TAXATION
1982

JAN. — DEC.

Staff perks under spotlight in tax Bill

Star 4/1/82

(320)

By Chris van Gass, Pretoria Bureau

The long-awaited "perks tax" draft Bill — which is expected to hold wide-ranging implications for entertainment, housing loans and car allowances — was gazetted today.

The draft Bill, which includes benefits received by employees among various "perks" contained in remuneration packages, covers among other things:

- Entertainment.
- Company cars.
- Car allowances.
- Free or low rental housing.
- Subsidised bonds.
- Low interest loans other than housing to employees.
- Bursary benefits to children of employees.
- Sales to employees at under valued prices.

At the same time the Minister of Finance, Mr Owen Horwood, named the members of the commission of inquiry which will determine, for income tax purposes, the value of benefits (including allowances) arising from employment.

Phased tax

There are 10 MPs on the commission, including among others, Mr Gert Kotze, Mr Brian Goodall, Mr Adriaan Vlok and Mr Harry Schwarz.

The Bill provides for tax on housing benefits (subsidised bonds) to be phased in over seven years. Tax on car allowances is over two years.

The commission: Mr Gert Kotze, Mr George Bartlett, Mr Brian Goodall, Mr Eli van der Merwe Louw, Dr George Marais, Mr Daniel Schutte, Mr Harry Schwarz, Mr Charles Simkin, Mr Karel Swanepoel and Mr Adriaan Vlok.

A person with a free or subsidised house and earning up to R18 000 a

... 16, 16 or 17 percent would apply depending on the accommodation and whether it is furnished.

On subsidised housing loans on a rate of less than 8 percent, a person will pay tax on a sliding scale.

In the case of civil servants, it is proposed they will be taxed on the difference between 5 percent and what subsidy they would have received if the bond rate was pegged at 8 percent.

This system is also expected to be phased in.

On low-interest loans, an employee will pay the difference between the loan rate and eight percent.

The Bill also cover bursaries to dependants of an employee. Should company bursary schemes not comply with certain rules, the grants given would be taxed.

The phasing in of housing benefits would start with 10 percent in the 1983 year of assessment.

In 1984 it rises to 25 percent, 1985 — 40 percent, 1986 — 55 percent, 1987 — 70 percent, 1988 — 85 percent.

On company cars a scale of charges would be based on the value of the car and its monthly value for private use.

For a car costing R9 000 to R12 000, the Bill estimates the value of private use at R140 a month. The first 10 000 km would classify as private use.

Although fringe benefits have in the past been taxed, this Bill is aimed at bringing all perks under one heading and providing "an

GENERAL NEWS

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Star 5/1/82

Perks tax could feed inflation —experts

By Chris van Gass, Pretoria Bureau

The new Bill on the taxation of fringe benefits published yesterday will aggravate inflation and handicap free enterprise, economists and businessmen believe.

Business interests have called for an extension of the January 18 deadline which has been set by the Government for comment on the controversial Bill which affects public servants and the private sector alike.

HOUSING

The long-awaited "perks tax" draft Bill covers among other things:

- Entertainment.
- Company cars.
- Car allowances.
- Free or low rental housing.
- Subsidised bonds.
- Low interest loans other than housing to employees.
- Bursary benefits to children of employees.
- Sales to employees at undervalued prices.

At the same time the Minister of Finance, Mr Owen Horwood, named the members of the commission of inquiry which will determine, for income tax purposes, the value of benefits (including allowances) arising from employment.

They are: Mr Gert Kotze (chairman), Mr George Bartlett, Mr Brian Goodall, Mr Eli van der Merwe Louw, Dr George Marais, Mr Daniel Schutte, Mr Harry Schwarz, Mr Charles Simkin, Mr Karel Swanepoel and Mr Adriaan Vlok.

The Bill provides for tax on housing benefits (subsidised bonds) to be phased in over seven years. Tax on car allowances is over two years.

A person with a free or subsidised house and earning up to R18 000 a year would be exempt from paying tax on it.

Then various rates of 15, 16 or 17 percent would apply depending on the accommodation and whether it is furnished.

On subsidised housing loans on a rate of less than 8 percent, a person will pay tax on a sliding scale.

On low-interest loans an employee will pay the difference between the loan rate and eight percent.

CAR VALUE

The Bill also covers bursaries to dependants of an employee. Should company bursary schemes not comply with certain rules, the grants given would be taxed.

PHASED TAX

The phasing in of housing benefits would start with 10 percent in the 1983 year of assessment.

In 1984 it rises to 25 percent, 1985 — 40 percent, 1986 — 55 percent, 1987 — 70 percent, 1988 — 85 percent.

On company cars a scale of charges would be based on the value of the car and its monthly value for private use.

For a car costing R9 000 to R12 000, the Bill estimates the value of private use at R140 a month. The first 10 000 km would classify as private use.

Only approved housing subsidy schemes will receive the advantage of the 8 percent formula. Other subsidies will be fully taxed.

Professor Gideon Jacobs, director of the Wits Graduate School of Business, said the yearly non-taxable allowance of R1 200 for entertainment was "niggardly."

PAY RISES

One reason for the success of Japanese business was their high entertainment allowances.

The Public Servants' Association will study the Bill at an extraordinary meeting next monday.

Dr Johan Cloete, Barclays Bank economist, said the new tax would aggravate inflation by leading to pay increases to compensate for the new tax. The tax would also stifle enterprise.

EXTENSION

Mr B MacLeod, director of Assocom in Cape Town, said it was ridiculous to expect sensible comment before the January 18 deadline and Assocom would ask for an extension.

Mr Arthur Hammond-Tooke, FCI economist, said the FCI supported the tax if it was equitably imposed.

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Perks tax enrages civil servants

Chief Reporter

The newly published perks tax Bill is threatening to turn the present skirmishing between public servants and the State into a fullscale war.

Resentment is already growing in the public service against a provision in the Bill that would tax the hefty housing subsidy public servants receive on their bonds.

Public servants maintain this is the only perk they receive, while their salaries have trailed behind those in the private sector by a growing margin in recent years.

At present public servants pay no tax at all on their substantial housing subsidies.

In terms of the Bill all employees who receive benefits from a subsidy scheme approved by the Commissioner for Inland Revenue will be taxed on the difference between the interest rate they pay and 8 percent.

Public servants pay either 3 or 4 percent on their housing loans. This means they will be taxed on either 4 or 5 percent.

A senior spokesman for the Public Servants' Association said in Pretoria today that the State would have to compensate public servants if the new tax were introduced.

CAPE TIMES
1/1/82
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In terms of the gazetted proposals, which are subject to the findings of the controversial snap commission appointed to probe the issue once again, and how the government reacts to these, the new tax on fringe benefits which is expected to be launched this year will be something as follows:

● Business Travel: You will be allowed up to 10 000 kilometres a year for company travel (or on a pro rata basis if the traveller has a company car for only a part of a year).

The excess benefit — that is the amount on top of the government's scale of valuations for various price categories of vehicle — is to be included as part of gross tax-

... is deemed to have no value to an employee where the vehicle is available to and is used by any other employee or the employer or its use is of a casual nature, merely incidental to its business use, or the vehicle is not usually kept at or near the employee's house outside office hours, or the nature of the employee's duties is such that he is regularly required to use the vehicle outside usual hours and he is not permitted to use it for private purposes other than getting to work.

Where an allowance is given to someone for expenses incurred while on a business trip away from home for at least one night, the recipient is entitled to spend R50 (up from R30 in the previous pro-

... personal goods and possessions, or expenses incurred by the employee in settling in permanent residential accommodation at a new place of residence, or expense of hiring residential accommodation for the employee or members of his household for 183 days after transfer takes effect.

Educational grants

● Education: Benefits to employees in the form of educational grants for children are limited to an aggregate of R6 000 or R500 a year to escape tax.

This excludes bona fide bursaries except for those granted by the employer or an associated body. If the employer wants a bursary scheme that will be approved as bona fide, it must among

... before).

● Entertainment allowances: These would be limited to an amount being the lesser of R1 200 or four percent of taxable income, excluding subscription fees to no more than two clubs in the case of people self-employed. Where a reimbursive allowance is paid by the company to an employee for entertainment expenses, the allowance claimed cannot exceed this reimbursement.

Again, where the gain in terms of a salary package making provision for an entertainment allowance was greater than the new limits, 50 percent of this gain could be retained in the '83 tax year if it could be shown the allowance was in fact spent. For this to have any practical benefit, then, the

... subject to change provided the Minister of Finance gives notice before the start of any new tax year.

An abatement is granted for loans below R18 000, up from R12 000 in the previous proposals.

The cash benefit of the subsidy is based on the difference between what the homeowner is paying in interest and the official rate of interest of eight percent. Taxation of the value of this difference is to be phased in over seven years with 10 percent being hit next year, 25 percent in 1984, 40 percent in 1985, 55 percent in 1986, 70 percent in 1987, 85 percent in 1988 and 100 percent in 1989.

This, of course, doesn't imply that public servants or others gaining from housing

... five percent interest on a loan he would be taxed on the cash value of a further three percent.

If he's paying eight percent to his company, as opposed to about 17 percent to his bank for an overdraft, there would be no additional tax. Loans totalling less than R3 000 escape the net as do loans for study purposes.

● Free or cheap travel benefits: The cash equivalent of this for any facility granted for overseas travel is regarded as the difference between R250 and the lowest fare that could otherwise have been obtained by the traveller. Travel within the Republic and overland travel to countries bordering it is deemed to have no value,

Scepticism over benefits tax

CAPE TIMES 11/1/82 (320)

After years of controversy and speculation, a tightening up of the taxation of fringe benefits is now probably only months away. GORDON KLING examines draft legislation on the new measures set to be phased in from March.

SCEPTICISM is the operative word when it comes to describing attitudes in both the public and private sectors of the economy on the government's declared intention to finally crack down on fringe benefits enjoyed by hundreds of thousands of South African taxpayers.

Yet the overwhelming indication I have gained from sources at the Department of Finance is that they are very, very earnest in their intention to begin implementation of the unpopular measure in the coming tax year. The final form is not likely to depart all that much from the proposals contained in the Government Gazette released earlier this week.

Generally speaking, the proposals are mild, with even the most blatant benefits being hit by only 50 percent at first. The proposals go some way towards improving equality of application, one of the most basic principals of the tax system, while acknowledging that to some degree fringe benefits are a necessary part of the free enterprise economy.

An ammendment to Section 1 of Act 91 of 1978 (the Judges Remuneration Act) deletes Section 2 of this Act, making a previous allowance of R3 000 a year paid to judges now taxable, but nothing has so far been said specifically about ministerial perks, the treatment of which is bound to provoke considerable attention.

able income. However, as is the case with most of the extras — with the exception of housing, where the respite is much longer — only 50 percent of the disallowed gain is to be taxed in the first year of operation.

Travel allowance

Where a travel allowance is based on an actual distance travelled by an employee using his own motor vehicle, the rate per kilometre is to be fixed by the Minister of Finance by notice in the Government Gazette for the category of vehicle used.

Determination of the value of the motor vehicle: Where an employee has the use of a company car the value is calcuated as follows:

For a vehicle valued at less than R6 000 the value of private use for each month or part of a month is set at R97; for one valued at between R6 000 and R9 000, value of private use is proposed to be R123 a month; for one worth betweeen R9 001 and R12 000, private use is considered worth R140; for one costing between R15 001 and R18 000 private use is valued at R160; between R18 001 and R20 100, R201; and more than R21 000, R216.

If the driver of the vehicle can prove he is doing less than the allotted 10 000 km for private use or that he has paid part of the cost of maintaining and operating the vehicle, the monthly value

[illegible]

posals) a day for expenses on personal subsistence and incidental costs, unless he can prove still higher necessary expenses.

It seems clear that all this, like so many other factors, will have to be constantly adjusted for inflation, otherwise the burden of having to pay effectively more tax through higher marginal rates because of salary increases eroded by inflation will be compounded by getting less in the way of acceptable deductions.

The draft legislation makes provison for expense allowances paid to employees of the government working on official duties outside the Republic not liable for tax. These officials are in the main diplomats, and the new proposals place them in the same position as representatives of private firms stationed overseas. The salaries of these public servants, of course, remain taxable.

Other exemptions from taxable income proposed in the Act include any benefit accruing to an employee in the transport of the employee, [illegible]

other things, satisfy the commissioner that the bursary is awarded on merit on the recommendation of an impartial body; that the bursaries are awarded for students to attend educational institutions of a public character other than primary or secondary schools; that children of all employees of the employer be eligible on objective criterion determining merit to qualify. No bona fide bursary awarded under an employer's scheme may be terminated merely because the services of the employee to which the bursary is related have been terminated.

As is the case for most benefits exceeding the new limitations, 50 percent of the extra amount of education-related expenditure received in the tax year beginning February 28 this year will be taxed in the coming tax year as long as the commissioner does not feel the amount in total is excessive compared to what was granted in the 1982 tax year (in other words an employer could not just jack up the amount to effectively give the [illegible] benefit as

allowance would have to exceed R2 400.

In the case of an agent or representative whose remuneration is usually derived in the form of commissions based on sales or turnover, entertainment expenditure would still be deducted in terms of section 11 a or b of the Income Tax Act, 58 of 1962 which allows deduction of expenditure and losses actually incurred in the production of income (providing they are not of a capital nature, in which case they would not be subject to tax anyway — until the capital gains tax which is also on the cards is brought in).

As usual, the commissioner has to be satisfied that the taxpayer's work would be impeded or seriously hampered if the entertainment expenditure was not incurred.

Housing

● Housing benefits: The repeal of Section 61 of Act 11 of 1977 (the Finance and Financial Acts Consolidation Act) removes tax exemptions in respect of housing benefits available to public servants, including low rentals and low interest on housing loans, bringing them into line with employees enjoying such schemes in the private sector.

Here a key element is a new mechanism called the "official rate of interest" which is proposed to be set at eight percent. Details contained in a new schedule, [illegible]

subsidies will have lost them by 1989, just that the benefit from rates below eight percent will be added to their gross income then.

Value attached to occupation of residential accommodation: The rental value is considered to be that calculated according to a formula less any amount paid by the emloyee for rent he is paying, household goods and power or fuel.

The formula is (A-B) x C/100 x D/12, where A represents the employee's remuneration during the year of assessment below R60 000; B is an abatement equal to R18 000 (up from R12 000 in the previous proposals). If the dwelling is owned by the employee the abatement falls away. C is a quantity of 15, where the accommodation is a house, flat or apartment consisting of at least four rooms, it is as quantity of 16 if the dwelling is either furnished or if power or fuel is supplied by the employer, and 17 if both pertain. D represents the number of months in the tax year which the employee benefited from the accommodation.

Loan benefits

● Loan benefits: They are still pretty good, with the value of a loan from an employer to an employee being calculated as the difference between the interest the employee is paying (if any) and official interest rate of eight [illegible]

Perks tax will hit judges, MPs

Cape Times 13/1/82

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JUDGES, MPs and others receiving tax-free allowances can expect to be caught in the net of more stringent fringe benefit tax proposals due to be implemented from March.

Sources at the Department of Inland Revenue and at the Department of Finance were adamant yesterday that only minimal exceptions would be made in the application of the tax, although the financial implications looked insignificant.

One reliable source noted that the draft legislation made it clear that the measures were to be applied to all taxpayers and there is specific provision for removal of the R3 000 a year tax-free allowance component in judges' remuneration.

There is, of course, nothing to prevent an increase in judges' salaries to compensate for the removal of the benefit, which one legal source yesterday maintained had only been introduced in the first place as a means to avoid a bigger pay rise for the judges at the time.

This will r increasing. It in a complete decrease t o we will [illegible]
↑M3 ⇒ ↑ boom -
↑M3 ⇒ ↑ trade

More complex

When it comes to taxing fringe benefits enjoyed by MPs the issue becomes considerably more complex since most maintain a considerable proportion of their remuneration is expended in the generation of their income, that is, that they couldn't do their jobs properly without incurring expenses at least as great as their present tax-free allowances.

An MP is paid a salary of R16 620 a year plus a daily tax-free allowance of just over R24 a day making a total tax free concession of about R9 000 a year. The pay and allowance is the same for all MPs, regardless of seniority, although there is an increase for special categories such as Leader of the Opposition, ministers, and chief whip.

In addition to the tax-free allowance, MPs have recently also been granted a car allowance based on distance formula and working out to about R4 250 a year.

Advised yesterday by the Cape Times that these benefits appeared certain to fall under the pending fringe benefits legislation, parliamentarians argued that they were not likely to be worse off because it should be possible for them to work out an equitable expenses system with Inland Revenue.

At present MPs are not entitled to claim any expenditure related to their duties against tax. Instead Parliament has simply valued this expenditure at the value of the allowance and left the matter there. Until the introduction of the new legislation that is.

There is now a feeling among MPs that some arrangement will have to be made with Inland Revenue.

The alternative would be for each MP to have to claim separately for every paper clip, photocopy, lunch, book, trip, etc purchased in the interests of trying to do a good job for the members constituents. This expenditure can be at least as great as the allowance, the MPs maintain.

Mrs Helen Suzman, for example, is regularly asked by universities, businessmen, and others to meet foreign visitors over lunches which even at the modest charges ruling in the House dining room must cost her hundreds of rands a month.

MPs often use parts of their homes as offices out of session, entertain guests for political reasons, employ secretaries and contribute to the running of information offices and other services, all without tax concessions.

goods [illegible] we are [illegible] will [illegible]

Not enough time

As for the argument that the MPs are paid an annual salary and allowance although Parliament is only in session for half the year, most maintain they are working flat out for the other six months and still don't have enough time to do all the work and study they would like to for the session.

On top of the value judgements concerning what proportion of an MP's earnings are justifiably expended on keeping his income coming by staying in office, are complications from those with business incomes as well.

In the end, according to some MPs, it will be virtually impossible to quantify the actual fringe benefit or expense factor for each of the 165 members and this alone is considered likely to make for some kind of compromise which will see a mix of salary and benefits complying with the new tax proposals while not eroding the income of MPs.

Govt pays paltry 5% on borrowed million

(320) RDM 21/1/82

By GERALD REILLY

THE Government is squatting on a small mountain of taxpayers' money — nearly R2 000-million — and it's dirt cheap money too.

According to the office of the Commissioner for Inland Revenue, the Government owes companies more than R1 300-million in loan levy money and individual taxpayers nearly R500-million and is paying only five percent while gilt-edged investments offer a return of up to 14 percent.

The five percent is simple interest and tax exempt.

Economists said yesterday the Goverment should urgently review the interest rate on the levies and raise them to a more realistic level.

Certainly, they said, if a new loan levy was to be imposed in the 1982-83 budget — and this was virtually certain — interest rates should be drastically revised.

The five percent had been paid for the past 12 years without adjustment.

The State should pay for its borrowings at market rates or near market rates, no matter what the source of the funds, they said.

Levies

The levies owed to companies were:
1975 — 77 277 263;
1976 — 281 868 475;
1977 — 271 360 827;
1978 — 325 938 450;
1979 — 19 249 401; and,
1980 — 64 794 617.

The levies owed to individuals were:
1978 — 141 021 801;
1979 — 171 424 950; and,
1980 — 164 434 969.

The commissioner's office pointed out that the 1980 tax collections had not been fully recovered.

If a new levy was imposed in the coming budget it would probably be at the same terms as the 1979 levy — 15 percent for companies and 10 percent for individuals.

This would bring in about R600-million.

The estimated revenue from individual taxpayers for the current financial year was R2 707 500 000 — and had a 10 percent levy been imposed it would have brought in nearly R300-million.

the point.

TAX EVASION (320)

Under the counter

FM 22/1/82

Tax evasion is so much a way of life in SA that as much as 10% of all economic activity goes unrecorded, according to David Rees, senior lecturer in economics at UCT. Failure to take account of this slice of economic activity will distort economic analysis and prediction.

Writing in the latest issue of *Businessman's Law*, Rees arrives at the 10% figure by a process of inference from the ratio of cash to demand deposits in the banking system. Rees assumes that with rising inflation the velocity of circulation has increased and that the introduction of credit cards has economised on the need for cash, as have the improved acceptability of cheques as a means of payment and computerisation by commercial banks.

All these factors ought to have reduced the ratio of cash to demand deposits in recent years. But the statistics show, instead, a sharp rise in the proportion of cash. Taking 1950 as the base year, the ratio of cash to demand deposits was then 0.21 approximately. If this ratio is applied to conditions in 1970, there should have been about R341m cash in circulation. Instead, the amount was R517.3m — a difference of R175.8m — which Rees assumes to have been the amount of cash in the underground economy.

Taking the reasoning through its last step, Rees argues that each rand of cash dedicated to unrecorded transactions changes hands (on observational evidence) about once a month. Hence SA's underground economy in 1970 was about R2.2 billion, or 9.9% of gdp. In 1975, it would have been 13.1% of gdp and in 1980 10.5%.

So, on 1980's gdp of almost R60 billion, the underground economy would have exceeded R6 billion — a startling conclusion. And if — as seems plausible — cash circulates faster in the underground economy than in the legitimate area, then even this estimate is too low.

In Italy the underground economy could be as high as 30%. For the US, estimates vary between 10% and 26%, while for Britain a figure of 7.5% has been given.

The implications are many and varied, the distorting effect on statistics and forecasting being but one problem. Rees suggests that a trend to lower marginal tax rates should bring down the proportion of unrecorded transactions, and that a period of boom should have the same effect, through syphoning resources out of illegal and into legal activities.

These variations will naturally make life even more difficult for the poor statistician or economentrician.

To begin with, it would be wrong to suppose that all this income goes unrecorded only because of unwillingness to pay tax. There are substantial activities of an outright criminal nature, like drug-running (FM November 6).

It is doubtful that SA has got to the stage of criminal sophistication reached in the US where this type of activity is "laundered" through the front of legitimate businesses so that tax is paid, in effect, on the proceeds of crime.

As Rees points out, the growth of bureaucracy has provided a further boost to the underground economy. Faced with the high cost — and often impossibility — of satisfying health regulations, illegal eating establishments exist in many poor areas. And, of course, liquor restrictions have generated a flourishing shebeen industry.

From a fiscal viewpoint, the individual who evades tax is playing a form of Russian roulette, says BML co-editor Costa Divaris. Apart from the available penalty of treble tax, Inland Revenue has criminal penalties available to it under the taxing statutes. And Commissioner of Inland Revenue Mickey van der Walt notes that people who dodge taxes do get caught spectacularly from time to time.

Tax cheaters may be exposed through their own bragging, through careful surveillance by the department, or through being "shopped" by an aggrieved wife, girlfriend or employee. Divaris notes that the psychological burden of evasion can become heavy indeed: once caught, moreover, the evader is a marked man for the rest of his days, with Inland Revenue checking every last comma on his return. His advice: don't do it.

The lessons for government are easy to list and hard to carry out. They are to maintain momentum in reducing marginal tax rates; watch out for the countervailing influence of fiscal drag; and get on with the job of deregulating the economy, especially the angle of making it easier for urban blacks to engage in legitimate economic activities. Yet there will always remain a hard core of unrepentant tax cheaters under the best of circumstances.

THE BITTEI

What the new fringe benefits

THE NEW fringe benefits tax will reduce the take-home pay for most senior executives and middle management staff and is most unwelcome at a time when the economy is going into a downturn.

It does, however, finally give the revenue authorities a benchmark to enable standardisation of tax on fringe benefits.

By CHARLES MacKENZIE
Tax consultant with an international firm of chartered accountants

Owen Horwood . . . the tax will be in force from March 1

The draft Bill was gazetted on January 4 and is now being referred to a select parliamentary committee. But it is the Minister of Finance's intention that the new legislation will be in force for the 1983 tax year which begins on March 1 this year.

It is also intended that the tax burden be phased in over a period of years.

While the proposed amendments will have a profound effect on the taxation of those receiving fringe benefits, a major benefit to the public sector — free or subsidised housing — remains largely undisturbed as no taxable benefit arises to those employees earning less than R18 000.

The employer will carry the burden of administering the new legislation as the onus is on him to furnish the employee with a certificate showing the nature and rand value of any taxable benefit.

A benefit is deemed to be a taxable benefit only if it was granted by an employer to his employee as a benefit of, or by virtue of such employment, or as a reward for services rendered or to be rendered by the employee to the employer.

The value of the taxable benefit is added to the taxpayer's taxable income and the tax is computed on the sum of these two figures. The most common forms of fringe benefits are probably the company car, free or subsidised residential accommodation and the entertainment allowance.

Motor Vehicles: The value of the taxable benefit is computed on the value of the vehicle and will be phased in over two years. (See Table A).

If the taxpayer can prove that his private use of a car is less than 10 000 km per annum the Commissioner is empowered to reduce the value of the "taxable benefit".

Travelling to and from home to one's place of business is considered to be private use.

The "value" of the vehicle is to be either the original cost if owned by the employer, the "cash value" if leased by the employer in terms of a financial lease, or if neither owned nor leased by the employer the market value of the vehicle at the time when the employee was first granted the use of it.

No taxable benefit occurs when vehicles are used by other employees, or the vehicle is not kept at or near the employee's premises and the private use is of a casual nature.

Should the employee regularly use the vehicle to perform duties outside normal working hours and not be permitted to use it for private purposes other than travelling to and from office no taxable benefit will arise.

Travelling Allowances: So much of any travelling allowance which the Commissioner is satisfied was not actually expended on business travel is taxable.

Where an allowance is granted to defray expenditure in respect of a motor vehicle in determining the cost incurred in respect of business use, the value of private use is, based on 10 000 km at a rate

(320) S. Tribune 24/1/82

R PERKS PILL

tax means to senior executives . . .

THE TABLES

TABLE A
Taxable benefit of company cars

Value of Vehicle	Monthly taxable benefit 1983	1984
Up to R6 000	48	97
R6 000 to R9 000	62	123
R9 000 to R12 000	70	140
R12 000 to R15 000	80	160
R15 000 to R18 000	89	178
R18 000 to R21 000	101	201
Over R21 000	108	216

TABLE B

Housing benefits

15% However . . .
16% If accommodation has more than four rooms unfurnished with power or fuel paid by the employer, or furnished without power or fuel, and . . .
17% if power and fuel supplied and accommodation is furnished.
Should the house be occupied for less than twelve months the taxable benefit is reduced pro-rata.

EXAMPLE:

Taxable value of the benefit (and tax payable at 1981 rates in brackets) a free furnished five-roomed house with free electricity qualifying for the R18 000 abatement.

Remuneration in prior year	Monthly taxable benefit and (tax) 1983	1984
20 000	14 (5)	28 (10)
25 000	48 (18)	99 (36)
30 000	85 (37)	170 (75)
40 000	156 (78)	312 (156)
50 000	226 (113)	453 (226)
60 000	298 (149)	595 (297)
60 000+	298 (149)	595 (297)

TABLE C
Housing subsidies and low interest home loans
Taxable benefits are to be phased in over the next seven years.
(Taxable portion in brackets) 1983 (10%); 1984 (25%); 1985 (40%); 1986 (55%); 1987 (70%); 1988 (85%).

still to be determined by the Minister of Finance.

Only half this figure will be taxed in the 1983 year of assessment. Where the allowance is based on actual business distance travelled, the amount by which the allowance exceeds the rate per kilometre as fixed by the Minister of Finance constitutes gross income and is taxable.

Residential Accommodation: The employee is taxed on the benefit arising from free residential accommodation which is computed as a certain percentage of his prior years remuneration derived from his employment (limited to R60 000) reduced by a rebate of R18 000.

(No rebate is granted where the employer is a private company and the employee is a director or shareholder in such company, or where the accommodation is owned by the employee or a relative of this).

The effect of the rebate is to exempt all persons earning less than R18 000. The percentages used in determining the taxable value are set out in Table B.

A reduction of the taxable benefit limited to whatever the employee may be called upon to pay in respect of rental is permitted. The tax on housing benefits is to be phased in over two years.

Housing subsidies and low interest home loans: Recipients are taxable on the subsidy but on certain housing schemes the benefit is deemed to be limited to the amount by which the subsidy exceed sht "official rate of interest", currently eight percent.

With regard to low interest loans recipients are taxed on the difference between the rate of interest charged and the "official rate of interest" currently eight percent. The taxable benefit is to be phased in over the next seven years (See Table C).

Entertainment allowances: The entertainment allowance has been significantly increased to the lesser of R1 200 per annum or four percent of taxable income from trade (before the deduction of the entertainment allowance).

The allowance is over and above subscriptions paid to not more than two clubs (not exceeding R300).

Salaried employees in receipt of a reimbursive allowance are limited to a deduction of the above amounts in arriving at taxable income provided their employment is of such a nature that it regularly and necessarily involves incurring such expenditure.

For the year ended February 28, 1983, the maximum permitted deduction is the greater of R1 200 (plus the club subscriptions limited to R300) or 50 percent of the deduction permitted for the year ended February 1982.

Other benefits: Legislation is also proposed to deal with other fringe benefits such as the right of use of assets (other than housing and vehicles), holiday accommodation, free services, meals refreshments and vouchers, release from debt, bursaries (other than under approved schemes) and certain other low or interest-free loans.

Talking Point

SEVERAL AREAS OF DISCRIMINATION

By Mike Peirson, Finance Editor

THERE are several areas of discrimination contained in the proposed perks tax legislation.

Most important there is no equity in the manner that different housing benefits arising from free houses. subsidies or low interest loans are to be phased in.

Free house benefits will be phased in over two years while those from housing subsidies or low interest loans over seven years.

The private company employee who is also a director or shareholder (or for that matter related to a director or shareholder) of that company is not granted the housing rebate of R18 000 in computing the taxable benefits from housing. This is not the case with a public company employee.

The taxable benefit from loan interest loans and certain housing subsidies is computed by reference to an official rate of interest defined as 8 percent. This appears unreasonably low as it is well below what the public has to pay for borrowed money on the open market.

The formula laid down for travel allowances and free use of cars is conservative. There has been some comment that the benchmark of 10 000 km for private travelling is high but it must be noted that if a lesser distance can be proved the tax man will make the appropriate adjustment.

One anomaly is that the taxable benefits are worked out on the original cost of the vehicle at the time that use was first granted. No reduction is made to the taxable benefit as the vehicle gets older.

The employee who earns less than R6 000 a year may receive up to R500 annually in education expenses whereas the person earning above this receives no relief at all.

Finally the entire administrative burden of the legislation is being placed on the employer. In some areas, such as meals and refreshments supplied by the employer, considerable administration may be required to cover a fairly petty sector

24/1/82
EXP
320

Tax evasion, encouraged by this chronic shortage, means a double ripoff for YOU:

- You pay GST — but it doesn't all reach State coffers.
- So, you will be taxed again to try to collect the money again.

Sources in the Department of Inland Revenue estimate that businesses owe R400-million.

Government and private sources are predicting increased personal tax and GST increases in the March Budget.

However, civil servants say this is unnecessary because, with more staff, they could trace GST crooks and recover the tax.

PFP finance spokesman, said yesterday:

"Taxation should be applied equitably. It is grossly unfair to expect the public to pay more.

"The deficiencies in GST are caused by staff shortages resulting from incompetent State administration."

Because the number of tax inspectors in Johannesburg is down to only 15% the office which checks 44% of the country's tax revenue is losing out on millions of tax revenue.

General Sales Tax generated R700-million in Johannesburg last year but experts says the fig-

To Page 2

Perks tax could feed inflation

REVEALED: You'll pay more because R400-million in GST has gone astray

SA'S GREATEST TAX SWINDLE

320

Express 24/1/82

YOU, Mr and Mrs Average South African, are the victims of the biggest tax swindle in the country's history.

With higher taxes forecast in the March Budget, the Sunday Express has discovered millions of rands paid as General Sales Tax has gone missing.

Large business concerns are failing to pay in millions and there is little the Department of Inland Revenue can do because of severe staff shortages.

One Johannesburg company is said to have underpaid R3,9-million over 22 months.

The fraud was discovered and the company penalised after two senior Receiver of Revenue inspectors spent a month on the case.

The investigators were from a staff complement of only seven — 42 posts

SUNDAY EXPRESS EXCLUSIVE

By KITT KATZIN

Qualified but cannot work because of tax — report

Cape Times 27/1/82

320

Staff Reporter

THE prevailing joint tax system for married couples could be a contributory factor in matrimonial disharmony and up to 21,6 percent of unemployed married graduate women would work if the system were abolished.

These were among the findings of Dr Dina Wessels, a member of the President's Council, in her report "The Taxation of the Income of Married Women".

Dr Wessels conducted the survey when she was employed by the Institute for Manpower Research of the Human Sciences Research Council.

The survey was completed in 1977 but the report was withheld from the public by the government till recently.

According to Dr Wessels's report, the demand for women workers increased rapidly during the 1970s yet almost half of married graduate women in South Africa were not employed. Up to 21,6 percent of those unemployed would definitely be prepared to start work if the joint tax system were abolished.

1914

According to the report, the present tax system, with which more than 75 percent of married women were "highly dissatisfied", was introduced in 1914, "many years before married women in South Africa started entering the labour market in increasing numbers".

The report said: "The loading of the married woman's PAYE deduction table results in her receiving a smaller cheque than her unmarried colleague who does precisely the same work in a similar post... The research findings show that (this) does in fact have some effect on the married graduate woman's decision to enter the labour market.

"It should be borne in mind that if more women could be recruited for the labour force, and if these women could be encouraged to push up their incomes 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 may result from a change in the present system."

In addition, it states that the present tax system is in all probability a contributory factor in labour turnover among high-level female workers, sometimes causing job dissatisfaction and frustration at work and in the home and in some cases giving rise to matrimonial problems.

Examples

Quotations from graduate women cited by Dr Wessels in the report included the following:

- "I am forced to work part-time because of the crippling taxation for a professional couple." (Medical doctor.)
- "My husband has forced me to stop work now as my income forces him into a higher tax bracket and thus we repay my entire income plus." (Senior assistant teacher.)
- "I live with a man, we will not marry until we want a family because of the tax system." (Teacher.)
- "We are seriously considering divorce which will save us R5 000 a year in tax." (Principal medical officer.)
- "I do not work as a doctor because of the tax burden."

SALES TAX 320

How much cheating?

FM 29/1/82

Recent media reports that R400m in sales tax throughout SA has evaded collection appear to be much exaggerated. According to the reports, R300m of sales tax has gone uncollected in the Johannesburg area alone.

Commissioner Van der Walt . . . no better, no worse

A simple way to check this allegation is by reference to UCT economist David Rees's analysis of the informal or "unrecorded" sector of the SA economy (*FM* January 22). On the basis of Rees's computations, a generous allowance for the size of the unrecorded sector in 1981 might be, say R8 billion. Sales tax unpaid for the 1981 year, at 4%, could therefore not possibly have exceeded R320m for the whole of SA, if Rees's line of reasoning is at all sound. And to suppose that the entire unrecorded R8 billion was subject to sales tax is also an unwarranted assumption.

A Johannesburg tax expert agrees that the higher figure seems "much overstated." SA, he says, has, if not the highest worldwide standards of tax-paying morality, certainly a much better track record than many other countries. And the local auditing profession does a lot to act as a nagging conscience, because so many accountants have been trained by the Inland Revenue Department. So the accountants help to whip their clients into line.

Unfortunately, suggestions that Revenue offices are desperately short of staff do seem to be true. One Johannesburg tax practitioner says that the Johanesburg office of the Receiver of Revenue this year failed to attract even one entrant, either from school leavers or from young men who had completed National Service. And at the lower levels the department has also lost "quite a number of people."

Only at senior levels are the benefits of status and retirement pay-outs sufficiently attractive to retain staff. For example, lump sum payments on retirement are not subject to the normal tax-free ceiling of R20 000. Instead, there is a Treasury discretion about the amount that may be awarded tax-free.

Commissioner of Internal Revenue Mickey van der Walt refused to be drawn on the subject. He told the *FM* merely that his department's staff position was "no better and no worse than the rest of the country as far as skilled manpower is concerned."

Doubtless all such staff problems are receiving attention at the highest levels. There can hardly be an easily implementable solution in sight, as it is common knowledge that SA has outstripped its pool of skilled labour in so many quarters. The possibility exists that government might be forced to set up a special salary differential to attract manpower to key departments like Inland Revenue.

(320)

S. Express

31/11/82

Millions being sneaked out of South Africa in tax dodges

MILLIONS of rand in unpaid General Sales Tax is being channelled abroad instead of being paid in South Africa.

By KITT KATZIN

This discovery follows the disclosure in last week's Sunday Express that millions were being lost in unpaid GST inside the country.

So taxpayers are losing out because of GST swindles inside the country and because of an international tax swindle as well.

Last week the Sunday Express reported that about R400-million in GST could not be traced or collected.

Because of crippling staff shortages, the Department of Inland Revenue is unable to monitor the missing millions inside the country, or plug the outward flow.

Many foreign companies undertaking contract work on tender in South Africa do not fulfill their GST and personal tax obligations.

As a result, millions of rands are paid into bank accounts abroad — at the expense of South African taxpayers — and at a time when the Government is considering increasing GST by 1% to compensate for the "missing millions".

According to veteran revenue experts, who asked to remain anonymous, this is how the 'foreign' tax swindle works:

An international consortium based in, say, Germany, tenders for a multi-million-rand construction project in South Africa.

The consortium is awarded the tender and registers with the Department of Inland Revenue in Johannesburg (irrespective of where the project is being undertaken).

As a registered vendor, the consortium clearly distinguishes between its construction obligations, taxable services and sales for the purposes of GST and personal tax requirements, and is entitled, through its certificate of registration, to buy materials (valued at millions of rands) free of tax.

The GST is normally paid by the consortium after construction has been completed.

In terms of the actual contract between the two parties, the contractor should submit a cheque covering GST to the consortium, for payment to Inland Revenue.

But this does not happen.

With the construction project completed and the workmen homeward bound, the GST payment is tucked away and channelled abroad.

The Department of Inland Revenue does not have the power to recoup the loss and the local contractor, having discharged his obligations in terms of the law, cannot be expected to pay GST again, or be subjected to penalties.

Then the State loses out on personal tax as well. Foreign workers, liable for tax while in South Africa, often go home without fulfilling their obligations.

Other contraventions on GST payments include:

- A growing tendency by many companies to hold back monthly payments in order to buy fresh stock.
- The result is that up-to-date payments (4%) — which companies are obliged to pay monthly — are often made quarterly.
- This leads to a fluctuation in GST collections. It is common for a company's GST returns to differ by thousands of rands from one month to another.
- In many instances, tax inspectors are unable to verify GST returns. The sophisticated computer systems of many companies are known only to their internal auditors.
- The penalty on non-payment of GST is 10% per month of the taxable amount, which means a company evading GST for 10 months will be liable to pay double the initial amount owing.
- Most businesses in South Africa not paying GST are private concerns. Public companies are generally well-audited and GST payments are up to date.
- Private companies guilty of non-payments are either collecting GST and not paying, doing neither, or collecting but underpaying.

Revenue officials say there is a large discrepancy between what traders should pay and what they do pay.

In Johannesburg, where GST generated R700-million last year (out of R1400-million for the entire country), many businesses pay in only 25% of the GST money.

The Commissioner for Inland Revenue, Mr Mickey van der Walt, declined to comment, saying he was not prepared to discuss newspaper reports, although he conceded the department had staff shortages.

PFP to call for action on GST swindle

By KITT KATZIN

THE Progressive Federal Party is to call on the Government to take immediate steps to investigate the General Sales Tax swindle in which millions of rands paid by the public are going astray.

And because of a 30% staff shortage throughout the country, there is little the Department of Inland Revenue can do to recover the money.

● **PFP's Harry Schwarz ... something must be done**

The PFP — in a bid to help beat the crippling staff shortages — will also ask the Government to consider using qualified accountants doing military training and national servicemen with a knowledge of accounting, to assist GST inspectorates.

In Johannesburg, where 44% of South Africa's taxes are collected, 42 posts out of 49 for GST inspectors are vacant.

Yesterday Mr Harry Schwarz, chief PFP spokesman on finance, said the party would call in Parliament for an investigation into the GST situation and strengthening of the Revenue Department's tax collecting and surveillance capacity.

Referring to Sunday Express disclosures on the GST swindle, Mr Scwharz said the purpose of the exposure was to get action — "and this is what we intend to achieve".

He said the salary structure in the Revenue department would have to be reviewed to attract suitable staff and warned the Government to pull the civil service into line.

