisaged by Assocom are also intended to take effect as a contra-cyclical policy measure. By restoring the purchasing power of personal incomes at a time when the SA economy will be well into a downswing, the tax cuts proposed would operate as a short-term stabilisation factor.

In the *FM's* opinion, however, there is a real risk that Finance Minister Owen Horwood will not, when the time comes, feel free to act on these forward-looking proposals. The 1981/1982 Budget was broadly recognised as a holding operation — in the hope that the gold price would be more buoyant when the time came to formulate fiscal policy for 1982/1983.

If gold price hopes are realised, then Horwood should have the freedom of action to take the desirable corrective action on personal income tax rates, and, what is more, he should have the firmness of purpose too.

But an honest sense of realism dictates that SA must acknowledge that these are hopes at present, rather than expectations. If gold stays in the doldrums, there will be an impact on the revenue side of next year's budget.

It is to be feared, in that "worst case," that even to hold personal tax rates at their present nominal levels (which will imply still more fiscal drag between this year and next), additional revenue might have to be found from other sources. Alternatively, government's local borrowing requirement would have to increase.

The question of personal tax rates is therefore bound up with a whole host of political and economic issues which may sway government away from what should be regarded as the most rational course.

FISCAL DRAG AT WORK

YEAR	1	2	3	COMMENTS
Taxable income	R20 000	R23 000	R26 450	Inflation adjusted 15%
Tax rate (average)	21,9%	24,7%	27,6%	1980 tax year
				figures for married persons
	R4 380	R5 670	R7 310	
Disposable Income (D.I.)	R15 620	R17 330	R19 140	
Inflation — adjusted D.I.	R15 620	R15 070	R14 470	
% Drop in real terms		−3%	−4	
Inflation — adjusted tax paid	R4 380	R4 930	R5 527	
% Increase in real terms		+12,6%	+12,1%	

Source: "Investigations into SA Tax Law" — Centre for Business Studies Witwatersrand Graduate School.

GOVERNMENT REVENUE

Import surge

32a

FM 30|10|81

The huge and growing increase in SA's import trade is sharply reflected in the latest state revenue account released by the Department of Finance.

For the period April to August 1981 inclusive, there was a 53% increase in customs and excise duties on the same period last year, earning a total of R696,1m (R455,8m) for the Treasury. Total government revenue at the end of August was R5,7 billion, 10% higher than in August 1980.

Other government revenue figures for the same period show that, in general, the account has not altered significantly since the first quarter of the fiscal year. A continuing slowdown on the stockmarket is indicated by a 35,5% drop in revenue from tax on marketable securities, which dropped to R9,8m (R13,3m).

Income from non-resident shareholders' tax, an indicator of the level of dividend payouts, increased by 40% to R138m (R98,7m).

General sales tax (gst) figures show that, notwithstanding the downturn in the economy, consumer spending is still on the increase. Revenue from gst fetched R815m (R640m), an increase of 27% on the same period last year.

Government expenditure for the period April to September 1981 inclusive once again shows a large increase in the Defence department issue. This went up by 25,3% on the same period last year to R1.4 billion (R1,1 billion). Issues to the departments of Finance, Co-operation and Development and Mineral and Energy Affairs also went up considerably.

Total government expenditure for the period under review was R13.8 billion.

☐ The total net profit of the manufacturing sector for the quarter ending June 1981 was, according to the Department of Statistics, R1,6 billion — a 23.3% increase on the same period last year. Capital expenditure on new assets amounted to R668m for the same period, an increase of 40% on the previous year. The greatest percentage increase in capital expenditure was for buildings. The total capital employed was R30,8 billion at the end of June 1981 — an increase of R4 billion on the same period last year.

☐ During July 1981, 21m metric tons of goods were transported 55m revenue earning kilometres on SA roads. A total of 59 000 transport employees earned R20m during July — of this 6 000 white employees earned R5m, while 40 000 black employees earned R10m.

TOLL ROADS

To be or not to be?

(320) FM 30|10|81

SA may see the introduction of its first toll road in 1986 if government and the National Transport Commission (NTC) sanction the proposed R300m Gold Reef road linking Krugersdorp, Johannesburg and Springs. The Transvaal Provincial Council has already given the go-ahead.

The NTC, government representatives and Transport Minister Hendrik Schoeman met this week to consider a report from consulting engineers Keeve Steyn & Partners on the feasibility of introducing national toll roads. A report by Bruinette Kruger Stoffberg on the feasibility of introducing a Transvaal system will also be available.