Commenting on the missing GST payments and the Government's intention to increase GST by 1%, Mr Scwharz said taxation should be applied equitably.

It was grossly unfair to expect the public to pay more because of deficiencies in the GST system.

PAYE coming down

(320) Star 2/2/82

Own Correspondent

South African taxpayers are to get a "bonus" of about R100 a year in reduced PAYE taxes.

This emerges from new tax tables published in Pretoria which will come into effect next month.

The new tax system, the "final deduction" system, has also been announced, which will free about 30 percent of taxpayers, an estimated 500 000 people, from the annual chore of filling in tax returns.

The new tax tables mean that individual taxpayers will pay between about R6 and R10 a month less.

Some examples of the new tax, with the current tax in brackets, are: Single person earning R350 a month R22,83 (R27,27), married man with R1 000 a month, R90,42 (97,92), with one child, R82,08 (R89,58), with two children, R73,75 (R81,25), and a single person with R1 000 a month R119,00 (R125,50).

Tax on a salary of R1 500 a month will be R221,04 (R231,04), R212,71 (R222,71), R204,38 (R214,38) and R276,21 (R285,21).

At R650 a month the tax will be R33,92 (R39,42); R25,58 (R31,08), R17,25 (R22,75) and R50,40 (R55,25).

A married woman earning R350 a month will pay R22,83, compared to the present rate of R27,27. At R500 a month her tax will be

To Page 3, Col 8

PAYE down in March

(320) Star 2/2/82

from page 1

R52,83, as against R61,69 at present.

New tax tables will come into effect at the beginning of next month, and from March next year people earning less than R7 000 a year, about R583 a month, will not have to submit tax returns.

Instead the PAYE amount deducted from their salaries will be regarded as their total tax liability, but when their incomes exceed R7 000 a year they will once again have to register as taxpayers and submit tax returns.

The new tables incorporate certain built-in reliefs which will apply to all taxpayers.

These include:

- A standard deduction from income of R300 a year (R200 in the case of an unmarried person) to cover expenses such as medical aid, donations to universities, tool allowances and expenses for a disabled person.

IN BALANCE

- R30 (or R25 for unmarried people) rebate for insurance premiums and subscriptions to provident and benefit funds.
- An increase in the amount of the earnings of a married woman which can be deducted from R1 400 to R1 600.

The effect will be that the monthly tax deductions will now balance more closely the annual amount of tax which has to be deducted from taxpayers' earnings.

Individual taxpayers will not face drastic changes in their monthly take-home pay, except where employers have been making tax deductions vastly different from the recommended scales.

The phasing out of separate taxation for blacks has been delayed until later this year, Mr Owen Horwood, Minister of Finance, announced today in Cape Town.

Perks tax likely to be postponed — sources

320

CAPE TIMES 3/2/82

Own Correspondent

PRETORIA. — The Minister of Finance, Mr Owen Horwood, has again decided to postpone the implementation of the tax on fringe benefits, according to informed sources in Pretoria.

Commerce and industry will breathe a deep sigh of relief. The conviction is growing that the tax may never be implemented.

The commission of MPs appointed at the beginning of the year to quantify the perks which the government intends taxing was given a February 22 deadline to report back to the minister.

However, according to Pretoria more than 60 submissions have been made on the draft perks tax bill in which the government's preliminary proposals are set out. It will be virtually impossible to meet the deadline.

They have come from the Association of Chambers of Commerce, the SA Federated Chamber of Industries, the Afrikaanse Handelsinstituut, and other private sector organisations.

The perks tax has been hanging over the heads of commerce and industry for the past three years. The government standing commission on taxation first made proposals in 1979.

The minister then had to go back on his committment to introduce the tax in the 1981/82 financial year. He made it clear last year, however, it would be imposed in the 1982/83 tax year.

Now it is almost certain to be postponed again.

The official attitude initially was that no-one — except possibly the State President — should escape the tax.

But strong opposition came from public servants and from politicians.

The Public Servants Association claimed if government workers only perk — subsidised housing loans — was taxed the staff crisis in the service would become even more serious.

The postponement of the tax, is calculated to make what economists are certain will be tax shocks in the budget on March 24, more palatable.

Escaped

Many foreign companies working on tenders have escaped their GST and personal tax committments, because of the staff shortage. In Johannesburg 42 of the 49 GST inspectors posts are vacant.

So to load the commissioners depleted staff with the additional work involved in administering the perks tax could worsen the already serious delays in tax collections, it was stated.

No tax forms for some

PRETORIA. — People earning less than R7 000 a year would not have to submit tax returns from March next year, the Department of Finance announced in Pretoria yesterday.

The announcement follows an investigation by the Department of Inland Revenue which showed that in many cases the tax deducted by employers was sufficient to cover their employees' tax liability for the year of assessment.

"This means that the issuing of returns to these taxpayers, the filling in of those returns, the subsequent issuing of an assessment and the collection or refunding of a small amount could, to the mutual benefit of Inland Revenue and the taxpayer, be eliminated," the announcement said.

New employee tax deduction tables would come into force from March 1, this year, and would incorporate certain built-in reliefs which would apply to all taxpayers. These include:

- A standard deduction from income of R300 (R200 in the case of an unmarried person) to cover deductions for medical expenses and contributions to a medical aid fund, donations to universities, tool allowances and expenses as a physically-disabled person.
- A standard rebate of R30 (R25 for an unmarried person) for insurance premiums and subscriptions to provident and benefit funds.
- The deduction in the case of the earnings of a married woman would be increased from the present R1 400 to R1 600.

The new arrangements would be known as the FDS, or Final Deduction System, the announcement said.

"The new system will have a minimal effect on employers but will ease the lot of employees in the lower income brackets.

"New employee tax deduction tables have been issued and where necessary further instructions will be issued to employers." — Sapa

Delay in phasing out black tax Act

(320) RDM 3/2/82

THE Black Taxation Act, 1969, will not be finally phased out on March 1 as intended, the Minister of Finance, Mr Owen Horwood, said in a statement yesterday.

Mr Horwood announced the intended phasing out in his Budget speech last year and said it would follow approval by the governments of the various black national states.

"However," he said in his statement yesterday, "it has unfortunately not been possible to finalise the last phasing out procedures preparatory to the discussions envisaged, and it will therefore not be possible to carry out the final phase from March 1.

"It is hoped finality will be reached during this session of Parliament," he said.

Mr Horwood gave the assurance that once final plans were approved by the Government and the black national states' governments, employer and employee bodies would be fully consulted and informed before final implementation of the proposals.

"In the meantime, employers are requested to maintain the status quo as regards the PAYE deductions of individuals," the Minister said. — Sapa.

Key interest rates raised

By GORDON KLING

KEY maximum interest rates throughout the economy have been raised, paving the way for more expensive HP agreements and yet another rise in home mortgage bond rates.

The Registrar of Financial Institutions, Mr E W van Staden, yesterday announced an increase in maximum rates in terms of the Limitation and Disclosure of Financial Charges Act (Ladofca) which will allow an almost immediate rise in the maximum interest chargeable on HP purchases, and the Minister of Finance, Mr Owen Horwood, announced higher interest on certain tax-free Treasury bonds and the intention to raise the interest on others, including bonus bonds.

The moves signal higher rates on deposits for savers with the building societies which in turn will have to raise bond interest payments to borrowers.

Meeting called

I understand a meeting of the Association of Building Societies has been called for Cape Town next week and it is likely that a bond rate rise of about one per cent, the fourth in just over a year, will be announced then.

The chief opposition spokesman on finance, Mr Harry Schwarz, yesterday condemned the new leaps in the cost of money as being indicative of the gloomy economic times now facing South Africans.

Horwood shelves perks tax yet again

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CAPE Times 5/2/82

By GORDON KLING

THE GOVERNMENT'S controversial proposals for the taxation of fringe benefits are off for at least another year.

Thousands of public servants, executives and others receiving perks — including housing subsidies, company cars and lavish entertainment allowances — have accordingly been given at least another year's respite from the measures only weeks before they were to have been phased in from the new tax year beginning in March.

The Minister of Finance, Mr Owen Horwood, said in a press statement yesterday that the postponement of the tax was due mainly to the fact that the commission of MPs inquiring into its mechanics would be unable to complete its report within the February 22 deadline.

The complexity and volume of submissions to the commission made this impossible.

Mr Horwood said that because it was desirable that the tax legislation become effective from the commencement of a particular year of assessment and that its provisions be known in advance, the legislation would not come into effect before the 1983 tax year.

It has also been decided to extend the date for submissions to the commission from January 18 to February 19.

This is the third postponement of the introduction of the tax since it was first proposed by the government Standing Commission on Taxation in 1979.

Opposition spokesmen welcomed the delay. Mr John Malcomess, an Opposition spokesman on finance, said the proposals should now be dropped altogether.

No courage

The commission had been appointed in the first place because the government did not have the courage to scrap the proposals itself in the face of bitter opposition from the public service, he said.

The Opposition's chief spokesman on finance, Mr Harry Schwarz, could not comment because he is a member of the commission.

● Organized commerce and industry last night welcomed Mr Horwood's announcement.

They agreed that the current economic climate of declining growth and a still excessively high inflation rate was no time to impose the new tax.

The executive director of the Association of Chambers of Commerce (Assocom), Mr Raymond Parsons, welcomed the announcement.

This, he said, was in line with the representations made by Assocom to the government and to the parliamentary commission.

Employers and employees would be happy at the decision, although many of them would have preferred to have the issue dropped indefinitely.

Although Assocom acknowledged the principle of fringe benefit taxation, the structural realities of the economy in general, and the manpower situation in particular, demanded that the taxation be handled with the utmost caution.

Assocom believed that fringe benefit taxation at this juncture would be inflationary and aggravate the skilled manpower shortage in the public and private sectors.

Impact

The chairman of the Afrikaanse Handelsinstituut, Mr Hennie Klerck, also welcomed the decision because:

● Of its impact on already difficult economic and financial circumstances and on the inflation spiral.

● It would give the private sector time to study and adapt to the concept of the new tax.

A spokesman for the Federated Chamber of Industries agreed that "this is no time to impose such a tax".

It would cause further stresses in an already difficult economic climate, he said.

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Any dishonesty will render the candidate liable to disquali
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Made in South Africa TRIO-RAND/S.P.C.T. PSL/UPD 100 000 1978 while the older people will want to go for investment income. The policies are therefore geared in such a way that their biases can alter as the insured grows older — from life cover to investment income.

The Master Series is designed to cover almost every financial need of the client, and includes products such as endowments, retirement annuities, reinforced plans and plans without life cover with the emphasis on investment.

FM 5/2/82 320

INCOME TAX

Pay only as you earn

At least one Johannesburg tax specialist has grave reservations about modifications to the PAYE tax system which will come into force on March 1. The most important change will be the removal from the register of taxpayers of most individuals earning less than R7 000/year.

These reservations about the way the new system — which will be designated the "Final Deduction System" — centre around how it will affect tax paying habits in the long run.

According to a circular issued to employers by Inland Revenue, the names of most tax payers whose taxable incomes do not exceed R7 000 and consist entirely, or almost entirely, of salaries, wages and other remuneration from which employees' tax is deducted, will be removed from the main register of taxpayers before February 28 1983. In future, the amounts deducted by way of employees' tax from their remuneration will be deemed to constitute their total income tax liability.

The circular also provides that taxpayers whose names have been removed from the main register and whose taxable income subsequently exceeds R7 000 will be obliged by law to apply for re-registration and to put in annual returns with effect from the year of re-registration. Taxpayers whose taxable income is less than R7 000 and whose names have not been removed from the main register will still have to submit returns.

The tax specialist argues that enforcement problems will be seriously aggravated by these innovations in a number of ways. For one thing, the checks currently in force to ensure payment of tax on interest and dividends are not on their own entirely foolproof. The concurrent submission of individual returns is, therefore, vital backup. With the waiver of the requirement for most taxpayers earning less than R7 000/year, there is likely to be increasing under-collection of dividend and interest income.

Then there is the question of taxpayers whose names have been taken off the main register (or, in increasing numbers, whose names have never been on the register) but whose incomes subsequently exceed the R7 000 limit. It is to be feared that they will fail to re-register in significant numbers. They may also go into business and fail to register as provisional taxpayers. And employers may be induced to split salaries between employees and nominees (like close relatives) to get their incomes under the R7 000 limit.

But the worst impact of all could be on what might be termed the "taxpaying habit." The proportion of existing taxpayers who will be exempted under the new system could be as high as one half. Whatever the nuisance value of having to put in a return when most or all of the tax had been deducted under PAYE, the fact is that under the old procedures a "breaking-in" of taxpayers took place. The full implications of the widespread loss of this educational and disciplinary process will only be felt over the long term.

It is to be doubted, too, that the change will do as much as is hoped to alleviate Inland Revenue's manpower problems.

What should have been done, instead, is to have introduced a "short form" of tax return for those earning under R7 000/year. Such a system would have fulfilled the all-important purposes of keeping taxpayers' names on record and of accustoming them to submit some sort of return. The UK, for example, runs a system like this.

In the US, which operates a totally computerised system, around 3% of returns are thrown up by the computer for manual audit. SA should not be processing manually more than a comparable percentage of returns and if it is, then it is utilising Inland Revenue manpower very ineffectively

These criticisms seem to be sufficiently grounded to deserve the most careful consideration by the Commissioner for Inland Revenue, who should be on his guard against any of the possible detrimental effects of the new system.

MARINE INSURANCE

Sea change

Importers, exporters and bankers, as much as the marine insurance industry, will have to get used to an insurance policy with new cargo clauses, after a 200-year association with the old "S G" (ships and goods) policy.

The Association of Marine Underwriters in SA has recommended that the new policy should be put into immediate affect, and in-

THE NEW PAYE RULES

With effect from March 1 this year, new employees' tax deduction tables (IRP 10) will come into force. They will incorporate the following built-in reliefs for all taxpayers:

☐ Standard deduction of R300 (R200 for unmarried persons) to cover the average taxpayer's deductions like medical expenses and medical aid contributions, donations to universities, tool allowances and expenses (such as a physically disabled person), but not retirement annuity and pension contributions;

☐ A standard rebate of R30 (R25 for unmarried persons) to cover insurance premiums and subscriptions to provident and benefit funds;

☐ The increased deduction of R1 600 for married women's earnings.

The names of most taxpayers whose taxable incomes do not exceed R7 000 and consist entirely, or almost entirely, of salaries, wages and other remuneration from which employees' tax is deducted will be removed from the main register of taxpayers before February 28 1983.

Those taxpayers whose names have been removed from the main register, but whose circumstances are such that their tax liability (on applying the normal rules of assessment) would be less than the total PAYE deduction, will be entitled to apply for a refund. An overpayment could arise, for example, in the following cases:

☐ Marriage or birth of a child during the tax year; medical expenses exceeding the standard deduction; payment of insurance premiums exceeding the standard deduction. As in the past, employers will be required to determine PAYE deductions in accordance with one of the following methods:

☐ The prescribed tables (IRP 10);

☐ The statutory tax rates (formulae);

☐ At the request of the taxpayer, an amount in excess of that payable under either of the first two methods;

☐ A tax directive issued by the Receiver of Revenue;

☐ An approved percentage basis; and

☐ Other computer programs approved by Inland Revenue.

In all cases in which employees' tax has been deducted, the employer will continue to be obliged to issue an employees' tax certificate (IRP 5), even when the employee is under the R7 000 limit. But for tax years after February 28 1982, where the employee is no longer registered as a taxpayer, the IRP 5 must bear his identity number instead of his tax number. Once an employee's remuneration exceeds R7 000, the employer should "remind him" that he must re-register as a taxpayer and complete a fresh IRP 2 form (containing his personal particulars), and stating his income tax reference number.

Employees relieved of the obligation to render a return must nevertheless retain their IRP 5 deduction forms, as proof that their tax has been deducted by their employer.

GST best source of revenue

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D Dispatch 10/2/82

From
HAROLD FRIDJHON

JOHANNESBURG — Increasing General Sales Tax (GST) by two per cent or even three per cent but exempting essential goods such as basic foods, transport and fuel from the increase would give Mr Horwood the additional revenue he needs this year with the least disturbance to the economy, says Dr Johan Cloete, economic consultant to Barclays National Bank.

Dr Cloete says, the last budget was strongly expansionary, with the deficit before borrowing possibly exceeding R2 300 million.

In the year ahead, Mr Horwood will find it difficult to avoid an increase of much less than 18 per cent in government spending in view of heavy commitments to defence, education and housing. This would put outlays for 1982/83 at about R19 700-million.

Revenue for the coming year could be around R15 300-million, about 6,5 per cent higher than this year. This would assume a gold price of no more than $400 an ounce, and a slowing down of the economic growth rate which would cut into most heads of revenue.

The deficit before borrowing would then be about R4 400-million. If this were to be financed entirely by borrowings in the domestic capital market it would give a significant fillip to the economy and would prevent the growth rate from falling too much.

On the other hand the minister might prefer to raise an additional R1 000-million to R1 400-million in taxes and to reduce his borrowing requrements to between R3 000-million and R3 400-million.

He could easily raise this amount by a 10 per cent loan levy on companies and indivisuals, by a one per cent increase on GST and by moderately increasing excise duties. But the main drawback on new taxes at this stage of the business cycle would be the adverse psychological impact they might have on consumer and business confidence. It would be advisable to spread the burden as much as possible.

Dr Cloete considers that an additonal two to three per cent on GST exempting from the increase basic foods, transport and fuel, would limit the considerable inflationary impact which an increase in GST would otherwise have. It would also limit the burden which GST imposes on lower income groups.

A borrowing requirement of under R3 400-million should be able to be financed without stimulating too much competition for funds with the private sector, which has now largely completed its expansion programmes.

In spite of additional taxation, a deficit of the order of R3 400-million would be expansionary and contra-cyclical.

The outcome would probably make it possible to maintain a growth rate of 2,5 per cent but it would run counter to the Reserve Bank's efforts to reduce demand and inflation by means of a strict monetary and interest rate policy.

In other words monetary and fiscal policy would clash and it would seem that a compromise between the two policies is indicated for the year ahead.

Warning by commerce, industry

ARGUS 10/2/82

320

Consumer Reporter

NEWS that general sales tax may be increased has horrified industry and commerce.

The introduction of general sales tax a few years ago greatly increased local authorities' budgets and pushed up rates.

Mr John Barry, director of operations for Pick 'n Pay in the Western and Eastern Cape, said any increase would be ill-timed, coming immediately after increased prices of most foodstuffs and many other commodities.

EXEMPTION

Warning that it would have an inflationary effect and cause hardship, particularly for the poorer sections of the community, he called for basic foodstuffs such as bread and milk to be exempted from the tax.

He said the Government earned millions of rands from the existing tax of 4c in the R1, and said: 'General sales tax affects everything — not only sales across the counter but services and local government.'

ALARMED

Mr Charles Chevalier, Town Clerk of Simon's Town, said: 'We certainly are alarmed at the prospect of any increase in our expenses through a rise in General Sales Tax for which we have not budgeted.

'I don't say it will necessitate an increase in the rates but it will certainly make our budget a lot tighter.'

Mr R J Wood, chairman of the Cape Town Chamber of Commerce taxation committee, said any increase in the level of sales tax would be inflationary, although it was impossible to estimate the extent to which it would add to inflation.

NEW BURDEN

The Cape Town City Council already pays R5-million a year in General Sales Tax and a spokesman said a one percent increase would add another R1,25-million to the council's expenses.

The Town Clerk, Mr H G Heugh, said: 'We are battling like mad to keep down costs.

'Any increase in General Sales Tax will mean an additional burden on our finances.'

Horwood pushes up GST by one percent

Star 320

11/2/82

Political Staff

The Assembly

General Sales Tax was increased by one percent and a new 10 percent surcharge slapped on certain imports by Finance Minister Mr Owen Horwood in a shock Mini-Budget today.

The increases come two months before the main Budget next month when further tax shocks are in store.

The new five percent GST comes into effect on March 1.

It is expected to give the Government an extra R600 million in the coming financial year.

The import surcharge takes immediate effect on all goods not cleared by Customs.

It is expected Government coffers will swell by R550 million over a year from the surcharge.

The surcharge, last levied in 1977, was seen as a temporary measure, the Minister said.

Most petroleum products, including petrol and crude and diesel oil, will be excluded with a "drawback" being given on goods imported for processing or manufuture of exports.

Goods covered by the General Agreement on Tariffs and Trade are similarly excluded.

Subsidies

Mr Horwood said "insurmountable administrative difficulties" had made it impossible to introduce a differentiated GST which would bear more heavily on non-foods items.

But he had instructed his department to look again closely at the question of food subsidies within the constraints of the Budget.

Painting a bleak picture Mr Horwood said he believed the measures taken would demonstrate the Government's resolve to make adjustments required by adverse external developments.

Downturn

Mr Horwood gave three main reasons for the current downturn in the economy.

- The falling price of gold.
- The balance of payme s situation which was in the red by R4 000 million.
- The tight monetary policies and high interest rates in the main industrial countries.

The time had arrived to take stronger corrective action, particularly in the field of fiscal policy.

He said the new measures announced today could have been held over until the main Budget next month but he had judged it in the national interest to act promptly and decisively to avoid uncertainty and speculation.

Mr Horwood gave a strong warning that consumers should not be exploited with the introduction of the surcharge and the increase in GST.

PERKS TAX

(320) FM 12|2|82

Facing reality

The threat of increased taxation of fringe benefits has been haunting businessmen and civil servants alike for more than five years now.

First, government could not make up its mind whether to do it. Now it cannot decide how to do it. The proposals being considered by a Parliamentary commission are pointless and impractical and their implementation would not be particularly equitable.

The uncertainty over the matter has caused dismay and distress. It is not conducive to a stable employment policy, both within and outside the public service.

The time has now come for the Cabinet, and Finance Minister Owen Horwood, to admit that they were seduced by the first flush of Inland Revenue's tax reform programme, which brought in gst so successfully.

What is at stake now is no more than a principle, which makes for high-minded theory but would achieve little in practice. The Treasury may be short of cash, but high taxes on perks will certainly not solve that problem. Its solution lies elsewhere.

Official estimates are that in a full year the proposed increases in perks taxes will increase government revenue by R50m. That is 0,37% of this fiscal year's estimated revenue and 0,31% of total expected government spending.

Nor will higher taxes of this nature cut to the root of tax evasion. That is carried on by the self-employed through honeycombs of private companies. Its solution, too, lies elsewhere. Instead, these taxes will increase the burden on the salaried man.

Government itself has encouraged the granting of fringe benefits over many years. It has done this by imposing low tax thresholds combined with rates that escalate too steeply. And by granting tax-free benefits to civil servants in lieu of pay.

It cannot at the stroke of a pen roll back a practice that it has encouraged for decades; one that is now woven into the fabric of our economy.

If government wants to stop the drift in that direction, then this is best done by keeping income taxes low and reducing inflation which drags taxpayers into ever higher tax brackets without a real increase in incomes.

It is difficult to understand, moreover, how senior Inland Revenue officials, themselves civil servants and fringe benefit beneficiaries, did not foresee the opposition to their proposed taxes from fellow state employees.

The public service is facing chronic manpower problems. Pay increases are being held to the rate of inflation. This would assuredly have been impossible if public servants also had to pay additional taxes on housing loans and other perks.

To strive for equity in a nation's taxation system is a worthwhile endeavour. Reform must go on. But it must not be confused with bureaucratic demagogy. Horwood must scrap the fringe benefit tax proposals forthwith.

ARGUS 12/2/82

SURCHARGE A DOUBLE BLOW

374 780 320

Consumer Reporter

THE 10 percent import surcharge which comes into effect today will hit industry's plans for expansion and badly needed job opportunities, according to the director of the Cape Chamber of Industries, Mr Jack Roos.

Others said the one percent rise in GST would be a serious blow to the consumer, particularly the poorest families who spent most of their incomes on food.

The tax puts up the price of every commodity sold over the counter and every service.

And together with the new import surcharge it will increase the price of food, textiles and other goods imported from overseas by 11 percent.

Mr Roos said the import surcharge would affect local industry's plans for expansion because it would increase the cost of new machinery which mostly came from overseas.

On the credit side, he said it would be beneficial to the clothing industry, among others, since it would make the price of imported clothes from Taiwan less competitive.

Mr John Barry, director of operations for Pick 'n Pay in the Eastern and Western Cape, said he was disappointed the Minister of Finance had not exempted basic foods from GST since it would increase the burden on the poorest people.

The rise in GST comes just as manufacturers' price increases on a wide range of commodities — imposed in December and last month — are taking effect of this and the will now push up those prices even further.

Mr Barry said he thought the combined effect of this aid the import surcharge might price some imported goods beyond the reach of most people.

But an executive of Checkers said he thought there were already sufficient stocks of imported fish such as tuna in the country to satisfy consumer needs for some time.

When GST was first introduced a number of manufacturers and retailers increased prices further at the same time, hoping that the entire increase would be blamed on the new tax.

The Government has appealed for this not to

(Contd on Page 3, col 1)

Double blow from surcharge

ARGUS 12/2/82

(Continued from Page 1)

happen again. But Mrs Joy Hurwitz, national president of the Housewives' League, said she feared some retailers would charge higher prices for imported goods already in stock, on which the higher surcharge had not been paid.

Inflation

Dr Johan Cloete, chief economist of Barclay's Bank, said he expected the inflation rate to rise by at least one percent because of the increase in GST and the import surchage.

He thought it would have been better to exempt essential foodstuffs from GST and to increase it by two or three percent on everything else.

He did not think this would have been difficult to administer because similar systems worked in many countries overseas.

Mr Andre Hamersma, chief economist at Standard Bank, said the surcharge would not be a popular measure internationally.

'You can't expect our trading partners to be very happy. The surcharge will also discriminate against certain imports as not all good will be subjected to it,' he said.

Remedy

Mr Martin Spring, a financial consultant, said although the Governments financial problems were serious, the remedy was a bit sooner than expected.

It was possible the Minister had taken some of the sting out of the main budget, though it was still possible that extra income would be raised in the form of loan levies and increased company tax.

Mr Spring said the reintroduction of the import surcharge was obviously more acceptable politically than increasing GST by two percent.

Mr Rudolph Gouws, senior economist at Nedbank, said the increase in GST was appropriate. It was not a good idea to exempt foodstuffs as this caused imbalances in the system.

'The import surcharge is a very good method of raising revenue but it is a retrogressive step for the Government's free economy policy,' he said.

79 FRIDAY, 12 FEBRUARY 1982 80

Mr. D. J. N. MALCOMESS: Mr. Speaker, arising out of the hon. the Minister's reply, could he tell the House whether those costs include the cost of building houses for the chairmen of committees of the President's Council?

The MINISTER: Mr. Speaker, I suggest the hon. member table a question in that regard. The reply I read out was furnished by the office of the hon. the Prime Minister. I am not in a position to reply to the hon. member on details.

Ministers:

Hansard 12/2/82

Controlled squatting

Q. Col. 79

*1. Mrs. H. SUZMAN asked the Minister of Co-operation and Development:

Whether any Administration Board have adopted schemes of controlled squatting; if so, (a) which Boards, (b) how many families are involved and (c) what type of accommodation has been approved in each area?

†The DEPUTY MINISTER OF CO-OPERATION:

Yes.

(a) (i) East Cape.

(ii) Western Cape.

(b) It is impossible to establish reliably how many families are involved.

(c) No specific type of accommodation has been approved other than that basic services are provided.

Hansard Q. Col. 80

Black Taxation Act

12/2/82

*2. 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 1980-'81 financial year and

(b) how many Blacks paid tax on income during this period?

The MINISTER OF CO-OPERATION:

(a) 1980-1981: R89 478 368.

(b) 2 022 581.

Commission of Inquiry into the Desirability of Converting the Witwatersrand Local Division of the Supreme Court of South Africa into an Additional Provincial Division of the Supreme Court

*3. Mr. D. J. DALLING asked the Minister of Justice:

(1) Whether the Government has considered recommendations (a) to (e) as set out on pages 14 and 15 of the Report of the Commission of Inquiry into the Desirability of Converting the Witwatersrand Local Division of the Supreme Court of South Africa into an Additional Provincial Division of the Supreme Court; if not, why not; if so,

(2) whether any such recommendations have been accepted; if so, (a) which recommendations and (b) what steps have been taken to implement them;

University Administration, and any problems which you may encounter with respect to these should be taken to the Examinations Officer, Bremner Building, without delay.

READING

While the Department will try wherever possible to facilitate reading by placing texts in the short loan section of Leslie Library and distributing selected prescribed articles, you are strongly advised to make the fullest possible use of the Library. It would stand you in good stead to attend an orientation course conducted during the first

Black leaders slam finance Minister Owen Horwood

SALES TAX UP 1%

GENERAL SALES TAX (GST) will go up by one percent from four cents to five cents next month, the Minister of Finance, Mr Owen Horwood, announced during the mini-budget yesterday.

Mr Horwood said that insurmountable administrative difficulties made it impossible for him to introduce a differentiated GST which would bear more heavily on non-food items.

This would have meant that basic items like food would have been exempted from sales tax, while a larger tax could have been levied on non-essentials.

He said, however, that he had instructed his department to look closer at the question of food subsidies within the constraints of the budget.

Painting a black economic picture, Mr Horwood said he believed this measure — and a 10 percent surcharge on imported goods — were forced upon a government that had to meet, and defeat, adverse external developments.

This hike is expected to bring the Government an extra R600-million in the coming financial year, but it is expected further bad news can be expected when Mr Horwood presents his main budget.

General Secretary of the Trade Union Council, Mr Arthur Grobelaar, said he was deeply disappointed and perturbed at the Minister's decision to increase GST.

The tax, he said, had always been unpopular with the lower income groups and highly unfair to the unemployed in particular.

He was sceptical whether a reduction in PAYE deductions would soften the blow.

Mr Joseph Kawawa, president of the People United To Save Orphans (Puso) said that the hardest hit people would be blacks. By spreading the tax burden to make the load on the white taxpayer lighter, blacks who are underpaid are forced to contribute equally, he said.

Said Mr Leonard Mosala: "We need to go back to the principle of GST. It was wrong from the beginning because it was imposed indiscriminately on a large section of the population who cannot, and do not, control the economic situation."

He said that the fact that the Minister had found it necessary to impose a heavier burden on blacks is a further highlight of the helplessness of blacks to effectively protest against the disabilities imposed upon them in their lives.

320

Sowetan 12/2/82

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R ENGINEERING

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what kinds of questions to ask. Can you help me?

Peter

INSTRUCTIONS

WRITE A MEMORANDUM TO PETER DAY GIVING HIM ADVICE ON HOW TO RUN AN INTERVIEW. SUGGEST SOME INTERVIEWING TECHNIQUES, AND GIVE HIM SOME EXAMPLES OF TYPICAL QUESTIONS TO ASK.

Sharp reaction to sales tax rise

CAPE TIMES 12/2/82 320

By GORDON KLING

THE GOVERNMENT will receive an additional 25 percent in revenue from general sales tax with a rise in the rate from four to five percent from March 1, and the price of a wide range of goods will increase with the imposition of a 10 percent import surcharge, effective immediately.

Mr Owen Horwood

These are the main shocks for consumers from a sombre mini-budget intended to bolster tightly-stretched State revenue, presented yesterday by the Minister of Finance, Mr Owen Horwood, who advised Parliament that the further decline of gold in the past two months and continued recessionary tendencies in the West had left him no option.

Condemning the moves as a burden on ordinary citizens that would fuel the fires of inflation, the chief Opposition spokesman on finance, Mr Harry Schwarz, said they were indicative of National Party mismangement.

The New Republic Party finance spokesman, Mr George Bartlett, said: "Once again the minister has gambled on the price of gold and come unstuck."

Mr Bartlett said the greatest sufferers would be those with fixed incomes and pensioners who had no margin left to cushion the blow.

The deputy director of the University of Stellenbosch Bureau for Economic Research, Mr Attie de Vries, noted that the bureau had forecast the GST rise last year, but "naturally its effect will be to increase prices across the board on top of the surcharge on imported goods".

Mr De Vries did not think the minister had much choice.

"According to our calculations, if he had to go to the banks to get the money he needed, the inflationary effects would have been greater than a one percent rise." * *

Mr De Vr... think the minister had much choice.

"According to our calculations, if he had to go to the banks to get the money he needed, the inflationary effects would have been greater than a one percent rise." * *

Growing deficit

Mr Horwood said short-term and transitional problems, including a growing deficit on the balance of payments and considerable pressure on the government's own finances, required immediate attention. In addition, the rate of increase in the country's money supply, with all its inflationary implications, had risen again in the final quarter of last year.

Rather than hold the new measures over till the introduction of the main budget in March, "I have judged it in the national interest to act promptly and decisively, thereby also avoiding uncertainty and speculation".

The rise in GST from four to five percent would yield about R600-million for the State in the financial year beginning March, while the import duties would bring in an extra R550-million, he said.

Petrol and other petrol-

To page 2 (A)

P.T.O.

'Food tax can be killed at the till'

320

RDM 13/2/82

Mall Reporter

SUPERMARKETS could implement the exemption of foodstuffs from GST on their existing tills within 24 hours, Mr Raymond Ackerman, chairman of Pick n' Pay, said yesterday.

Mr Ackerman was reacting to a statement by the Minister of Finance, Mr Owen Horwood, during Thursday's Mini-Budget, that to exempt foodstuffs from GST would lead to "insurmountable" difficulties.

But spokesmen for two other supermarket chains disagreed with Mr Ackerman.

Mr Ackerman said all major supermarkets use the add-on system, and the taxable items could be rung up first, sub-totalled and taxed and the few remaining non-taxable items added to that for the final total.

"There would be a few minor problems to start with but they could be overcome in 24 hours. In the United States the cashiers do it very quickly," he said.

However, Checkers and Spar spokesmen disagreed, claiming the tax would cause bottlenecks at tills, create administrative difficulties and work out costly.

Mr Sid Matus, executive director of Spar said: "If selected items were exempt, the Government would be forced seek revenue elsewhere and would increase the percentage on the remaining items to arrive at the amounts required.

"Also, the increased cost of administration would be passed on to the consumer eventually and negate the advantages."

Checkers public affairs manager, Ms Peta Lomberg, said supermarkets in the US had an advantage because they had highly computerised tills: "They have universal product coding — or scanning and the whole process is simple and quick. The item is scanned and the till responds. No-one in South Africa has them."

Dr Johan Cloete, chief economist of Barclays Bank, said: "While excluding GST on these items does mean slightly more administration, it's not impossible and must be weighed up against the benefits — keeping inflation down and making it a more equitable tax for the poor."

Mr Micky Van der Walt, the Commissioner of Inland Revenue, yesterday expanded on the Minister's reference to difficulties.

"How are you going to define what should be exempt and what shouldn't be?" he asked. "There is also increased bookkeeping for the retailer and there are thousands of little retailers who don't have electronic tills," he said.

The MINISTER OF JUSTICE:

No, not before courts in which the Department of Justice has an interest.

Sales tax

14. Mr. H. H. SCHWARZ asked the Minister of Finance:

(a) How many cases of irregularities in respect of sales tax have been discovered since the inception of the tax and (b) what is the amount of the tax involved?

The MINISTER OF FINANCE:

(a) 34 969.

(b) R22 406 673.

320 Hansard Q. 61 98-100 15/2/82

Taxpayers/income tax

31. Mr. H. H. SCHWARZ asked the Minister of Finance:

What was (a) the number of individual taxpayers in each income category and (b) the tax assessed in each income category expressed as a percentage of total tax assessed in the 1980-'81 tax year?

The MINISTER OF FINANCE:

(a) and (b). Reliable statistics for the 1980-'81 tax year are not yet available. The following figures reflect the position in respect of the 1979-'80 tax year as at 30 November 1981:

Income category	*Number of individual taxpayers in income category*	*Tax assessed in income category as percentage of total tax assessed*
Loss	14 706	—
1– 1 000	93 285	0,01
1 001– 2 000	155 130	0,25
2 001– 3 000	192 824	0,84
3 001– 4 000	168 255	1,46
4 001– 5 000	147 790	1,89
5 001– 6 000	126 245	2,16
6 001– 7 000	113 566	2,57
7 001– 8 000	107 649	3,09

R22m in GST cash is lost

320

RDM

6/2/82

Mail Correspondent

LESS than a week after raising General Sales Tax by 25%, the Minister of Finance, Mr Owen Horwood, has disclosed that South African taxpayers have lost R22 400 000-million in GST irregularities. And the Chief Opposition spokesman on Finance, Mr Harry Schwarz, has warned that this figure might represent only "the tip of the iceberg".

Mr Horwood disclosed in a written reply to questions tabled in Parliament by Mr Schwarz that 34 969 irregularities, involving R22 400 000-million had been discovered since the inception of GST.

The admission comes in the wake of speculation that South African taxpayers may have lost hundreds of millions of rands — because of insufficient staff to control and collect GST takings from retailers.

Mr Schwarz said in an interview last night that because of staff shortages in the Department of Inland Revenue the number of irregularities and the amount involved might be very much more.

"There is likely to be a lot more that has so far gone undiscovered," said Mr Schwarz.

"If there was a big enough staff to accurately control and monitor GST takings I am convinced a whole lot more irregularities, involving far more money, would be discovered.

"This is only the tip of the iceberg," he said.

Last night Mr Horwood declined to comment on speculation that the total lost in GST iregularities might be far greater than R22-million.

"Obviously we are looking at the whole matter very closely, but at this stage we have not completed our investigation," he said.

Mr Horwood said he would amplify during the Mini Budget debate next week.

According to an investigation by a Sunday newspaper GST evasions by Johannesburg businesses alone might account for as much as R400-million

Sources in the Department of Finance say that South Africans pay about R200-million a month in GST — R2 400-million a year.

12/2/82 Star

Call for probe into tax evasion

(320)

Political Staff

CAPE TOWN — Mr Harry Schwarz, PFP finance spokesman, today demanded that Finance Minister Owen Horwood respond to claims that millions have been lost through the evasion of payment of General Sales Tax.

In an interview today Mr Schwarz said an investigation into recent claims that there was a massive evasion of the payment of GST by businesses was now even more necessary in view of yesterday's announcement of a one percent increase in GST.

But the Commissioner of Inland Revenue, Mr Mickey van der Walt, today denied there was a serious problem:

"In no country in the world is there a 100 percent collection of tax and South Africa is no different."

Mr van der Walt said the claims made recently in a Sunday newspaper that up to 25 percent of GST collected by businesses was not being paid in was an "outrageous statement."

See also Pages 2, 4 and 14.

The staff shortage at Inland Revenue had been reported as being a main cause of the non-collection of tax.

Mr van der Walt said his department was about 20 percent down on its staff complement but this was no better or worse than any other Government department. Non-payment of GST was "an indictment of the business community and not Inland Revenue."

The Star's Africa News Service reports

To Page 3, Col 11

Call for probe into tax evasion

(320) Star 12/2/82

from page 1

from Windhoek that leading banker Dr Jan Marais has forecast a tough Budget and a growth rate in South Africa of between one and two percent this year.

Addressing a business function in Windhoek last night, Dr Marais predicted a business "shake-out" towards the end of the year, with lower property and share prices and smaller profits.

Commenting on the forthcoming Budget, he urged increased sales tax and a tax-exempted loan levy rather than heavier company and personal taxes. "It is vital not to destroy incentives to work hard and keep business growing," he said.

Dr Marais said he did not expect any significant reduction in either South African or international inflation and warned against unemployment dangers.

Farmers have expressed dismay over the increased import duties announced by the Minister of Finance, reports The Star's farming correspondent.

The SA Agricultural Union has said the 10 percent extra import tax would increase farming costs and the consumer would, in the end, foot the bill.

Bound to be inflationary, but...

Raising GST 'an essential medicine'

320

Star 12/2/82

Staff Reporters

Although inflationary, the imposition of higher sales tax and the 10 percent surcharge on imports was essential if the Government was to solve its serious financial problems.

This was the view of several economists and consumer spokesmen after the Minister of Finance's mini-Budget yesterday.

Dr Johan Cloete, chief economist of Barclays Bank, said the impact of increased GST and the import surcharge would be seen in the inflation rate which would go up by at least one percent.

"As most imports are necessary capital goods the volume of imports won't go down. But as the price of imports will go up this will affect the inflation rate."

He said it would have been better to increase GST by two or three percent, exempting essential foodstuffs. He did not agree this would have been difficult to administer as the system worked in many overseas countries.

Mr Andre Hamersma, chief economist at Standard Bank, said the surcharge would not be a popular measure internationally.

"You can't expect our trading partners to be very happy. The surcharge will also discriminate against certain imports as not all goods will be subjected to it."

Mr Martin Spring, a financial consultant, said that although the Government's financial problems were serious, the remedy was a bit sooner than expected.

He said it was possible the Minister had taken some of the sting out of the main Budget, although it was still possible that extra income would be raised in the form of loan levies and increased company taxation. The re-introduction of the import surcharge was obviously more acceptable politically than increasing GST by two percent.

Mr Rudolph Gouws, senior economist at Nedbank, said the increase in GST was appropriate.

"The import surcharge is a very good method of raising revenue but it is a retrogressive step for the Government's free economy policy."

PERSONAL TAX

Mr Bill Heunis, public relations officer for the Consumer Council, said he hoped the increased GST would mean that personal tax would not be raised this year. The import surcharge would give local industries a chance to compete among themselves, and improve their standards and quality of their products.

"In the past, local industries have complained they could not compete against imported goods. Now they will have a 10 percent advantage over imported products, and I hope the consumer will benefit," he said.

Mr Ed Verburg, economist for the Johannesburg Chamber of Commerce, said the surcharge would have a large impact on importers, and it was likely that the volume of imports would drop.

"I am confident that importers will do all they can to absorb some of the costs, and shield consumers from the full effect of the increases," he said.

Mrs Joy Hurwitz, national president of the Housewives' League, said the increased GST would be a blow to the lower income groups who spend most of their money on food.

"We would like food and essential goods such as domestic coal, paraffin and candles to be exempt from GST."

COFFERS

Mrs Hurwitz said she was worried whether the extra GST would reach the Exchequer's coffers. "There are already reports that the Government has not been able to collect R400 million owed to it in GST. I hope there will be some way of ensuring the money reaches the Treasury."

On the import surcharge, she said it was likely that retailers would mark up old stock, as usually happened when price increases were announced.

Mr Raymond Parsons, chief executive of the Association of Chambers of Commerce (Assocom), said while the association understood the fiscal difficulties faced by the Minister of Finance, the combination and timing of the increased GST and import surcharge would undoubtedly be inflationary.

Food CAN be free from GST

(320)

ROM 17/2/84

By VITA PALESTRANT

A NEW computerised system of cashing goods, which would enable retailers to exempt GST from basic foodstuffs, was quietly launched over a week ago by major food chains.

Universal Product Coding, was given a covert nod when they and other leading retailers met to form the "South African Numbering Association" — a body which would handle coding registration.

But introducing UPC could be a lengthy process as manufacturers would first have to agree to coding their products and this could take upto three years.

A source close to the newly formed body said several leading manufacturers have already shown interest, particularly those involved in the export market.

"Everything depends on the manufacturer — food stores feel it is not worth investing in the equipment until 65% of food products are coded," he said.

The system is used widely in the States and Europe and several supermarket here have already invested in the basic equipment in the belief it will be introduced eventually.

Basically it works by scanning. The consumer item is keyed into the store computer which decodes the markings (they are a series of lines) giving the manufacturers name, specific brand and quantity — to that the stores computer adds its price. The consumer is then left with a detailed cash slip.

Mr J R Houston, the managing director of NCR, which sells the computers said the intial cost of the equipment would soon be made up by its benefits.

It would speed up check out points, reduce errors and give management accurate statistics on sales, thus enabling them to control stocks better.

The cost to an average supermarket with 20 check out points would be approximately R100 000.

However one of its advantages could lead to problems — the system makes it unnecessary to price each items individually. In South Africa retailers are forced to do this by law. In the States prices are usually marked on shelves.

Taxman feels the big staff pinch

320

ROM 18/2/82

Mail Correspondent

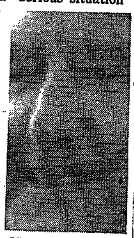
HE office of the Commissioner for nland Revenue is operating with a staff hortage of 1 030, or 22% of the total aff complement.

The Minister of Finance, Mr Owen Horood, disclosed this in Parliament yesterday reply to questions tabled by Mr Harry chwarz, chief Opposition spokesman on nance.

He also confirmed there were 72 vacant osts for inspectors in the General Sales Tax vision.

The disclosure follows Mr Horwood's stateent earlier this week that more than 34 000 ST irregularities, involving R22 400 000, had een discovered.

Later yesterday Mr Schwarz said the latest aff figures revealed a "serious situation" ad called on Mr Horood to remedy this, rticularly in the sales x division.



MR HORWOOD
Asked for remedy

"It has already been emonstrated that ere have been many regularities in the colction of sales tax, and uite obviously the isting staff is overorked," he said in a atement.

The fact that more an 1 000 vacancies isted in the office of e Commissioner for land Revenue also eant staff were being inadequately paid, he id.

"The public may feel strongly about paying creased sales tax, but they feel even more rongly that when there is an increase in les tax, the Government should at least be le to say it is collecting the GST ~~due to~~ it."

IMPORT SURCHARGE

Pushing up prices

(320) FM 19/2/82

Exemptions from the new 10% surcharge on imports will allow at least 50% of foreign goods to enter SA unscathed. Even so, the effects are going to be painful.

The surcharge, because it is applied at source, will push up consumer prices considerably more than 10%.

The Exchequer is expecting to pull in about R550m/year — and local industry must be delighted. Unsolicited, it is getting even more protection, while importers have to find additional capital to finance their trade.

Assocom's Raymond Parsons believes there was a need for corrective action. But he adds that the combination and timing of the rise in gst and the import surchage will undoubtedly be inflationary.

Says Parsons: "The fact that the public sector has been exempt, emphasises the likely cost-raising effects on the private sector. This could have ripple effects on the economy as a whole."

Bill Chambers, of the OK Bazaars Group, sees consumer durables taking the brunt. And Dions MD Clem McLeish estimates that the surcharge will result in about a 7,5% increase in fob price "which will obviously affect end-prices."

As the duty applies at the point of importation, it will be worked into cost structures throughout the system. For example, an item imported for R100 and sold to wholesalers for R150 will now cost R110 and sell for R165, with the same 50% mark-up. Government gets an extra R10; consumers pay an extra R15.

Likewise the cost to manufacturers will escalate as it filters through to the finished article, depending on the percentage of imported components used in production.

Unaffected goods are those bound under the General Agreement on Tariffs and Trade (Gatt), government imports and items not bound by Gatt which are used in manufacturing, processing, finishing, or packing for export.

And Minister Horwood says that, apart from "exceptional circumstances," no further exemptions will be considered and that the measure will be temporary.

Assocom and the Federated Chamber of Industries estimate that 40%-50% of imports will be hit.

THE BUDGET

Horwood adrift

(320) FM 19/2/82

For some months now there have been unwelcome trends in the financial statistics coming out of Pretoria and in some of the economic actions of government. They have not quite squared with the official policy of allowing resources to be allocated by market forces, with the private sector gaining a greater share.

Indeed, after the latest measure — the 10% import surcharge — there may well be reason for concern that the economic and financial strategies of the past five years are in jeopardy. The pity is that this is happening just as these strategies were beginning to bite, as the well-publicised pressures on the public service illustrate.

The economic logic behind the surcharge is difficult to fathom. As a means of raising additional government revenue it is more inflationary than an increase in indirect taxation by, for instance, raising gst. For a gst rise increases the price once off to the end user. The surcharge, however, will inevitably ripple through the prices charged by the importer, wholesaler and retailer. The end result will be a far higher price for the consumer.

Of course, it is true that, because of the mechanics of tax collection, the surcharge will provide more immediate income for government. But the extra R100m it will provide this fiscal year to boost total revenue of about R13,6 billion or to reduce the deficit before borrowing of about R2,7 billion is hardly material. Its inflationary disadvantage is clearly greater than its

Minister Horwood ... railroaded by the farmers, and the generals

nance a deficit before borrowing of about R3,7 billion.

Certainly, to impose a loan levy now would be to revert to use of a captive market, from which it has been government policy to withdraw. In addition, a loan levy is tantamount to increasing direct taxation, which is already high in proportion to indirect taxation.

Personal taxpayers, moreover, have been heavily penalised over the past two years by fiscal drag, which arises from the steeply progressive tax scales. Inflation pushes them into ever higher tax brackets which eats into their real earnings. So they are effectively paying a higher rate of tax in any event. Those who proclaim about the immorality of tax "avoision" should bear that fact in mind. The state, too, helps itself. Inflation, a creature of government, has correctly been labelled "taxation by stealth."

In fact, if in view of uncertain gold earnings the rate of income tax cannot be reduced to eliminate fiscal drag, at least the progression should once again be reduced and tax thresholds raised. Concessions for those paying private school fees, and thus reducing a burden on the state, should also be granted.

Horwood would have been far better advised to have increased gst, an indirect tax, by more than 1% rather than impose the import surcharge.

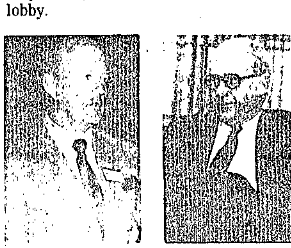
Sometimes it is argued that a rise in gst, without a commensurate increase in income tax or a loan levy, would favour the rich and prejudice the poor. This is because gst is spread over many more taxpayers and is felt to a greater extent by those of low income living close to the bread line.

It is a point of view that assumes the poor benefit from soaking the rich. In fact, tax policies along those lines in some Western countries in the Sixties and Seventies have illustrated that just the opposite happens. The total wealth of a nation diminishes, first to the detriment of the less well off. For those who have resources are discouraged from investing.

On the face of it, therefore, Horwood has little need to raise taxes again next month. That assumes, of course, that the gold price does not fall substantially lower for any length of time, government spending is held in check and that government is prepared to borrow more long-term.

There are, unfortunately, other factors at work. And they most likely are the cause of the erosion of Horwood's sensible economic and financial strategies over the past five years.

The first is the farmers. They are dismayed at having to pay higher interest rates for credit, even if they are not yet market rates, and cannot understand why. Decades of subsidisation have brought popular acceptance of agricultural inefficiences. And farmers constitute what is probably the most powerful political lobby.



Finance's De Loor, Reserve Bank's De Kock ... disappointed

The second factor is what is known as the extra-budgetary sector. It includes various state funds that are administered by government but which do not form a part of the national budget and are, therefore, hidden from public view. They include the National Supplies Procurement Fund (NSPF) and the State Oil Fund (SOF).

The financing of purchases by the NSPF was, in fact, a major cause of the increase in the money supply towards the end of last year. Until government itself had to draw on the Stabilisation Account, after the failure of its December loan, it was being used to finance NSPF purchases.

That, of itself, was not necessarily detrimental. The purchases were from abroad so money was not created in the domestic economy. As the Reserve Bank had itself to finance the NSPF after the Treasury drawing on the Stabilisation Account (which accounts for the loans to "others" and not "government"), it is possible that PDC cash was indirectly involved, probably to replace depleted official balances. And this, in turn, could have exacerbated the Treasury's own longer-term funding problem, causing it to rely more heavily on inflationary bank loans.

Precisely what strategic materials were purchased is a matter of speculation, as is the level of their necessity. The chances are the drawdowns were at least partially a form of disguised defence expenditure. The fact is that if in the year ahead so much of the resources of government are again going to be involved, the financing of the budget's deficit before borrowing could be a problem. This will be especially so if the PDC's cash flow is used as it presumably was in the current fiscal year.

Moreover, the financing of a substantial amount of government expenditure this way makes economic analysis and projection of published budget figures almost impossible. It also removes a great deal of accountability for what government spends from Parliament.

In the *FM's* view, the policies outlined by the Prime Minister in the late Seventies are being shoved off the rails. Great progress was made in their implementation by Finance Minister Horwood, assisted by the Director-General of Finance, Joep de Loor, and Reserve Bank Governor, Gerhard de Kock.

But when the crunch came, when these policies really began to release substantial resources to the private sector and allow the market to allocate them, the Cabinet was more receptive to the special pleas of farmers and generals. So it looks as if it is back to controlled prices, the inflationary printing press and protectionist policies.

There must be at least three bitterly disappointed economists in high government office. And Prime Minister PW Botha might ponder the words of Brendan Behan: "A general and a bit of shooting makes you forget your troubles ... it takes your mind off the cost of living."

revenue producing advantage.

As important is that over the next fiscal year — as we are stuck with it until March 1983 — the surcharge will provide protection for local manufacturers. Manufacturers affected will accordingly become less efficient. And, in turn, controlling inflation by squeezing the money supply will become more difficult and will need to be more harsh.

If the surcharge is intended to reduce the deficit on the current account of the balance of payments, then it is both unnecessary and inappropriate. As Minister of Finance Owen Horwood himself explained, when announcing the measure last week, imports have recently levelled off in value and declined in real terms and export earnings have held up well.

The Minister said: "According to preliminary estimates, the seasonally adjusted deficit ... declined from an annual rate of R5,9 billion in the third quarter of 1981 to one of about R3,6 billion in the fourth quarter."

At the heart of the balance of payments problem is the excessive level of domestic demand in relation to reduced gold earnings. That would be most effectively curbed through a tight money policy, which, with money supply growing at an annual rate of 21%, the country does not have.

That, in fact, is the second inconsistency in recent months in government's declared policy. Last year's tight money policy was aborted by the actions of government itself. About R1 billion of additional money was created by the Treasury drawing R600m from the Stabilisation Account and borrowing possibly more than R400m from the Reserve Bank.

This sort of inflationary financing of the Exchequer becomes public knowledge only long after it has occurred. In the Reserve Bank accounts it is reflected in a rise from R620m in January 1981 to R1 907m this January in "loans and advances to others," not "to government." The significance of that we will return to later.

The need for this inflationary financing arose partly because a market rate of interest was not offered on the government loan in December, which failed. That was another inconsistency as policy was towards market-related interest rates.

Government spokesmen have also been quick to point out that the Public Debt Commissioners, who administer state pension and other funds, failed to invest the R1 850m expected from it, in terms of the last Budget, in long-term gilts. The reason for this failure is not clear and the secretary of the PDC is not saying. All that is known is that the PDC lent large amounts from its cash flow to the Treasury towards the end of last year.

In addition, the Cabinet refused to allow the price of fertiliser to rise by more than 10% this year. That was after the Price Controller had recommended a rise of 15% and producers had requested 18%. It followed a year in which the price of fertiliser was clearly too low in relation to production costs. And it means the price of fertiliser will decline in real terms by 5% this year.

The refusal of the Cabinet to allow such a valuable resource as fertiliser to be allocated by the forces of supply and demand is to introduce yet another element of inefficiency into the economy. Its inflationary consequences will be severe.

There can be no doubt that cheap fertiliser contributed last year to maize and wheat surpluses which had to be financed to the extent of R2,3 billion in new bank credit. In past years, if R1 billion was needed for this purpose, it was a lot. Farmers did have to pay higher interest charges for this finance. But the cost to them was 3% below prime overdraft rate of 17%.

Moreover, the farmers obtained this relatively cheap finance at a uniform rate, regardless of whether they were efficient farmers or not. Industrialists, on the other hand, were able to borrow at prime rate only if they were blue chip.

The attitude of the Treasury to the deficit before borrowing in the forthcoming fiscal year is also rather extraordinary. Before the gst increase and import surcharge, revenue in the next fiscal year would have been in the region of R14 billion. Let us assume that the R4,9 billion authorised in last week's Part Appropriation Bill is government's spending requirement in the first quarter of 1982/83. If this is an average for all quarters, total expenditure will be about R18,5 billion. That would leave a deficit before borrowing of about R5 billion, which is not particularly large in relation to the size of the economy and the country's high credit standing abroad. But, of course, it is slightly less than double the current fiscal year's likely R2,7 billion.

Taking into account the higher yields from gst after the increase to 5% and the new import surcharge, the borrowing requirement next fiscal year will now fall to the region of R3,5 billion: an increase of 30% on this year's expected figure, but only 5,9% of gdp.

Even at this level the Treasury is sensitive to its size. It emphasises that it is reluctant to borrow that amount and crowd out the public corporations and private sector companies from the capital market. And it is reluctant to be locked into prevailing rates for 25-year money.

But there can be no real question of crowding out, given the cash flows of the financial institutions and their high prescribed asset requirements. There is also the low gearing and healthy cash flows of so many quoted companies. Nor should the interest burden be of concern to the Treasury if government is serious about allocating resources through the market place.

Of course, it could be that the Treasury has taken this line in order to emphasise to some government departments that their spending must remain strictly controlled. It is an open secret that there are departments that made inadequate allowances for inflation in their financing of capital projects.

If that is the real purpose behind Treasury's attitude there is little cause for concern. But expectations are widespread that Horwood will seek to reduce this projected borrowing requirement even further by imposing a loan levy (either on individuals and companies or only on the latter) or by raising income and company taxes.

Needless to say, such action would fly squarely in the face of his policy of the last five years. It is certainly not one with which the *FM* can find merit.

In fact, after the fiscal measures just imposed, there should be no need for further fiscal measures to meet total expenditure of about R19 billion (a rise of roughly 16%), assuming an average gold price for the year of just below $400 and ability to fi-

LOOKING AHEAD

	1980/81 Actual	1981/82 Budget	Standard Bank 1981/82 Estimate	Standard Bank 1982/83 Forecast	After GST rise and Surcharge	Barclays Bank 1982/83 Forecast	After GST rise and Surcharge	Senbank 1982/83 Forecast	After GST rise and Surcharge	FM 1982/83 Forecast After GST rise and Surcarge
					Rm					
REVENUE	13 310	13 164	13 619	14 116	15 266	15 300	16 450	14 500	15 650	15 300
EXPENDITURE	13 590	15 871	16 345	19 024	19 024	19 700	19 700	19 000	19 000	19 000
DEFICIT BEFORE BORROWING	280	2 707	2 726	4 908	3 758	4 400	3 250	4 500	3 350	3 700

Standard's and Barclay's forecast assume an annual average gold price of $400. Senbank assumes $375. The figures for After GST Rise and Import Surcharge have been increased by R1 150, the additional income estimated by the Minister over a full year.

GST:

Sunday Express

REVEALED: You'll pay more because R400-million in GST has gone astray

SA'S GREATEST TAX SWINDLE

● The Sunday Express story that opened the missing tax row.

320 S. Express 21/2/82

SWINDLE GROWING

THE Sunday Express can today disclose the full extent of losses suffered by South African taxpayers because of Government inefficiency in collecting general sales tax revenue.

Calculations by senior Government tax experts show that in three years a staggering R809 000 000 has "gone astray" through theft, non-declaration or underpayment.

The figures are not plucked out of the air. They are a careful estimate by top Government sources of the amounts effectively "written off" since the 4% GST was imposed in July 1978.

It works out at more than R18-million a month — or more than R600 000 a day!

The Sunday Express disclosure last month that R400-million had gone missing on last year's GST payments led to a call in Parliament this week by Mr Harry Schwarz, PFP finance spokesman, for an immediate Government investigation.

Subsequent inquiries by the Sunday Express have shown that matters are far worse than they seemed. Not only are the losses greater than first reported — they are growing.

The latest increase in sales tax from 4% to 5% simply means losses will grow by another 25%.

Mr Schwarz believes today's fresh disclosures by the Sunday Express make a full inquiry even more urgent and he has challenged Minister of Finance Owen Horwood to lift the cloak of secrecy around the tax scandal.

"He should tell Parliament the

To Page 2

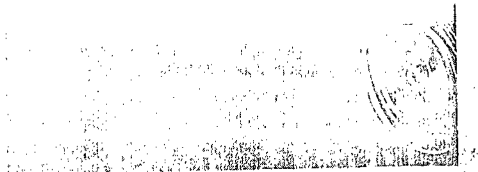
R809 000 000 — that is what the great GST bungle has cost YOU!

By KITT KATZIN

5.4.3 Summary Report Technique

The Inverted Pyramid is harder to construct for a long report than for a memo or letter. There is a format with eight sections which you can use as a guide when writing a report. We have included six of those sections — title, summary, introduction, conclusion, recommendations and discussion — on ...ing pages. (Abstract and appendices are not included.) ... out of order here, but when put in the proper ...report constructed using the Inverted Pyramid

...inst cars



Father Finbar Synnott . . . he has vowed that he will never again set foot in a privately-owned vehicle, except in a real emergency.

...y TORCHIA

...v Hall. ...ost dan- ... argu- ...idea ... to the ... ...fference ... make to ...?" ... mistake ...ctically, ...ike that, ...en more

profoundly, Christians should be moved by the will to integrity, to do it if it is truth, even if no one else can see the point."

Besides, he said: "I'm a priest, not an economist".

Father Finbar's outlook is a curious blend of modern thinking and a yearning for a return to the old simplicity and slowness of life.

He speaks of the 'global village' in the same way as do the United Nations and church organisations managing worldwide aid.

"Tokyo and Lima are now nearer to me, in the sense that I can communicate and share with them, than Pretoria was to Johannesburg a hundred years ago," he said.

This 'neighbourhood' feeling is why he believes that sharing is now essential.

But he regretted that "we have allowed the spreading of the Gospel to be seen as dependent on motor cars, complicated and costly office equipment, costly seminars and secretariates, and filling the sky at immense cost with Christian experts.

"St Paul made a great point that the power of the Gospel is best seen when it is preached from human weakness and lack of resources, with no accompaniment of 'nobility' or 'philosophy'.

"Put this into modern language and you get 'without social or cultural influence and techniques.'

"If, instead of hurrying to many places by rapid transport, in a hurry to get away again, ministers of the Gospel went quietly, stayed a time and let things go to a greater depth in a few places, they might achieve more.

"The founder of my order sent away his medieval style 'fast transport' — his horse — and went on foot. Something then happened.

"Again, the motor car symbolises it all."

Father Finbar immigrated from Britain in 1930 and has worked in Lesotho, rural Natal, and the Witwatersrand.

He now belongs to a community of Christians, Muslims and Hindus who are dedicated to living a life 'at a modest average for the whole world'. That means foregoing many creature comforts, including electric light.

But once again this seemingly contradictory figure brings an unexpected hard-headed realism to bear.

"The material need can only be met with money," he says. "The spiritual idea can spread without it.

"If there is only enough money left to buy bread or a prayer book, and the people are starving, then it is the bread that will be bought."

Father Finbar is anxious not to tread on anyone's toes with his campaign.

He admitted it was "morally dangerous to be so much alone".

"It is not an alternative nor an excuse for opting out of ordinary social or political action, and integrity does not refer to letting oneself feel right, but to making sure that the other man does not feel hungry while you have too much," he said.

He would not be photographed outside a car dealer's yard: he had nothing personal against them.

GST: The biggest rip-off in history?

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S. Express 21/2/82

From Page 1

facts.

"If this is true," said Mr Schwarz, "then South African taxpayers — black and white — are the victims of the biggest rip-off in the country's history."

This is how the experts calculate the extent of GST fiddling and the amount of lost revenue since GST was imposed in 1978:

In the first year, from July to February, the tax should have produced R725-million but it fell R75-million short. Only R650-million was collected.

The next year (March 1979 to February 1980), the shortfall increased to R115-million. Instead of collecting R1 265-million, the State picked up only R1 150.

The following year — March 1980 to February 1981 — was even worse. The shortfall was R248-million — R1 650 was collected instead of R1 898-million.

The estimated loss for the remainder of last year is a whopping R371 500 000. While R2 200-million was

Mr Horwood . . . a PFP challenge

collected, the haul should have been R2 571 500.

This dramatic jump in uncollected taxes was caused by boom conditions — record trading, heavier investments, greater profits and more money in circulation.

Calculations by experts on the "missing millions" were based on tables in a Reserve Bank publication, 'A Statistical Presentation of South Africa's National Accounts; 1946-1980' showing the economic activity in each sector of national life.

From these tables it is possible to calculate what should have been collected — and to compare it with what was collected.

Tax swindlers simply pocket GST by selling more merchandise than the turnover they reflect on GST returns submitted monthly to the Receiver of Revenue.

However, some experts believe that the shortfall of R809 500 000 in GST could perhaps be only the tip of the iceberg.

These losses are not made up solely of deliberate theft, but include money which hard-pressed revenue officials, in the face of staff vacancies, are unable to trace, assess and recoup.

Mr Horwood this week confirmed Sunday Express reports on the staff shortages in the Office of the Commissioner for Inland Revenue — running at 22%. More than 1 000 posts, including 72 for GST inspectors, are vacant throughout the country.

In Johannesburg alone, where 44% of South Africa's GST was collected last year (more than R700-million), 42 out of 49 posts for tax inspectors are vacant.

Staff shortages, say Government and other tax experts, account only partly for the problem.

What was required other than merely "policing" the payments or appointing more inspectors was a campaign to step up scientific computerisation techniques.

This would enable tax officials to detect and control more efficiently ratios of profitability, turnover, tax returns, including GST, and profit and loss accounts.

The Revenue Department should also consider contracting specialist personnel.

Forum, a financial magazine, says the Inland Revenue Department in the United States spends only $1 to recoup $7 from the public and $12 from business as a result of upgrading training, techniques and computer programmes and engaging specialist staff.

Own Correspondent

JOHANNESBURG. — Allegations of the alarming extent of GST avoidance and irregularities had caused a wave of public anger and disquiet, the PFP finance spokesman, Mr Harry Schwarz, said yesterday.

GST losses: Schwarz calls for inquiry

Cape Times 22/2/82

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He was reacting to a Sunday Express weekend report that over three years more than R800-million had been lost to the Exchequer because of tax defaulters.

Mr Schwarz will call on the Minister of Finance, Mr Owen Horwood, during the Part Appropriation Debate in the Assembly today to order an inquiry into the allegations.

"If the tax-paying public is being ripped off to this staggering extent by tax dodgers it amounts to a national scandal which demands crash action," he said.

The offices of the Commissioner for Inland Revenue had more than 1 000 vacancies on a staff establishment of 4 500. This included a 40 percent shortage of GST inspectors.

"And even with this serious shortage of staff, 34 969 irregularities were uncovered. If there were more inspectors it is reasonable to assume far more irregularities would have been uncovered."

According to the minister the irregularities discovered involved more than R22-million. The allegation now being made was that over a period of three years more than R800-million had gone astray.

The alleged R800-million shortfall was apparently based on total retail sales. There was little use in the department relating collections to the minister's budget estimates, Mr Schwarz said.

Mr Horwood was not available for comment but his Deputy Minister, Mr D W Steyn, declined to comment.

● The Commissioner for Inland Revenue, Mr Mickey van der Walt, has dismissed allegations of an R800-million fiddle as being based on sensationalism.

Referring to earlier allegations that the amount in default was R400-million, Mr Van der Walt said in an interview in Rapport at the weekend that for the financial year 1980/81 the GST revenue estimate was R1 550 million.

For the 1981/82 financial year, estimated GST revenue was R2 150-million, and all indications were the estimate would be realized.

He agreed that in certain cases there was a shortage of GST inspectors. But to allege that this was a direct cause of income losses for the alleged amounts was far from the truth.

● The Sunday Express said experts based the R800-million estimate on South African Reserve Bank statistics of fixed investment in all sectors and on total consumer expenditure.

Difficulty in coping with your studies	))	Academic Support Programmes Room 516.05 Leslie

CONTACTABILITY

It sometimes occurs that the Department needs to contact students during vacations, or in order to convey to them the outcome of an appeal to the Flexibility Committee. You are therefore required to inform the Department whenever you change your address (Room 431).

LECTURES AND EXAMINATIONS

Although attendance is not compulsory, students are strongly advised to attend all lectures. Evaluation of students' work is based on a combination of class tests, assignments, essays, and University examinations.

The mid-year and year-end University examinations are organised by the University Administration, and any problems which you may encounter with respect to these should be taken to the Examinations Officer, Bremner Building, without delay.

READING

While the Department will try wherever possible to facilitate reading by placing texts in the short loan section of Leslie Library and distributing selected prescribed articles, you are strongly advised to make the fullest possible use of the Library. It would stand you in good stead to attend an orientation course conducted during the first

CAPE TIMES 23/2/82

Printers call for tax on benefits

Industrial Reporter

FURTHER delays in the introduction of fringe-benefits taxation in South Africa have drawn fire from the printing industry.

Noting that wage-earners had "precious little" to lose from introduction of the tax, an editorial in the SA Typographical Journal accused the government of delaying its implementation because senior government officials and members of Parliament "who enjoy colossal untaxed fringe benefits" stood to lose.

In the national budget last year, the Minister of Finance, Mr Owen Horwood, said the tax would be phased in from March, but he announced last month that it had been decided to postpone the measure for at least a year to give a recently-appointed parliamentary commission more time to complete its inquiry.

The editorial said that if the tax were not implemented, it would not be unreasonable for workers to start demanding tax relief on any additional income earned over and above their daily wage.

"Overtime and Sunday time, to quote but one example, is money earned by the sweat of his brow. Yet we find that every cent so earned by way of extra effort is taxable. There is no escape for the working man."

IN THE HOUSE

CAPE TIMES 23/2/82

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Row over GST millions

Political Staff

HOUSE OF ASSEMBLY. — A row flared in Parliament yesterday over allegations that hundreds of millions of rands may have been lost because of General Sales Tax irregularities.

The spark came when Mr Harry Schwarz, the opposition's chief spokesman on finance, demanded that the Minister of Finance, Mr Owen Horwood, institute an immediate investigation into allegations made in newspapers that as much as R800 million may have been lost through GST irregularities.

He said during yesterday's mini budget debate that figures supplied in reply to questions tabled in Parliament had revealed a 40 percent shortage of inspectors in the GST division and more than 1 000 vacancies on the staff of the Commissioner for Inland Revenue.

"If almost 35 000 irregularities are discovered with a 40 percent shortage of inspectors, what would be discovered with a complete inspectorate?

"The public pays GST not because they like it but because they have to. What they insist on is that what they do pay reaches the state coffers."

Government speakers attacked Mr Schwarz, claiming that he should substantiate rumours before he brought them into debate and that some people would attempt to evade taxes irrespective of what measures were taken to prevent it.

Mr Theo Aronson (NP nominated) said newspaper interpretations that the state had lost the R22,4m involved in the nearly 35 000 GST irregularities was incorrect.

"I want to emphasize that the R22m was not lost. It was discovered and collected."

He said that the fact that R22m had been recovered was an indication of the efficiency with which GST was enforced.

"The only way GST can be enforced 100 percent is to have an inspector at every till."

He said that it was impossible to gauge accurately the amount lost through inaccurate GST declarations by commerce and industry.

He accused Mr Schwarz of seeking sensation by claiming that the R22m in irregularities uncovered was only "the tip of the iceberg".

ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		

Years 02 an

04, Jan 1:		300	300
Jan 2:		24 000	24 000
Jan 2:		24 000	24 000
Jan 2:		300	300
Jan 31:		24 000	24 000

(2) Premiums Tr

01, Jan 1:		300	300
Dec 31:		300	300

Continued/ ....

'Hidden perks to GST'

ARGUS 24/2/82

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Parliamentary Staff

GENERAL SALES TAX had 'hidden benefits' for large concerns such as hypermarkets, supermarkets and chain stores, Mr Alf Widman (PFP, Hillbrow) said in the Assembly yesterday.

Speaking during the second reading debate on the Part Appropriation Bill, Mr Widman said these concerns could accumulate the sales tax for a month and receive five percent interest on it from banks by depositing it on call account or daily rates.

The Minister of Finance, Mr Owen Horwood, had now increased sales tax, and this 'hidden benefit' for large concerns would now increase by 25 percent.

Some of these concerns had turnovers of R400 000 a month, giving them a clear R1 000 a month profit.

'How about them passing the benefits on to the customer?' said Mr Widman.

Mr Widman also called on the Government to exempt local authorities from GST.

Local authorities were struggling to balance their budgets, and they played a vital and integral role in the economy.

The total capital expenditure of local authorities was a 'substantial amount' — half of which usually came from rates and the balance from services such as water, electricity and sewerage.

'This is all paid for by John Citizen, who is, in fact, twice taxed to keep Government and local government, and thrice taxed to include the Province on certain tariffs,' he said.

Mr Widman said it was clear that the National Party could not manage the country's economy.

Politics and economics were inextricably bound to each other. The National Party was shackled to its right wing, and bogged down in a 'mire of conservatism.'

'I appeal to the Prime Minister to break the shackles, to put South Africa above the National Party. It is clear the interests of South Africa and the interests of the National Party mutually conflict,' said Mr Widman.

ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		

Years 02 and 03 - same as 01

04, Jan 1:	I	300	
			300
Jan 2:	D	000	
	b		24 000
Jan 2:	I	000	
	b		24 000
Jan 2:	I	300	
	b		300
Jan 31:	B	000	
	b		24 000

(2) Premiums Tre

01, Jan 1:	L	300	
			300
Dec 31:	I	300	
	(S)		300

Continued/ ....

Govt's industry tax plan attacked

320

RDM 25/2/82

By GERALD REILLY

THE Government's threat to force decentralisation by taxing new industries and expansions to existing industries in metropolitan areas was causing uncertainty and alarm among businessmen, the Progressive Federal Party's spokesman on Finance, Mr Harry Schwarz, said yesterday.

Mr Schwarz challenged the Prime Minister, Mr P W Botha, to announce details of the tax proposals — aimed mainly at supporting the Government's decentralisation policy — before the municpal elections next month.

The economic welfare of thousands of voters in Johannesburg, Randburg and Sandton would be affected if the threat was carried out, he warned.

The Prime Minister said at the Good Hope conference in Cape Town last year that in future industrial development in the metropolitan areas should be regulated by indirect methods.

He said industrial land could be controlled in terms of Section 2 of the physical planning legilsation, and by the recovery of costs of infra-structure development and other services by taxation.

"The aim obviously is to discourage growth in the Pretoria/Witwatersrand/Vereeninging areas by levying a tax on industry to provide services and to finance the Government's decentralisation plans," Mr Schwarz said.

He said people living and working in the PWV area — which includes Johannesburg, Randburg and Sandton — could be seriously affected if the Government implemented its tax plan.

The Prime Minister also emphasised in Parliament recently that subsidies for essential services in the metropolitan areas would also be stopped.

"The entire plan is a direct interference in private enterprise to which the Government claims it is committed," Mr Schwarz said.

The PFP favoured decentralisation, but only on economic grounds, not on political and ideological gounds.

The fear was that the Government was more concerned about ideologies than with economic realities, he said.

It cost far less to create jobs in the established industrial areas than in the areas earmarked by the Government for decentralisation.

ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
	Years 02 and 03 - same as 01		
04, Jan 1:	Insurance Expense	300	
	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		
Jan 2:	Income from Life Policy	24 000	
	Income Statement		24 000
	being closing entry		

(2)

Continued)

...ands

›vement in the cost-of-ing index?' Mr Hor-od asked.

The opposition had led to mention, in par-ular, how the Govern-›nt had helped pen-mers, the aged and ndreds of thousands, if millions, of people stly in the lower-›ome groups by subsi-ing their bus and rail ›es and by subsidising sic foodstuffs on a nerous scale.'

The Minister accused e opposition of having nsistently exaggerated e impact of inflation.

He also rejected alle-tions that millions of nd in GST revenue was ›ssing.

MR Owen Horwood . . . rejects claim that he gambled on gold.

ARGUS 26/2/82 (320)

Objections as GST increase becomes law

Parliamentary Staff

THE one percent increase in GST became law yesterday when the Sales Tax Amendment Bill went through all its stages in Parliament with strong objections from both opposition parties.

In terms of the Bill, GST will be increased from four to five percent from March 1.

Mr Harry Schwarz, (PFP, Yeoville), chief Opposition spokesman on Finance, said his party opposed the Bill for a number of reasons:

- The increase in GST had an effect on the living costs of ordinary South Africans at a time when they were already hard hit by inflation.
- Sales tax was imposed on the essentials of life, particularly food, and the PFP felt that essentials should be excluded from GST.
- There was no indication of the extent to which food subsidies would be increased to alleviate the burden.
- In a society where there were great disparities of income, such as in South Africa, GST was undesirable and not a fair form of taxation.
- The Minister of Finance had given no indication of what the whole tax package would be this year, and until one knew what the Budget as a whole was likely to be, it was wrong to 'selectively choose items' for additional taxation.
- Sales tax increased with inflation because when prices rose, more sales tax was collected.

Mr Schwarz said increasing GST at this time was 'utterly unacceptable and shows a disregard for the real needs of ordinary South Africans at a difficult time.'

Mr Alf Widman (PFP Hillbrow) reiterated his plea made earlier this week during the debate on the Part Appropriation Bill that local authorities should be relieved of the burden of paying GST.

Mr George Bartlett (NRP Amanzimtoti), the New Republic Party's spokesman on Finance, said his party approved of GST as a form of taxation, because it was spread across a wide spectrum.

However, the NRP opposed the proposed increase in GST because it would place an excessive burden on taxpayers, particularly the low-income group.

Like Mr Schwarz, Mr Bartlett also objected to the fact that the Government had given no indication of what this year's total tax package was likely to be, and how Government expenditure was going to be cut.

Replying to the debate the Deputy Minister of Finance, Mr D W Steyn, said the Government had to institute taxes to fulfil its task. GST was a form of taxation which was spread over the entire society.

The wider the base of a form of taxation, the lower the tax rate could be, and it could be kept lower for a longer period.

Referring to the PFP's plea for lifting GST on foodstuffs, Mr Steyn said it was necessary to keep the administrative cost and effort in collecting GST as low as possible, because it was collected from the public by the public (shopekeepers).

'If the Government became selective about GST, an extra burden would be placed on dealers and shopkeepers. It would then also be necessary to increase the tax on the taxable items, to make up the balance.

If the cost of administering GST became higher through selectivity, the cost would ultimately be passed on to the consumer, and would negate any advantage on lifting the tax on various items.

Mr Steyn also said it was foolish of the opposition spokesmen to expect the Government to reveal the tax proposals contained in the main Budget in advance.

The Minister of Finance had clearly indicated in statements he had released why it had been necessary to increase GST at this stage, and he was not going to repeat these reasons.

Horwood says 'unpaid GST' a wild 'guestimate'

ARGUS 26/2/82 (320)

ALLEGATIONS that R800-million in GST revenue was missing appeared to be a wild 'guestimate' by an expert who went astray in order to arrive at a figure to suit his own ends, the Minister of Finance, Mr Owen Horwood, said in a statement yesterday.

Mr Horwood issued statements in reply to allegations made by Opposition speakers during the second reading debate on the Part Appropriation Bill.

One concerned allegations described by Mr Harry Schwarz (PFP, Yeoville) as being from a source he had been told was 'both reliable and from the highest echelons of the department.'

Mr Horwood said that in any case, the figure of R800-million represented a reasonable compliance rate.

45 MONTHS

The period mentioned in a Press report referred to by Mr Schwarz was from the inception of GST in July 1978 to March 1982 — 45 months.

The report said Government tax experts had calculated that R809-million in GST had 'gone astray' through theft, non-declaration or underpayment.

Mr Horwood challenged any reporter or his informant to show him one tax system anywhere in the world where it was possible to have 100 percent compliance.

14 PERCENT

The R809-million in 45 months represented 14 percent of the total collected — and expected to be collected — and did not compare unfavourably with the compliance rate in other countries, where 80 percent was regarded as exceptionally high.

'Although a similar study has not been made in South Africa, experience indicates that we have a very high compliance rate, probably in excess of 90 percent,' Mr Horwood said.

The allegations rested on an estimate made by so-called experts based on figures, some of which had appeared in the Reserve Bank publication A Statistical Presentation of South Africa's National Accounts 1946-1980.

'For the year to March 1982 it would appear that the expert made a wild "guestimate" based on wild speculation and he therefore conveniently remains silent on the basis of his guestimate.'

Mr Horwood said a senior man assisted by two senior Reserve Bank officials responsible for the original publication had made a calculation on the same set of figures.

'The best they could do for the year to March 1981 was an estimate of R1 619-million compared to the expert's estimate of R1 898-million and an actual collection of R1 680-million.

COPPER

'The Commissioner is prepared to swop Inland Revenue's estimate for that of the expert to see where the latter went astray in order to arrive at a figure which would suit his ends and lead the reading public astray,' Mr Horwood said.

In a statement on a further R22-million claimed to have been lost, he said it was clear that a reply to a question put by Mr Schwarz had been completely misconstrued in certain circles.

The R22-million had not been lost. It had, as a result of the discovery of irregularities, been recovered from defaulters. — Sapa.