Both documents are said to contain substantial evidence supporting the type of systems used extensively in Europe, the US and Japan. France has 3 700 km of rural toll roads, all commencing within a 50 km radius of city centres.

Toll systems abroad are used successfully to finance new road networks for which alternative sources of finance were unavailable. Tolls are introduced only on new roads which then generally pay for themselves. In France, passenger cars pay an average 3,4c/km; passenger cars with trailer, 5,1c/km; two-axle truck or bus, 5,1c/km; heavy vehicle with three axles or more, 6,8c-10c/km.

Revenues from the Gold Reef road would probably top R30m in 1986, the first year of operation. Toll stations would cost R6m and annual operational cost would be about R2m. Revenue, of course, would increase with inflation.

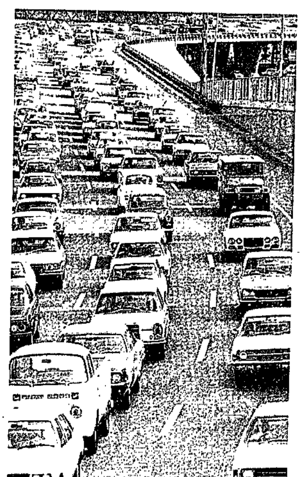
Minister Schoeman gave an indication in Parliament this year of what motorists can expect to pay on toll roads. On the proposed R120m Du Toit's Kloof tunnel, motorists will cough up R1. The charge for car and trailer will be R1,50; two-axle truck or bus, R5; and R10 for a vehicle with three or more axles. Tunnel users will score by cutting out 11 km of winding road.

On the proposed 28 km toll road linking Plettenberg Bay and Humansdorp, drivers will be able to cut the normal distance by 15 km. Toll charges on this stretch are expected to be R1,50/car; R2,50/car and trailer; R7,50/two-axle vehicle; R15 for heavier vehicles.

Some local authorities are not that enthusiastic about the toll system. One engineer says the system is an inequitable way of raising money. Motorists, he believes, already subsidise services like housing, health and education by having an ever-increasing percentage of their annual R640m petrol taxes siphoned off for these purposes.

"If a reasonable percentage of this was kept for road projects, there would be no need for toll systems. Why should users of toll roads be the only ones responsible for generating funds for new projects?"

Another engineer says inevitably traffic build-ups at toll stations would result in slow-moving traffic in the vicinity of the stations and congestion at peak times.



Highway traffic . . . revenue for roads

Objections raised by Raymond Hose, AA road traffic affairs executive, summarise the views of dissidents. Hose questions whether the "user pays" concept of loan-finance is the best course to follow to achieve "maximum benefit not only for the road-user but for the entire community."

He says that "once a toll system is introduced, it becomes extremely difficult to discontinue it or to change to a different system."

The price of setting up the collection facilities and the cost of operating them also has to be considered.

To avoid congestion and delay on toll roads, "a two or three-lane carriageway must sometimes be expanded up to 30 lanes in a direction." Hose believes "the additional land space required, plus the collection points and the overall infrastructure, can add millions to the cost of a new road."

One engineer estimates that introducing a toll system when constructing a new road adds at least 5% to overall cost. And each station requires a labour complement of at least 30 people a day. This could aggravate the skills shortage. Where toll roads are used overseas, alternative routes to allow motorists an option if they don't wish to pay have to be maintained.

And the upkeep of two road systems is costly.

In several countries abroad, building and operation of toll roads is put out to tender. The successful candidate operates the contract for 20-30 years.

In so far as toll roads represent selective taxation, the *FM* opposes them. But if government is determined, building operation and maintenance should be put out to tender — and profits ploughed back into roads alone.

GST rise in next Budget forecast

RDM 30/10/81

320

By GERALD REILLY

NEXT March's Budget may make tough new demands on taxpayers, including a hike in general sales tax and a new loan levy, experts claim.

However, economists, including Barclays Bank's chief economist Dr Johan Cloete, yesterday warned it would be unwise to raise direct or indirect taxation, because this which would almost certainly speed up recessionary trends in the economy.

Yesterday, in a special report on prospects for 1982, the Bureau for Economics Research at the University of Stellenbosch forecast GST would be raised by 1c to 5c in the rand, and that a new loan levy would be imposed.

Aggravate

Dr Cloete said if the Government's total expenditure next year was increased substantially because of higher defence spending and other commitments, it would be wiser to borrow on local and overseas capital markets rather than push up tax.

Siphoning buying power out of the economy would aggravate the downward growth trend.

The general secretary of the Trade Union Council, Mr Arthur Grobbelaar, said only a few months ago the Minister of Finance had assured Tucsa GST would be kept as low as possible, for as long as possible.

"But if it is to be raised Tucsa's demand that the tax be removed from basic foods would have an even stronger justification."

Mr Grobbelaar said GST was basically a tax levied on those earning no money — "and there are hundreds of thousands of them in this country now".

Regional development would be another big drain on Government funds.

"So the grim prospect is that in some way the Government is going to squeeze more from the taxpayer."

But, he stressed, it must not be done at the expense of the growing number of workless.

Higher GST and a loan levy forecast by BER

RDM 30/10/81 (320)

AN increase in general sales tax from 4% to 5%, reintroduction of a 10% loan levy on companies and individuals, sharply reduced rates of increases in subsidies, but no changes in direct tax rates are forecast for next year's Budget by Stellenbosch University's Bureau for Economic Research.

In its annual Prospects for 1982, the BER expects that the Budget deficit before borrowing and debt redemption will rise sharply to about 6% of gross domestic product compared with 4% for 1981 and 0,5% for 1980. It is to finance this large deficit that the new imposts are expected.

Monetary policy is expected to remain fairly restrictive.

With monetary expansion still high most South African interest rates are not yet positive in real terms and only recently have they been more in harmony with interest rates abroad.

"As the growth of the monetary demand is expected to subside markedly during the second half of 1982, some softer monetary policy approach can be expected towards the end of that year.

"However no relaxation of reserve requirements or a lowering of the bank rate is assumed for the forecast period."

The outlook for inflation is pessimistic. An average inflation rate as measured by the consumer price index of 15% is expected for 1981 as a whole. The expected average increase in the rate of inflation in 1982 is more than 14%.

Although increased competition and better control of the money supply are the main forces that could assist in a deceleration in the rate of inflation, there are other factors which could have an aggravting influence:

- A further weakening in the value of the rand which will affect prices and costs.
- The expected increase in GST will affect final prices.
- Slower growth in productivity.
- The expected abolition reduction in subsidies.

320

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

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VOL. 197] CAPE TOWN, 6 NOVEMBER 1981 KAAPSTAD, 6 NOVEMBER 1981 [No. 7877

OFFICE OF THE PRIME MINISTER

No. 2340. 6 November 1981.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 97 of 1981: Sales Tax Amendment Act, 1981.

KANTOOR VAN DIE EERSTE MINISTER

No. 2340. 6 November 1981.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 97 van 1981: Wysigingswet op Verkoopbelasting, 1981.

REPUBLIC OF SOUTH AFRICA

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VOL. 197] CAPE TOWN, 6 NOVEMBER 1981 / KAAPSTAD, 6 NOVEMBER 1981 [No. 7876

OFFICE OF THE PRIME MINISTER

No. 2339. 6 November 1981.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 96 of 1981: Income Tax Act, 1981.

KANTOOR VAN DIE EERSTE MINISTER

No. 2339. 6 November 1981.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

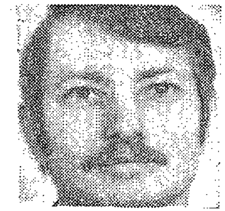
No. 96 van 1981: Inkomstebelastingwet, 1981.

Far reaching Tax Act amendments

TAX BITE ON SHARE SALES

Sun Trib (Cin) 8/11/81 320

TRIBUNE Finance this week introduces a monthly column on tax matters written by Charles MacKenzie, a well-known tax consultant with an international firm of chartered accountants.



CERTAIN far reaching amendments were made to the Income Tax Act last month.

When the seller of shares in a private company is an individual (as opposed to a company) a portion of the sale proceeds are deemed to be a dividend in his hands if it appears that the sale or one of the principal purposes of sale was to derive an amount or benefit similar to the accrual of a dividend.

The section only applies when: the company is dormant; has agreed to dispose of its business assets; or has non business assets in excess of its obligations.

The section does not apply when:

- The entire assets of the company are employed in a business or in long term investments.
- Where the company's assets are illiquid in the sense that they may not be sold by the company. For example where they are mortgaged as collateral security for a debt owed by another.
- The Commissioner for Inland Revenue is satisfied that the sole purpose or one of the principal purposes of the seller was not to derive an amount or benefit substantially similar to a dividend.
- The sale took plact before October 2 1981.

Relief may be granted if the reserves are represented by a loan which has already been taxed as a dividend in terms of Section 8B.