90% of GST is good enough — Horwood

320

S. Express 28/2/82

By KITT KATZIN

THE Minister of Finance, Mr Owen Horwood, this week admitted for the first time that South Africa may have lost large amounts in uncollected General Sales Tax.

Although he was not specific, his comments indicated a figure in excess of R600-million in lost GST revenue since July 1978.

This is in comparison with expert calculations which put the accumulated losses at more than R800-million, as reported in the Sunday Express last week.

The Minister, reacting for the first time in four weeks to Sunday Express disclosures on the 'missing millions', said in a statement this week that South Africa had a very high "compliance" (tax collection) rate — probably in excess of 90%.

This would mean a loss of as much 10% — or almost R628-million — in GST payments in the past 43 months, during which a total of R5 650-million GST has been collected.

(The Sunday Express reported last month that R400-million had gone 'missing' from last year's GST payments and that the total amount lost since 1978 — through inefficiency in collecting the tax — was estimated by Government experts to be R809,5-million).

Reacting yesterday to Mr Horwood's admission, Mr Harry Schwarz, the PFP spokesman on finance, repeated his call for a full Government investigation into missing GST payments — and said he was shocked by Mr Horwood's admission that 10% could have gone astray.

"This means," said Mr Schwarz, "that for every R1 paid in GST, only 90c reaches the State coffers. The public is entitled to feel dissatisfied."

The Sunday Express disclosed that the money had gone astray through theft, non-declaration and underpayment, and Mr Schwarz again appealed to Mr Horwood to alleviate growing staff shortages in the offices of the Inland Revenue Department.

Referring to the minister's admission last week that the "limited staff" in the Inland Revenue Department had uncovered over 34 000 irregularities in GST collections, Mr Schwarz said if there were more inspectors and processing staff, "one can readily assume more irregularities would be discovered".

Mr Horwood, in a statement issued after the parliamentary debate on the Part Appropration Bill this week, made a series of admissions that shocked tax experts and Opposition MPs.

He said:

- Even losses of R809-million (as published by the Sunday Express) represented a "reasonable compliance rate" — "in any case".
- The R809-million, he calculated, was 14% of the total collected in GST — but that this did not compare "unfavourably" with the compliance rate in other countries.
- In these countries, an 80% compliance rate (a 20% shortfall) was registered as "exceptionally high".

The overall figures published by the Sunday Express stand unchallenged — a loss in GST of R75-million from July 1978 to February 1979, R115-million from March 1979 to February 1980, R248-million from March 1980 to February 1981 and R371-million for the remainder of last year — the boom year.

In yet another example of how the public is "fleeced" through GST, Mr Alf Widman, PFP MP for Hillbrow, said this week that large concerns, like chain stores and hypermarkets, could accumulate GST for a month and receive 5% on it from banks by depositing it on call account or daily rates.

Now that Mr Horwood had increased GST, said Mr Widman, the "hidden benefit" for these concerns could go up by 25%.

Solution to GL5 (Cont'd)

(2) Premiums Treated as an Asset - Cont'd:

Year 02 - same as year 01

03, Jan 1:	Life Policy	300	
	Bank		300
Dec 31:	Income Statement	60	
	Life Policy		60
	Policy written down to surrender value (See Note 1 below)		
04, Jan 1:	Life Policy	300	
	Bank		300
Jan 2:			
Jan			23 460
			540
Jan 3			23 460
			24 000

Note 1:

At the end ... balance she... ...artnership ... 0.

Note 2:

The death o... accounting ... to be drawn ... ascertain t... policy woul... to the parti... ...egal and ...t would have ...r so as to ... from the life ... edited direct

GENERAL NEWS

(320) Star 1/3/82

GST — Day for consumers

That 1 pc adds R500-m to SA's shopping bill

By Caroline Braun
Consumer Reporter

General Sales Tax goes up from 4 percent to 5 percent today.

The new tax rate is: up to 9c — no tax; 10c to 29c — 1c tax; 30c to 49c — 2c tax; 50c to 69c — 3c tax; 70c to 89c — 4c tax; 90c to R1 — 5c tax.

The increased GST is expected to swell the Treasury's coffers by an additional R500-million to R600-million a year. At present, the country earns about R2 150 million from GST annually.

The higher tax will not be felt if one buys only a box of matches or a small packet of crisps. But the tax on a monthly grocery bill of R300 will rise from R12 to R15, and a R10 000 car will cost R10 500 instead of R10 400.

Hardest hit by the increased GST will be pensioners and people in fixed incomes.

After the Minister of Finance announced the higher tax earlier this month, the chairman of the Federal Consultative Council of Railway Staff Associations, Mr Jimmy Zurich, said it would increase the load on pensioners and the many thousands living on or below the breadline.

He said consumers faced a tough year because railway rates and fares were also set to rise later this year.

Dr Anna Scheepers, president of the Trade Union Council of South Africa, said it made no sense to increase GST on basic foods — which would rise in price anyway — at a time when the economy was on a downward trend.

She said it would aggravate the already high level of discontent among a large section of the population.

Consumer spokesmen, trade union leaders and Opposition spokesmen have made numerous appeals to the Government to exempt basic foods from GST. The Government, however, says this would not be practical.

The Deputy Minister of Finance, Mr Danie Steyn, said in Parliament last October that to remove GST from food would mean a R450-million a year loss in revenue, which would have to be made up by increasing taxes in other areas.

The Minister of Finance, Mr Horwood, said exempting food from GST would generate its own set of problems which, far from alleviating the burden on the poor, could make matters worse for them.

Countries abroad which had deviated from the basic principle of taxing transactions rather than commodities had run into enormous administrative problems, he said.

Local 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.

Mr Horwood's views are supported by many local retailers who say South Africa's supermarket tills are not sophisticated enough to handle a differentiated system of taxation quickly and smoothly.

ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
	Years 02 and 03 - same as 01		
04, Jan 1:	Insurance Expense	300	
	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		

New PAYE rates come into effect

(320)

E. Post

1/3/82

Post Reporter

NEW Pay As You Earn rates announced in last year's budget come into effect today — and while it will appear that you are paying less tax than last year, this may not be the case.

A spokesman for the Receiver of Revenue's office in Port Elizabeth said that some categories of taxpayer would pay more with the new scales, but most would pay less.

However, Professor Les Simpson, of the University of Port Elizabeth, said the new PAYE rates could not be compared directly with those of last year. It took six months from the budget for new PAYE tables to be prepared. When these were finally brought into operation the "tax holiday" had to be included in the new rates.

The new tax tables "had no resemblance to the real rates announced in the budget, but merely regularised what the budget had decided on," Prof Simpson said.

According to the new scales, a married man earning R7 000 a year and who has two children to support, or a widow in the same position, would pay R117 in terms of the new scales compared with R177 under the old.

A single person earning the same salary would pay R495 where before they paid R548 a year.

A married woman earning R7 000 a year will now pay R837,60 — R96,88 less than previously.

A married or widowed person earning R24 000 a year paid R4 611 PAYE last year. Now they will pay R4 473.

THE ARGUS, MONDAY MARCH 1 1982

Sales tax 5c in R1 from today

ARGUS 1/3/82 (320)

Consumer Reporter . . .

FROM today everything over 9c will cost you more because sales tax has gone up from 4c in the R1 to 5 c.

And it now starts at 10c instead of at 12c, as it did yesterday.

This is a 25 percent increase in the tax and will make a considerable difference to the total for large purchases such as a car and even to the monthly grocery bill.

There is likely to be confusion in some shops. Several small retailers rang The Argus on Friday to inquire about tax tables which, they said, they had not yet been able to obtain from the Receiver of Revenue.

From today, one cent tax is payable on purchases between 10c and 29c, two cents for articles costing between 30c and 9c, 3c on articles costing between 50c and 69c, four cents on articles costing between 70c and 89c, and five cents on articles costing between 90c and R1.

This means that you will pay R1,05 tax on R21 worth of purchases, rising to R1,50 tax on R30 worth of purchases.

The tax on R40 worth of goods will be R2, on R50 worth R2,50, and R60 worth R3, on R70 worth R3,50, on R80 worth R4, on R90 worth R4,50 and on R100 worth R5.

The new higher tax, which has been described as 'inflationary' by businessmen and economists, will affect everything sold over the counter and every service.

It may even affect the rates bill next year. Local authorities will have to pay the higher tax and this will increase their expenses which have to be met with money raised from the rates.

They will have to budget for this increase in their expenditure when they fix the rates for next year.

ARGUS
1/3/82
320

People with no vote pay GST–MPC

Provincial Staff

THE increase in general sales tax was a good occasion to remind the Provincial Council and the white electorate of the principle that there should be 'no taxation without representation.'

This was said by the Opposition finance spokesman in the council, Mr Geoff Everingham (PFP, Pinelands), during the budget debate.

Mr Everingham said GST was fast becoming a major source of revenue and would probably contribute R3 000-million in the 1982-83 financial year.

A large proportion of GST would come from food and basic commodities, and a substantial portion of this from black people.

BLACKS

Mr Everingham said that just as the principle of 'no taxation without representation' regarding GST and tax paid by blacks applied to Parliament, so it applied to the council in terms of vehicle licences, hospital payments and provincial taxes.

The 'utterly bankrupt homeland policy' could also not be used to justify the present situation.

'It has done damage rather than good — damage in terms of the undemocratic way in which these states are governed, and damage in the harsh treatment meted out to the so-called citizens of these states living in the RSA.'

COLOURED

There were also the coloured and Indian people who were taxed but not represented in the body by which taxation was imposed.

'No taxation without representation, Mr Chairman, was the cry of the American settlers when they rebelled against the British Crown, 200 years ago.

'Yet the National Party seems incapable of adopting this principle in its constitutional policy today,' Mr Everingham said.

HOSPITAL FEES

● The new schedule of hospital fees in the Cape was as 'ridiculous' and insensitive to the fact of inflations, Mr Everingham told the council.

Mr Piet Loubser MEC in charge of hospital services said last week that the new fees were expected to increase provincial revenue by R8 250 000 in 1982-83.

'This is not to say the new schedule of hospital fees is uniformly bad, but it does show a most peculiar idea of the cost of living today,' Mr Everingham said.

IN-PATIENTS

In-patient fees were subject to a rebate based on income tax paid, but a married person with no dependants was worse off than before.

'I find it peculiar that once a married couple's income exceeds about R460 a month, they hit the maximum fee — as if R460 a month is a big salary.'

The scale of outpatient fees was 'an unmitigated disaster', Mr Everingham said. All fees had increased with complete disragerd to the effect of inflation and the ability to pay.

A person who earned R100 a month paid R2 instead of R1 as in the past, and at R200 a month he paid R5 instead of R4.

Did the Provincial Administration imagine that one could differentiate between R100 and R101 in ability to pay?

SOLUTION TO: GL5

(1) Premiums Treated as Busine

01, Jan 1:	Insurance Expen	300	
	Bank		300
	being payment o		
Dec 31:	Income Statemen	300	
	Insurance Exp		300
	being closing e		

Years 02 and 03 - same as (

04, Jan 1:	Insurance Expens	300	
	Bank		300
Jan 2:	Debtor (Insuranc	24 000	
	Income from Li		24 000
	being accrual of		
Jan 2:	Income from Life	24 000	
	Income Stateme		24 000
	being closing en		
Jan 2:	Income Statement	300	
	Insurance Expe		300
	being closing er		
Jan 31:	Bank	24 000	
	Debtor (Insur		24 000
	being receipt o		

(2) Premiums Treated as an Ass

01, Jan 1:	Life Policy	300	
	Bank		300
Dec 31:	Income Statement	300	
	Life Policy		300
	(Surrender value		
	therefore no amo ... ed)		

Continued/ ....

GST change goes well

(320) RDM 2/3/82

By MARJA TUIT

THE 1% increase in general sales tax became effective yesterday and major stores throughout the country reported that there had been no problems because customers were aware of the increase.

A spokesman for the Pick 'n Pay Hypermarkets said they had no problems because the cashiers did not have to do any calculations — which were done by the tills linked to a computer.

"The publicity given in the last few weeks was very effective and customers expected the increased GST," the spokesman said.

Mr W Chambers, of the OK Bazaars, said their stores had well-established electronic tills and they experienced no problems.

"The sales tax is calculated automatically and on Saturday afternoon the GST on the tills was changed."

He said the only problem occured in their Windhoek store in South West Africa where they only became aware of the increased sales tax on Friday afternoon.

"The general sales tax has just become a way of life and when it is increased people just accept it," Mr Chambers said.

Miss Debbie Holloway, of Woolworths head office in Cape Town, said the change-over had been very smooth and without problems.

Miss Peta Lomberg of Checkers said their staff was carefully briefed last week and they did not experience any problems because of the new sales tax.

Sapa reports that according to the SABC a survey has found there was unusually heavy buying from retailers last week, particularly on Friday and Saturday. Food sales especially were high.

Spokesmen for hypermarkets on the Witwatersrand reported record sales on Saturday and in some cases people were spending up to 10% more, mainly on food. The sales tax has been increased from 4% to 5%.

The price of milk delivered to homes or sold across the counter at dairies also went up yesterday as a result of the higher sales tax.

The increase is the result of distributors having to pay 2c a litre to the State from yesterday, compared to 1c previously.

ᴾeninsula?

3/82

committee has ... ask the coun... ecutive to 'un... 12 beach con... sts to enable the ... be increased. It ... agreed to apply ... force to have ... ios and a four- ... e vehicle.

... e holiday period ... ds were well ... said Mr Klop-pers.

On all beaches, 855 warnings were issued, 532 spot fines were made out and 207 people were arrested. The arrested people were charged mainly with possession of dagga and drunkenness.

At Camps Bay, 56 out of the 58 people arrested were charged with dagga offences.

... ality of food, ... for money, ... entation of ... service and ... phere.

... Peter Mc... will soon ... a suitably ... ed brass and ceramic plaque to take pride of place among the mementoes on the walls of his Loop Street pub as well as a set of 12 dozen dinner plates bearing the attractive competition logo and the words 'Overall Winner'.

Tax on luxuries, not food, says MPC

ARGUS 2/3/82 (320)

Provincial Staff

GENERAL sales tax should be imposed on luxuries, and not on basic foodstuffs, essential clothing and medicines, Mr Herbert Hirsch (PFP, Sea Point), leader of the opposition, said in the budget debate in the Cape Provincial Council yesterday.

Mr Hirsch said the Cape Province inherited the results of much of the bungling by the National Party at government level.

Not even in education, was the Cape free from Pretoria's decisions. 'We are now told by higher authority that education will no longer be free,' Mr Hirsch said.

A RIGHT

'I would have thought that education to the maximum level a pupil can absorb, was not only an inalienable right, but in the interests of the province and the country as a whole.'

He asked how the National Party could defend the expenditure of only one-tenth of the amount on each black child as was spent on a white child. White schools were standing empty in the Cape, while there was a shortage of school accommodation for blacks.

'In a civilised society alleged criminals are charged in an independent court and considered innocent until found guilty.

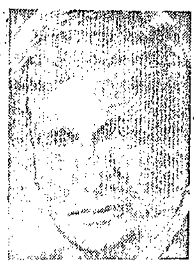
DETAINED

'But in this country, people whom the National Party calls enemies of South Africa but who are very likely only enemies of the National Party are detained without recourse to courts in many cases.'

Mr Hirsch said detention and its consequences was not the only phenomenon of totalitarianism in South Africa. What was left of the freedom of the Press, one of the few remaining pillars of democracy, was also attacked.

TWO ONSLAUGHTS

There were two onslaughts ... one from ...



Mr Herbert Hirsch

'MPs' pensions for MPCs?

Provincial Staff

DRAFT ordinances before the Cape Provincial Council include a measure to place the pensions of provincial councillors on the same basis as those paid to Members of Parliament.

An amendment to the Horse Racing and Betting Ordinance empowers the Administrator to deem bets laid and taken at Tattersalls rooms to be bets laid and taken at racecourses.

The effect is a 3.5 percent tax on winnings to the provincial administration, and a 6.5 percent levy to the racecourse — the levy is its primary source of income for race stakes.

DOG TAX

An amendment to the Roads Ordinance changes the system of financing main roads in metropolitan areas, involving the ...

'Tragic lack of courage' by NP

Provincial Staff

IT was a tragedy that the National Party Government had not so far had the courage to face other groups at a National Convention, it was said yesterday.

The Government appeared to be so lacking in confidence in its own ability that it was scared to negotiate with other South Africans as equals.

This was said in the budget debate in the Provincial Council yesterday by the leader of the opposition in the council, Mr Herbert Hirsch (PFP, Sea Point).

'I would urge honourable members (Nationalists) to banish fear from their hearts and to extend the hand of friendship to all leading representative South Africans around a conference table,' he added.

ONSLAUGHTS

Mr Hirsch said there were two onslaughts — the one from abroad — and this could not be fought with guns ('because ultimately Russia would be too strong for South Africa') or by repressive legislation — and the other was internal and was primarily aimed at the NP and its 'abhorrent ideologies'.

In neither case was the suppression of information, repression of opponents and intimidation a solution.

Mr Hirsch said he could not help wondering whether the Prime Minister, Mr P W Botha, was not seriously looking at a 'De Gaulle option or at the Brazilian alternative.'

SUSPENSION

This could mean the suspension of the Constitution, including the suspension of, or even the abolition of, the Provincial Council, 'and of so-called normal political activity while the Prime Minister, supported by the Defence Force, does what he thinks best.'

Mr J N Moolman (N P, Tygervallei) said the National Party had ...

Call not to pass the little budget

CAPE TIMES 2/3/82

Provincial Staff

THE official opposition in the Cape Provincial Council has asked the council not to approve the 1982-83 little budget as long as some South Africans are denied the right to participate in decision-making.

The debate is on the part appropriation of ...

2/3/82

(320)

was internal and aimed primarily at the National Party and its abhorrent ideologies. Nationalists had to learn to distinguish between the two.

To interjections from Nationalist members, Mr Hirsch replied: 'If you got rid of the National Party fast enough, you'd have nothing to fear from Russia.'

In a reference to the split in the NP, Mr Hirsch appealed to the 'less-verkramptes once and for all to get rid of the more-verkramptes.

'I say this in the hope that there might be a possibility of the NP moving at least slightly in an enlightened direction.'

SA INTEREST

The question was not the leadership of Mr P W Botha or the unity of the National Party or Afrikanerdom, but whether the National Party could move in the interests of South Africa, Mr Hirsch said.

Mr J W Theron (NP, Vasco) said it was politically naive of the PFP to imagine that a Communist Party allowed to operate in South Africa would not misuse the opportunity.

He said that for the first time in history, the Russian leader had recently referred three times to South Africa, to state his support for African National Congress and Swapo.

The debate was adjourned.

and the National Road Transportation Commission.

A dog tax amendment would limit exemption from dog tax to pensioners living alone and not with other families. It was said that families were avoiding tax by registering their dogs in the names of pensioners living with them.

ried out a new economic philosophy in restricting State expenditure to the maximum and roping in the private sector to play a bigger role.

'Each one of us has a task not to talk our country into a recession,' he said.

The economy of the Cape Province, and of South Africa, could not be seen in isolation.

'Housing tax' on companies suggested

Cape Times 10/3/83 (320)

Municipal Reporter

THE City Engineer's Department yesterday suggested that, to help overcome the problem of housing, a housing tax should be imposed on the industrial and commercial sectors depending on the number of their employees.

Finance raised from this source would be used exclusively for housing.

Another suggestion to bring housing within the financial reach of all was the provision of a housing subsidy based on the total family income, and not on just the salary of the household head.

A memorandum by the department was tabled by the Executive Committee yesterday, but was later withdrawn because the City Engineer, Mr Jan Brand, was "unhappy" with it.

It was in response to a request from the President's Council, which is inquiring into the problems of residential site shortages and delays militating against the promotion of home-ownership.

Now the council is to ask the PC if it still needs evidence in the light of previous views made known by the council.

The memorandum, which appeared briefly, said an element of conflict between local authorities and private developers in providing housing was inevitable. With a profit in mind, private developers provided for mainly the white middle- and upper-income groups, while local authorities, in providing a service to the community, covered the "credit risk" non-white income groups.

A possible solution would be formation of a housing commission in which local authorities and private developers were represented, with development being financed by both parties and subsidized rates of interest being paid to the private developer to encourage his participation.

Other factors causing inadequate housing were the high cost of land and of building, and the preference of the public for low-density living (urban sprawl).

CAPE TIMES 25/3/82

Time to snap up cameras

Own Correspondent

JOHANNESBURG. — Retailers and wholesalers dealing in luxury goods do not believe the increase in excise duty of five percent on cameras, furs and jewellery is likely to affect prices or volume of sales immediately.

Nor did they believe prices would rise much in the long term.

The Minister of Finance in his Budget speech announced an immediate increase in ad valorem excise duties on luxury goods.

Spokesmen for a major photographic chain and a luxury-goods wholesaler said suppliers and retailers had at least two months' stock so prices would not rise during that time.

Much photographic equipment had been ordered and received before the February announcement of an import surcharge, which would help keep short-term prices down.

The duty on imported goods will rise from 25 percent to 30 percent, but importers say it is unlikely to cost the consumer more than three percent extra and many discounters might opt for absorbing the cost.

The spokesman said that because furs and jewellery were luxuries, people were unlikely to resist buying them because of the five percent duty increase.

Cameras were not affected by the 10 percent import surcharge, but lenses and projectors were.

- Spokesmen for the cosmetics and jewellery industries last night criticized Mr Horwood for increasing sales tax on "so-called luxury goods".

Mr Bob Steele, managing director of Revlon, called the minister's announcement "a smokescreen" and said he was hoodwinking the public.

And the Jewellery Council of SA said that jewellery made locally from South African gold, diamonds and platinum could now often be bought more cheaply overseas.

Mr Steele said: "The minister mentions furs, jewellery and photographic equipment as luxuries, which makes the average person relax, thinking it doesn't affect him.

"But this tax will affect toiletries and cosmetics, shampoos and deodorants as well.

"Consumer expenditure on toiletries and cosmetics is in the R200 to R300 million a year bracket and the minister is going to make a lot more out of it than the R28 million he mentioned."

The Jewellery Council said the increase in excise duty on watches and jewellery was further evidence of the government's short-sighted view of the industry. It was a bad example to other countries for South Africa, as a producer of gold, diamonds and platinum, to tax jewellery.

"The combination of sales tax now takes the tax on jewellery to an effective rate of 36,5 percent."

The council forecast that a drop in jewellery sales as a result of the increases could lose revenue for both the industry and the government.

It called on the minister to consider a programme which would enable South Africa to take its rightful place as a leader in jewellery manufacture.

Sow Times 25/3/82

Increased duties on luxury goods

HOUSE OF ASSEMBLY. — The Minister of Finance, Mr Owen Horwood, yesterday proposed an increase in *ad valorem* excise duties on less essential goods such as jewellery, photographic equipment and furs.

Introducing the Budget, he said he felt it essential for these items to make a further contribution to the State coffers.

"I wish to propose that the present *ad valorem* duties on certain locally-produced goods as well as their imported equivalents be raised from 20 percent and 25 percent to 25 percent and 30 percent respectively."

This proposal, he said was expected to yield additional revenue of about R28-million in the 1982/83 financial year and should also assist in curbing consumer demand.

The increased duties will become effective today.

They will be applicable to all imported goods concerned which have not been entered for home consumption before this date and to all similar locally-manufactured goods which by today have not been removed from the premises of manufacturers and owners of warehouses licensed by the Commissioner for Customs and Excise. — Sapa

Boost for married women

Cape Times 25/3/82

320

HOUSE OF ASSEMBLY. — The tax deduction allowed from the earnings of married women is to be increased from R1 400 to R1 600, the Minister of Finance, Mr Owen Horwood, announced yesterday.

He said the "vexed question" of the taxation of married women's income was still being considered by the Taxation Commission.

"It has still not been possible to formulate a preferable alternative to the present system whereby the incomes of married persons are aggregated for taxation purposes," Mr Horwood said.

'Reduce burden'

"I trust that this concession will further reduce the real tax burden of women engaged in gainful employment or in a trade or profession."

The loss of revenue resulting from the concession would amount to an estimated R19m.

The effect of the final PAYE deduction system, with its in-built standard deductions and rebates and increased deduction from a married woman's earnings, was "a very meaningful concession to the lower-income groups in South Africa", Mr Horwood said. — Sapa

Increase in tax causes concern

CAPE TIMES 25/3/82

Chief Reporter

MR Bob Wood, chairman of the taxation committee of the Cape Town Chamber of Commerce, said the chamber was concerned that the sharp increase in direct taxation announced in the Budget, both on individuals and companies, would have a depressing effect on business confidence, and inhibit new investment.

He said this after welcoming what he referred to as Mr Horwood's success in restricting the increase in State expenditure to 11,5 percent over the previous year.

"This is particularly remarkable in the light of the severe pressures there must have been on him, especially in the fields of defence, education and housing."

Mr Wood said the extent of the increases in taxation announced by Mr Horwood was greater than had been anticipated by the private sector. He added that it was felt the minister could have resorted to a greater measure of borrowing without adversely affecting the economy.

'Positive features'

"Positive features in the Budget are the concession relating to the construction of rental accommodation by employers, which is expected to be more meaningful in future; the exemption of lower-level income earners from the loan levy; and the additional benefits to pensioners."

● Mr A J de Vries, deputy director of the University of Stellenbosch's Bureau for Economic Research, said in an immediate reaction to the Budget that he had no doubt it would curb domestic demand considerably and that as a result, the South African economy would "accelerate into a downturn".

Mr Horwood, he said, had had to gamble in the sense that he could not be sure what the gold-price was going to do, and if the strong measures he had taken were seen as overkill, this was perhaps the lesser of the two evils

Insurance tax a 'serious blow'

Cape Times 25/3/82 (320)

Staff Reporter

THE government's decision to increase the taxable income of life assurers by 10 percent was a very serious blow to the industry, the chairman of the Life Offices' Association, Mr Jack van Wyk, said yesterday.

The increase, from 30 to 40 percent of gross investment income, would mean that policy holders would receive a "less beneficial product".

Mr Van Wyk criticized the move, saying the goose which laid the golden egg for South Africa's economy should be petted and not castigated.

"Our country's capital needs are so vast that our system of providing for this through the private sector instead of through state schemes should be encouraged rather than impeded."

The industry worked hard to provide financial security for the public, thus lightening the government's social responsibilities towards charity and assisting the economy to grow. In the process the industry also held down consumption and therefore inflation.

"An increase in the general company rate will, as the minister said, mean a total increase of R38 million for life insurers and total tax payable of R100 million.

"To the industry this is a very serious blow because it amounts to taxation of policy holders with the result that they will at some time or other receive a less beneficial product," he said.

"We are still awaiting the De Kock report to give us relief from prescribed assets and now we get this knock."

Cinema tax abolished

HOUSE OF ASSEMBLY — The Minister of Finance, Mr Owen Horwood, announced yesterday that the cinema tax would be abolished from April 1.

The tax, imposed at the rate of three cents on admission tickets of more than 35 cents, had been in operation since 1960 and had remained unchanged, he said.

Dried fruit

HOUSE OF ASSEMBLY — The government had decided to extend a five-year interest-free loan of R2 million to the sole registered packer of dried fruit, the Minister of Finance, Mr Owen Horwood, said yesterday.

Mr Horwood said that present state assistance to the canning industry was based on a system of marketing quotas to discourage over-production and the accumulation of unsold stocks of canned fruit.

In the short term, however, this policy had resulted in an over-supply of fruit

Company and mine profits hit by tax rise

320 RDM 25/3/82

Budget blows for Diagonal Street

By DAVID CARTE

INCREASED taxes will reduce gold mines' distributable earnings by 14% at current gold prices, and higher company tax means non-mining companies will have to increase pre-tax profit 7% merely to stand still.

These were the major shocks in yesterday's Budget for the Johannesburg Stock Exchange.

But there was widespread relief among brokers and institutional investors that personal tax had not been raised more, that State spending was being held in check and at the Government's lower than expected borrowing requirement.

A mining analyst estimated that higher effective tax for gold mines would knock distributable earnings by 14% at the current gold price.

One of the big disappointments of the Budget, analysts said, was that most of the increase in company tax took the form of a surcharge and not a loan levy.

A 10% loan levy would have reduced company cash flows, but would not have affected earnings and dividend growth.

An industrial analyst said that a company on full tax of 42% with pre-tax profit of R1 000 000 last year would have had declared earnings of R580 000.

With the effective rate of company tax up to 46,2%, it would now declare R538 000 — 7% less.

If the same company increased pre-tax profit 13% in line with most forecasts next year, declared taxed profit would be R608 000 — a rise of 5% on a 13% increase in pre-tax profit.

"I would say that is the measure to which this Budget hits earnings growth," said the analyst. "Most of us have been expecting at least maintained dividend cover, so we would now be looking at dividend growth of less than 5% as well. This could disappoint the market."

Mr Peter Bieber, head of Old Mutual's investment department — Old Mutual is the biggest investor on the JSE — said the Budget was negative for the market in the short term, but positive in the longer term.

Mr Marinus Daling, his counterpart at Sanlam, the second-biggest JSE investor, said the Budget would reinforce the market's downward trend.

Mr Bieber said: "The deficit is surprisingly low, and so is the borrowing requirement. That should take upward pressure off interest rates. If R1 400-million is all Mr Horwood needs and R600-million is to be rolled over, the requirement is less than it was last year."

Company tax, raking in an extra R400-million, and mining tax taking R115-million, would hit the market in the short term.

Mr Bieber said it was "a very reasonable Budget with concessions to married women and the lower paid and an increased burden for companies and the rich".

It was a good Budget for the economy and therefore for the market in the long run.

Mr Daling said the Budget was good for the economy, but bad for the stock market. The 11,5% rise in Government spending would dampen demand, and higher company tax would depress earnings and dividend growth.

"There may be relief that individual taxpayers were saddled with only a 5% loan levy, but sight should not be lost of the effect on personal incomes of the recent increase in GST and the import surcharge."

Mr Daling said shares dependent on Government spending, particularly in the construction and engineering sectors, would be hurt by the Budget. Life insurers would also suffer.

He was surprised at the small borrowing requirement and agreed that this could put the top on long-term interest rates.

"But with the current balance of payments deficit, I don't see rates falling in any hurry."

An arbitrage broker said SA would be lucky to achieve 1% growth this year. Contraction brought about by the Budget, particularly on the import side, could cause the commercial rand to bottom out.

Another broker said the Budget was hard on companies but lenient on individuals.

The authorities appeared reluctant to curb the consumer. By dropping the exchange rate they had "molly coddled him from the winds of change". He believed the authorities were gambling on the hope that gold and other export receipts would soon recover.

But this was a forlorn hope.

A research team said increases in mining and company tax were the major adverse factors in the Budget.

Positive factors were the absence of hire-purchase curbs, no further rise in GST, no additional tax on beer and tobacco and the comfortable Government financing requirement. The team was sceptical that Goverment spending could be held to an 11,5% rise.

Other commentators said certain shares might benefit from investor relief at the lack of pressure on the consumer sector. SA Breweries and Rembrandt counters might benefit from the lack of further excise duty and motors and banks might go better on the strength of no

Embattled mines take another knock

(240) (320) RDM 25/3/82

By JOHN MULCAHY

REELING from the devastating slump in mineral markets, the gold and diamond industries have received another body blow from Mr Horwood.

The increase in the tax surcharge for the gold and diamond mines to 15% from 5% will have a significant impact on producers. Some mining analysts forecast a 5% to 10% softening in gold and diamond share prices on the Johannesburg Stock Exchange.

The president of the Chamber of Mines, Mr Lynne van den Bosch, said the chamber was concerned that in these difficult times Mr Horwood found it necessary to place an additional burden on the gold mining industry.

"The gold-mining industry is under severe pressure, as a result of the substantial fall in the gold price, a depressed uranium market and continuing escalation of mining costs.

"Furthermore, immediate prospects for any really significant improvement in the gold price are not favourable."

At a gold price of $325 an ounce gold mines' distributable earnings will be slashed by between 10% and 14% as a result of the increased surcharge, with direct implications for dividends.

Although market sources expected some form of additional tax, the manner chosen in raising mining tax was a surprise as it penalises the "good" mines and is less harsh on high-cost producers.

Discontent over the existing State assistance scheme has arisen in the past because of its impact on the tax liability of low-cost producers.

It has been suggested that marginal producers be allowed to suffer the consequences of gold-price declines, and the industry should not be subject to a "rob Peter to pay Paul" policy.

Mr Van den Bosch said that although it could be argued that the Budget burden had been placed on all companies, the mining industry was such a sensitive nerve in the economy that the increased tax on gold and diamond mines would have disproportionately adverse effects.

Had the 15% surcharge been in effect last year, De Beers Consolidated Mines tax bill would have been about R10-million higher, and distributable earnings would have been around 3c lower.

One analyst feared that the increased tax bill could be a decisive factor when the De Beers board decided on the interim dividend.

The diamond market is as weak as ever, and with no immediate signs of an upturn the interim dividend may have to be passed.

De Beers last year paid an interim of 25c a share, and analysts suggest that the interim may be passed and the final left at 25c.

The surcharge will have the most serious impact on the low-cost gold producers, and analysts estimate that at a $325 gold price Driefontein's distributable earnings could fall 14% as a direct result of the additional tax.

Total gold-mining tax in calendar 1981 dropped to R1 685-million from R2 279-million the year before, and Mr Horwood estimated additional revenue of R115-million to flow from the higher surcharge.

One industry source said the increased burden would have a retarding effect on the gold and diamond industries' ability to recover when the markets improved.

The two industries were already struggling to cope with immense market and cost problems, the source said, and some producers on the brink of losses would find great difficulty in operating at a profit.

Another view was that the gold and diamond industries contributedf a lower proportion of earnings when profits were under pressure, and it was to be expected that they would be called on to assume more of the burden.

However, some analysts contend that the industry is ill-equipped to cope with this setback, and the authorities should beware of "killing the goose".

320

Chamber of Mines on extra burden

By JOHN MULCAHY

JOHANNESBURG. — Already reeling from the devastating slump in mineral markets, the gold and diamond industries have received another body blow from Finance Minister, Mr Owen Horwood.

The increase in the tax surcharge to 15% from 5% announced in yesterday's Budget will have a significant impact on all gold and diamond producers, and some mining analysts forecast a 5% to 10% softening in gold and diamond share prices on the Johannesburg Stock Exchange.

Reacting to the Budget shock, the president of the Chamber of Mines, Mr Lynne van den Bosch, said the Chamber was concerned that in these difficult times the minister found it necessary to place an additional burden on the gold mining industry.

"The gold mining industry is under severe pressure, as a result of the substantial fall in the gold price, a depressed uranium market and continuing escalation of mining costs.

"Furthermore, immediate prospects for any really significant improvement in the gold price are not favourable," said Mr Van den Bosch.

At a gold price of $325 an ounce gold mines' distributable earnings will be slashed by between 10% and 14% as a result of the increased surcharge, with direct implications for dividends.

While market sources expected some form of additional tax, the manner chosen in raising mining tax has come as a surprise, as it penalizes the 'good' mines and is less harsh on high cost producers.

Dissension with the existing state assistance scheme has arisen in the past because of its impact on the tax liability of low cost producers.

It has been suggested that marginal producers be allowed to suffer the consequences of gold price declines, and avoid the "rob Peter to pay Paul" syndrome.

While it could be argued that the Budget burden had been placed on all companies, Mr van den Bosch said the mining industry was such a sensitive nerve in the economy that the increased tax on gold and diamond mines would have disproportionately adverse effects.

Had the 15% surcharge been in effect last year, De Beers Consolidated Mines tax bill would have been about R10m higher, and distributable earnings would have been around 3c lower.

One analyst expressed the fear that the increased tax bill could be a decisive factor when the De Beers board comes to an assessment of the interim dividend.

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The two industries were already struggling to cope with immense market and cost problems, the source said, and some producers already on the brink of losses would find great difficulty in operating at a profit.

Another view is that the gold and diamond industries contribute a lower proportion of earnings when profits are under pressure, and it was to be expected that they would be called on to assume more of the burden.

However, some analysts contend that the industry is ill-equipped to cope with this setback, and the authorities should beware of "killing the goose".

Mr R "Ralph" Roseman, assistant general manager of Old Mutual, has been elected president of the Insurance Institute of the Cape of Good Hope.

US business inventories

WASHINGTON. — United States business inventories fell $2,08-billion, or 0,4%, to a seasonally adjusted $509.67-billion in January, the commerce department said.

The January drop followed a revised 0,7% drop in November and left inventories 6,3% higher than a year earlier.

Business reactions varied

JOHANNESBURG. — Responsible, realistic, disappointing, surprising — these were only some of descriptions of the Budget by business leaders.

Surprise centered upon the cutback in government expenditure and the avoidance of direct taxation on the man-in-the-street, save a five percent loan levy, previously expected by most commentators to be at least that, or more.

Disappointment was expressed in most quarters on increased company taxation in the form of loan levies, and particularly on the gold and silver mining industries.

In these cases, with turnover and profits down and the gold price at a 30-month low, it was felt that "below the belt" tactics had been employed.

The president of the SA Federated Chamber of Industries, Mr C H W du Toit, said the minister had succeeded in achieving a sound balance of tax and financial measures, through constraint over government expenditure and by financing the deficit in a rigidly non-inflationary way. He added that the Budget would have only a moderately dampening effect on the economy, which was necessary.

In Cape Town, however, chairman of the Life Offices'

Old Mutual's Mr Peter Bieber

Sanlam's Marinus Daling

SA inflation rat

(R14,700 m) to 140 000-million francs (R22 000m) foreign exchange dealers are worried about accelerating inflation, which is currently near 14 percent.

"The franc was already suspect well before the

February, have burdened the French franc. The currency has tumbled to its lower limit of 2,62 against the mark and efforts to support it have in turn whipsawed other currencies, especially the

on the JSE

Own Correspondent

JOHANNESBURG. — "A total non-event" was how one broker aptly described trading on the stock exchange yesterday when investors took time-out to await the Budget.

Turnover was well down and not even a firming bullion price could inject much enthusiasm.

ue to grapple with a serious recession and stubbornly high interest rates.

A few economists had believed prices in February might actually decline for the first time since 1965, but food, housing and medical care showed little change, while clothing costs increased during the month. — Sapa-Reuter

Income tax loan levy raised

CAPE TIMES 25/3/82

320

HOUSE OF ASSEMBLY. — The Minister of Finance, Mr Owen Horwood, yesterday proposed the imposition of a five percent loan levy on income tax payable by individuals, with certain exceptions.

He said the total additional tax to be collected based on other proposals made yesterday amounted to R491 million, which still left him with a deficit of R106m.

He therefore proposed a five percent loan levy to obtain the necessary funds.

Exempted from the loan levy would be:

- People of all age groups whose incomes were R7 000 or less, the majority of whom would fall under the final PAYE deduction system, and be taxed at a fixed rate.
- Those whose basic normal income tax before the addition of loan levy amounted to R150 or less.
- In the year of the aged, people of 70 and older whose taxable incomes exceeded R7 000 but not R15 000 a year who, though remaining liable for normal income tax, would not be for the loan levy.

Compulsory loan

The levy was a compulsory loan to be repaid within a maximum period of seven years at simple tax-free interest.

"Up to now the rate of interest has been five percent per annum, but I now propose that this rate be raised to eight percent."

The yield expected from the loan levy in the 1982/83 financial year would amount to about R115m and R157m for a full financial year.

After all the revenue proposals had been taken into account, there would remain a small surplus of R9m, Mr Horwood said. — Sapa

GST may leap to 6% soon, says expert

RDM 27/3/82 (320)

Mail Correspondent

PORT ELIZABETH. — The Government could increase general sales tax again this year if it found itself short of money.

That prediction was made in Port Elizabeth yesterday by Mr Bill Yeowart, chairman of the executive committee of the Association of Chambers of Commerce.

Mr Yeowart told the Port Elizabeth Chamber of Commerce that the Budget had apparently been drawn up with the possibility of an election in mind.

He said the Minister of Finance had been consistent since his first Budget in switching the base from direct to indirect tax.

In line with this, he would raise GST to 6% before the end of the year if he found himself short of money.

The South African economy was slowing down faster than expected.

Tax rises and the tight money situation would lead to much more Government interference later in the year.

Mr Yeowart said that until recently the interest rate system had taken the entire weight of regulating the money supply.

Now tax had come into the picture, as had the the rand's decline against the dollar.

This week's Budget kept the impact on the lower income group to the minimum.

Companies bore the brunt of the efforts to raise the additional R597-million.

In recent years big companies had not been paying the full tax rate because of relief provided by capital expansion programmes.

(320) Hansard Q. Col. 501 - 502
29/3/82

Black taxpayers

463. Mr. H. H. SCHWARZ asked the Minister of Co-operation and Development:

What was the (a) total number of Black taxpayers and (b) amount of income tax revenue derived from them in the 1978-'79 and 1979-'80 tax years, respectively, as at 30 June 1981?

X

(320) Hansard Q. Col. 536 X
31/3/82

Taxpayers

460. Mr. H. H. SCHWARZ asked the Minister of Finance:

What percentage of each group of taxpayers in respect of the 1979-'80 financial year falls into the (a) White, (b) Coloured and (c) Asian race group?

The MINISTER OF FINANCE:

In respect of the tax year ended 28 February 1980 the information asked for, is as follows:

(a) 82,57%

(b) 11,55%

(c) 5,88%

Capital gains tax

461. 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.

X X

Women's World

Disappointment at married women's tax

320 E. Post 2/4/82

By YVONNE STEYNBERG
Woman's Editor

MARRIED women who work, particularly those in the higher wage brackets, are disappointed that they and their husbands are still being taxed as couples.

This must surely be an exception to the rule elsewhere in the world — joint taxation directly discourages married women earning good salaries from working.

It stands to reason that the higher qualified women are earning the higher salaries.

And we have an acute shortage of qualified people in this country, and a manpower crisis — plus new legislation which can compel men under 60 to serve in the army.

How can the Government possibly think that the small, useless concessions they give to "taxfree" earnings of married women are going to appease them?

The Women's Bureau has expressed its disappointment at the Minister of Finance's decision not to allow married couples in the higher income groups the option of separate taxation, Mrs Truida Prekel, chairman of the bureau's working group on *Women — and High Level Manpower,* said.

"It is not going to encourage wives in the middle and higher income groups to go back to work when we need their skills more than ever, particularly with the announcement that all white males up to the age of 60 can be called up for military service.

"The increased tax concession to R1 600 is welcome but will make little difference to the situation as most of this benefit will be cancelled out by inflation.

"Maintaining the joint taxation system has negative effects not only on the families and women concerned.

"It is to the disadvantage of the South African economy, because it acts as a heavy tax disincentive on women in the middle and higher income groups.

"Their skills and experience could be valuable and such women should be encouraged to return to full-time careers when their family commitments allow it.

"We hope this is the last year women will not have the option of separate taxation to ease a married couple's tax burden, particularly after we have had indications that the change in the system was being seriously considered.

"We do welcome other benefits as they affect women — in housing, education, manpower, pensions and as consumers.

"Housing, because of the growing number of women who are single parents; education, which we trust will provide specifically for the training and retraining of women in view of the neglect of career-oriented education and training for women in the past — and pensions because women on average outlive husbands and struggle against inflationary pressures.

"Surely it must be very plain to the Receiver of Revenue that the extra funds he derives from burdening married couples with his archaic system, does a lot more harm to the country than good."

It would be heartening to see more women's organisations join the Women's Bureau in their protest against joint taxation.

Even the sugar on the tax bill now costs more

320 C. Herald 3/4/82

PERHAPS the most far-reaching provision in this year's budget is that the ordinary man-in-the-street, the householder who lives in Bonteheuweel, or Kew Town or Lotus River, will in future not have to complete the much-feared income tax buff form if his taxable income is less than R7 000 a year.

Taxable income is the net income after medical expenses, pensions and the allowance for the earnings of a wife have been subtracted.

This does not mean that these people will pay no tax. Income tax will, as in the past, be deducted from the wage-earners pay packet — which makes it very important for all workers to inform their employers immediately a child is born, or there is some other major change in their family structure, and thus in their liability to pay income tax.

Two important points to be remembered are that wage earners will be entitled to ask that their tax payments be assessed, when they believe that the PAYE deductions have been too high, and that the system does not come into operation immediately.

As far as the new system is concerned the bad news is that those buff forms must be completed for the 1981—1982 tax year. So look out for the forms, they're on their way to you now.

Apart from the fact that these same taxpayers won't have to pay the loan levy of five percent there isn't much for the average wage-earner to become excited about in all the increases which were announced in a run-up to the budget.

GOOD OLD DAYS

In the good old days (whatever and whenever they were) price increases were announced in the Budget. These days, however, while everybody waits for the budget for the shocks,

TOP LEVEL

they generally come in the form of announcements made early in the parliamentary session — a sort of sugaring of the pill. Thus, we've already had trainfare increases, an increase in the General Sales Tax from four to five percent and postage tariff increases.

The petrol price had gone up, and is sure to take the price of many other commodities with it, and even the sugar which is used in so many other foodstuffs recently shot up.

For the taxpayer to be told that the excise tax on wine is to be done away with, and that the tax on cinema tickets is to be abolished means nothing. Three or four cents off the price of a bottle of wine is no saving, and already the cinema bosses have said that the tax saving they were granted would not be passed on because the amount is so small it would cost more to implement lower charges than would be saved if they were implemented.

Anyway, these concessions are completely wiped out by the bread price increase — and the lower paid worker is the one who will suffer.

The one ray of light is the pension increase. As usual, and notwithstanding that all pensioners have the same financial commitments, whites again get more than coloured and Indians who receive more than Africans.

In recent years a once-a-year bonus has been paid to pensioners, and this has helped them to organise their personal budgets. This year there will be two such bonuses, the first payable in May and the second in November.

the fortunes of the salaries and newsprin

R810m 'fiscal drag' blow to taxpayers in Budget

CAPE TIMES 3/4/82

320

By PROFESSOR AUBREY SILKE

ALTHOUGH this year's Budget gives a fairly substantial income tax relief to the lower-income groups (those taxpayers earning taxable incomes less than R7 000) because of the new final PAYE tax deduction system, the less priveleged sections of the community — the millions who do not pay income tax — have not received any relief, apart from those entitled to increased pensions.

For them, there is no respite from the crushing burden of ever-rising living costs. Recently, they were burdened with a further 25 percent increase in the general sales tax, in addition to increases in the prices of a number of commodities and services.

Loan levy

The imposition of a five percent loan levy on individual taxpayers in the middle and higher income groups, is unfortunate in view of the very earnest endeavour by the Treasury to keep the individual maximum marginal tax rate at 50 percent.

We can obtain some consolation from the fact that in sevrn of the last nine years the maximum marginal tax rate (including loan levy) for individuals has far exceeded the present rate of 52.5 percent (see the accompanying table).

Although the loan levy is repayable after seven yerars, it will reduce the disposable income of the taxpayer. On the basis of tax-free eight percent simple interest (an increase of three percent over the previous tax-free interest payable), at an inflation rate of 15 percent the levy would, in real terms, diminish in value by some 40 percent at the end of seven years, notwithstanding the eight percent tax-free interest.

For the levy to maintain its real value at the end of seven years, inflation would have to be at the rate of 6,5 percent per annum — a gift from heaven!

Fiscal drag

Apart from the imposition of the five percent loan levy, many individual taxpayers will be subjected to an increased tax liability on their 1983 tax year earnings from employment, bearing in mind that increases in remuneration, designed to

COMPARATIVE TABLE OF TAX RATES

Companies

Financial Years ending during year ending	Basic Tax percent	Surcharge percent	Loan Levy percent	Total percent
31-3-1974	40			
31-3-1975	40	1	2	43
31-3-1976	40	1	1	42
31-3-1977	40	1	2	43
31-3-1978	40	3	6	49
31-3-1979	40	3	6	49
31-3-1980	40	2	6	48
31-3-1981	40	2	4	46
31-3-1982	40	2	0	42
31-3-1983	40	2	0	42
	42	4,2	0	46.2

Individuals

Tax years ending	Basic Tax percent	Surcharge percent	Loan Levy percent	Total percent
28-2-1974	60	6	0	66
28-2-1975	60	3	0	63
29-2-1976	60	3	0	63
28-2-1977	60	6	6	72
28-2-1978	60	6	6	72
28-2-1979	60	0	6	66
29-2-1980	55	0	5,5	60.5
28-2-1981	50	0	0	50
28-2-1982	50	0	0	50
28-2-1983	50	0	2,5	52,5

In view of the additional taxes that will be payable by many individuals due to fiscal drag, it is a matter for regret that the minister considered it necessary to impose the five percent loan levy, which will fall heavily on the shoulders of top business executives, professional men and other taxpayers in the higher income groups.

It is true that commercial and industrial companies are paying a substantially increased tax on their taxable incomes, 46.2 percent as compared with 42 percent previously payable, but, bearing in mind that many companies are enjoying substantia deductions of the various incentive allowances granted under the Income Tax Act, e.g. capital, exporters and training allowances, resulting in many cases in an effective rate far below 46.2 percent, and enjoy increased profits from the marking up of prices due to inflation, it may perhaps not be unreasonable to suggest that the loan levy should have been imposed on companies rather than on individuals.

The accompanying chart shows that the new rate of 46,2 percent is still much lower than the 48 percent and 49 percent rates payable by companies in some of the earlier years.

Tax reductions

The streamlining of the tax system in relation to all those taxpayers earning taxable incomes of

the minister announced that it was his intention to effect the final phasing out of the taxation of blacks by subjecting, with effect from March 1, 1982, the incomes of all individual taxpayers to tax in terms of the Income Tax Act, 1962, under the jurisdiction of one tax authority.

"When that happens," he said, "we shall have completed a process, begun two years ago, of taxing all individuals in the republic according to a uniform and consistent system of taxation."

The minister was silent on the question of black taxation in his Budget speech but, according to a report in a bulletin of the Cape Chamber of Industries (February 8, 1982, CCI Bulletin 6/82), he has indicated that black taxpayers will not be subjected to tax under the single tax structure applicable to other racial groups in South Africa from March 1, 1982 as originally announced, because of "several difficulties including lack of aggreement by national states".

All this means that the present separate system of black taxation will continue, with blacks, in many cases, paying substantially more tax than their white, coloured and Asiatic counterparts.

The difference between the 52,5 percent maximum rate of tax now applying to individuals i.e. 50 percent tax and 2,5 percent loan levy, and the fixed tax rate applicable

will be further diminished, if not cease altogether, by this year's Budget.

Now that loans made by a private company to their shareholders are treated as dividends for tax purposes, most shareholders operating through private companies face a rather grim tax future under the present law.

One advantage to private companies because of the new 46.2 percent rate is that in view of the "plough-back" allowance of 58 percent for undistributed profits tax purposes, they are enabled to accumulate dividend income, free of undistributed profits tax, up to 4,2 percent of their taxable incomes.

Building Societies

By not increasing the present tax-free rate of interest of 8,75 percent on certain building society share investments to correspond with the 9,5 percent tax-free interst payable in Treasury Bonds issued by the Government, no stimulation has been provided for increasing the flow of money into building societies, and for increasing the funds available for the purchase of housing by prospective home-owners.

The concessions to investors who plan on erecting housing accommodation for rent are to be welcomed, although it is doubtful whether they will provide a sufficient incentive to developers in the present climate of very high building costs.

The annual depreciation allowance of two percent at present applicable to new industrial buildings will be extended to include all new housing projects which offer not less than five family housing units for rent.

In addition, an initial allowance of 10 percent of the cost of the project will be allowed as a deduction from income in the year in which the project is completed and the accommodation is first let to tenants.

The concessions will apply to all qualifying housing projects the erection of which commences on or after April 1, 1982.

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rands. The peak was reached in 1978 when nearly a third of gold production was used to mint Krugers.

Intergold has been aggressively marketing Krugers in new markets overseas and began selling in the Japanese market about a year ago. The fact that from this week Japanese consumers can now buy gold over the counter at leading banks is regarded as a big plus factor for the coin as it will considerably strengthen Intergold's distributorships.

In Cape Town this week SA Gold Coin Exchange chairman, Mr Eli Levine, disclosed that the gold coin exchange sales topped the R6.2m mark in March — a new record.

This was nearly R2m up on the previous SAGCE record of R4.6m in Septemember last year. The March 1982 figure is R4m higher than the same month last year.

The Cape Town Office had a particularly good month with sales close to the R1m mark, well above the previous record of R860 889.

Mr Levine said that national sales on the exchange since the start of the year were R11,2m as against R6.8m last year.

The strong growth in exchange turnover is mirrored in the SAGCE sales performance. In 1979 sales were only R8m. They rose to R14m in 1980, and R34m last year. Thus far this year sales are some R11m as against the year-ago figure of R7m.

One of the reasons for the high turnover is the SAGCE's — Multigold system — a bulk buying concept which caters for clients selling between 25 and 2 500 Kruger rands.

Under the system buyers pay less and sellers get more for their coins with the SAGCE charging only one percent commission.

Yield
7,84
7,81
7,55
7,98
7,72
8,65
8,31
10,65
10,76
7,18
7,88
14,24

...ad advance

Harmony were among a few producers to ease slightly against the trend, and shortly before the close, some 22 golds were up against nine easier and nine unchanged.

Mining financials had Anglos 30c stronger at 1 150c while in diamonds, De Beers stood firmer at 533 after fluctuating between 526 and 535.

Platinums gained 10c on balance while collieries were mixed but among other metals and minerals, Gefco lost five at 255

...r after hours

Blyvrs	$835	Mid Wits	478
Buffels	$31	N Cnt Wt	275p
Chrtr Cn	213p	New Wits	280c
Cn Gld	397p	P Brand	$28¾
Cn Mrch	235p	P Steyn	$25¼

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Debr Dfd	410p	Tongaat	93p
Doorns	$12¾	Rndftn	$42
Drieftn	20⅜	Rust Plats	168p
Durban	$10⅝	Sentrust	585
E Daggas	128	SA Land	275
ER Prop	$850	Southvl	$24⅛
ER Gld	548	St Helna	$25½
Elsburg	175	Stilfont	$12⅜
Freddies	1175	Stdfd P	53p
FS Gdld	$23¾	Vaal Rfs	$47
GM Min	$14	Venters	$550
Grootvl	643	Ang Am	$12
Harmny	$9¾	Vlaks	178
Harties	$38½	Vogels	110p
Johnies	$47	W Hldg	$35½
Kinross	$865	WR Cn	178
Kloof	$23⅛	GFSA	$48½
Leslie	168c	Wit Nigel	90
Libanon	$13⅞	Welkom	$775
Loraine	203	W Areas	270
Lydenbrg	128p	W Deep	$25½
Marievale	188c	Rnd Mns	240
Messina	218p	Winkels	$22⅜
Industrials			
Abercom	130p	Rex Tr A	210p
Nmpck	335p	SA Brews	195p
CNA Inv	270p	Sappi Ltd	350p
Grater A	283p	Sasol Npv	138
OK Baz	715	Std Ch	682p
Grtmn O	450p	Tvl Cn	19½
Hullets	335p	Tiger Oat	susp
Imp Cld	105p	Un Stl Cr	38p
Nthn Eng	88½	Unisc Gp	135p
Ntl Cnvs	235p	Unisel	$785
Rennies	175p	Utico	115p
CG Sug	675p	Ver Ref	325p

ther 25 percent increase in the general sales tax; in addition to increases in the prices of a number of commodities and services.

Loan levy

The imposition of a five percent loan levy on individual taxpayers in the middle and higher income groups is unfortunate in view of the very earnest endeavour by the Treasury to keep the individual maximum marginal tax rate at 50 percent.

We can obtain some consolation from the fact that in sevrn of the last nine years the maximum marginal tax rate (including loan levy) for individuals has far exceeded the present rate of 52,5 percent (see the accompanying table).

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For the levy to maintain its real value at the end of seven years, inflation would have to be at the rate of 6,5 percent per annum — a gift from heaven!

Fiscal drag

Apart from the imposition of the five percent loan levy, many individual taxpayers will be subjected to an increased tax liability on their 1983 tax year earnings from employment, bearing in mind that increases in remuneration, designed to compensate them for inflation, attract tax at the highest marginal tax rate, although there has been no increase in their real incomes of the prevoius year.

This fiscal drag — as it is called — has the effect of reducing the real disposable incomes of taxpayers with a consequential lowering of their living standards.

On average, this increase in the tax liability based on the increase in earnings will vary in individual cases but may amount to some 20 to 25 percent. It is interesting to note that the Treasury has budgeted for an increase of R810m in the income tax payable by individuals for 1982/83 — some 25 percent over and above the expected collections for the previous year.

28-2-1978	60	6	6	72
28-2-1979	60	0	6	66
29-2-1980	55	0	5,5	60,5
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It is true that commercial and industrial companies are paying a substantially increased tax on their taxable incomes, 46,2 percent as compared with 42 percent previously payable, but, bearing in mind that many companies are enjoying substantia deductions of the various incentive allowances granted under the Income Tax Act, e.g. capital, exporters and training allowances, resulting in many cases in an effective rate far below 46.2 percent, and enjoy increased profits from the marking up of prices due to inflation, it may perhaps not be unreasonable to suggest that the loan levy should have been imposed on companies rather than on individuals.

The accompanying chart shows that the new rate of 46.2 percent is still much lower than the 48 percent and 49 percent rates payable by companies in some of the earlier years.

Tax reductions

The streamlining of the tax system in relation to all those taxpayers earning taxable incomes of not more than R7 000 by the introduction of the new final PAYE deduction system, is to be welcomed if it means that the income tax register may be reduced by as much as 35 percent, and that many hudnreds of thousands of taxpayers will no longer be required to complete and submit income tax returns.

In the prcoess of achieving this, these lower income groups of whites, coloureds and Asians will receive fairly substantial tax reductions in the 1983 tax year which will to some extent compensate for the ever rising living costs.

These tax reductions will not, however, apply to black taxpayers who will, for the present, be subject to tax under the existing separate system of taxation for blacks.

In last year's Budget, the minister announced that it was his intention to effect the final phasing out of the taxation of blacks by subjecting, with effect from March 1, 1982, the incomes of all individual taxpayers to tax in terms of the Income Tax Act, 1962, under the jurisdiction of one tax authority.

"When that happens," he said, "we shall have completed a process, begun two years ago, of taxing all individuals in the republic according to a uniform and consistent system of taxation."

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All this means that the present separate system of black taxation will continue, with blacks, in many cases, paying substantially more tax than their white, coloured and Asiatic counterparts.

The difference between the 52,5 percent maximum rate of tax now applying to individuals i.e. 50 percent tax and 2.5 percent loan levy, and the fixed tax rate applicable to companies i.e. 46,2 percent, has been further reduced by this year's Budget (from eight percent to 6.3 percent). If the levy is ignored the difference is duly 3.8 percent.

There is, therefore, very little tax incentive for an individual to transfer income-producing assets to a private company or to trade through a company since, in addition to paying the company tax of 46.2 percent, tax has to be paid again by the shareholders should dividends be declared, the aggregate tax liability payable by a company and its shareholders, if the after-tax profit of 53.8 percent is declared by way of dividend, being some 65 percent (assuming the shareholder is paying tax at the mamimum individual tax rate).

The role of private companies in the carrying out of tax avoidance schemes

percent of their taxable incomes.

Building Societies

By not increasing the present tax-free rate of interest of 8,75 percent on certain building society share investments to correspond with the 9,5 percent tax-free interst payable in Treasury Bonds issued by the Government, no stimulation has been provided for increasing the flow of money into building societies, and for increasing the funds available for the purchase of housing by prospective home-owners.

The concessions to investors who plan on erecting housing accommodation for rent are to be welcomed, although it is doubtful whether they will provide a sufficient incentive to developers in the present climate of very high building costs.

The annual depreciation allowance of two percent at present applicable to new industrial buildings will be extended to include all new housing projects which offer not less than five family housing units for rent.

In addition, an initial allowance of 10 percent of the cost of the project will be allowed as a deduction from income in the year in which the project is completed and the accommodation is first let to tenants.

The concessions will apply to all qualifying housing projects the erection of which commences on or after April 1, 1982.

In accordance with the present practice of Inland Revenue, the erection of a building commences on the date when the laying of its foundations commences.

The date when the site is levelled or excavated is not considered as the date when the erection of the building commences.

Those investors who so far have only been levelling the site or digging the trenches to take the foundation, and only commence laying the founda-tions on or after April 1, 1982, apparently qualify for the new allowances.

But one will have to wait for details of the allowances to be contained in the Income Tax Bill which will be presented to Parliament later in the session.

SUNDAY TRIBUNE, APRIL 4, 1982 320

TAX AND YOU . . .

WHAT THE BUDGET DIDN'T REVEAL

Owen Horwood

THE Budget produced few surprises but it should be remembered that when the Income Tax Bill becomes available it may include some amendments not referred to in Minister of Finance, Owen Horwood's speech.

The Budget speech last year gave no indication of important legislative changes such as the imposition of laws relating to the sale of shares in certain companies, leasing and pre-production interest etc. The possibility of similar important changes being effected by the Bill cannot be excluded.

Unless otherwise stipulated, the proposed amendments take effect, in the case of companies, for those with accounting dates on or after April 1, 1982 and in the case of individuals, for years of assessment ending either on February 28, 1983 or June 30, 1983.

The following is a summary of amendments

COMPANIES

Normal Tax — The basic rate of company tax (other than gold and diamond-mining companies) has been increased from 40 percent to 42 percent. In addition, the surcharge calculated on the basic rate of company tax has been increased from 5 percent to 10 percent.

A comparison of the effective rates of tax for companies is:

	1982/3	1981/2
Basic Tax	42,0 percent	40 percent
Surcharge	4,2 percent	2 percent
Total	46,2 percent	42 percent

The surcharge imposed on gold and diamond-mining companies has been increased from 5 percent to 15 percent.

The taxable incomes of long-term insurance companies have been increased from 30 percent to 40 percent of their gross income from investments, resulting in an effective increased in their rate of tax from 12,6 percent to 18,48 percent of such gross income.

This is a significant increase as it means that an increase in tax of 46 percent has been imposed.

Capital Allowances — The investment and initial allowances on plant, machinery and factory buildings remain unchanged for the present as follows:

Investment allowances	
Plant and machinery — new and unused	30 percent
Factory buildings	20 percent
Initial allowances	

How to compute what you will have to pay

TABLE A

Tax rates for married and unmarried individuals for years of assessment ending February 28 and June 30, 1983

Taxable income		Married		Unmarried (adjusted for 20% surcharge)	
		TAX		TAX	
From R	To R	Amount R	Marginal %	Amount R	Marginal %
0 —	7 000	—	10	—	12
7 001 —	8 000	700	12	840	14,4
8 001 —	9 000	820	14	984	16,8
9 001 —	10 000	960	16	1 152	19,2
10 001 —	11 000	1 120	18	1 344	21,6
11 001 —	12 000	1 300	20	1 560	24,0
12 001 —	13 000	1 500	22	1 800	26,4
13 001 —	14 000	1 720	24	2 064	28,8
14 001 —	15 000	1 960	26	2 352	31,2
15 001 —	16 000	2 220	28	2 664	33,6
16 001 —	18 000	2 500	30	3 000	36,0
18 001 —	20 000	3 100	32	3 720	38,4
20 001 —	22 000	3 740	34	4 488	40,8
22 001 —	24 000	4 420	36	5 304	43,2
24 001 —	26 000	5 140	38	6 168	45,6
26 001 —	28 000	5 900	40	7 080	48,0
28 001 —	30 000	6 700	42	—	—
28 001 and over		—	—	8 040	50,0
30 001 —	32 000	7 540	44		
32 001 —	34 000	8 420	46		
34 001 —	36 000	9 340	47		
36 001 —	38 000	10 280	48		
38 001 —	40 000	11 240	49		
40 001 and over		12 220	50		

In determining an individual's tax liability using these tables the following steps must be followed:

° Calculate the tax using the table
° Subtract the relevant rebates
° Calculate the 5 percent loan levy on the balance.

TABLE B

EXAMPLE: Unmarried persons with a taxable income of R21 000

Tax per tables (4 488 + 40,8 percent x 1 000)		4 896
Rebates (grossed up) — Primary	288	
— Insurance	30	318
		4 578
Loan levy 5 percent x 4 578		228
		R4 806

TABLE C

REBATES

	Married R	Unmarried (adjusted for 20 percent surcharge) R
Primary	320	288
Over 60 years of age	120	144
Over 70 years of age (additional)	80	96
Child — per child	100	120
Dependants — wholly dependent	50	60
— other	30	36
Insurance premiums — 10 percent of premiums paid with a maximum 75 (min 30)		90 (min 30)

but taxpayers may now claim a minimum deduction for all these expenses. Where their expenses exceed this minimum, taxpayers may naturally claim the actual expenditure, subject to the existing maximum deductions. The minimums are as follows:

	R
Married persons	300

4/4/82 (320)

and used 25 percent

The above allowances relate to plant, machinery and buildings brought into used on or before June 30, 1985.

These allowances have been referred to a commission which is shortly to submit proposals on their modification.

INDIVIDUALS

Normal Tax — Last year the Minister announced that he was to introduce legislation to reduce the Department of Inland Revenue's work-load by exempting certain taxpayers from rendering tax returns.

With effect from March 1, 1982 the PAYE deduction will represent the final payment of tax for taxpayers whose taxable incomes do not exceed R7 000 and whose income from investments is not in excess of R100. These taxpayers need no longer lodge a return of income for the year of assessment starting March 1, 1982.

Rebates — The primary rebate will be increased as follows:

	Proposed R	Previously R
Married persons	320	200
Unmarried persons	240	120

There will also be, for the first time, a minimum rebate in respect of insurance premiums and contributions to benefit and provident funds. The minimum will be as follows:

	R
Married persons	30
Unmarried persons	25

Deductions — Taxpayers are at present allowed to deduct certain expenses, including medical expenses, physical disability expenses and educational donations. These expenses remain deductible

Exemptions — There will be an exemption from tax of the first R100 of income derived from interest and dividends for all taxpayers.

Wife's Earnings — The deduction from a husband's taxable income of his wife's earnings has been increased to R1 600 with effect from March 1, 1982.

Loan Levy — A loan levy of 5 percent of the tax payable after the deduction of rebates has been introduced. This loan levy will not apply if:

- Taxable income does not exceed R7 000 a year.
- A taxpayer has a liability to tax of not more than R150 after the deduction of rebates
- A taxpayer is 70 years of age or older, and taxable income does not exceed R15 000.

The loan levy is repayable after a maximum period of seven years and carries simple interest at the rate of 8 percent a year tax-free. (See Table B for an example of the calculation.)

GENERAL TAX MATTERS

Concessionon Rental Properties — Rental accommodation which is capabale of housing no fewer than five family units and the erection of which was started on or after April 1, 1982 will qualify for the following concessions:

- An initial allowance of 10 percent on the cost of the project when the project is completed and first let; and
- An annual allowance of 2 percent.

Both these allowances are subject to recoupment on the sale of the building.

This concession at long last recognises the need to attract the investor back into the area of housing and it can only be hoped that the annual allowance is high enough to do so.

Blacks, whites to be taxed together

320 RDM 16/4/82

By GERALD REILLY

SEPARATE black taxation will begin to be phased out in favour of a unitary tax system from next year, Pretoria sources said yesterday.

Discussions between the South African Government and homeland governments are continuing but, they indicated, in the meanwhile, blacks at certain levels will continue to pay more tax than whites.

An inland revenue official said single blacks at certain income levels actually paid less tax than whites in the equivalent category. But married blacks with children paid more, he said.

Earlier this year the Minister of Finance, Mr Owen Horwood, announced he had intended to phase out separate taxation for blacks in terms of the Black Taxation Act from March this year. But the last phasing-out procedure had not been finalised.

He said once final plans had been approved by both the South African and homeland governments, employer and employee bodies would be consulted.

And the finance spokesman for the Progressive Federal Party, Mr Harry Schwarz, said the system had not yet been introduced because the Commissioner of Inland Revenue offices would not be able to cope with all the taxpayers.

MR OWEN HORWOOD
Easing the burden of blacks

A recent amendment to the Income Tax Act had already lightened this burden — anyone earning less than R7 000 a year does not have to submit tax returns.

These people's PAYE deductions would be accepted as a fair tax payment.

Most blacks earned less than R7 000 a year and, under the new system to be phased in, would not have to submit tax returns. The Department of Co-operation and Development presently imposes and collects black taxes.

NATIONAL UNION OF OPERATIVE BISCUIT MAKERS AND PACKERS

Year	Membership				
	African	Asian and Coloured	White	Total	
1970		..	..	986	Ø
1971		..	..	986	Ø
1972		..	..	980	Ø
1973		969	32	1 001	+
1974		..	..	1 001	Ø
1975		985	34	1 019	x
1976		954	34	988	x
1977		814	21	835	x
1978		664	23	687	$
1979		579	24	603	$
1980		625	17	642	$

Address: P.O. Box 4141
Cape Town
8000
021) 472 674

Officials: Secretary: N

Area of Operation: Natic

Founded:

Registration: Yes

Industrial Council: Bi

1980 - Receives permis ... :ilisation to open membership to all

320 Star 29/4/82

Working wives taxing problem

South Africa's system of joint taxation for married couples is not necessarily a deterrent to married women working, says Commissioner of Inland Revenue Mr Mickey van der Walt.

He told a meeting of business and professional women at the Carlton Hotel yesterday that "economically active" married women rose from 34,7 percent in 1976 to 41,4 percent today.

"The State sacrifices around R160 million a year as a result of deductions allowed from the earnings of married women," he said.

"The maximum pay as you earn deduction from a married woman's salary is 21 percent. This also applies to women in the higher income brackets.

"Unmarried couples with a joint annual income of less than R12 000 could pay more tax than married couples in the same income bracket due to the fact that the first R1 600 of a married woman's income is not subject to tax."

To the argument that joint taxation encourages couples to live together rather than marrying, he said this was a generalisation. "I suspect this is often used as an excuse to justify living together."

A mere 7,6 percent of our population pays income tax. Spreading the burden more evenly would be to "lower individual tax rates, thereby encouraging a general increase in productivity, increased earnings and more after-tax income for all."

Legal and tax experts from the Centre for Tax and Business Law at Unisa are researching the tax position of married women.

NEWS

1/5/82 (320) Star

GST and price rises take toll of shoppers

By Caroline Braun, Consumer Reporter

Consumer Spotlight

Increased GST and rising prices have added 86c to the cost of our regular shopping basket since the last survey in February.

The basket of basic foodstuffs now costs R33,04, compared with R32,18 two months ago. Both amounts include tax.

The rate of increase over the two-month period is approximately 2,7 percent.

The highest percentage price increase was for chicken which went up an average of 18c a kg. Checkers in Sandton had no frozen chickens in stock but a spokesman for the store said they should be on the shelves within a few days.

The price of large eggs went up an average of 5c a dozen. Consumers would be wise to shop around for eggs, as prices vary as much as 8c a dozen from shop to shop.

Five Roses teabags were up 8c but Nescafé coffee was down 2c due to a promotion in one of the shops surveyed.

The price of cornflakes continued to rise steadily. In June last year the average price for 500 g was 54c. In November it had risen to 67,5c and by February it had reached 72c. Today cornflakes sell at an average price of 73,5c.

The price of lamb chops has increased by a staggering 24c a kg but porterhouse steak is 7c a kg cheaper.

Milk is a bargain at Checkers, Sandton, where it is selling for 2c below prices at other supermarkets.

27/4/82 Prices exclude GST	Pick 'n Pay Hypermarket, Norwood	Pick 'n Pay, Benmore	OK Bazaars, Sandton City	Checkers, Sandton City	Average price	Average price on 5/2/82	Percentage increase or decrease
1 kg Porterhouse Steak	7,03	7,19	7,32	7,32	7,21	7,28	—1%
1 kg Frozen Chicken, Grade A	1,69	1,65	1,88	—	1,74	1,56	11,5%
2 kg Medium Potatoes, Grade A	86c	1,18	99c	1,25	1,07	1,08	—0,5%
1 doz Large Eggs	82c	86c	84c	78c	82,5	77,5	6,5%
1 kg I & J Hake Fillets	2,65	—	—	—	2,65	2,68	—1%
250 g Escort Middle Cut Bacon	—	1,52	1,45	1,53	1,50	1,48	1,5%
1 kg Super Lamb Loin Chops	6,52	6,78	6,76	6,76	6,70	6,46	4%
1 kg Tastic Rice	98c	99c	1,05	1,04	1,01	1,00	1%
500 g Choice Butter	1,52	1,56	1,58	1,53	1,55	1,53	1,5%
1 litre Milk	49c	49c	49c	47c	48,5c	49c	—1%
500 g Buffalo Salt	38c	39c	42c	43c	40,5c	39,5c	2,5%
500 g Kelloggs Cornflakes	65c	85c	75c	69c	73,5c	72c	2%
250 g Nescafé Instant Coffee	3,89	3,99	4,09	3,89	3,96	3,98	—0,5%
250 g Five Roses Tea Bags (Tagless)	1,49	1,59	1,77	1,69	1,63	1,55	5%

THE ARGUS, MONDAY MAY 3 1982

ARGUS 3/5/82 (320)

'Joint tax need not deter wives'

Argus Correspondent

JOHANNESBURG. — South Africa's system of joint taxation for married couples is not necessarily a deterrent to married women wanting to take up paid employment, according to the Commissioner of Inland Revenue, Mr Mickey van der Walt.

Addressing a meeting of business and professional women at the Carlton Hotel, he said the number of South African married women who were "economically active" had increased from 34,7 percent in 1976 to 41,4 percent today.

He added that "the State sacrifices around R160-million a year as a result of deductions allowed from the earnings of married women.

"The maximum Pay As You Earn deduction from a married woman's salary is 21 percent. This also applies to women in the higher income brackets.

"Unmarried couples with a joint annual income of less than R12 000 could pay more tax than married couples in the same income bracket due to the fact that the first R1 600 of a married woman's income is not subject to tax."

Replying to the argument that joint taxation encourages couples to live together rather than marrying, Mr van der Walt said this was a generalisation. "I suspect this is often used as an excuse to justify living together. In fact, the greatest number of couples living together are to be found in countries with systems of separate taxation."

Stressing the need for taxation — "people must pay for services provided by the State" — Mr van der Walt said a mere 7,6 percent of South Africa's population paid income tax. The way to spread the tax burden more evenly among this group, he said, would be to "lower individual tax rates, thereby encouraging a general increase in productivity, increased earnings and more after tax income for all concerned."

A team of legal and tax experts from the Centre for Tax and Business Law at the University of South Africa is currently researching the tax position of married women.

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Employers fear no-ceiling levies

Star 7/9/87

Own Correspondent

DURBAN — Industry is to ask the Government to curb the ever-increasing taxes and levies on employers to subsidise services for workers in metropolitan areas, and in particular the levies to subsidise transport services.

This is one of the key resolutions to emerge from the latest quarterly meeting of the executive council of the South African Federated Chamber of Industries, held behind closed doors in Cape Town.

REVIEW

It produced a detailed review of the economy, manpower, employment, export incentives and the formulae to be adopted when staff has to be retrenched due to a downturn in business.

But taxes and levies won pride of place in 19 category headings drawn up by Mr Roland Freakes, executive director of the Natal Chamber of Industries.

Two new levy Bills, he says, have been published by the Government. These are the Coloured Transport Services Levy, which also covers Indians in industry, and a revised version of the Black Transport Services Levy.

Neither sets a limit on the amount of levy which the Government can impose and amend at any time though the old rules covering black workers only set the maximum levy at a monthy R3,50 a worker.

Industrialists now have no idea how many levies are likely to be imposed under the new Bills and want the Government to publish maximum rates to permit business to cost accurately.

Mr Freakes points out that the new levies appear to be a direct disincentive to industry to invest and expand in the urban areas at a time when the Government is urging that development be concentrated on its selected growth points.

With local manufacturers having to face stiff competition from low-cost imports, particularly from the Far East, the Federated Chamber of Industries is to ask the Board of Trade and Industries to revise the formula of import duties to maintain a level of protection for South African companies.

On the opposite side of the coin, it is to ask the Minister of Finance, Mr Owen Horwood, to appropriate funds to reinstate the export incentives which were discontinued earlier this year.

(320) S-Times 9/5/82

'Tax bases damaging incentives'

By Ireen Spicer

PERSONAL and company tax bases are too narrow to sustain a huge redistribution of income to other population groups without grave damage to incentive, productivity and economic growth, says Assocom's chief executive, Raymond Parsons.

Speaking at the Afrikaanse Studentebond's southern actuality conference in Bloemfontein, Mr Parsons said there is an urgent need to enlarge the tax base by improving the incomes and opportunities of other races to the level at which they can make their legitimate contribution to income tax revenue.

"From an economic point of view, the chances of survival with justice in South Africa have never been better. We must not squander this opportunity."

Mr Parsons outlined the challenges South Africa needed to meet if all population groups were to reconcile living in a country which in the African context is based on First World institutions with Third World aspirations.

"We must acknowledge that economic prosperity is ultimately indivisible — both within South Africa and in Southern Africa, and realise that political stability is, in the circumstances of South Africa as a whole, a prerequisite to business confidence.

"There is an interdependence between economic performance and political stability.".

Arguing strongly for a continued private enterprise system, Mr Parsons said this would survive only if widened to include all population groups.

"Two of our economic aims should be growth in income per person and more equal income distribution.

"A redistribution of income through taxation as a means of closing the income or opportunity gap is feasible."

He pointed out that:

- Of total income tax, 82% is paid by whites, 11,5% by coloureds and 6% by Indians.
- Only 7,6% of all taxpayers in South Africa pay income tax, whereas in the First World countries the percentage is between 30 and 40.
- In the past decade the non-income-tax-paying population has grown faster than the income-tax-paying group.
- The top 10% of income-tax payers contribute 41% of total income tax.
- The top 1% of companies contribute 84% of the total company tax revenue.
- The revenue from a small number of black income-tax payers is paid direct to the black states.

"Our ability to meet the challenge of improving the capitalist system in South Africa lies in:

- Maintaining adequate economic growth to create jobs and improve incomes.
- Undertaking manpower training and development for all races on a vast scale.
- Re-forming the educational and training system to achieve parity for all races.
- Removing racial discrimination in employment.
- Promoting sound regional economic development.
- Developing a strong black entrepreneurial and middle class.
- Encouraging the development of a responsible black trade-union movement
- Providing for labour mobility and solving the problems of urbanisation using the Government's new policy incentives."

Passenger cars bear unfair burden — AA

320 Star 20/5/82

The Automobile Association has called for a consolidated fuel tax earmarked for road funds, and a review of the system of provincial vehicle licence fees.

Criticising the across - the - board increase announced during the Transvaal Provincial budget debate yesterday, an AA spokesman said: "The present licence fee structure does not fairly reflect road usage and damage caused by the various categories of vehicles.

"A disproportionate burden is placed on passenger cars because heavy vehicles cause far greater damage to road surfaces. Roads have to be built to higher standards, at increased costs, to provide for heavy vehicle usage."

He said independent studies had shown that the owners of heavy vehicles paid less than 50 percent of their costs responsibility.

The AA points out that the latest increase follows a 50 percent rise in 1980.

Private motoring costs had increased by 324 percent over the last 10 years ,compared with 205 percent for the consumer price index.

The organisation recommended a consolidated fuel tax for road funds in 1972 when it made submissions to the Government on more equitable taxation of road-users.

"The submission appears even more valid in today's economic climate," the AA spokesman said.

ROAD FINANCING

Taking a toll

320

FM 21/5/82

Transport Minister Hendrik Schoeman's idea of toll financing of roads has hit early opposition.

The parliamentary select committee investigating the matter has been told by the Cape Town Chamber of Commerce that other means of bankrolling roads (such as fuel levies and loans) are much cheaper "and should be preferred."

According to the Chamber, the US Federal government has long been concerned about the extent of the US network of toll roads and would prefer a uniform system of financing if possible. However, a 1974 inquiry showed that, once fixed, toll systems were difficult to remove without distorting traffic patterns and straining existing tax sources.

The Chamber told the select committee that tolls could expect to be profitable only on routes with high traffic volume and where no alternative route existed. In SA there were only a few places where tolls could be applied successfully.

"However, their contribution to the total income is likely to be very modest. An important factor is the availability of funds. If the new toll road revenues supplement existing revenue for road construction and maintenance, then more roads will be built. But at the same time an additional funding source would make it easier for the central government to reduce its allocation of funds for roads which would defeat the road authorities' objectives."