The amount that is to be taxed as a dividend will be calculated by deducting the original purchase price of the shares from the sale proceeds. (Should the shares have been acquired for no consideration the market value thereof at the time of acquisition). The product of this calculation is then limited to an amount equal to so much of the company's reserves, including both revenue and capital reserves, as the Commissioner is satisfied could have been distributed by way of dividend immediately prior to the sale.

The new amendment, read together with the provisions of Section 8B, effectively prevents a shareholder from borrowing all the profits from a company and then selling his shares to a dividend stripper thereby avoiding tax.

Where a sharedealer has received a dividend from a private company and then disposes of the shares or liquidates, deregisters or otherwise disposes of that company, any exempt dividends previously received by him will be treated as ordinary taxable income.

This does not apply to dividends out of current or immediately prior year profits or dividends distributed more than four years prior to the current year.

The provision applies to companies and individuals alike and comes into force on or after October 2.

Prior to August 24 this year manufacturers, hoteliers and co-operatives claimed the investment and initial allowances on the total amount paid to the seller in terms of a hire-purchase agreement ie the cash price and finance charges.

The allowances must be based on a "deemed cost" which would have been incurred if the asset was acquired under an arm's length cash transaction. This cost includes direct installation and erection costs. This is the case whether the taxpayer claiming the allowances is the user of the asset or the lessor thereof.

The wear and tear allowances will continue to be available on the full hirepurchase cost, including finance charges less the initial allowance as determined above.

This amendment applies to assets brought into use on or after August 24 this year with one exception, namely. where tht acquisition contract was concluded on or before this date, and the purchase and investment allowance granted to him in respec of the leased assets will b included in his income i the year of such disposal.

The Commissioner ha the power to reduce thi inclusion to take int account the txpired poi tion of the lease.

The taxpayer has nc previously been allowed t deduct the costs c financing the acquisitior installation, erection o construction of an machinery, plant c building or improvement to a building if suc expenditure was incurre before the asset wa brought into use for th purposes of trade.

This restriction has no been removed by th introduction of a ne section which authorise the deduction of bot inttrest and "related finance charges in t year in which the asset are brought into use an applies to the years c assessment ending on c after January 1 1982.

a[illegible] provisions allowing this price to be adjusted as a result of any income tax consequences.

The manufacturing and hotel initial and investment allowances may be claimed only on the deemed cash cost of assets acquired after August 24 for the purposes of leasing.

The investment and initial allowances will not be granted in respect of any asset which is leased in terms of an agreement concluded on or after October 2 if the lease period is less than five years.

In certain instances the allowances may be claimed on a shorter lease if the Commissioner gives his approval.

Should the lessor dispose of his interest in the lease, or his right to receive lease rentals, in the first five years of any lease (or such shorter period as the Commissioner has approved above) an amount equal to the initial

In real life the system does not ever (with technology
constant reach a stable, equilibrium situation. This is
cultural goods is so dependent
d the control farmers have

FISCAL POLICY 320

Deficit financing

FM 20/11/81

Government's net demands on the local capital market in the 1982/1983 fiscal year could soar to over R2 billion, triple the net R650m budgeted for this year.

This assumes no changes in tax rates, direct or indirect, and the introduction of no alternative sources of revenue. There is, however, some consensus among budget analysts that Finance Minister Owen Horwood will lessen government's dependence on the country's supply of investible funds. The most widely-mooted suggestions are an increase in the GST rate to 5% from its present level of 4%, or the reimposition of a loan levy (probably 10%) on companies and individuals. Each of these measures would bring about R600m into the Treasury, and reduce its private sector capital market requirement to about R1,5 billion (see table). It is most unlikely that both would be invoked.

Treasury Secretary Joep de Loor makes the point that the compilation of the 1982/1983 budget is at an early stage, and no decisions can be made until final departmental schedules are submitted early next year. But both suggested measures, he adds, have disadvantages. An increase in the tax on retail sales, though "relatively painless", is regressive. Its concentration on consumer goods means that it affects most severely those least able to afford it. In SA, for instance, it is a factor in 60% of black expenditure, as opposed to 40% of white expenditure.

The forced lending implied by a loan levy, on the other hand, has an impact on personal disposable income, and a negative effect on the corporate will to invest. But the recent sharp rise in the extension of private sector productive capacity, and a consumer-led boom — the force of which has not yet fully diminished — blunt the edge of these considerations.

Most budget analysts agree that one or other of these measures will be introduced. According to one economist, "Pretoria is now talking openly about a rise in gst." But the loan levy option is generally regarded as the more likely one. "It is far more flexible," says an institutional investor, "and can be repaid at any stage." A change in gst would be politically unpopular, and would be reflected in the consumer price index for 12 months.

However, at least one economist believes that government will not resort to either measure. "Loan levies," he claims, "are a form of forced saving at unrealistic rates. Pretoria's stated interest rate policy will not allow it to employ something so out of line with modern thinking on deficit financing." It will go to the capital market, he adds, which is large enough to accommodate it without crowding out other borrowers, especially if other pupblic sector borrowers resort to foreign capital. But it will underpin a high interest structure for some time to come.

The 1982/1983 expenditure assumptions (18% nominal growth) incorporated in the table take account of a basic increase in line with the growth of the economy, but exacerbated by public sector wage and salary pressures, and the costs of long-term development and economic decentralisation. The revenue assumptions (9% nominal growth) include: a 20% drop in receipts from gold mining taxes; lower customs and excise revenue as the current import boom loses momentum; a nominal 25% rise in personal tax revenues from fiscal drag alone; a significant decline in corporate revenue along with a similar decline in profits and a substantial utilisation of investment allowances; and lower gst proceeds.

A deficit before borrowing of almost R4,4 billion represents 6,6% of the estimated 1982 gdp, close to the 7% regarded by deficit financing theorists as the maximum acceptable level. It must be borne in mind that Pretoria has to finance as well a substantial BoP current account deficit. On top of that, the country has an outstanding debt in trade credit alone of R2 billion.

DELICATE BALANCE

	1981/82 Rm	Change* %	1982/83* Rm
Government expenditure	15 871	18	18 728
Government revenue	13 164	9	14 349
Deficit (before borrowing)	2 707	62	4 379
Percentage of GDP	4,1		6,6
Loan redemptions: Govt stock	2 064		614
Others	778		750
Total	2 842	−108	1 364
Financing requirement	5 549	3,5	5 743
Financing:			
Public Debt Commissioners	1 850		1 850
Non-marketable debt	550		700
Foreign loans	350		500
Other	85		—
Domestic loans	2 714		2 693
	5 549		5 743
Net domestic capital market requirement	650	220	2 079

* Estimated.

NEW PENSIONS CHIEF

The appointment of Mike Levett, MD of Mutual and Federal, to succeed Marius van den Heever as the Old Mutual's pension chief has come as a surprise to many. But it need not have done so.

Although he has been with short-term insurer M & F since 1972 — and been MD since about 1979 — Levett is in fact an actuary who qualified in 1964 after having joined the Old Mutual in 1959.

He is very highly regarded within the Old Lady of Mutual Park, having at one time been personal assistant to its chairman, Jan van der Horst.

In fact, Levett follows in the footsteps of his predecessor, Tony van Ryneveld (now with the SA Foundation).

INCOME TAX

New deal for SWA

326 FM 4/12/81

An Income Tax Bill has been introduced into the South West African National Assembly which, according to Dirk Mudge (Chairman of the Minister's Council) will provide attractive incentives for foreign investors.

The main implications of the new legislation are tax rates for individuals about 25% lower across the board than for their SA counterparts, separate tax for married women and a most generous system of writing off the cost of assets purchased for business purposes.

At a recent interview, given in Windhoek, Leon Lombard and Larry Kritzinger, members of the Standing Committee for Taxation Policy, explained the most important features of the new tax system. They cited Mudge as saying, in the course of his Budget speech (in June 1981), that his government "has committed itself to a system of free enterprise, private ownership, a free choice of careers and remuneration according to merit."

The SWA government "will not be induced by temporary problems into taking measures of a socialistic nature," although it will, as far as possible, give assistance wherever people are in need as a result of circumstances beyond their control. The government sees as its main function "the creation of the right climate in which a free economic system can thrive, instead of accepting direct responsibility for the creation of employment opportunities and growth.

The objectives to be achieved by a sound fiscal policy are the following:

- ☐ The stimulation of economic growth;
- ☐ The establishment of new undertakings;
- ☐ The creation of employment opportunities;
- ☐ The encouragement of private home ownership;
- ☐ The promotion of education and training; and
- ☐ Attracting additional skilled manpower to SWA, as well as retaining the existing pool.

A maximum marginal rate of tax of 39% will apply to individuals, compared with the 50% previously in force. The effect of the change in the progressive income tax scale is that taxpayers will pay around 25% less tax than their SA counterparts at most income levels. At some income levels, though, the tax reduction will be a little higher.

Combined return

And married women's income (provided it is independently derived and not obtained through their husbands) will be taxed separately. But married couples will still have to submit a combined return and receive one assessment.