The Chamber said that even where it was possible to introduce viable tolls in SA, existing facilities would have to remain. Otherwise, alternative routes which conformed to standards and distances acceptable to road-users would have to be made available.

Further, if the tolls were introduced the money should be used to finance new construction and not maintenance. Tolls should therefore be temporary and should be withdrawn once the capital cost of a road was recovered. And, if introduced, tolls should be operated by private enterprise, the Chamber submitted.

INCOME TAX

FM 28|5|82

The key-man kibosh

(320)

The 1982 Income Tax Bill (as read a first time) hits out at certain abuses of concessions on "key-man" policies.

These allow the deductibility of premiums on insurance policies on the lives of employees or directors. The main thrust of the amendment — which introduces a further proviso (dd) to section 11(w) — is to restrict deductibility to the case of term insurance only.

Previously, the deduction was allowed for premiums paid by companies or other employers for whole life, endowment or "pure" endowment policies. (A pure endowment policy is one with no element of life cover at all and in simplified terms may roughly be described as a kind of deferred investment arrangement.) The restriction on deductibility applies to policies the proposals for which are made on or after May 25, 1982.

The insurance industry acknowledges that although the amendment (which was not foreshadowed in the Budget speech) was motivated — not to say provoked — by certain unduly zealous selling practices. Nevertheless, it is still far too restrictive. If implemented in its present form, it will have serious financial repercussions on the insurance industry. This has built up a large business in certain entirely reasonable classes of key-man policies which are now to be deprived of the tax concession.

So representations are being made by the Life Offices Association to amend the Bill at the Second Reading in order to arrrive at a compromise. Such a compromise might, for example, retain the deduction for a wider range of policies provided the premium is limited to 10% of the salary of the employee whose life is to be assured. This wider range will include whole life endowment policies with an element of life cover, but still excludes pure endowments.

Imaginative insurance men had evolved policy arrangements which exploited to the hilt the tax-savings offered by section 11(w), while eroding the life-cover element, eliminating it altogether in the case of pure endowments. Large policies would be taken out, the company paying the premiums. The tax saving, at current rates of tax, would be R46 out of every R100.

Then, as soon as large surrender values had been built up in the policy, the company could and did borrow back heavily The loans, of course, remained tax-free in the company's hands so long as no claim was made under the policy, for example, through the death of the employee.

The risk of a claim was reduced almost to vanishing point by the practice of substituting one employee for another as the life insured. Alternatively, the policy could cover two or even three employees, with the proviso that the policy would only become payable upon the death of the last-dying of the three. By including a youthful employee as one of the lives covered, the risk of the policy becoming payable became remote.

The temptation to indulge in a hard sell of this type of policy eventually became too strong to resist for one broking company in particular. Its advertisements extolled the tax advantages of insurance over employees' lives quite blatantly, even going on to radio to tell the tale.

But several other companies also promoted this type of arrangement, if more discreetly. Inland Revenue — not altogether unreasonably — concluded that it was a serious abuse of a concession originally intended to assist companies to fund deferred compensation packages, and so the amendement was introduced.

The amendment effectively ends the undesired practices through confining the deductibility of premiums to term policies. As this class of policy does not build up any surrender values, no borrowing can take place on the back of it.

The amendment to section 11(w) made it necessary to include an amendment to the definition of gross income (paragraph (m) of section 1) dealing with the taxability of the proceeds of key-man policies. Now that premiums on certain classes of policies are no longer deductible, the proceeds of those

OTHER CHANGES

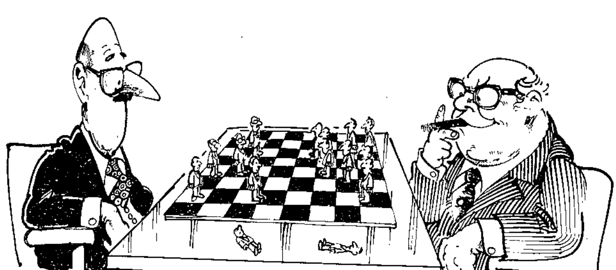
The Bill also contains other amendments affecting insurance. The promised changes to the deductibility of reinstatement contributions (which make up allowable payment lapses) to retirement annuity funds (*FM* November 27 1981) are contained in an amendment to section 11(n)8bb. The new provision increases the allowance to R1 500 from R1 000 and provides for a carry-forward of amounts paid in excess of the allowable deduction during a given year of assessment. The amendement is to take effect from years of assessment ending on or after January 1 1982.

Also, any annuity up to R250 in value (previously R120) due from a pension fund or retirement annuity fund may now be commuted in full (paragraphs (b)(ii) and (b)8iv) of section 1). And the rating formula (section 5(10)) which provides for the taxation of lump sum benefits at averge rather than marginal rates of tax has been amended to exclude the loan levy portion of tax which once again makes its appearance.

The basis for taxing lump sum awards in excess of R20 000 has been changed again. Last year, the concession was made to tax the excess at average rates of tax and not at marginal rates. Now, the average rate of tax applicable to the excess over R20 000 will apply only to amounts up to a maximum of three times the average annual remuneration of the employee during the three years of assessment preceding the year in which the benefit is received.

(There also remains the option of being taxed on a three year spread basis under section 7A(4), and it requires careful calculation to determine which option is better.)

The Bill also provides for an increase in the deduction of expenditure for employee housing to a maximum of R6 000 and an increase to the same limit in the deductibility of the cost of the erection of buildings used for domestic purposes by farmers' employees.



examination book(s) are used.

4. Do not write in the left hand margin.

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

'A new kind of fiscal drag'

ARGUS 3/6/82

320

Parliamentary Staff

ALL three opposition parties yesterday expressed concern in the Assembly about the inflationary effect of general sales tax on foodstuffs.

The Second Sales Tax Amendment Bill provides for a number of technical changes to the Sales Tax Act and includes provision for the GST to apply to advertising and public relations services.

During the second reading debate on the Bill, Mr Harry Schwarz (PFP, Yeoville) introduced an amendment calling for the House to decline to pass the Bill unless the Government abolished GST on basic foodstuffs.

He said the high inflation rate and rising prices had resulted in an increase in taxation, bringing about a "new kind of fiscal drag".

The poorest people were the hardest hit by GST as they spent a greater proportion of their income in GST.

Subsidies on basic foods were insufficient to relieve this burden.

Mr S P Barnard (CP, Langlaagte) said he agreed with Mr Schwarz that there were problems with taxation on foodstuffs. When prices rose, the GST increased correspondingly.

He urged the Government earnestly to consider this problem and possibly adjust the sales tax system to one whereby the tax was incorporated in the marked price of an item.

Mr George Bartlett (NRP, Amanzimtoti) appealed to the Government to take a "good look" at the production and distribution costs of foodstuffs in respect of taxation, and to ensure that these costs be kept as low as possible.

PFP rejects Steyn's defence of GST on foods

ARGUS 4/6/82 320

Mr D W Steyn

Parliamentary Staff

IT was a "moot point" whether exempting basic foodstuffs from general sales tax would be of significant benefit to the needy, Mr D W Steyn, Deputy Minister of Finance, said in the Assembly yesterday.

Mr Steyn was replying to the second reading debate on the Second Sales Tax Amendment Bill.

Earlier in the debate Mr Harry Schwarz (PFP, Yeoville) moved an amendment calling on the House to decline to pass the second reading of the Bill unless the Government abolished GST on basic foodstuffs.

Mr Steyn described Mr Schwarz's request as a "hardy annual," and said there were reasons why GST could not be lifted from foodstuffs.

He said the only valid reason that had to date been advanced for taking such a step was that the burden of tax on food fell mainly on the poor, because they spent a greater proportion of their income on foodstuffs.

If tax on foodstuffs was abolished it would mean a loss of revenue for the State. This could be offset by increasing the rate of GST on other goods, but that would be unwise in the present economic circumstances.

Exempting foodstuffs from tax would also cause a huge administrative problem, particularly for shopkeepers. They would require extra staff and time to administer such a system, and this would increase their costs.

This would, in turn, lead to an increase in prices.

Mr Steyn said the aim of the Government was to keep the base of GST as wide as possible, to keep it as low as possible for as long as possible.

During the committee stage of the Bill, Mr John Malcolmess (PFP, Port Elizabeth Central) described Mr Steyn's argument against lifting GST on basic foods as "unrealistic."

The Bill, which provides for a number of technical changes to the Sales Tax Act of 1978, passed through all its stages with the PFP opposing the second reading in a division.

JEWELLERS AND GOLDSMITHS UNION

Year	Membership				
	African	Asian and Coloured	White	Total	
1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annual Report 1980/81

Address: 201/4 City Centre
Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A.Frazer

Parliament

ARGUS 4/6/82 (320)

New 'burden' for the taxpayer

Parliamentary Staff

THE official Opposition yesterday opposed the second reading of the Income Tax Bill on the grounds that it imposed additional tax burdens on individuals in the present difficult economic times.

An amendment calling on the Assembly to decline to pass the Bill's second reading was moved by Mr John Malcomess (PFP, Port Elizabeth Central).

Mr Malcomess said that while his party welcomed aspects of the Bill, such as provisions aimed at closing certain loopholes in the existing tax law, the Bill failed to alleviate the tax burden on individuals implicit in the imposition of another loan levy.

By the time this money was repaid to the individual taxpayer the decrease in the value of money and the effects of inflation would have been such that the money could just as well have been "written off."

MR JOHN MALCOMESS

MR OWEN HORWOOD

Mr Malcomess said that in addition to the loan levy, company tax was being increased at a time when the rate of inflation was running at more than 16 percent.

"One can only have sympathy for companies having to pay this additional tax," he added.

Under present economic conditions companies had to retain an increasing part of their after-tax income in order to function.

It was unwise to impose such a heavy tax on "the goose that lays the golden eggs" — business firms providing job opportunities.

The latest additional tax burden was coming after a series of inflationary moves by the Government, including increased rail tariffs, higher post office tariffs, increases in fuel prices, an increase in GST and an increased import surcharge.

"This is nothing less than a total onslaught on the public. The Government is piling the burden on the man-in-the-street's back," Mr Malcomess said.

The increases had been coming after the general election, but such moves would not continue to fool the South African public.

Moving the second reading of the Bill, the Minister of Finance, Mr O P F Horwood, said that in presenting last year's Income Tax Bill he had emphasised that because of rapidly changing circumstances it had not been possible to repeat the generous concessions of 1980.

At the same time it had not been necessary to increase the rates of tax in spite of the increasing demands for funds on the Treasury.

Mr Horwood said it was hardly necessary to remind the Assembly that financial conditions had continued to tighten during the past few months.

UNIONS OPERATING IN 1981 GROUPED ACCORDING TO INDUSTRIAL CLASSIFICATION

Unions have been classified according to the Standard Industrial Classification of All Economic Activities. The full extent of the operation of the following general workers unions has not been established:

National Federation of Workers
Orange-Vaal General Workers Union
General and Allied Workers Union

AGRICULTURE, FORESTRY AND FISHING

Black Allied Workers Union
Farmworkers Union
Food and Canning Workers Union
National Certified Fishing Officers Association
Orange-Vaal General Workers Union
Trawler and Line Fishermen's Union

MINING AND QUARRYING

Amalgamated Engineering Union of S.A.
Amalgamated Union of Building Trade Workers
Amalgamated Society of Woodworkers of S.A.
Black Allied Workers Union
Black Mineworkers Union
Federated Mining Explosives and Chemical Employees Union
Iron Moulders Society of S.A.

Tax-free cash subsidies for labour training

ARGUS 4/6/82 320

THE Minister of Manpower, Mr Fanie Botha, yesterday introduced a Bill providing for non-taxable cash subsidies for employers providing approved labour training schemes in decentralised areas.

This provision in the Manpower Training Amendment Bill replaces the existing system of tax rebates for training schemes.

"It is important to note that the subsidy will be payable to any employer except the State and that the training need not necessarily take place on the premises of the employer himself or in the same region," Mr Botha said.

"It could even take place in a self-governing or independent national state."

Employers in industrial development regions in self-governing states would also qualify for the cash subsidies, but this would have to be arranged with the co-operation of the governments concerned.

In independent states, administration of the subsidies would be dealt with by the governments concerned, but the South African Government would contribute a rand for every rand contributed by the states themselves.

The Bill would be retrospective with effect from April 1 and the subsidy would be payable to employers who established themselves in the industrial development regions after April 1.

Employers established in the regions before then would be able to choose between the subsidy and the tax rebate.

The Bill went through all its stages with the support of all parties.—Sapa.

Mr Fanie Botha

Year		
1970		
1971		
1972		
1973		
1974	00	+
1975	00	x
1976	00	x
1977	00	x
1978	.	
1979	.	
1980	400	Fosatu Annual Report Nov. 1980/81

215

Address:
125 Gale Street
Durban
4001

Officials: Secretary: D. Sibabi

Area of Operation: Transvaal, Natal, Eastern Cape

Founded: 1973

Registration: See note on FOSATU registration, p.11

Recognition:
1) Tensile Rubber
2) Precision Tools
3) Automatic Plating
4) Hendrick Trailors
5) Hendler
6) Kraft Engineering
7) William Bros.
8) Scottish Cables
9) McKennon Chairs
10) Alusaf
11) Vosa
12) Craft Engineering
13) Selchain
14) Stone Street & Hansen
15) Barlows

Membership: 1981 = 24 300

Call to tax public vehicles before raising licences

9/6/82 E. Post (220)

PRETORIA — Before increasing motor vehicle licences thought should first be given to taxing public sector vehicles, the chairman of the Motor Industries Group of the Pretoria Afrikaanse Sakekamer, Mr Rex Nigrini, said here yesterday at a meeting of the body.

This was especially true in Pretoria, he said.

Mr Nigrini said talk of raising Transvaal vehicle licence fees by 50% raised the same questions as exemption from rates on Government buildings, especially if it was remembered that some of the heaviest vehicles on the road belonged to the military, the SA Transport Services, the Post Office and the Province.

Mr Nigrini also expressed concern about the down-turn in motor sales of about 15% in view of the large amount of money invested in the industry.

"The increase in input costs for the motor trade means the prices of car repairs must of necessity rise," Mr Nigrini said.

As regards credit card facilities for buying fuel, he believed the banks had suffered from the ending of the service. He was hopeful, therefore, that the scheme would be reintroduced in time.

At the same Sakekamer meeting, Mr H G Malan, of the Property and City Affairs Group, advised businessmen to sort out their long term rent contracts now, because when the economy picked up again in about 1984 office rents could be expected to rocket due to shortages relative to demand.

He suggested flexitime, or staggered working hours, as a possible solution to the office space problem. — Sapa.

SECTION ~~B~~. D.

[EVERY C]ANDIDATE MUST enter in
[...] the number of each question
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GOVERNMENT FINANCE (320) FM 11/6/82

Aiming at money supp[ly]

By the end of June — three months into the new fiscal year — Government will have borrowed R1,6 billion or twice the amount required to cover the financing from new stock planned in the March Budget.

This is clear from the announcement in Parliament on Tuesday that the Treasury is planning to raise another R400m through the issue of RSA stock on a tender basis at the end of June.

This increase in official borrowing will have important implications for monetary policy. It means government is redoubling efforts to contain the growth in the money supply.

So successful have the government's funding operations been in the first two months of the fiscal year, that the borrowing requirement of around R800m for new stock was easily covered. In fact, government has raised around R1,2 billion in all.

The R400m will be used to meet the needs of maturing stock worth R260m at the beginning of July. The balance will be new money.

The issue will be divided into four tranches of R100m each — a three-year, five-year, 11-year and 15-year stock. The yield on each will, as is usual, be fixed by the bids themselves.

This new emphasis on monetary control suggests that government is less concerned now with the international trading position of the country. Imports are starting to fall by volume. Export earnings are holding up quite well, partly because of the declining rand.

The money supply grew at an annual rate of more than 40% in the first quarter of the current calendar year and government is known to be unhappy about the trends discerned in the second three months.

Nominal interest rates are, therefore, unlikely to fall on this strategy in the near future.

A further development this week underlining a new emphasis on monetary policy was the issue of special tax bills by the Reserve Bank. The market interpretation is that Pretoria does not want interest rates to be pushed down by seasonal spending of government funds. It was for a similar reason that the bank sold additional stock into the market last month.

Contradictory

After having encouraged banks to borrow abroad for balance of payments purposes, this renewed clampdown on money growth appears to be contradictory. The banks raised R1,5 billion in foreign loans — an historically high figure — which represents a massive inflow of liquidity on which they could gear up lending.

But the banks are being asked not to repay the funds for the time being and the forward premiums for cover are being kept attractively low. With the reserves at relatively low levels, the country needs these overseas funds.

The next gilt issue will enable the Treasury and the Reserve Bank to avoid coming to the market in the difficult month of August if they so wish. A further R140m worth of stock in the hands of the public matures on August 15.

Internal	External
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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

Cape Times
16/6/82

Discussion on City vagrant housing

144
320
2016

Municipal Reporter

HOSTELS could be provided for Cape Town's estimated 500 vagrants with possible sites in coloured group areas, the City Engineer, Mr Jan Brand, suggested yesterday.

In a report on vagrancy to the City Council's Executive Committee, Mr Brand said local welfare organizations felt there was no need for a "sheltered employment" type of factory for vagrants, nor was it the City Council's responsibility.

While discussions on the vagrancy problem were continuing, the concensus of opinion was that the social upliftment of this class of person was the responsibility of the Department of Internal Affairs, which in co-operation with various welfare bodies, had plans.

The council's role would be to provide more housing for the aged and hostel-type accommodation for single people.

If the council agreed to this, most of the vagrants could be housed. Welfare organizations said the ideal size for a hostel should be big enough for between 20 and 30 people. With about 500 vagrants in Cape Town, 20 hostels would be needed.

Although vagrants tended to gather in the Central Business District and more affluent suburbs, hostel accomodation would have to be provided in the appropriate group area. As there were more coloured vagrants than white ones, any hostels built by the council would have to be in coloured group areas such as Athlone, Hanover Park, Retreat and Schotschekloof.

Depending on the Cape Town Welfare Co-ordinating Committee and the council's reaction to the proposals, locations, design and costs would be discussed by the bodies involved.

Finance

Sales tax figures show big downturn

ARGUS 17/6/82

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Financial Editor

THE latest general sales tax figures suggest that there has been a significant downturn in business activity since February. In fact, if the figures can be relied on as an accurate guide to the level of activity in the economy, the downturn has been sharp.

The general sales tax figures are normally regarded as a better indicator of overall economic conditions than the retail sales indices as they cover a wider area of business activity.

This is because they are levied on the final sales of all goods which include capital goods as well as goods sold at the retail level.

The latest Treasury statement shows that general sales tax collections in April were R152,3-million. This was 12 percent more than the R135,7-million collected in April last year.

5 PERCENT

However, since March this year the tax has been levied at the rate of 5 percent of the cost of the goods bought, compared with 4 percent previously. Thus the 12 percent rise in GST receipts actually reflects a decline in the volume of sales.

On the basis of the GST figures total sales in South Africa in April — or the accounting period reflected in the April Treasury figures — were around R3 000-million, which was about 10 percent less than the R3 400-million recorded in April last year.

As there has been price inflation of around 16 percent between the two periods this drop in sales may be viewed with some suspicion. But it is known that the mines have been cutting back heavily on their purchases and that sales of building materials have been slowing down.

OTHER SIGNS

It is thus likely that the drop in GST collections does fairly reflect current economic conditions.

Other signs in the tax figures of a slowdown in the economy include the 14,6 percent drop in receipts from non-resi-shareholders' tax from R26,1-million in April last year to R22,3-million in April this year, an 11,2 percent drop in stamp duty receipts and a 9,5 percent drop in in marketable securities tax receipts.

INCOME TAX

However, the Treasury statement is not a complete picture of woe. One figure which must please the Minister of Finance is the 33,3 percent rise in income tax receipt from R360,5-million last April to R480,5-million this April.

As companies were not paying taxes in April, this increase mainly results from higher personal income tax paid, as a result of wage and salary increases, the larger workforce and the effects of fiscal drag or bracket creeping on individual's tax positions.

Transfer duties in April brought in R12,2-million, 4,3 percent more than a year ago. This is an extremely small increase considering the sharp rise in property prices, but must also reflect the shortage of bond money.

MAIL, Thursday, June 17, 1982

Fringe benefits likely to be taxed next year

320

RDM 17/6/82

Pretoria Bureau

THE tax axe will come down on fringe benefits next year, according to Pretoria sources.

The Government has agonised over the form and implementation of the tax for the past three years, but the special commission of MPs appointed earlier this year to study the proposals in a draft Bill is expected to complete its work in the third quarter of the year.

The commission, which has sat in Cape Town every day so far this week, is working on the evaluation of perks for tax purposes.

The Minister of Finance, Mr Owen Horwood, announced last year that perks would be taxed in the current financial year.

However the commission had to study more than 60 submissions from the private sector on the proposals in the draft legislation and was unable to complete its work in time.

Submissions were made by the Association of Chambers of Commerce, the SA Federated Chamber of Industries and the Afrikaanse Handelsinistituut.

Main targets of the tax are company cars, big entertainment allowances, subsidised company loans, free or low-rental houses, and bursary benefits to children of employees.

One proposal is that housing benefits be phased in, starting with a tax on 10% of the value of the benefit in 1983, and ending with the full taxation of the benefit in 1989.

The tax on company car perks will be based on the value of the car and its assessed monthly value for private use.

For a car costing between R9 000 and R12 000, for instance, the value for private use would be about R140 a month.

Economists have claimed that the perks tax will aggravate inflation by leading to pay rises to compensate employees for what they lose in additional tax payments.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

______ Words underlined with solid line indicate insertions in existing enactments.

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ACT

To fix the rates of normal tax payable by persons other than companies in respect of taxable incomes for the years of assessment ending on 28 February 1983 and 30 June 1983, and by companies in respect of taxable incomes for years of assessment ending during the period of twelve months ending on 31 March 1983; to provide for the repayment to taxpayers concerned of a certain portion of normal tax paid; to amend the Income Tax Act, 1962; to repeal section 31 of the Income Tax Act, 1981; and to provide for incidental matters.

(English text signed by the State President.)
(Assented to 9 June 1982.)

BE IT ENACTED by the State President and the House of Assembly of the Republic of South Africa, as follows:—

Rates of normal tax.

1. The rates of normal tax to be levied in terms of section 5 (2) of the Income Tax Act, 1962 (Act No. 58 of 1962), hereinafter referred to as the principal Act, in respect of—

(a) the taxable income of any person other than a company for the year of assessment ending 28 February 1983 or 30 June 1983; and

(b) the taxable income of any company determined under the principal Act to have been derived elsewhere than in the territory of South West Africa for any year of assessment ending during the period of twelve months ending on 31 March 1983,

shall be as set forth in the Schedule to this Act.

Certain portion of normal tax repayable to taxpayers.

2. The portion of the normal tax determined in accordance with the provisions of paragraph 1 *(h)* of the Schedule to this Act shall be a loan portion of that tax.

Amendment of section 1 of Act 58 of 1962, as amended by section 3 of Act 90 of 1962, section 1 of Act 6 of 1963, section 4 of Act 72 of 1963, section 4 of Act 90 of 1964, section 5 of Act 88 of 1965, section 5 of Act 55 of 1966, section 5 of Act 95 of 1967,

3. (1) Section 1 of the principal Act is hereby amended—

(a) by the insertion after paragraph *(l*A) of the definition of "gross income" of the following paragraph:

"*(l*B) any amount received by or accrued to or in favour of any person from the State by way of a subsidy or reimbursement under any scheme designed to encourage the establishment, expansion or carrying on of industrial or commercial undertakings in an economic development area;";

(b) by the substitution for paragraph *(m)* of the said definition of 'gross income' of the following paragraph:

"*(m)* any amount received or accrued under or upon the surrender or disposal of, or by way of any loan or advance granted on or after 1 July 1982 by the in-

TOLL ROADS

(326) FM 25/6/82

Keeping the wheels turning

Government's plans to finance part of the road-building programme with toll money won't raise cheers in all sectors of society. Indeed, powerful lobbies in industry and commerce have already voiced their opposition.

But in the *FM*'s view, toll financing is particularly appropriate at this stage of SA's development. Not only will payments be user-based — and optional — but the heavy involvement of private sector funds and expertise could not have come at a better time. It will enable government to keep down its own spending while creating work for the construction industry which, two years hence, is going to need it.

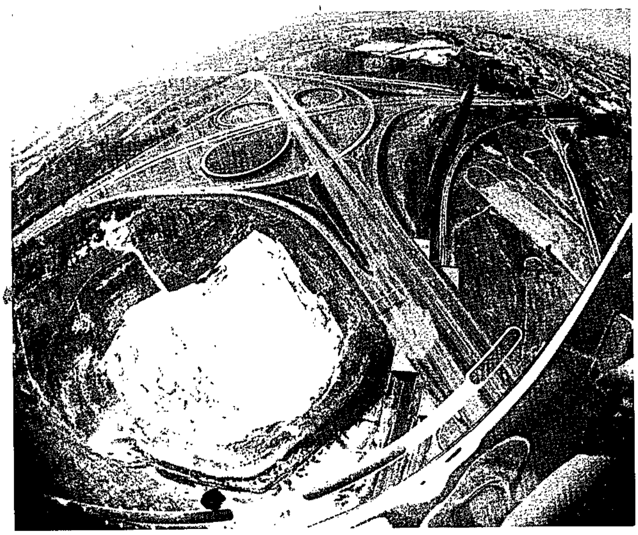
The general plan to assist the National Transport Commission (NTC) through a road-toll programme was outlined in a Parliamentary Select Committee report last week.

The NTC filled in details for the *FM* this week. The programme, it says, should be under way in two years. Special institutions will be formed under NTC authority to raise 20-year loans and bridging finance backed by government guarantees.

The announcement goes a long way to overcoming objections raised by chambers of commerce and other detractors, who charge that toll administration is costly and allows central government to abdicate its funding responsibilities.

Stressing the need for private sector involvement, the NTC says the system will be administered outside the public service.

"Although it is impossible to allay fears that government might reduce its allocation of funds for roads, thereby placing the full roads burden on toll financing, this would create a conflict of interest between the Treasury and central government, and is unlikely," says the Department of Transport's director of roads planning, Michael Mitchell.



He tells the *FM:* "We will be deciding on the extent of private funding once we have passed the enabling legislation to set up a separate toll authority."

The economic viability of a number of projects has already been studied. Among them are the Cape Garden Route (tipped as the first in the programme); the Du Toitskloof tunnel project, which will eliminate 11 km of tortuous road through a mountain pass area; extension of Route N3 northwards from Frere in Natal to the foot of Van Reenen's pass, thereby eliminating 22 km from the Durban/Johannesburg route; the Warmbaths-Nylstroom bypass on Route N1; and the M4 east-west link between Springs and Krugersdorp.

This road, which will bypass the Johannesburg CBD to the south of the existing M2, will cost an estimated R290m. But as the M4 is a provincial project which would not normally form part of the national programme, a separate "company" will raise the finance and administer tolls under the NTC-supervised holding body. Talks between the NTC and the Transvaal Provincial Administration will decide on the best method of including provincial roads in the national programme.

The cash is sorely needed. The national roads programme has fallen R750m into arrears over the last decade, representing four years of road building activity. This year's budget allocation of only R158m will mean that the programme will slip even further behind.

The NTC has been ready to hit the panic button for some time. The select committee's report favouring tolls acknowledges this by recommending a joint investigation into future roads funding by the Department of Transport, the Department of Finance and the economic planning branch of the Office of the Prime Minister.

In March Transport Affairs Minister Hendrik Schoeman announced an increased allocation of 0,609 c/*l* from the fuel levy, bringing income from this source to 2,963 c/*l*. But this will still not be enough to bring the roads budget up to last year's already-inadequate R187m. Furthermore, the additional amount is limited to five years.

Organised commerce would prefer an increase in the fuel levy on the grounds that fund collection is cheaper and preferable all round. The Cape Town Chamber told the select committee that the US federal government was concerned at the extent of the US network of toll roads and would prefer a uniform system of financing if possible.

Further, a 1974 inquiry had shown that, once fixed, tolls were difficult to remove without distorting traffic patterns and straining existing tax sources (*FM* May 21).

Says Mitchell: "The select committee has found that toll financing conforms to the principle of user charging, such as fuel tax and licences, already used for the financing of arterial roads.

"Then there is the question of whether one operates the open or closed toll system.

"Let us take as an example the run between Key Ridge, in Pinetown, and Durban (a road not scheduled for tolling). Anybody wanting to dodge the toll could leave the freeway before reaching the barrier and rejoin the road on the other side. But the inconvenience and the distance he has to travel scarcely makes it worthwhile. We think that the cost of putting barriers on every approach road would make the system unnecessarily complicated."

The M4 between Springs and Krugersdorp will pose such a problem because there will have to be numerous access points en route. In this case it may be necessary to have barriers on some of the main approaches where daily volumes make returns worthwhile.

"In France, the tolls stop 50 km outside Paris because of administration difficulties inside the urban area. We do not see urban roads as an essential part of the system at this stage, even though they are likely to yield the most revenue," says Mitchell.

Road users will thus have alternative toll-free routes available which, to a large extent, answers the critics who say that tolls amount to an unfair tax. "The select committee," Mitchell adds, "has made it clear that the tolls levied should constitute only a portion of the saving enjoyed by the user of the toll road. Such savings should be differentiated according to vehicle mass and type."

One thing is certain. The national road network is being seriously jeopardised by lack of funds, both for building new projects and maintaining the existing 44 000 km of surfaced roads. Many are reaching the end of their reserve life.

The private sector, on the other hand, is benefiting daily from updated arterial roads which speed journey times and enhance the efficiencies of the road transport industry in general.

Tolls in this situation are an equitable solution, since they enable the user to benefit from a facility he would not have had.

Total income, if intentions become fact, will be directly allocated towards defraying the cost of toll roads. The money, in other words, will not go for other purposes.

Another advantage of the programme is that the tolls, administered under the jurisdiction of the NTC, will be co-ordinated by government, which will decide priorities.

Explains Mitchell: "The roads we have in mind should be viable well within a 20-year period. Some sections of the proposed M4, for instance, will carry 100 000 vehicles/day. Traffic will be a bit thinner as you get towards the extremities, but the viability of the project is beyond doubt.

"We see a number of different operating companies under the holding company formed by the NTC. Specific road funding operations would be allocated to the operating companies and we would fight strongly any suggestion that central government transfers the total road building programme to the road toll system.

"Under a tolls system only necessary roads are built, and those will carry sufficient traffic to generate adequate road toll revenues. Other roads necessary to the national infrastructure, such as those to serve decentralised areas, would not necessarily be viable. In such cases they would not form part of the toll road programme."

Current thinking is that the toll system will follow the Austrian model. Roads through the Alps are expensive to build and yet lend themselves very readily to toll operation with one barrier at each end.

SA has a similar example in the Du Toitskloof tunnel scheme, and the Cape Garden Route.

For many reasons the toll system deserves support, but there has been enough talk already. It's time to get on with it.

Hedges against inflation liable to tax — expert

W/L ARGUS Bus 17/7/82

320

A LECTURER in income tax at the University of Cape Town has bad news for owners of Kruger rands — and also of diamonds, Persian carpets and stamp collections.

According to Mr P K Haupt, money made from the sale of any of these assets is taxable unless it can be proved that they were bought for some other purpose than to sell later, such as to wear as jewellery.

Mr Haupt was commenting on a complaint by a reader that he had been asked to pay income tax on the sale of Kruger rands he had held for some time, and on advice by a leading economist that no tax should be paid.

COURT CASES

He said: "In terms of the South African Income Tax Act, capital receipts are not taxable.

"However, the Act does not define what a capital receipt is, so we have to look to court decisions for guidance."

Principles arising from court cases were that a capital receipt arose from the sale of a capital asset. A capital asset was one producing income in the broadest sense, such as shares which produced dividends, an investment which earned interest, a house which provided accommodation or jewellery which could be worn.

"So it is apparent that the benefit one gets out of a capital asset is a benefit derived by holding the asset.

"If you can obtain a benefit only by selling an asset it is not a capital asset."

SOME BENEFIT

If anyone bought an asset with the dominant intention of deriving income or some benefit from holding it, then it was a capital asset. If not, it was a revenue asset.

"A Kruger rand, by its nature, can only be of benefit to someone if he sells it and, as such, cannot be a capital asset no matter how long he holds it."

"It does not matter whether the person holding the Kruger rand is a dealer or not."

Mr Haupt said he could think of three exceptions to this. They were a Kruger rand worn as jewellery, a Kruger rand as part of the collection of a coin collector and, possibly, a Kruger rand inherited, though this would depend on a number of other factors.

HOLD ASSET

"However, the onus is always on the taxpayer to demonstrate by his physical actions that his intention was to hold an asset as a capital asset. It is not enough to say what was on your mind at the time of purchase.

"For example, if you bought diamonds which you either wanted to wear as jewellery or to sell at a later date, hopefully at a profit, any income on the subsequent sale would be revenue unless you could show by your actions that the dominant intention was to wear the diamonds as jewellery."

To further complicate matters, rules for deductions were different from the rules for inclusion in a taxpayer's gross income.

DEALER

"To deduct losses you have to be a trader or dealer in Kruger rands, among other factors.

"What I have said applies not only to Kruger rands but to any asset purchased primarily as a hedge against inflation such as precious stones or metals, silver bullion, coins, stamps, art, antiques or Persian rugs.

"What I have described is the law as it stands today.

"It may not seem fair or logical but it is the law and no amount of objection is going to convince the Receiver of Revenue that a Kruger rand can be held as an investment, because Kruger rands do not produce income while the person holds on to them."

Flat rate tax system urged for SA

W/C Argus Bus 17/7/82 (320

Professor Brian Kantor

By Audrey d'Angelo

IF the Government levied a flat rate of income tax of seven percent to be paid by everyone, regardless of income and with no allowances, it would collect as much as it does now, a leading economist says.

Moves are being made to introduce a flat rate of income tax in the United States next year.

Under the present system of progressive taxation the proportion of income paid in tax increases steeply in the higher income brackets.

American economists have argued that the system is ineffective in its intention to tax the rich to help the poor.

Instead, it penalises initiative to the detriment of the community as a whole. It hits hardest at those people who have the drive and enterprise to generate new wealth and new job opportunities for all.

By inhibiting capital formation it also inhibits growth.

Professor Brian Kantor of the University of Cape Town told Business Argus he would welcome the introduction of a flat rate system in South Africa.

It would cut the cost of running the present cumbersome taxation system and do away with the need for tax accountants, whose intelligence could be put to better use.

UNFAIRNESS

It would do away with the unfairness of the present system, under which a high proportion of total revenue was paid by the 40 percent of the population with the highest income.

It would also end the situation in which, as a result of inflation, the level of income at which individuals or married couples moved into a high taxation bracket was unrealistically low.

The average rate of income tax in this country was low — only 10 percent, which was much lower than in the United States.

But, like the US, South Africa had a complicated system with a number of exemptions and concessions given for political reasons to certain members of the population.

These had a harmful effect on other sections of the community and there were so many that the benefits were cancelled out.

TIME WASTED

A great deal of time and money was wasted on consulting tax accountants and lobbying for exemptions. The feeling in the United States now was that it would be better to do away with them and revert to a simple, uncomplicated system.

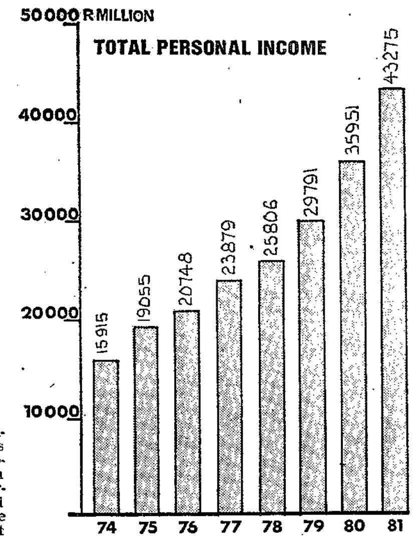
People in the top income brackets in this country were paying proportionately more than their American counterparts. These people would therefore benefit more from the introduction of a flat rate.

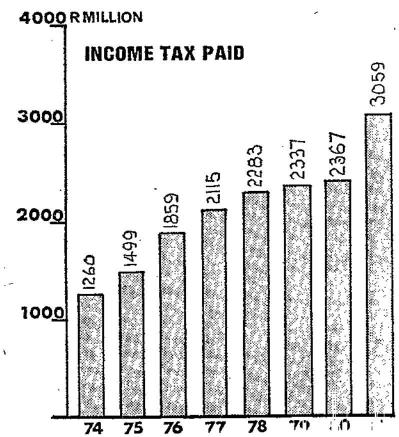
There was more indirect taxation in South Africa, such as general sales tax and import duties, than in the US. Personal income tax accounted for only about a third of the Government's revenues in South Africa.

If a flat rate of income tax were not introduced in this country, the level at which individuals or married couples whose incomes were combined for tax purposes moved into a high tax bracket should be raised.

Inflation meant that the present level was unrealistically low.

● Last year the total amount of personal income received by South Africans was R43 275-million, out of which R3 059-million was paid in income tax. This meant that personal taxes totalled 7,1 percent [illegible]





GST probe by national servicemen

(320) ~~259~~

By DON MARSHALL ROM 9/7/82
Pretoria Bureau Chief

A GROUP of national servicemen have been given a special mission for their two-year stint in the Army — to assist the Department of Inland Revenue with sales tax inspections on businesses throughout the country.

A spokesman for the Inland Revenue in Pretoria said yesterday that 26 national servicemen had joined the department for active duty last month after undergoing three months training.

The soldiers were posted to revenue offices throughout the country to assist with inspection work. They are either university graduates or have completed their articles in accountancy.

Mr Harry Schwarz, PFP spokesman on military affairs, said last night: "I support it. I asked for it."

He said he raised the matter in Parliament last February after reports that large amounts of sales tax were not being collected because of staff shortages in the Inland Revenue.

Mr Schwarz said he did not agree with the national servicemen being forced to do civilian jobs. National servicemen should be able to volunteer for such work, Mr Schwarz said.

The SADF would not comment on Mr Schwarz's statement.

Early this year it was revealed that calculations by senior Government tax experts showed that in three years a staggering R809-million in general sales tax had not been collected.

Financial experts calculated the extent of the loss using tables showing the economic activity in each sector of national life. From these they calculated what should have been collected and compared it with what was collected.

The money was lost through theft, non-declaration or underpayment by individuals and businesses liable for sales tax.

The national servicemen are required to wear military uniform to work, but special changerooms have been provided so that they can dress in civilian clothing for the inspection rounds. At night they change into military dress before returning home, the Revenue spokesman said.

The department intends calling on more national servicemen from future intakes until it is able to recruit sufficient civilians to eliminate a serious staff shortage of men in the department.

Since new pay scales came into effect last June, the department has been turning away applications from women who want to work as revenue clerks.

The department does not, however, use women as sales tax inspectors because the work entails visiting shops and offices.

The South African Defence Force spokesman said yesterday the use of national servicemen by Inland Revenue was another example of the deployment of highly trained men in the national interests.

"In this instance, their assistance is of direct interest to the man in the street. Other examples of assistance given by national servicemen are offering support in times of disaster, providing emergency medical services, assisting the population in times of drought and providing teachers at schools," the spokesman said.

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

EDSON

Flat rate tax system unacceptable in SA – MPC

Bus. Argus 24/4/82 (320)

A FLAT RATE tax system, as proposed by Professor Brian Kantor in Business Argus last week, would not be appropriate in South Africa, says Mr G K Everingham, the Progressive Party's spokesman on financial matters in the Provincial Council.

Mr Everingham said although such a system was being considered in the Untied States, that country was wealthy with a developed economy with most of its people having a high standard of living.

The same was not true of South Africa, where a large number of people were struggling to survive. It would be iniquitous to tax more heavily at lower income levels.

The result of a flat rate tax system would be to redistribute disposable incomes in favour of the wealthy at the expense of the poorer members of the community.

UNACCEPTABLE

"I believe this to be completely unacceptable in the South African context. I also believe that ability to pay is a legitimate factor in setting tax policies and that a sliding scale of progressive taxation is in general a fair system."

However, Mr Everingham said he entirely agreed about the dangers of destroying incentive by overtaxing.

"Certainly, once the marginal rate of tax exceeds 50 percent, the desire to work must be considerably reduced."