There will be an abatement (in addition to those already in force) of R1 000/year in respect of housing. It will be available to any taxpayer who, during the year of assessment, was the owner-occupier of a residential apartment (under the Sectional Titles Act, 1971) or of a house within the area of control of a local authority. The concession does not apply to persons occupying company-owned houses or flats.

A married couple with children in a position to benefit from the concession will only pay tax if their combined taxable income exceeds R7 600.

There has also been a radical concession for business assets. Expenditure incurred during the year of assessment in respect of "machinery, implements, utensils and articles used by the taxpayer for the purposes of his trade" will be allowed in full as a deduction from gross income.

SWA's Mudge ... committted to free enterprise

Ships, aircraft, trucks, taxis and cars used in the hire business are included. But cars not used primarily as taxis or for hire are excluded, although the previous depreciation provisions will remain in force.

And the income tax value of any of these classes of assets already on the books of a taxpayer will also be allowed as a deduction as though incurred in the current year of assessment.

The new system of writing off business assets in the year of purchase will replace the existing system of initial, investment and other allowances, including those applicable to geographic areas, types of business activity and training expenditures.

"In future the free enterprise system will determine without tax preference which areas of business are the most beneficial."

There will be a new system of depreciating buildings used by the taxpayer for the purposes of his trade — 20% of the cost of erection in the year in which they are brought into use and 4% a year thereafter.

Buildings already in existence at the date of coming into force of this provision will qualify for a 4% annual allowance until they are 20 years old. So there will be a graduated scale of depreciation allowance for existing buildings, extinguishing entirely for those 20 years old or more.

Previously only hotels and buildings used for purposes of manufacture qualified for any allowances. Under the new system, factory buildings, office buildings and residential buildings will all qualify provided they are used for purposes of trade. So the concession should assist the builder of flats for rental and thereby help to alleviate the "acute housing shortage" in the territory.

Assessment years

The concessions to individuals will be applicable for the year of assessment ending February 28 1982. In the case of companies, the provisions will take effect for any year of assessment ending after February 28 1982.

There is also a concession affecting assessment procedures. A return will no longer be required from persons who do not earn more than R200/year from dividends and interest and whose aggregate income (including dividends and interest) does not exceed R8 000/year.

The deduction in respect of dividends has been fixed at 33,3% for all amounts and the sliding scale has been abolished. Although this simplification could mean that individuals of modest means living on dividends might pay more tax than previously, the effect will be very small.

In the *FM*'s opinion, these are highly commendable changes. If a tax system alone could entice investment to the territory, then future economic trends should be very favourably influenced. There are the examples of major tax concessions in countries like the Republic of Ireland to go by.

But the success of the Irelands of this world in attracting foreign investment was not based only on a favourable tax regime. There were also factors like political stability and the availability of a large pool of technically skilled labour to consider.

Common sense dictates to all prospective investors in SWA/Namibia a prudent policy of awaiting a securely-based political future. In hoping for such a resolution of the present deadlock they are, after all, only joining a large group of parties around the world already impatient for a settlement.

New measures to tax pri

CAPE TIM

**SOUTH AFRICA's leading
brey Silke, examined the in
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BY the introduction last year of provisions in the income tax law deeming loans to shareholders of private companies to be taxable dividends, and with this year's new dividend stripping provisions, the Minister of Finance has imposed a distinct penalty on taxpayers carrying on an enterprise through a private company.

This criticism of the present system of taxation, as it applies to private companies and their shareholders, was conveyed by Professor Aubrey Silke to some 1 500 delegates attending recent seminars on current developments in income tax presented by Business Seminars Promotions at different venues throughout the country.

Penal provisions

Professor Silke said that it may be justifiably asked why in view of the new dividend-stripping legislation, a penal provision such as section 8B, that taxes loans to shareholders are dividends, remains in the law, bearing in mind that there is an undistributed profits tax in respect of dividend income accruing to a private company and that there is only a difference of eight percent in the flat rate tax of 42 percent payable by a company on taxable income and the maximum individual tax rate of 50 percent.

A married individual who trades in his own name is not liable to pay a rate of tax in excess of 50 percent, and this maximum tax rate occurs only when his taxable income exceeds R40 000.

On the first R40 000, the average rate is 30 percent. The individual who trades through a company, and who is already paying the maximum tax rate, i.e. 50 percent on his other taxable income, normally pays through the company 42 percent on the whole of its income, and should he wish to obtain possession of the company's after-tax profits, i.e. the 58 percent, by way of dividend or loan, he could be paying as much as $33\frac{1}{3}$ percent tax thereon i.e. another $19\frac{1}{3}$ percent, making an effective aggregate rate of $16\frac{1}{3}$, as compared with the maximum ate of 50 percent payable by the individual.

Incentive allowances

On the other hand, said Professor Silke, there are companies whose effective tax rate on profits is substantially below the 42 percent rate because of the various incentive allowances in the Income Tax Act, e.g. capital, exporter's and training allowances, or because of non Republic income or capital profits, and to permit their shareholders to borrow tax-free, could confer a meaningful tax advantage.

Certain private companies are also accumulating dividend income, tax-free, under one or other of the UPT (undistributed profits tax) exemption provisions. S 8B is, therefore, a bar to shareholders of these companies borrowing such dividend income on a tax-free basis.

Need for neutrality

Professor Silke reminded his audiences that in the course of a lecture given towards the end of last year on the future of tax law in South Africa, the Minister of Finance remarked that the aspect of taxation that he considered should receive special consideration in the future, was the use of the private company as a vehicle for the avoidance of tax, and the need for neutrality in the treatment of tax purposes of different undertakings such as companies, partnerships and sole proprietors.

In questioning the need for the establishment of private companies, Mr Horwood posed the question whether it was equitable that, by the creation of a legal entity such as a company to carry on an enterprise, a taxpayer could minimize his tax, while other economic activities such as professional personal services, were incapable of enjoying an equal advantage.

Professor Silke said that by the introduction of provisions such as S 8B and S 8C, the minister has now gone to the other extreme, and in many cases has imposed a distinct penalty on tax-payers carrying on an enterprise through a private company, and who need or wish to obtain surplus funds in the company for ordinary living purposes or for the purpose of acquiring, for example, tax-free investments, that can be applied for only by natural persons.

Whether they obtain these funds by way of remuneration, dividend or loan, the total tax payable by the company and the shareholder may in many cases now exceed the tax payable by the professional man or sole proprietor on a like amount of income.

"And it may give a shareholder no consolation to know that he could cease to operate through a private company and rather derive the income as an individual, because, if the company has distributable profits and reserves, the shareholder, unless he has the cash to pay for the asset, can only transfer the company's assets to him at the expense of paying tax, either under S 8B on the deemed dividend resulting from the credit created under the transaction, or under the definition of dividend, in the event of a liquidation of the company.

Even if S 8B is not applicable, or the company is not liquidated, there is still the threat of S 103, the anti-tax avoidance section, which, if applied, could cause the income accruing to the shareholder of the company's erstwhile assets to be deemed to be such company's income.

High premium

According to Professor Silke, the present level of taxation of private companies as compared with the level of individuals, was raised during the recent parliamentary debate on the Income Tax Bill.

It was pointed out that private companies and their shareholders are today paying a high premium for the benefit of limited liability.

It was interesting to hear Mr Horwood tell parliament, that the question of whether shareholders of private company are worse off than individuals, is a matter that was receiving the attention of the standing commission on tax policy.

The minister has already expressed the view that the ideal solution to the problems created by the use of private companies was the old apportionment system of taxation, that was in vogue in South Africa from 1941 to 1951.

The taxable income of a private company was apportioned among its shareholders and taxed in their hands at the rates of tax applicable to the individual shareholder on his total taxable income, including the apportioned amount.

Dividends are tax-free in this system and the private company itself normally paid no tax. Mr Horwood said that this approach to the taxing of private companies merited closer scrutiny for future years.

Estates and heirs

Professor Silke said that one ameliorating effect of the new dividend-stripping legislation was that heirs or beneficiaries inheriting shares in dormant private companies with large undistributed profits, might follow the route upheld by the Appellate Division in Hicklin v. S.I.R., and dispose of these shares to a financial institution without normally incurring tax liability, since they are allowed to deduct from the consideration received for the sale of the shares, the market value of the shares at the time of death.

This is indeed welcome because it is iniquitous to burden innocent heirs with the sins of deceased perpetrators of tax avoidance schemes.

This matter was also given an airing in the recent debate in par-

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bility o

have become more professional. Sometimes scriptwise one could almost

Details of tax on fringe benefits soon

CAPE TIMES 17/12/81

320

Own Correspondent

PRETORIA. — Details of the "watered down" tax on fringe benefits will be spelled out by the Minister of Finance, Mr Owen Horwood, next week, it was learnt here yesterday.

The minister is committed to introducing the tax at the start of the new financial year in March.

The original intention, according to the office of the Commissioner for Inland Revenue, was to impose the tax witout discrimination in the public as well as the private sector.

Targets

The major targets were to be company cars, subsidized company loans, subsidized housing loans and lavish entertainment allowances.