It was essential that the entrepreneurial spirit was encouraged to ensure new investment and more jobs.

PRIVILEGED

The present tax structure was far from perfect.

"A number of taxpayers in both the private and public sectors receiving fringe benefits enjoy privileged status."

There were also considerable opportunities for streamlining.

Figures quoted in Parliament in February showed that 0,26 percent of personal tax was being raised from 248 415 taxpayers with a taxable income of between R1 000 and R2 000 a year.

It should not be forgotten that all South Africans were subject to a large measure of indirect taxation. The imposition of general sales tax on basic commodities caused hardship.

To add a 7 percent tax on income to this, as suggested by Professor Kantor, was unthinkable, Mr Everingham said.

Flat rate of tax would benefit all — economist

REPLACING the progressive rate of income tax in South Africa with a flat rate regardless of income would benefit rich and poor alike, says a leading economist, Professor Brian Kantor of the University of Cape Town. Cs/C Argus Bas (320) 24/7/82

by Audrey d'Angelo

Professor Kantor told Business Argus this week a flat rate of taxation would provide "hugely improved incentives for rich and poor alike to work harder, to save more and to take greater risks" and would generate a rapid acceleration in the rate of income growth.

"The poor, especially, would stand to benefit from increased demand for their labour and consequently from much higher wages out of which to pay taxes, on average somewhat higher than they are paying now."

CRITICISM

Professor Kantor, who advocated a flat rate of income tax in Business Argus two weeks ago, was replying to criticism by Mr G K Everingham, the Progressive Party's spokesman on financial matters in the Provincial Council.

Mr Everingham suggested that the introduction of a flat rate would benefit the rich at the expense of the poor.

Professor Kantor said: "Nothing could be further from the truth. Such a system would help both the rich and the poor enormously.

"The fact that the rich might gain more than the poor would not worry me at all, although it would clearly offend those more concerned with the distribution of income than the creation of income."

The economy did not consist of a cake that had to be cut up into different pieces, but was a continual process of creating and distributing income.

REVOLUTION

A flat rate system that kept income tax well below 10 percent of all incomes would cause an economic revolution in South Africa, with rapidly increasing income growth.

Personal income tax accounted for only one-fifth of Government revenue.

"Clearly, one could not hope to introduce a simple flat rate tax on income without at the same time affecting the revenues received from other forms of taxation.

"Company taxation, which is about as important for the Treasury as personal income tax, would also have to receive treatment.

"One reform that could be made would be to forego company taxation altogether.

"All income earned by companies could be attributed to shareholders and taxed as ordinary income at the same flat rate."

FRINGE BENEFITS

Another suggestion was that fringe benefits should be taxed at the same flat rate.

"Widening the tax base in this way would provide the opportunity to keep down the average tax rate, to simplify the cost of the system and reduce the costs of collection.

"The economy would benefit greatly from a redirection of creative energy away from tax avoidance to income production."

It would, however, be essential to keep down Government spending, which should be limited to a fixed maximum ratio of the gross domestic product.

"Tax reforms which spectacularly reduced the average tax rate would have to be combined with the firmest possible controls on Government expenditure.

"For example, it would be most undesirable from the point of view of economic development if central Government expenditure in South Africa were to exceed the current level of about 23 percent of the gross domestic product."

Manpower awareness talks

TOP speakers are to take part in a Tygerberg Chamber of Commerce panel discussion on manpower awareness at the Tygerberg Technical College, Rothschild Boulevard, Parow, at 2 pm next Wednesday.

They include Professor H P Muller, director of the Graduate School of Business at Stellenbosch, Professor W F Killian, of the department of building science at the University of Cape Town, Mr F A Sonn, director of the Peninsula Technicon, and Dr P J van der Merwe, director general: manpower utilisation.

The attendance fee will be R15 for members and R25 for non-members.

August and September.

~~128~~ 320

198 S A tax millionaires

Mercury 28/7/82

Financial Editor

THERE are 198 tax millionaires in South Africa, 78 more than in the previous tax year, according to figures for the 1979-80 tax year updated to November 1981. These are people with taxable incomes of R150 001 and over.

The latest number of taxpayers is 1 877 914 but this is 74 363 fewer than in the previous year.

Taxable incomes are not the same as gross incomes — they reflect the deduction of medical expenses, pension and insurance contributions and other allowances.

The largest group of taxpayers are those in the taxable income category of R2 000 to R3 000 a year (earnings of R167 to R250 a month). There are 192 824 of them but they contribute less than one percent of total personal tax income.

According to data from the Natal Chamber of Industries the average wage in manufacturing during March this year was R546,74 — the data covers 1,4 million employees of all races.

The schedule giving the number of taxpayers and their income category was disclosed in Parliament this year (the approximate monthly salary is in brackets).

14 706 taxpayers had a loss

93 285 taxpayers	R1 to R1 000
155 130 taxpayers	R1 001 to R2 000 (R83 upwards)
192 824 taxpayers	R2 001 to R3 000 (R167)
168 255 taxpayers	R3 001 to R4 000 (R250)
147 790 taxpayers	R4 001 to R5 000 (R333)
126 245 taxpayers	R5 001 to R6 000 (R417)
113 566 taxpayers	R6 001 to R7 000 (R500)
107 649 taxpayers	R7 001 to R8 000 (R583)
101 900 taxpayers	R8 001 to R9 000 (R667)
97 198 taxpayers	R9 001 to R10 000 (R750)
170 104 taxpayers	R10 001 to R12 000 (R833)
127 543 taxpayers	R12 001 to R14 000 (R1 000)
87 566 taxpayers	R14 001 to R16 000 (R1 166)l
56 009 taxpayers	R16 001 to R18 000 (R1 333)
35 585 taxpayers	R18 001 to R20 000 (R1 500)
23 018 taxpayers	R20 001 to R22 000 (R1 666)
15 657 taxpayers	R22 001 to R24 000 (R1 833)
10 800 taxpayers	R24001 to R 26 000 (R2 000)
7 357 taxpayers	R26 001 to R28 000 (R2 167)
5 445 taxpayers	R28 001 to R30 000 (RR2 333)
12 430 taxpayers	R30 001 to R40 000 (R2 500)
3 829 taxpayers	R40 001 to R50 000 (R3 333)
2 923 taxpayers	R50 001 to R80 000 (R4 167)
480 taxpayers	R80 001 to R100 000 (R6 666)
442 taxpayers	R100 001 to R150 000 (R8 333)
198 taxpayers	R150 001 and over (R12 500)

All answe

Number

Number

Surname..

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Subject..... (to be c

Paper No.. (to be c [redacted] the Examination Paper)

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
(1)	(2)	(3)
5	10½	
7	12	
9b	8	
Examiners' Initials		

NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book (s) are used.

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

INCOME TAX (320)

Some concessions

FM 6/8/82

The tax-deductibility of company-owned endowment policies could be re-instated — though subject to certain conditions.

These policies — called "key-man" policies — were excluded by the first reading of the 1982 Income Tax Bill which hit at certain abuses of the existing tax concessions (see *FM May 28 1982*). Following representations by the insurance industry, the final decision on which policies to exclude was left to presidential discretion. This decision is expected to be gazetted within a few weeks.

The final reading of the 1982 bill, which became law, stipulated that premiums on policies should not exceed 10% of the assured's total remuneration.

It seems certain that pure endowments (policies with no element of life cover) will remain excluded, as the original bill proposed. So the burden of presidential discretion will fall on determining the amount of life cover that must be included for policies to continue to attract tax concessions.

Sources suggest that the amount of life cover should be based on UK practice. In order for the premiums to be tax deductible in Britain, the policy must have life cover of at least 15 times the initial premium. Furthermore, the premium must not increase by more than two times the initial premium within the first 10 years.

This means that a policy with an annual premium of R1 000 must include R15 000 of life cover, and that the maximum annual premium permissible in subsequent years would become R2 000. It is clear from this that the insurance industry will have to devise a series of new products if it is going to be able to finely mix the right amount of life cover into a product to suit individual needs.

In the meantime, the Life Offices' Association is in consultation with the Commissioner for Inland Revenue. Some proposals have already been agreed upon, and the rules are now being drawn up. The LOA is not prepared to comment at this stage, although it will be first to learn of the regulations before they are made known in the gazette within the next few weeks.

Flat rate tax urged for incomes over R10 000

By Audrey d'Angelo

THE introduction of a flat rate of income tax for everyone would be "a brutal and swashbuckling" method of tax reform which would hit the very poor, a Durban mathematician says.

Dr Karl Posel told Business Argus he agreed with Professor Brian Kantor of the University of Cape Town that the present method of progressive taxation should be changed.

But he thought this should be done by introducing a flat rate of marginal taxation, of 30 percent of taxable income, of people with incomes of R10 000 a year or more and leaving the situation unchanged for those with incomes of less than this.

Dr Posel said Professor Kantor's suggestion of a seven percent flat rate would mean that people earning only R200 a month would have to pay R14 of it in income tax, while they now paid none.

His own suggestion was better for sociological and political reasons.

It would mean that people earning between R10 000 and R17 000 a year would pay 10 percent more and people earning R40 000 a year would pay 17 percent less.

People earning R60 000 a year would pay 27 percent less.

Bus Argus 7/8/82 320

CUT-OFF POINT

A Cape Town chartered accountant, Mr T M Goodson, who supports the idea of a flat rate of income tax, said the very poor would not be affected because "there would have to be a cut-off point where the cost of collecting the tax becomes relatively greater than the amount of the tax collected."

The introduction of a flat rate would lead to a general lowering of costs because, with the present system, "it is well known that certain professional people have to charge almost double the fee they would normally require simply because almost half their income is swallowed up in income tax."

He said the present progressive rate of tax reduced the desire to work even at marginal rates of 30 or 40 percent.

"Especially so when you know that by taking an easier approach you will survive and some other sucker can work his heart out to pay for the running of the country."

Business Argus 14/8/82 (320)

Tax chief shoots down flat rate

By Audrey d'Angelo

MOST people would pay more income tax if the present progressive system were replaced by a flat rate paid by everyone, the Commissioner of Inland Revenue, Mr W J H van der Walt, told Business Argus.

He was commenting on suggestions by Professor Brian Kantor of the University of Cape Town that the economy as a whole would benefit if everyone paid a flat rate of income tax of seven percent, and by Durban mathematician Dr Karl Posel that it would be fairer to levy a flat marginal rate of 30 percent starting at the R10 000 a year level.

Dr Posel suggested the present system should remain in force for people earning less than R10 000, to prevent hardship to people in the lower income groups.

Mr van der Walt said even with a flat rate of seven percent, and no allowances, all married people earning less than R9 000 a year and all unmarried people earning less than R6 000 a year would have to pay more tax.

This would mean that 60 percent of the population would pay more tax than at present.

But a flat rate of seven percent would mean a colossal reduction in the tax yield.

12,5 PERCENT

"Our calculations have shown that to have a commensurate tax yield there would have to be a 12,5 percent overall tax.

"This means that 95 percent of people would pay more".

The introduction of such a system would be grossly unfair to people in the lower income groups.

The purpose of taxation was to provide enough money for the State to meet the expenditure the people required.

It was one of the canons of taxation that a man should contribute to the State coffers according to his ability to do so.

Under the present system, 30 percent of the yield from income tax came from people earning above R22 000.

Therefore Dr Posel's suggestion would also mean cutting off a lot of the tax income from people at the top.

As an example of the effect the introduction of a flat rate of taxation of seven percent would have, Mr van der Walt said a man earning R50 000 would pay R3 500 in tax instead of the present R16 000.

COMPANIES

Mr Michael Stein, co-editor of the publication Income Tax Reporter, said none of the theories so far put forward had covered the big problem of private companies, which paid tax at a rate of 46 percent at present.

The introduction of a flat rate of taxation would divert a lot of money from private companies to individuals, resulting in a big loss of revenue.

There was also the political problem that people earning between R10 000 and R17 000 a year would find themselves paying more if Dr Posel's suggestion were carried out.

Mr Stein suggested these people should continue to be taxed under the present system, with the flat rate of taxation of 30 percent introduced at the income level of R17 000.

SALES TAX

The shortfall in revenue from income tax could be made up by increasing general sales tax.

This could also be used to solve the problem of people who would pay more if a flat rate of income tax were introduced. Low earners could be exempted from paying any tax.

The introduction of either system would in any case attract more foreign investment and create more employment, and wages would be higher.

This would result in more spending and the collection of more revenue from general sales tax, even without increasing the rate.

HITS EVERYONE

Mr van der Walt commented: "General sales tax is a tax that hits everyone. How would Mr Stein face the people earning less than R100 a month?

"Theories will always abound and one must not close one's mind to them.

"But we have to budget from year to year, and no government will impose high taxes if they can be avoided because the voters don't like it.

FLEXIBLE ENOUGH

"Any tax has its object — the yield of income to meet the Budget."

The present system was flexible enough for income tax to have been reduced between 1979 and 1981.

Reducing the amount of tax paid by a man in the higher income groups would not necessarily result in more investment.

"He might, instead, take an extra week's holiday overseas."

Fringe benefit taxation hampered by delays

320 RDM 25/8/82

By GERALD REILLY
Pretoria Bureau

THE investigations of a commission of MPs into the proposed taxation of fringe benefits seemed to have stalled, Pretoria sources said yesterday.

The commission was appointed during the Parliamentary session this year to evaluate the taxation of perks and to draw up a draft Bill.

The Deputy Minister of Agriculture, Mr Gert Kotze, chairman of the commission, was not available for comment yesterday. Sources, however, indicated that delays were hampering the completion of the investigation by the target date.

Pretoria sources said the fringe benefit tax issue had been agonised over for four years but there was insufficient time for public reaction to the draft Bill before it comes before Parliament.

Volumes of comment on the effects of the tax had been received from the private sector, and leading businessmen were questioned when the commission was appointed earlier this year.

The original target date for the introduction of the perks tax was March this year. Sources said the Government was determined to have the issue finalised before the start of the 1983-1984 tax year.

In some organisations the perks received by senior executives constituted up to 30% of their total incomes, sources said.

Assocom and the Federated Chamber of Industries have warned that the tax, while the economy is in a state of recession and there is a high inflation rate, will be inflationary — one of the reasons the proposal has met with strong opposition from the private sector.

Both organisations, however, agree with the principle of taxing all income, including "income in kind."

The fringe benefit tax is expected to be introduced in two phases over a two-year period.

Tax targets are company cars, entertainment allowances, low interest rate loans to employees, and sales to employees at below-value prices.

Deductions for entertainment expenses were provided for in an earlier draft Bill. Employers would be entitled to a maximum of R1 200 or 4% of taxable income, whichever was the lesser amount.

Another feature of the earlier draft Bill was that subsidised housing loans be phased out over a period of eight years.

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The Cape Times, Friday, 20/8/82

Davin warns against higher taxation of insurance industry

JOHANNESBURG. — The fact that net personal savings in the first quarter of 1982, expressed as a percentage of the gross domestic product (GDP), decreased to about 50 percent of that of the previous year, indicates that growth for the insurance industry is also likely to slow down.

This was said by Mr F J Davin, managing director of Old Mutual, at Kempton Park yesterday at a function at which he presented the Old Mutual's four millionth policy.

"I believe that in a developing country such as South Africa with vast labour and other natural resources, every encouragement to increase savings should be given by the authorities. The life assurance industry acts as a vehicle to accumulate the cash from the individual savers to provide long-term development capital sorely needed by the country.

"Saving through the medium of life assurance has received encouragement from government in the past, and I can only hope that it will be maintained and, where possible, extended, Mr Davin said.

"It would be a pity if the process of cash accumulation through life assurance is to be hampered or discouraged through excessive taxation or other means.

"Unfortunately, there are people of influence in South Africa who are of the opinion that the insurance industry should make a greater contribution towards the fiscus, or directly towards the financing of government projects.

"The origin of this view is the impression created by reports in the press about insurance institutions investing in property or equities or the 'incredible' growth experienced by insurance institutions.

"It is apparently interpreted to mean that the insurance industry is a great cash-cow which should, because it has cash, make a greater contribution towards the purposes already mentioned."

He said it must be remembered that before an insurance institution makes an investment in property or equities, it has already invested in approved assets — government and semi-government as prescribed by the Government — and has paid tax at company rate on the net investment income of all non-pension business.

It is important that it is known to whom the insurance industry really belongs.

"More than 65 percent of the insurance business in South Africa is written by mutuals and mutuals belong to their respective policyholders," Mr Davin said.

Old Mutual — as one of the mutuals — has more than 870 000 individual policyholders and, in addition, has a greater number of people belonging to pension schemes underwritten by it.

All individual insurance policyholders have the right to vote on matters of importance. It is on behalf of those many policyholders that Old Mutual is investing in property and equities in an endeavour to obtain the highest return on their savings.

"It is therefore important that the traditional role of the insurance industry in South Africa be seen in the right perspective, and that the important contribution the industry has made to the development of this country not be underestimated.

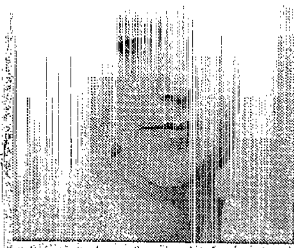
"It is important that the authorities continue to afford the industry the necessary encouragement so that it can continue to make, through the accumulation of the family man's savings, a contribution towards the financing of the development of this country," he said. — Sapa

Australian deficit

CANBERRA. — Australia's balance of payments, as measured by net official monetary movements, showed a $147m deficit in July after a $242m surplus in June and against the year-ago $394m deficit.

The strong capital inflow which has bolstered the figures in recent months eased in July to $439m from June's $956m and compared with the year-ago $522m.

The current account deficit was $586m in July against $713m in June and $916m a year ago.



MRS G Stassen: "It'll affect us on a day-to-day basis."

MR Eric Louw: ". . . waste of money."

MRS Bernadicta Moholi: "My children are already going hungry."

MISS Denise Thomas: "Spoilt my day."

MR Roy Mitchell: "A terrible shock."

ARGUS 27/8/82

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Outrage after 6 percent shock

THE Government's shock announcement of a 20 percent increase in general sales tax from September 1 has received an outraged response from the public.

In a street survey by The Argus today all people interviewed expressed "shock" at the second increase in the GST this year.

Mr Eric Louw, an airconditioning installer on a construction site, said he feared how he, as the sole bread winner in his family, would be able to "keep the wolf from the door."

"Everything else is going up and even the price of bread is going to be affected. How are we supposed to manage?

"I heard on television last night that the increase was to help pay the Defence bill, which is not only outrageous but a complete waste of money.

"But what can we do but abide with it," he said.

"DISGRACEFUL"

Middle-aged Mrs M Ellis of Bellville said she and her husband lived on a fixed income and she had to do part-time work to supplement it.

"I think it is disgraceful. The Government does nothing to keep prices down. They subsidise the farmers but what about the person on the street?" she said.

Mrs Bernadicta Moholi of Guguletu, who supports her family of seven children on R18 a week she earns as an office cleaner, said the increase had numbed her.

"If I think about it too much it will drive me crazy. My children are already going hungry. This means there will be even less to eat. I don't know how we will manage," she said.

"INSANE"

"What? You have just got to be joking. This is insane, you have just spoilt my day," said Gardens secretary Miss Denise Thomas.

"This is going to further affect my standard of living and for starters I'll have to cut back on my groceries. I suppose if I am going to make any big purchases, such as a car, I had better do it now," she said.

Mr Roy Mitchell, a salaried employee said the increase had come as a "terrible shock."

"While this alone does not affect me that much, it is all the other increases as well that have to be taken into account," he said.

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Argus 27/8/82

Rush to beat GST rise expected

THE 20 percent rise in general sales tax is expected by some retailers to cause a rush to buy appliances and furniture before next Wednesday.

But they say this will happen only if people intended to make the purchase anyway.

"We found when the tax went up to 5c that people who were hovering on the brink of buying something went ahead and got it in time to beat the rise instead of waiting for another month," said a Grand Bazaars executive.

"We are expecting a big rush on Tuesday, when our buy-aid for September opens. People may also buy a little more food than usual, but they are unlikely to stock-pile tinned food."

Mr Colin Abel, managing director of Victrix, said that two customers had already bought videos before 10 am today because of the tax rise.

"It does not make much difference to the total price of such an expensive item," said Mr Abel, "but if people intended to make the purchase anyway they think they might as well save the R10.

"We are helping customers who do not have the money immediately by letting them take it on a 30-day account."

Mr Ivor Garb, managing director of a group of shops selling furniture and electrical appliances, said the rise of 1c in R1 in tax would make so little difference to the price of an expensive appliance that he did not expect it to have much effect on sales.

A spokesman for Stuttaford's said: "I don't think the rise in tax will have much effect on our customers, who are mostly in the upper income group."

THE ARGUS, FRIDAY AUGUST 27 1982

GST rise 'could be wise move'

ARGUS 27/8/82 320

INCREASING general sales tax by 1c in the rand could be "a wise and sensitive move" if the Minister of Finance, Mr Owen Horwood, intended to use the money to prevent a steep rise in the cost of wheat and to retain the bread subsidy, says Mr Raymond Ackerman, head of Pick 'n Pay.

Other business people, trade unionists and the Housewives' League have reacted with horror to the shock announcement of the increase.

Mr Norman Daniels, Cape chairman of the Trade Union Council of South Africa, said it would make life harder for people at the bottom of the ladder who were already battling to live.

APARTHEID

He suggested that the Government should have cut unnecessary expenditure on maintaining apartheid rather than increasing the tax.

The Government was ignoring a basic principle of taxation — taxing people according to their ability to pay, said Mr Pieter le Roux, the director of the Institute of Social Development of the University of the Western Cape.

Mr le Roux said the system of indirect tax hit the poorer people, who were exempt from direct tax, hardest.

Mrs Peggy Borckenhagen, public relations officer for the Cape branch of the Housewives' League, said the Government should exempt food, particularly basic food, from the tax as was done in Britain.

But Mr Ackerman said that many people seemed to be unaware that we were living under the threat of a substantial rise in the wheat price in October and that the Government had threatened to withdraw the bread subsidy.

These two things were of far greater importance than an increase of 1c in general sales tax and could lead to serious social unrest.

He had been to see Mr Horwood to warn him of the serious consequences of withdrawing the bread subsidy.

He hoped that Mr Horwood would now announce that the money would be used to subsidise the wheat price, retain the bread subsidy and subsidise other basic foods.

If the extra money from GST were to be used for this purpose it would be a wise, sensitive and far-sighted move, Mr Ackerman said.

GST is to go up to 6 percent

CAPE TIMES 27/8/82

(320)

Own Correspondent

JOHANNESBURG. — General sales tax is to be increased by 20 percent — from five to six cents in the rand — from September 1.

This announcement, which has staggered consumer organizations and which economists say will greatly increase inflationary pressures, was made by the Minister of Finance, Mr Owen Horwood, last night.

The new increase comes on top of the 25 percent rise in the tax — from four to five cents in the rand — imposed earlier this year. This means that in a few months it has been raised by 45 percent.

The PFP's finance spokesman, Mr Harry Schwarz, said the rise came at a time when the country was fighting an inflation rate of 15 percent and when lower-income groups and growing numbers of unemployed were struggling to survive.

It meant that virtually every commodity and service would rise in price.

In his statement, Mr Horwood said the increase would add another R330-million to State revenue.

The price of brown bread would be affected, but a subsidy would be provided to avoid an increase in the price.

Once the wheat and bread price subsidies for the new season starting on October 1 had been fixed, the possibility of subsidizing other food products would be considered.

To provide for additional expenditure, it had become essential to find additional revenue. The current recovery in the gold price, the future course of which was uncertain, would have no meaningful effect on the budget.

Whereas the gold price averaged 460 dollars an ounce last year the average price to date was only 360 dollars.

A fall in the price of this magnitude meant that over 12 months, the loss in government revenue was R1 200-million.

● Mr Schwarz said the price of bread would in any case rise from October 1 because of the expected higher wheat price, increased margin for millers and bakers and the fact that the minister had announced cuts in the bread subsidy from October 1 in his budget.

● The Association of Chambers of Commerce said it was puzzled at the decision to increase the tax now, as the gold price was higher now than in March.

Import surcharge

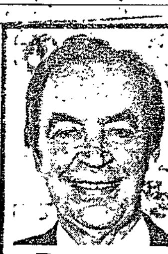
The president of Assocom, Mr Gordon Stuart-Reckling, said the association believed it would have been better to increase GST earlier this year, "instead of imposing the import surcharge of 10 percent — which is more inflationary".

Assocom welcomed the increased bread subsidies.

● The president of the Cape Town Chamber of Commerce, Mr Harold Groom, said last night that the increase would

To page 2

Mrs Colleen Jacobs, right, of the Red ... donated by the Leos Club of Cape Tow... Looking on are Leos District President, ... co-ordinator, Miss Michelle Myers. Th... artificial respiration training.



Rupert slams Sanlam

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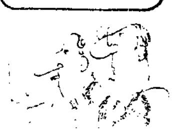
FEATURES

● The monthly gardening feature appears on page 24.

crack of dawn



Brood-mare fetches R150 000

Horwood promises bread subsidy

GST goes up to 6% next week

320 RDM 27/8/82

By HOWARD PREECE
Financial Editor

GENERAL Sales Tax is to be increased from 5% to 6% from next Wednesday, the Minister of Finance, Mr Owen Horwood, announced last night.

However, the Government is to introduce a special subsidy to keep down the price of brown bread and will consider other food subsidies.

Mr Horwood gave details of the changes in a statement in Pretoria.

He said the main cause of the GST increase — the second this year — was the slump in the 1982 average gold price, which was hurting Government revenue.

Ironically, however, gold was fixed in London yesterday at $417 — its highest level since December 1981.

This led some economists to speculate last night that the GST rise may have been caused more by an excessive rise in State spending than by a shortfall in revenue.

The Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said: "The increase in GST announced by Mr Horwood must come as a shock to all ordinary South Africans already hard hit by inflation, particularly the lower income groups, and the unemployed will feel the burden most harshly."

The rise in GST — which Mr Horwood estimates will produce R330-million in revenue for the Treasury in the seven months to the end of the 1982-83 financial year — is certain to add more than 1% to the Consumer Price Index when ripple effects have worked through.

Mr Horwood said the rise in GST would directly affect the price of brown bread and a subsidy would immediately be implemented to avoid an increase.

"What is more, once the wheat and bread subsidies for the new season starting on October 1 have been fixed, the possibility of subsidising other food products will be considered," he said.

"Furthermore, wheat and bread prices must shortly be reviewed and regard must be had to the possibility that a further subsidy on bread — and perhaps on other foodstuffs — will have to be granted to prevent the inequitable effect on certain population groups of excessive increases in the prices of these products."

Mr Horwood said the current partial recovery in the gold price would have no meaningful effect on the Budget.

He said: "Where the gold price averaged $460 last year, the average price to date this year is only $350.

"A fall in price of this magnitude means, over a period of 12 months, a loss in government revenue of R1 200-million."

He admitted, however, that other developments had placed increased pressure on government spending.

"Additional funds have had to be found for such purposes as defence, aid to drought-stricken farmers, and assistance to the Land Bank to enable it to grant farmers production credit at less than market-related rates", he said.

Lesotho in move to collect migrants' tax

27/8/87
D. Dispatch
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MASERU — The Lesotho Government has opened negotiations with the South African Government for the establishment of a system enabling the income tax of all Basotho workers in South Africa to be collected on behalf of the Lesotho Government, it was reported yesterday.

Announcing this, the Minister of Finance, Mr K. T. J. Rakhetla, said Basothos in South Africa would pay income tax in the same way that those living in Lesotho paid their income tax.

Details of the tax collection system have not yet been announced, but it is expected that the taxes will be collected from October 1 this year.

There are more than 200 000 Basothos working in South Africa's gold and coal mines, industries and on farms, and the collection of income tax from these people will help boost Lesotho's meagre revenue sources.

Mr Rakhetla also announced that a shopping complex would be established in the Makhunoane area of the Northern Butha Buthe district, to facilitate shopping for Basothos living in this area.

Basothos in this part of the country rely on shops in the neighbouring Free State.

The minister said the shopping centre would comprise essential services, such as a clinic, a police post and a mill. — SAPA.

Massive consumer rush to beat GST takes off

(330) RDM 28/8/82

By GERALD REILLY and DAVID CAPEL

LARGE supermarkets yesterday adopted emergency procedures to cope with a massive onslaught of consumers anxious to beat the 1% increase in General Sales Tax, which comes into effect next Wednesday.

However, economists predict that the consumer — already burdened with the highest inflation rate of any Western country — faces the certainty of a further escalation of the price spiral because of the increase.

Supermarkets have already reported a pick-up in business.

A Hyper store spokesman said an across-the-board selection of foodstuffs, as well as furniture, electrical appliances and other items had been in great demand yesterday — and they expected the crush to continue until Wednesday.

Economists said yesterday the increase in real terms represented a 20% hike in the tax, and 50% in the last five months.

According to the head of the Bureau for Economic Research at the University of Stellenbosch, Professor J L Sadie, the increase would add about 1% to the inflation rate, which stood at 14,4% at the end of July.

Minister of Finance, Mr Owen Horwood, said the latest hike would net the Government R330-million. And to prevent an immediate increase in the brown bread price, he announced a small subsidy.

However, according to Pretoria sources, this will not prevent a steep rise in the price of both white and brown bread from October 1.

They said the white bread subsidy is to be cut from 12% to 5%, and the brown bread subsidy from 34% to 20%. So unless the Minister uses some of the R330-million to revoke his decision to slash subsidies, the price of brown bread would rise sharply.

The Progressive Federal Party's spokesman for finance, Mr Geoff Everingham, yesterday criticised the Government for finding revenue in the most "callous" way. He said it was a "disgrace" that GST continued to be levied on basic foodstuffs.

Political observers claimed the Government was squeezing the taxpayer to help subsidise farmers in a bid to ensure the National Party's survival. They pointed out that concessions worth millions of rands had recently been announced for the farming community.

The president of the Afrikaanse Handelsinstituut, Mr Jan Horn, said the 1% rise in GST was more acceptable than a further increase in direct taxation, stronger monetary measures, the introduction of direct import control, or the further increase in tax on imports.

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GST increase will bite hard

THE one-percent increase in General Sales Tax from five to six percent as from tomorrow will be sharply felt by blacks in the low-income and the unemployed brackets.

This is the view of black community leaders who told **The SOWETAN** yesterday that they were dismayed at the Government's heartlessness concerning the majority of the people, who were already hard-hit by inflation.

Last week, the Minister of Finance, Senator Owen Horwood, announced that GST would increase from five to six percent — a 20-percent rise. The increase is the second this year.

At the same time, the Minister also said that, because the price of bread would be directly affected by the new tax rate, a new subsidy would be implemented to avoid an increase.

He said further that the Government would also consider subsidising other basic foods after the wheat and bread subsidies for the new season, starting in October, had been fixed.

This increase, it is estimated, will bring in R330-million in revenue for the Treasury in the seven-month period before the end of the 1982/83 financial year.

Mr Veli Kraai, the chairman of the Greater Soweto Chamber of Commerce and Industry, said it was unfortunate that, when such increases were made, they affected everybody, but in particular those in the lower-income bracket, whose wages were stagnant.

He said in other countries foodstuff was not taxed and he saw no reason why South Africa, as a rich country, did not follow suit. He said they had always made continuous requests to the Government that an exception should be made of basic products affecting blacks such as milk, soap and bread.

"Instead of this increase, I would suggest that the GST be reduced by 2 percent. Our people are affected daily and where on earth does the Government think they get money from?" Mr Kraai asked.

Mrs Stella Mohlamme, general secretary of the Black Housewives' League, described the increase as unfair and disheartening, particularly for pensioners, who received their money only once in two months.

"I cannot imagine how the old people are going to cope when even people earning a lot are also feeling the pinch. I think that, with inflation hitting us from all angles, all of us are heading for starvation," she said.

Mr Ben Nteso, a Soweto social worker, said he was alarmed and saddened that the under-privileged would always suffer as a result of these increases.

"Although I am mindful that the country is going through a lean economic spell, I appeal to the Government to consider increasing its subsidies on all basic food products.

"Should the Government disregard our calls to assist, the unemployed and the poor, I fear that numerous diseases that have so far hit black rural areas will escalate and cause chaos," warned Mr Nteso.

Business and Shipping

Reduced consumer spending hits revenue from GST

320 E. Post 31/8/82

By LOUIS BECKERLING
Business Editor

AN INKLING of the dilemma which prompted Mr Owen Horwood to raise general sales tax last week is contained in the latest economic survey by Sanlam.

Measuring the percentage change (monthly, compared with the same month a year ago), Sanlam has found that State revenues from GST have declined dramatically (see graph).

The decline follows in the wake of reduced consumer spending, which is reflected in statistics on retail sales.

Endorsing the Government's continuing tight rein on the money supply, Sanlam reports, however, that sustained large deficits on the current account of the balance of payments "are an indication that gross domestic spending remains too high".

"It is therefore clear that the Government will have to adhere to its strict monetary policy during the foreseeable future".

"Softer" short-term interest rates will follow an improvement in the current account of the balance of payments, reports Sanlam, "which in turn is an indication of a better relation between the supply of and demand for funds".

A significant softening of long-term interest rates is only expected as from the second half of 1983 "due to such developments as an easing in the general liquidity of the economy, a diminished demand for funds by the private sector, and a lower rate of inflation".

Sanlam attributes a deceleration in the physical volume of production, noticeable since September last year, to slower growth in consumer spending and a sharp decrease in international demand for South African exports.

At constant prices, retail sales peaked at around R810 million in the third quarter of last year, and since that date have declined steadily to below R720 million.

"Although the value of building plans passed is still very high, the growth rate has declined considerably from the high levels reached in 1980 and early 1981.

"It should be kept in mind, however, that the present high values to a large extent also reflect the sharp rises in building costs.

"The shortage of building society loans and the high cost of mortgage finance will, no doubt, also result in the scrapping of many planned projects."

Good news for embattled consumers and businessmen alike is the view that "the annual rise in the consumer price index has reached its peak and it will decrease in the next few months".

"At this stage it appears that the average inflation rate for 1982 could be about 14,5% as against 15,2% in 1981."

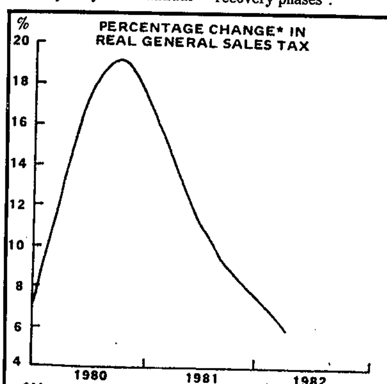
(Sanlam's report was published before Minister Horwood announced a rise in the general sales tax from 5% to 6%, which is calculated to push up prices by 0,7%.)

On the international front Sanlam predicts that a turning point has been reached in the fortunes of the US economy and after having declined at a seasonally adjusted annual rate of 5,1% in the first quarter of 1982, the real gross national product in the United States increased by 1,7% in the second quarter.

This represented a sharper turnaround than had been expected.

Sanlam nonetheless adopts a cautious line, and estimates that the real gross national product of the US will "at best show only a slight increase this year".

It points out, furthermore, that the growth rate of 3% predicted for 1983 "also compares unfavourably with those of previous recovery phases".



*Monthly, compared with the same month a year ago
Seasonally adjusted
Sources of basic data: Central Statistical Services, Naamsa and Government Gazettes

6 percent: What the others pay

Star

320

2/9/82

By Colleen Ryan, Consumer Reporter

The new 6 percent General Sales Tax which began yesterday may have angered consumers, but compared to the people suffering under overseas sales tax systems South Africans are well off.

Sales tax in some European countries is as high as 33 percent on luxury items, although some governments exempt basic foods.

Most Common Market countries (members of the European Economic Community) have adopted a Value Added Tax system known as Vat.

The essential difference between the South African point-of-sales tax and Vat is in the method of collection.

With Vat, tax is paid at each stage in the production and distribution of an article.

Each person who buys the article pays tax to the government, but is reimbursed by the person who buys the article from him.

System

At the end of the chain it is the consumer who pays the full burden of the tax.

Most South African retailers have opted for an add-on system, where 6 percent GST is charged over the marked price, and paid to the Receiver of Revenue.

How do tax rates compare?

● **ZIMBABWE** has two rates of sales tax: 15 percent on general items and 18 percent on luxury goods, such as motor vehicles and appliances.

There is an extensive list of goods which are exempt from sales tax and this includes most basic commodities.

Tax-exempt articles include bread, milk, prescribed medicines, meat, paraffin, agricultural and mining goods, coal and petrol.

● **BRITAIN** follows the Vat system and applies a 15 percent tax on most items. All food is exempt from Vat, as is children's clothing.

● **WEST GERMANY** has a Vat system which levies a 13 percent tax on most general items.

Basic foods, agricultural products and services are among items subjected to a tax rate of 6,5 percent.

● **FRANCE** applies various rates, from seven percent on basic goods to 33 percent on luxury items. Luxury items include furniture and appliances, say radios and TV sets.

There is no tax on services such as insurance schemes and agricultural and mining schemes.

Included in the list of goods subject to the highest tax of 33 percent are pornographic films.

● **THE USA** has 46 out of 50 states applying some measure of sales tax, says a spokesman for the American Revenue Service in South Africa.

Most states follow the South African GST system, a point-of-sales tax which ranges from 4 to 6 percent.

Consumers in the US are entitled to a rebate in federal taxes if they pay sales tax.

The government calculates rebates according to salary, income and the amount of tax charged in the state.

Americans are entitled to bigger tax deductions if they have bought large items such as cars or yachts.

A spokesman for the Receiver of Revenue in Pretoria said the South African GST system was chosen after an examination of overseas methods.

Steps

"Our main objection to the Vat system is that it is cumbersome to operate," he said. "Studies have shown that consumers end up paying more than the original tax levied because of the many steps involved in collecting the revenue."

Can South Africans expect to be exempt from paying tax on basic items?

Such a measure, said the spokesman, is not being considered.

"If GST eventually rises to 10 or 12 percent, we may re-examine this issue," he added.

"The system of collection would be complicated enormously if certain commodities were excluded."

(320) RDM 2/9/82

GST rise — more than meets the eye

Howard Preece — Economic Spotlight

THE reasons for the decision to raise general sales tax from 5% to 6% appear to to be more involved than those given by Mr Horwood, the Minister of Finance.

Some sources believe that a contributing factor may have been the need to satisfy at least some of demands of the International Monetary Fund.

In his statement announcing the GST rise Mr Horwood put forward two main causes:

- The slump in the average gold price this year, which had hit Government revenue.
- Unexpected increases in State spending, essentially in defence and agriculture.

It was ironic, however, that on the very day of the GST announcement gold hit $417 in London, the highest it had then been since last December.

Why should it have been to necessary to make a tax increase on that dav and not, for example, in June when gold dipped briefly below $300?

In any case, the severe decline in the foreign-exchange value of the rand since early this year — when the basic Budget decisions would have been taken — has given hefty support to the gold mines' profits and thus to their tax-paying potential.

On March 1, for instance, gold was fixed at $361,25, which at the prevailing exchange rate of R1 equals $1,014, meant that the mines were getting R356,30 for each ounce of gold sold.

On July 1 gold was down to $311,75, but with the rand having tumbled to $0,873 the mines were getting R357 an ounce, barely lower than the figure four months previously.

When gold was back to a modest $342 on August 1, the exchange rate of the rand was $0,871, which gave the mines a price of R393,2 an ounce — almost the same rand price they were getting in early May 1981 when gold was around $482.

It is difficult to see, therefore, why in late August the probable tax payments from the mines for 1982-83 should have looked set to turn out radically lower than the Budget estimates.

I suggest that the reasons for the GST rise must lie elsewhere.

What about Mr Horwood's other point — unexpected spending on defence and agriculture?

This cannot be looked at in isolation from the original general Budget estimates.

In his spending plans for 1982-83 in the March Budget Mr Horwood announced that he intended to keep the rise in State spending down to 11,5%.

This won widespread applause from many economists — rather prematurely.

After all, it is one thing to make proposals, another to keep them.

What matters ultimately is how much actual Government spending increase takes place, not how much was envisaged.

It was never feasible that Mr Horwood would be able to push through a substantial real decline in Government spending this year.

But that is what he appeared to be aiming at with inflation always likely to be in the 14% to 15% range, or up to 3,5% more than the planned rise in State spending.