From the start, the proposed tax generated widespread opposition. The perks system, it was stressed, mushroomed under a tax system which imposed a high rate of tax at too low an income level.

This encouraged employers to give senior staff tax-evading, material benefits which raised their real incomes.

The private sector has pointed out to the minister that the imposition of the tax would mean a major restructuring of salary packages and would be inflationary.

Powerful opposition to the tax came from public sector workers who claimed subsidized housing loans were the only fringe benefit available to them.

The government was also warned by the Public Servants' Association that to deprive government workers of their housing loans would accelerate the resignation rate and make recruitment even more difficult.

This is one reason why the tax is being watered down and why it is likely to be phased in over a number of years.

Another is that the government dare not be seen to tolerate the lavish perks enjoyed by the Prime Minister and his Cabinet while taking a full pound of flesh from the private sector.

Unionists say executive class should pay its way

(320)

Star 24/12/84

Chief Reporter

It's about time South Africa's executive class started paying their way, trade unionists say following the announcement of a commission of inquiry into fringe benefit tax.

But the executives themselves, as represented by Assocom, are less sure about the merits of taxing perks.

They were reacting to this week's announcement by the Minister of Finance, Mr Owen Horwood, of a parliamentary commission of inquiry into the introduction of fringe benefit tax.

Dr Colin Cameron, president of the Public Servants' Association, said he had no objection in principle to the tax.

But he said that such a tax should not reduce the total pay packet of public servants who had already fallen far behind the private sector.

He said a sound proposal would be to exempt part of the subsidy on housing loans from taxation as housing subsidies were the only perk received by public servants.

Mr Jimmy Zurich, chairman of the Artisan Staff Association, said: "It is about time young executives began to pay their way."

He said some members of the executive class were "getting away with murder."

Mr Zurich said perks such as luxury cars, expense-account entertaining and company houses should be taxed.

But he said the small man who had a subsidised housing loan should not be hit as he would be unable to come out on his salary.

Mr G Stuart-Reckling, president of Assocom, said his association believed the matter should not be dealt with too hastily.

"The taxation of fringe benefits — while acknowledged in principle — has far-reaching consequences for the economy as a whole," he said.

It could have an impact on the skilled manpower shortage, he added.

He said that although the matter had been under consideration for two years, the private sector had apparently been given only two weeks to submit its views after the proposals were published early in the New Year.

He called for an extension of time as most Assocom experts would be away over this period.

320

SA says Ciskei won't abolish tax

D. Dispatch 31/12/81

KING WILLIAM'S TOWN — The South African government's Department of Foreign Affairs has assured the East London Chamber of Commerce that general sales tax will not be abolished in Ciskei.

The assurance was contained in a telex message which also stated that South African retailers would not be blocked from repossessing goods in Ciskei if hire purchase instalments were not met.

The telex comes in the wake of considerable uncertainty aroused in October when Ciskei's Vice-President, the Rev W. M. Xaba, threatened to drop sales tax and bar repossessions.

The move was seen as a retaliatory measure against King William's Town for its decision not be be incorporated in Ciskei.

The secretary of the East London Chamber of Commerce, Mr Jock Allison, said his chamber had approached the South African Department of Foreign Affairs for clarity on Mr Xaba's threats "because we were concerned about their possible effects on trade."

When Mr Xaba was asked yesterday whether Ciskei still intended dropping sales tax, he said the Ciskeian Executive Council had not discussed this yet.

Asked whether the South African Foreign Affairs Department had not flouted Ciskeian independence by issuing an assurance contrary to his original suggestion, Mr Xaba declined to comment.

He did not know whether the issue was due for discussion by the Ciskeian Executive Council.

Mr Allison said Mr Xaba's threats had created considerable confusion.

"If sales tax was dropped, people would dash to Ciskei to buy goods there without considering customs and import duties. Besides, Ciskei needs the revenue generated by GST.

"It is not clear whether the suggestion to drop sales tax was Ciskeian government opinion or Mr Xaba's personal opinion."

Mr Xaba said in October that sales tax would have to be dropped to encourage consumers to support Bisho businesses.

He said the Ciskeian government intended building Bisho into a prosperous capital where large businesses would enhance economic prosperity.

At the same time he said he could not visualise South African retailers entering Ciskei to repossess goods, "because the Ciskei state will not allow such transgressions."

Mr Allison said this week that economic cooperation between Ciskei and the Border area was imperative.

"We must work together to provide job opportunities to alleviate unemployment, which is reaching calamitous proportions in Ciskei," he said. — DDR.