However, the Budget speech had hardly been delivered before it emerged that that expenditure figures had effectively been understated.

At a seminar organised by the Association of Chambers of Commerce it was authoritatively disclosed that realised spending for 1982-83 was in fact expected to be up by about 14,9%.

In a separate exercise, Santam Bank economist Mr Frank Shostak calculated that spending might be R1 400-million higher than estimated if the outturn was a more realistic 16% higher than in 1981-82.

The point is that there was never any serious prospect of Government expenditure in 1982-83 sticking closely to the Budget estimates.

In any case, there are every year some areas of unexpercted spending, usually catered for in the Part Appropriation Bill.

I doubt that special increases in defence and agriculture so far this fiscal year have been such as to compel a tax increase in themselves.

It seems more likely that a tax increase was made necessary because State spending was unrealistically estimated all along in the Budget.

But even that issue is not merely simple arithmetic.

In June it was reported that the Government had already been able to borrow R1 600-million for 1982-83 — R800-million more than had been assumed in the Budget for the full year.

So if a tax increase was necessary on top of that windfall to get the State's books back into balance, State spending must indeed be running at the rate Mr Shostak feared it might.

However, that is not yet certain, judging from the official monthly figures to date on Exchequer issues.

Overall, though, it seems to me that the GST now is rise at least partly a reflection of some wishful thinking in the Budget and not dramatic and unforeseen changes in events since.

Some sources say there is another potent factor at work.

South Africa has drawn on credit facilities from the International Monetary Fund this year and further drawings may well be necessary.

According to one unconfirmed report, this country is now looking for about R500-million in additional credits from the IMF.

In return, it is said, the IMF demanded stiffer taxes to mop up more domestic spending power and to ease domestic money-supply creation.

The rise in GST arose from that.

US prises lid off Swiss bank secrecy

BERNE. — Switzerland and the US said yesterday they had solved a long-running dispute involving alleged illegal dealings on American stock exchanges through secret Swiss bank accounts.

Officials from both sides announced after two days of talks in Washington that they had agreed on a formula to curb insider trading in the US through Swiss bank accounts. Government officials in Berne say the pact will allow American investigators access to information about Swiss banks' customers which was never available before.

The banks will be required to give certain information if their secret accounts are suspected of being used as a cover for illegal share-dealings in the US.

Requests for information and disclosures by banks will be vetted by a private commission set up by Swiss bankers, which will decide whether insider trading was involved.

The new agreement is designed to end a bitter controversy over Switzerland's bank secrecy laws which threatened to drive its powerful banks off US financial markets.

US authorities have long believed that American citizens were taking advantage of Switzerland's secrecy laws to profit from inside knowledge.

But they were frustrated in attempts to prise evidence from Swiss banks, who could have been severely punished by their own country's laws

SALES TAX

(320) FM 3/9/82

Demand management

The need to boost government revenue was only one — and arguably not the most important — reason for the 20% increase in general sales tax. Probably more important, Finance Minister Owen Horwood has made a public display to SA's international creditors of Pretoria's determination to control demand and reduce the deficit on the balance of payments.

Horwood raised the level of gst to 6% from 5% last week and gave SA consumers and retailers less than a week to get used to the idea.

The condition of state revenue relative to expenditure is certainly of concern. The expenditure rise allowed for in the 1982/83 budget in March was 11,5%. No-one believed at the time that Pretoria could achieve what would be, after adjusting for inflation, a real decline in government expenditure. "If that happens," says a senior bank economist, "we would be the first country in the world to have done it."

At the last count, four months into the 1982/83 fiscal year, expenditure was running almost 20% higher than at the same time last year. There is always a bulge in spending in the first months of the new fiscal year, as government departments react against the traditional stringency of the last months. Allowing this, most economists agree that Pretoria has no chance of meeting its expenditure projection.

Inland revenue, on the other hand, was at the end of June about 17% up on last year's comparable figure. This seems healthy at first glance, since the budget provided for a rise of 11,8% for the full fiscal year. But the immediate discrepancy between the revenue and expenditure rates of increase means a mismatching of Treasury cash flows. Over a whole fiscal year, it can mean an unbalanced budget.

Borrowing

One avenue for bolstering revenue is through borrowing. But as an official in Pretoria puts it: "It's important to maintain the size of the deficit and the borrowing requirement. Further borrowings push up our interest bill and possibly interest rates. They also unsettle the market."

That leaves tax increases, and indirect taxes are all that Horwood can alter on ministerial directive, without the official sanction of Parliament. Other indirect taxes are small revenue generators compared to gst. It was, therefore, the obvious candidate.

Given this, the latest rise in gst will bring in only about R300m this fiscal year. Its revenue spin-offs, in the short-term, are small, and probably secondary.

More telling could be its effect, both psychological and actual, on consumer demand. Many economists regard this as its primary thrust, rather than a happy coincidence. Says one: "The balance of payments deficit is the country's major policy priority right now. The added gst burden will be felt throughout the economy as a demand dampener. It fits neatly into line with monetary policy. It also tells our creditors that SA is serious about reducing its deficit."

In the longer run, the rise has other implications. It will alone account for a revenue injection next fiscal year of about R700m. This is a large amount by any standards and with the economy slowing down, will place the Exchequer in a stronger financing position next year. Large government deficits do not enjoy the popularity they once did. As a Treasury official points out: "It will be difficult to keep down expenditure next year, and this will help to reduce the deficit as a percentage of gdp."

Again, in the Seventies the Franszen Commission recommended that the ratio between revenue gathered from direct and

indirect taxation be shifted towards 50/50. This principle was generally accepted, and some move has been made towards it. But fiscal drag has largely eroded the gains of the last few years. A relative increase in the revenue flow from gst will help to redress the balance.

Finally, the increase is a sign of greater flexibility in fiscal management. This is more appropriate to volatile economic conditions than the traditional system of waiting for up to a year for Parliament to sanction change. Says an official in Pretoria: "By the time we've waited for the March Budget, and then for the lag effects of new taxes, we're way out of date again. Expenditure and revenue can change drastically in that time."

SALES TAX (320) FM 3/9/82

Behind the increase

The latest 20% rise in gst came as a shock to many. Such a shock, in fact, that immediate public reaction to it has been noticeably muted. Finance Minister Owen Horwood knows, it seems, the tactical value of surprise.

But before the usual choruses of condemnation gear themselves for action, certain things should be borne in mind. There is more to the increase than meets the eye.

The official reason for the increase was that Pretoria needed to boost revenue. True, the partial success of economic policy in curtailing demand probably means that revenue is not keeping pace with budgetary expectations. Taxable income and imports, important cash cows for the Treasury, are not rising at the same rate as they were six months ago.

But the rise in gst will bring in no more than an extra R300m or so this fiscal year. This looks like small beer and, in the short term, it is. In a full fiscal year, the figure rises towards R700m, a substantial revenue contribution.

But, for the meantime, the revenue factor is not paramount.

The main rationale behind the rise in gst is demand management. It is a fiscal measure completely in line with the current thrust of economic policy — to control domestic consumption and by implication reduce the balance of payments deficit. That, as Reserve Bank Governor Gerhard de Kock made clear last week, has had to take priority for the moment.

Its spin-offs — extra revenue and a further shift towards reducing the share of direct taxation in State revenue — are welcome, but not primary.

As a demand management measure, it is positively anti-inflationary. This should be borne in mind by those who rush to condemn its one-off impact on prices.

In the long run, inflation holds greater dangers for the poor than indirect taxes. And those who call for subsidies should ask themselves where they come from.

Towards fairer taxes

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Star 4/9/82

Is the tax system out of date? Does it penalise those who work hardest and is there no way of solving the problem of working wives having to pay higher tax? DAVID BRAUN talks to a leading tax expert in the first of a series of three interviews.

The tax system needs to be completely revamped to encourage productivity, close loopholes and relieve the burden on the taxman.

This is the view of Mr Michael Menof, a Johannesburg tax and management consultant and lecturer on tax at the University of the Witwatersrand Graduate School of Business.

ASPECTS

Mr Menof said there were a number of aspects of the present system of tax collection which were antiquated and unfair. The Receiver of Revenue, because of staff shortages and the nature of the system, also found it difficult to police and administer the system.

An example of this was the method of claiming expenditure. At the moment the taxman relied on the taxpayer to be honest and claim for expenses without proving them. If the Receiver had his doubts he could query the taxpayer's expenses and only then would proof be demanded. This wasted time and money.

GREY AREA

Another grey area was that of investment income. By the time the taxpayer came to submitting his return it was up to four months into the next tax year and he could not remember exactly what he did and what income he received from investments.

With investment-income tax collection there was also the problem that dividends derived from shares held through nominee companies were not declared with the result that the tax was missed. There was no way of detecting this evasion.

Finally, there were the age-old complaints of taxpayers that it was unfair to tax a married woman's income with that of her husband; that the surcharge on single persons destroyed incentive to work hard, and that the rebates allowed for children were too low to be significant.

Mr Menof proposes sweeping changes to the tax system which would eliminate many of these problem areas.

"There should be a flat tax rate on income of, say between 15 and 20 percent on all income earners of all races regardless of how much they earn," he says."

If a person earns R1 or R100 000 he pays the same percentage. This would encourage people to work hard with the result they could earn more money.

Mr Michael Menof — sweeping changes necessary.

"The tax should be deducted automatically by employers from all salary cheques and pay packets. In this way women would be taxed separately and single people would not be liable to pay a surcharge simply because they were not married.

"There should also be no rebates for children, because the amounts now allowed are so ridiculously insignificant anyway, as the amount of R100 a child bears no resemblance to the cost of a child for a full tax year.

If the Government wants to encourage people to have children then it should allow a progressive system of R100 for the first child, R200 for the second, R300 for the third and so on.

"I also believe that more should be allowed for boys than girls because boys are in the frontline of this country and form the backbone of the defence of the nation."

Mr Menof said tax on investment income should also be deducted at a flat rate and that it should be taken off a source. Dividends, for example, would be taxed at source and the tax deducted by the company and paid over to the Receiver before it paid the shareholders.

If salaries were taxed at a flat rate and investment income was taxed at source there would be no need to file a return at all, except if the taxpayer wanted to claim for expenses.

"I propose that taxpayers who want to claim for expenses should have an obligation to submit all external documentary proof

● **Next week: The fringe-benefit fiddlers.**

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Big firms cash in on GST

(320) S. Times 5/9/82

Millions made in interest — and it's all quite legal

By NORMAN CHANDLER

THE Government could have kept General Sales Tax at five percent if it had legislated for big companies to hand over interest generated on GST payments, say tax experts.

Instead, the State upped GST by one percent, effective from last Wednesday — and stepped into a storm of criticism over the move.

This week, a spokesman for the Commissioner of Inland Revenue said:

"There is nothing in the Act governing General Sales Tax to prevent people from making money upon money."

Already, this year, millions of rands in interest (at an average of 18 percent) have gone in to the coffers of big business — money made on GST payments from the general public.

And with the GST increase, even more cash from the interest is being generated every day.

● On latest available figures, some major groups make a combined R9-million A MONTH in interest — an astronomical R108-million a year, just over a third of the R330-million which the Minister of Finance, Mr Owen Horwood, says he needs to balance the Budget.

A spokesman for the Sales Tax Department at the Office of the Commissioner of Inland Revenue explained that businesses had 20 days from the end of each month in which to pay General Sales Tax collected from the public.

"We are only interested in the amount of tax collected each month. Some enterprises are very punctual but, admittedly, some may try to make money out of it," he said.

How they do it is simple and is regarded as standard business practice: GST is paid to the Receiver of Revenue each month.

But the company has 20 days before the GST payment to the Government is due.

Astronomical

So, some companies invest this money in special daily call banking accounts and the interest from these deposits reverts to the company concerned.

The Government gets nothing but the tax.

A conservative estimate is that more than R45-million has already been made in interest this year by seven big organisations picked at random by the Sunday Times.

And with seven months to go before the end of the 1982-83 financial year, these companies will pick up another R64-million in interest.

Multiply those seven by thousands of other companies, and the final interest figure is astronomical.

The Sunday Times figures are based on the 1982 annual reports of the seven organisations and take into account only the turnover and/or sales figures.

The groups offer a range of services from clothing to hotels.

The total combined sales and turnover figure for the seven is R4,1-billion and on that figure an amount of R206,8-million in GST was paid to the State.

At an interest rate of 18 percent, this figure would give a return of R37,2-million in interest per annum.

As an example, one major chainstore with sales of over R870-million in the last financial year, paid R44-million in GST — invested, that would have meant an additional R7-million in interest at 18 percent per annum.

However, if the companies do not pay GST by the 20th of each month, they face a 10 percent penalty operative from, say, September 20 to September 30 and after that 20 percent rising to 100 percent.

"We do not have statistics as to which business organisations try to make money, or of those who pay immediately. But we must warn that it is very dangerous to keep money over and risk major penalties," the Inland Revenue spokesman said.

Shocked

"But there is nothing in the Act governing the collection of GST which prevents companies from making money upon money."

The Consumer Council, however, thinks that something should be done to protect the public.

A spokesman said: "The Consumer Council is rather shocked about such practices.

"If some businesses are keeping GST money in a separate cash deposit accounts then the daily call interest money should also go to the Government to keep down the amount of GST levied on the public," he concluded.

Ciskei GST to rise 7/9/82

ZWELITSHA — Ciskeians face a general sales tax hike next month, according to this week's Ciskei Government Gazette.

The Minister of Finance and Economic Development, Chief M. E. P. Malefane, has announced in the Gazette that GST would go up from five to six per cent on October 1. — DDR.

D. Dispatch

320

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4/9/82

C. Times

Horwood: GST to stay on bread

Staff Reporter

CUTTING out GST on ordinary brown or white bread would complicate and increase the cost of administering the tax, the Minister of Finance, Mr Owen Horwood, said in a letter to the National Council of Women (NCW).

He was replying to a NCW letter, written in February, which asked him to exempt basic foods such as bread, meat, milk and maize products from GST, as was the practice in some countries.

Mr Horwood's reply was published in the August edition of NCW News.

"It is a moot point as to whether the exemption of so-called 'basic foods' would be of substantial benefit to those in the lower income groups," he said.

The exclusion of a single commodity such as ordinary brown or white bread would cause "identification problems" and require "elaborate record keeping and accounting procedures".

Once the precedent of exclusion had been set, he said, it would be extremely difficult, if not impossible, to resist "equally meritorious pleas" for the exclusion of other items.

This would mean the tax would generate less revenue which would in turn "to a large extent" nullify any advantage which the taxpaying public would have gained.

He also said that the introduction of GST had not noticeably affected consumer prices and was one of the lowest-rated taxes of its kind in the world.

The president of the NCW, Mrs Joan Laubscher, said: "We at the NCW think ministers have too much power — surely he must have known he was going to have budgetary difficulties."

In a second letter to Mr Horwood the council asked him to transfer the subsidy on white bread to the more nutritious brown bread.

Roads: tax on fuel preferred to tolls

320

Star

14/9/92

By Lucille McNamara, Municipal Reporter

Imposing a tax on fuel could be a more effective way of financing urban transport corridors than the Government's proposed toll road system.

Johannesburg City Council's management committee has suggested a fuel tax to help meet increasing transport needs.

In a memorandum submitted to the select committee on toll financing of roads, the management committee says that unlike toll facilities which are expensive to construct, maintain and operate, collection costs for a fuel tax would be negligible.

The management committee says it appreciates the scarcity of money for transport facilities and accepts the principle of user-charging, but it believes that in urban areas a tax on fuel should be introduced specifically to finance transport schemes.

New motorways and freeways would be built to alleviate congestion on existing roads and cater for traffic growth, the memorandum says.

However, tolls on these main corridors would deter motorists who would opt for a free road route. This meant that congestion on existing roads and the impact on the environment would not be relieved.

Another drawback highlighted by the management committee was the expense involved in toll systems.

The numerous exit and entrance ramps required would make toll collections difficult and expensive.

Land was costly, its use for roads caused a public outcry, it resulted in lost development opportunities and loss of rate income.

A National Institute for Transport and Road Research report indicated that the capacity of a toll gate lane varied from 140 to 300 vehicles an hour. (At present more than 2 000 vehicles an hour were using each lane of the city's urban motorway system at peak times.)

In the first few years of a toll facility, it was likely that income would not cover interest, redemption, maintenance and toll collection costs.

R1 000-m for homelands to be raised by GST rise?

ARGUS 15/9/82 320

POLITICAL STAFF

PRETORIA. — Land to be given to the homelands will cost R1 000-m in the next four years — and the money could be raised by another increase in general sales tax.

This is one of the implications of the announcement of the Prime Minister, Mr P W Botha, that the Goverment has a four-year target date to complete homelands consolidation.

Dr Piet Koornhof, Minister of Co-operation and Development, said the purchase of land for consolidation of the independent states and the national states would be R1 000 million.

INVESTIGATION

The Treasury was now investigating how the money could be raised.

Although Dr Koornhof would not comment further, it is understood another temporary increase in GST is one of the methods being considered.

Mr Hennie van der Walt, Deputy Minister of Development and Land Affairs, said that the R1 000-m would cover only the purchase of land and would not pay for removals, development or infrastructure.

LOWER

The amount, however, was considerably lower than the R6 000-m it had been estimated it would cost to implement the 1975 consolidation proposals.

It is clear that the Government has finally decided to break away from traditional consolidation of buying out land and handing it over to the homelands.

Mr van der Walt said there would also be considerably fewer people removed than the original figure of about one million in terms of the 1974 consolidation proposals.

He said it was possible the Government could announce the consolidation proposals in early November before the planned summit conference with the independent states.

(Report by Bruce Cameron, 85 Field Street, Durban).

GST rise on cards to fund homeland plan

15/9/82 Star

(320)

Political Staff

Land to be given to the homelands will cost at least R1 000 million over the next four years and the amount could be raised by once again increasing GST.

This is one implication of the Monday announcement by the Prime Minister, Mr P W Botha, that the Government has set a target date four years hence to complete the consolidation of the homelands.

Dr Piet Koornhof, Minister of Co-operation and Development, said the purchase of land for consolidation of the independent states and the national states would be R1 000 million.

The Treasury was at present investigating ways of raising the money.

Although Dr Koornhof would not comment, it is understood a further temporary increase in GST is one method being considered.

Mr Hennie van der Walt, Deputy Minister of Development and Land Affairs, said the R1 000 million would only cover the purchase of land and would not pay for removals or the development of infra-structure.

The amount was considerably lower than the R6 000 million estimated in 1979 to be necessary to implement the 1975 consolidation proposals.

Although Mr van der Walt would not elaborate on his remark that the accent was now on development and not consolidation, it is clear the Government has finally decided to break away from the traditional consolidation programme of buying land and handing it over to the homelands.

Mr van der Walt said there would be fewer people removed than the one million scheduled for removal in terms of earlier consolidation proposals.

NO FIGURES

But he could not give any figures of planned removals and the costs of developing infrastructure and effecting removals until the Cabinet had finalised the recommendations made by the Commission for Co-Operation, he said.

Mr van der Walt considered it possible the Government would announce the consolidation proposals in early November before the planned summit conference with the independent states, announced last month by Mr P W Botha.

● See Page 17.

Bonus Bonds dodge hits at the taxman

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Star 17/9/82

Tax dodgers are using Bonus Bonds to cheat the Receiver of Revenue.

The dodgers are buying bonds with undeclared income, so evading tax — and also having the chance of winning tax-free prizes in the weekly and monthly draws.

The Receiver of Revenue in Johannesburg, Mr Ron Chemaly, said today that his office was aware of the practice.

"But we have no figures to prove how widespread the problem is," he said.

One investor is known to have bought so many bonds that he has won more than two dozen prizes.

A tax lecturer in the accounting department at the University of the Witwatersrand said he believed the practice was widespread.

"The taxman has no foolproof way of catching offenders, and is turning a blind eye to the problem," he said.

"Whether the money goes into the internal revenue coffers or into Bonus Bonds does not matter — it is to the Government's advantage either way."

By Sue Leeman, Pretoria Bureau

The law requires that all bonds be declared, but an accountant at the University of South Africa's business leadership school said the Receiver of Revenue had very little chance of uncovering those who did not do so.

"No record is kept of the names of certificate holders," he said. "This makes buying Bonus Bonds an ideal way of 'clearing up' undeclared capital.

Winnings

"Any winnings are tax free, and can easily be explained away."

The accountant said people had asked him if the Receiver would catch them if they tried "a dodge of this nature."

Mr Chemaly admitted that it was possible for a self-employed man, or salaried person with an undeclared second income, to evade tax for a time.

"But we usually catch up with an offender in the end. Sooner or later he will need to redeem a bond," he said.

"Whether he uses the money to pay back his overdraft or buy a car it will show up at some stage in his statement of assets and liabilities. Sometimes it is discovered only when his estate is wound up after his death.

"The onus is on the individual to prove where the money came from. If he is not able to account for it, he will be taxed on the sum at double the usual rate."

Mr Chemaly said the same applied to money "won" in a Bonus Bond draw.

"This kind of dishonesty is always a gamble."

An assessor at the office of the Receiver of Revenue, in Pretoria, Mrs F van Rooyen, said it was often only a lack of staff which prevented a proper investigation into a person's investments.

"However, if we suspect someone of investing 'hot money' (undeclared income) in Bonus Bonds, the inspectors will make a thorough study."

Attractive

Outlining just what it is that makes Bonus Bonds such an attractive investment, the manager of the Bonus Bonds office in Pretoria, Mr D J Poolman, said that although the rate of interest was low — currently 5,6 percent — "a lot of investors tell us that if prizes are taken into account, they are earning closer to 11 percent."

Mr Poolman said investment trends "have not changed noticeably since the recession hit, and we are still selling around 15 million bonds every month."

He added that investors were in no extra hurry to cash in their bonds. The redemption rate had remained stable at about 9,5 million bonds a month.

Journalist found guilty under repealed polltax law

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E. Post 17/9/82

By JIMMY MATYU

A CISKEI journalist, Mr Bafana Mkefa, of Zwelitsha, was arrested, charged and found guilty last week under the Polltax Act, which was abolished in 1977.

Before 1977 it was compulsory for all black males over the age of 18 to pay a tax of R2,50 a year. Those who had paid for 1978 had their money refunded by the Department of Co-operation and Development.

Mr Mkefa is employed by Imvo Zabantsundu in King William's Town and works in Mdantsane. He spent the weekend in an East London police cell.

On Monday he appeared in the East London Commissioner's Court charged with failing to pay polltax. He was granted bail of R10.

The next day he was found guilty and fined R15.

"The period for which I was charged was when I was still at school and exempted from polltax. I explained this to the police and the court," Mr Mkefa said.

The managing editor of Imvo, Mr A L Kritzinger, yesterday confirmed Mr Mkefa's story, adding that he was waiting for more particulars before taking action.

The police liaison officer in the Border, Major W W Brown, said he knew nothing about the matter and referred inquiries to the commissioner's office.

The East London commissioner, Mr H F Hannan, said that "if the police come across a person who was in arrears before 1977 they can still charge him".

He said the onus rested on Mr Mkefa to produce a certificate from his former principal stating he was at school and to prove that he was exempted.

In an interview, Mr Mkefa said he was on an assignment for Imvo when he was stopped by two policemen. He gave them his reference book and they said his polltax was unpaid from 1967 to 1973.

"I am sure many black people are not aware of this. They may find themselves spending a bleak weekend in a police cell for a polltax charge," he said.

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Wealthy 1% contributed 17,8% to tax revenue

E. Post 18/9/82

ONLY 1,1% of all individual taxpayers in South Africa in the 1979-'80 tax year earned in excess of R30 001 a year — and yet their contribution to the total tax bill was 17,8%.

This picture emerges from an analysis of the country's tax structure by Volkskas (see table).

On the other side of the coin, no less than 70,2% of taxpayers earned R10 00 and less and this group's contribution to total personal tax collected by the Receiver of Revenue was 20,1%.

The bank's analysis is based on figures provided by the Minister of Finance.

In total there were 1 877 914 taxpayers in the 1979-'80 year, and the amount paid in personal tax came to R1 944,2 million.

The number of taxpayers and the tax assessed in each income group, expressed as a percentage of the total tax assessed, is hown at right.

Income group (Rands)	Individ. taxpayers	Group's tax contrib (%)
Loss	14 706	—
1 — 1 000	93 285	0,01
1 001 — 2 000	155 130	0,25
2 001 — 3 000	192 824	0,84
3 001 — 4 000	168 255	1,46
4 001 — 5 000	147 790	1,89
5 001 — 6 000	126 245	2,16
6 001 — 7 000	113 566	2,57
7 001 — 8 000	107 694	3,09
8 001 — 9 000	101 900	3,59
9 001 — 10 000	97 178	4,15
10 001 — 12 000	170 104	9,64
12 001 — 14 000	127 543	10,19
14 001 — 16 000	87 566	9,54
16 001 — 18 000	56 009	8,02
18 001 — 20 000	35 585	6,53
20 001 — 22 000	23 018	5,26
22 001 — 24 000	15 657	4,33
24 001 — 26 000	10 800	3,53
26 001 — 28 000	7 357	2,80
28 001 — 30 000	5 445	2,38
30 001 — 40 000	12 430	7,24
40 001 — 50 000	3 829	3,33
50 001 — 80 000	2 923	3,80
80 001 — 100 000	480	0,97
100 001 — 150 000	442	1,23
150 001 and above	198	1,20
Total	1 877 914	100,00

How to better collection of taxes

320 Star 18/9/82

Beset with staff shortages and a lack of skills, the Receiver of Revenue is fighting a losing battle.

In this last part of a series on tax reform, a leading consultant, Mr Michael Menof (right), explains how a better deal can be worked out for the taxman.

Mr Menof is a lecturer on tax at the University of the Witwatersrand business school. DAVID BRAUN reports:

Mr Michael Menof

The hard-pressed inland revenue service should be restructured in a new system of tax collection.

This would enable the Receiver of Revenue to collect taxes efficiently and would close the many loopholes abused by taxpayers, says Mr Menof.

"The objectives of the Receiver are to collect taxes efficiently, accurately and as honestly as possible. The present system does not allow these objectives to be achieved in an efficient manner and the growing staff crisis can only aggravate the problem," said Mr Menof.

ASSESSMENT

Revenue officials were scarce and they often had not received sufficient training to cope with the assessment of companies in different industries. An assessor might be expected to move from a mining company to a manufacturer to a service company.

He was often in the dark about what was really going on in a particular company and had to rely on audited statements, Mr Menof said.

The acute staff shortage had recently resulted in the decision to drop the requirement that salaried taxpayers earning less than R7 000 must submit tax returns.

Mr Menof said the staff shortage would get worse as the population increased and as more young men were called to do military service.

"To overcome this we are going to have to resort to a system of self-assessing, in which the taxpayer works out what he owes the Receiver. This will be accurate and honest only if all claims are supported by documentary evidence to enable the Receiver to readily verify all information."

Revenue officers could audit tax returns on a random basis and penalties for dishonesty could be heavy. No taxpayer would know if his return was going to be audited so it would be foolish to try to deceive the Receiver.

The system would require less staff and officials could be released for training as audit inspectors. They could then carry out their duties more efficiently "in the field."

"One problem with the present system is the ease with which a taxpayer can manipulate his closing or year-end stock number. By doing this he delays paying tax as profits are shifted into later years. The Receiver is none the wiser.

"With the new system, revenue officials would visit companies on a random basis and audit aspects of the books and records. They would have access to audit work-papers and be in a position to see how the closing stock number was determined.

"At the same time they would be in a position to inspect any company documents and also be able to make a check of executive remuneration packages.'

"They could then determine whether PAYE was being correctly deducted from all salaries and extend their activities to monthly returns for GST and the vexed fringed benefits problem."

Because all information would be readily on hand, the present practice of raising queries and then waiting a long time for responses would be eliminated. The presence of the tax auditor on the premises would ensure honest and accurate responses to all queries.

Mr Menof said another solution to the staff problem would be to make it compulsory for all articled clerks in the audit and accounting professions to work for at least a year with a revenue office.

This would give the Receiver a large complement of staff to do audit work and some of the clerks might even be encouraged to stay on and make a career of the service.

At the same time it would give valuable experience to accountants and auditors who would be in a better position to give tax advice when they returned to the private sector. They would be aware of the taxman's point of view.

Earn more, pay more

The contribution of 70 percent of taxpayers to government revenue is only slightly higher than that of the top 1,1 percent of all taxpayers.

Put another way — 70 percent of all taxpayers pay 20 percent of all personal tax. Yet top earners, the group with income above R30 000 a year, pay 18 percent of all personal tax.

Figures released by Volkskas in its September Economic Spotlight show that in 1979-80 there were 1,8 million taxpayers.

The largest group (11 percent), who earned between R2 000 and R3 000 a year, paid 0,84 percent of all tax.

The bottom 50 percent of all taxpayers, who earned less than R6 000 a year, paid only 6,6 percent of all personal tax.

People earning from R12 000 to R14 000 (127 000 taxpayers in all) made the biggest contribution as a group — 10 percent of all personal tax collected.

In the year under review there were only 4 043 taxpayers earning more than R50 000 a year. They paid 7,2 percent of all taxes. So the top 4 000 earners paid more taxes than did 50 percent of all taxpayers.

The top 1 120 earners, who each had an income of more than R80 000, paid 3,4 percent of the taxes, while the top 198 earners (the R150 000 plus group) coughed up 1,2 percent.

Poll tax: many face prosecution

(320) D. Dispatch 22/9/82

EAST LONDON — Thousands of black men face prosecution for not paying their poll tax — even though the tax was abolished four years ago.

"Despite us not levying the fixed tax from 1978, people can still be held liable for their arrears," a spokesman for the Department of Co-operation and Development said yesterday.

Poll tax — scrapped when the Finance Act was revised in 1978 — taxed R2,50 from all black males between 18 and 65, for the development of homelands and "facilities for blacks".

When it was abolished the Minister of Finance, Mr Owen Horwood, said it would mean a loss of R9 million for the state.

"Today, a large amount of tax is still in arrears," the Co-operation and Development spokesman said from Pretoria. "People in arrears may be forced to pay whatever they owe."

No statistics were available on the amount involved, the spokesman added, but it could involve thousands of people — including those living in homelands which only attained independence after 1978.

His statements followed an incident earlier this month when a journalist living in Ciskei, Mr Bafo Mkefa, was fined R15 for being in arrears with his poll tax from 1967 to 1973.

Mr Mkefa — who is employed by Imvo Zabantsundu in King William's Town — lives in Zwelitsha and works in Mdantsane. However, while on assignment in East London he was arrested and charged in the Commissioner's Court.

Yesterday the Co-operation and Development spokesman said Ciskeians were "not yet independent" when the Finance Act was revised.

"They are therefore still liable for those debts," he said.

The spokesman added that he was "unsure" of arrears owed by Transkeians, as Transkei had been granted independence before the revision of the Finance Act.

● Last week the annual congress of the South African Legion heard of reluctance among black war veterans to register for pensions — partly because they were in arrears with their poll tax and feared being caught.

The legion's Natal contact officer, Mr P. Zulu, said the organisation had paid these arrears in some cases to enable pensioners to qualify for their benefits. — DDR

SHE

D. Dispatch 28/9/82

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Taking the tax-ups out of taxation

Today in the third series on a Woman's Legal Position, we look at the status of divorcees and widows, as well as how to deal with income tax.

Divorcees and widows really have it made in this country — legally that is.

Whether a divorced woman or widow is under 21 or not is immaterial — on the death of her husband or on divorce, a woman attains full legal capacity and becomes a major.

She may revert to her maiden name, or any other name for that matter (borne by her previously) without needing anyone's consent.

As a matter of interest, there is no law in South Africa compelling a woman to take her husband's name upon marriage... it is merely a custom. More and more married women — especially in the United States and Canada — are retaining their maiden names. This is professional reasons also simply to be known as an individual not a tag.

A divorced woman should always check her will and insurance policies in case she wishes to cancel the nomination of her ex-husband as a beneficiary in either.

After the death of her husband a widow normally automatically becomes the guardian of any minor children born from the marriage.

WOMEN AND TAX

Women have been agitating for years and years for separate taxation — with excellent reason — but still nothing has been done.

However until such time as women are rid of this burden, they must know how to avail themselves of tax concessions. She should also see that there is a valid will for her family.

The income tax position of a woman before marriage does not differ materially from that of a man. She remains a minor until she turns 21 or marries with an antenuptial contract which excludes her husband's marital power.

If, while, a minor, she receives income in her own right and not by means of a donation or settlement from her parents, this is subject to income tax in her hands. If a parent, however, donates an asset to a minor daughter, any ensuing income such as interest or dividends is deemed to be the income of the parent and is taxed at the father's marginal rate of income tax.

Any income received by a woman not living permanently apart from her husband is deemed to be the income of her husband. As it now stands the first R1 600 of a woman's earnings is tax deductible...earnings, that is, derived from a trade carried on by her independently of her husband. This does not include income from investments or letting of property.

A married woman or a widow is entitled to a primary rebate of R200; a single woman is entitled to a primary rebate of R120.

A married woman and her husband are jointly allowed an income tax deduction of R3 500 a year. In respect of contributions to retirement annuity funds and pension funds.

After divorce or permanent separation, a woman is regarded as a single person for tax purposes. There are two exceptions: if she was divorced or separated on or before March 21, 1962, and is entitles to a child rebate, she will be taxed as a married person; OR if she wholly contributes towards the maintenance of a child from her own resources.

She is not liable for tax on alimony or maintenance payment.

Husband or wife may apply for separate assessment but the total income tax payable may not be less than the tax that would have been payable had they been assessed jointly.

Tax-free investments for the married woman

The income Tax Act grants tax concessions in respect of certain investments. Some of these concessions are applicable to a husband and wife jointly, while others may be utilised by a husband and wife individually.

The following is a list of tax-free investments available for a wife, despite her husband having already made use of the same avenues of investment.

- Building society subscription shares; (Taxfree bring in 9.5 per cent interest at the time of writing — partially tax free 14 per cent, which is reinvested.)
- Post Office savings account: the Post Office pays 6,5 per cent interest and up to R200 p.a. it is tax-free.
- Post Office savings bank certificates. Interest is at 9.5 per cent which on an investment of R10 000 per person is tax-free.
- National savings certificates can be bought at the Post Office for three years; interest starts at 9.5 per cent for the first year, 9,5 per cent for the second year and 10 per cent for the third year, and it is taxfree.

A most important aspect of this kind of investment is not only the interest it brings in, but the fact that there is a source of ready money at hand when you need it most — when widowed or divorced. Remember that all assets (and some insurance policies as well) are frozen in a deceased estate.

- A savings account is therefore an absolute essential to any woman's way of thinking.
- Life assurance is the working woman's way of providing for the future; it is also imperative to married women — every husband should have at least one policy with his wife named as the beneficiary or the policy ceded to her.

Actually life assurance is excellent investment, taking into account the investment return, which of course is tax free, as well as the tax assistance. Thanks to the 1979 amendments to the Income Tax Act many people now effectively enjoy tax savings of 30 per cent to 40 per cent of their premiums.

It is essential that a woman take out insurance on her own life — to provide for minor children, and secure her own financial future in case of death or divorce — either of which could happen when least expected.

Child Rebates

If a couple are divorced or were separated permanently after 21st March, 1962, the child rebate may be claimed by

- both parents if the child is not over 18 years on 28th February and was single throughout the tax year;
- the parent upon whom a physically or mentally incapacitated child is wholly or partially dependent, and is not liable for tax in his own right (age and marital status irrelevant).

After the death of her husband a widow becomes a taxpayer in her own right and is treated as a married person for tax purposes. If her husband should die during the tax year, his and his wife's income up to the date of death will be taxable and the executor of the estate must arrange payment out of estate funds.

As the period of assessment is less than a full year, his allowances and the deduction in respect of his wife's earnings are reduced proportionately. The widow will be personally liable for tax on her income from the date of death to the 28th February. As the period of assessment is less than a full year, her rebates will reduce proportionately.

JOHANNESBURG CITY COUNCIL

All reports by Lucille McNamara

Raise GST by further 1pc to help non-white councils — Obie

320 1881 Star 30/9/82

Johannesburg's management committee chairman, Mr Francois Oberholzer, yesterday suggested that general sales tax be increased by a further 1 percent to help make emergent local authorities for other race groups financially viable.

STRONG SUPPORT

He told the monthly city council meeting that he strongly supported this suggestion made by the United Municipal Executive, because all South Africans should contribute towards the success of a new political dispensation.

"If we want a new dispensation to succeed then we have to make some sacrifice. We have a responsibility to those areas (black, coloured and Indian communities) and will have to assist them in one way or another."

Mr Oberholzer was replying to comments made by the Progressive Federal Party's city council leader, Mr Sam Moss, that the most recent increase in GST would cost the municipality an additional R835 000 this financial year.

Mr Moss expressed concern that GST was unlikely to remain pegged at 6 percent and called on the Government to re-examine taxation on purchases made by local authorities.

Mr Moss said the Government had agreed to make concessions to Johannesburg amounting to R7 million for subsidies and taxes, but had whittled these away by increasing GST.

"Concessions are given with one hand and then taken away with the other and in a short time that R7 million will have dwindled to R4 million," he said.

He said municipalities would play an important role in the proposed constitutional changes for local government, but their efforts would be certain to fail if they did not have a sound financial structure.

REVENUE SOURCES

Mr Oberholzer said additional sources of revenue recommended by the Croeser Committee and which had been accepted by the Government could be sufficient for the needs of major local authorities.

Apart from levying assessment rates on State-owned properties, local authorities would also derive additional revenue from:

- Turnover tax.
- Investment tax.
- Employee tax.

Tax increases possible — FCI

RDM 30/6/82

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Financial Reporter

FURTHER tax increases are possible, according to the Federated Chamber of Industries.

It also says that inflation should now start slowing — but that it might be necessary to take special measures to relieve unemployment.

These views are set out in an introduction to the agenda for next week's executive council meeting of the FCI in Pretoria.

This says: "The South African economy is well into the downward phase of the business cycle.

"Consumer demand is slackening and government consumption expenditure is running at a lower rate.

"Individual companies are having to adjust their cash flow and financial strategies to more stringent economic conditions.

"A major spur to these adjustments is the higher interest rate pattern."

The FCI cautions: "The duration of the downturn is uncertain. Recovery will depend on trends in the world economy which has been in recession for some two years.

"While indicators for the United States economy are somewhat more hopeful there is considerable concern over the state of the world economy as a whole.

"Third World countries are massively over-borrowed and the international banking system is under severe strain."

The FCI says: "South Africa will have to play its own cards to best effect.

"Fiscal and monetary policy will remain stringent. The revenue side of government accounts is in difficulties and an increase in the GST has been introduced to help bridge the deficit.

"Further tax changes are not impossible.

"Inflation is a major cause for concern but should show some signs of slowing down as the economy weakens and the money supply growth is curbed.

"Unemployment, which fell substantially during the 1979-81 boom, will rise troublesomely — especially if the slump is protracted.

"Unemployment is a potential source of instability especially among urbanised blacks and in the present volatile industrial relations climate.

"Specific unemployment relief measures may, therefore, be necessary."

The FCI warns: "In the last decade South Africa's exchange rate has steadily drifted downwards reflecting a domestic inflation rate higher than among South Africa's trading partners.

"This declining domestic competitiveness can be expected to continue because of the poor productivity performance in the South African economy and persistent wage increases in excess of the inflation rate.

"Strategies will have to be employed to boost productivity and curb rising wage trends if unemployment is not to grow and prosperity levels in the economy as a whole to deteriorate."

'Govt rejects GST as local income source'

Metropolitan Editor

THE Government had rejected General Sales Tax as an income source for local authorities, the Transvaal Municipal Association's congress heard in Nelspruit yesterday.

The local government's representative on the Croeser workshop on local government financing, Mr Philip Nel, told the TMA — an organisation representing every municipality in the Transvaal — this was a "final decision". Distributing a part of GST to local authorities was a difficult problem.

Mr Nel sharply criticised the way local authorities had been treated over their call for additional finances. Several commissions of inquiry and committees had discussed the issues, and local government had been pushed around "long enough" by commissions of inquiry. It was time for local authorities to "make their voices heard".

The Government, he claimed, had been given incorrect advice on several occasions. He was concerned that the question of additional sources of income had been held up while the new constitutional proposals were being discussed.

"We cannot wait, and there is no reason why new sources (of income) cannot be implemented. Adjustments can be made once new authorities are established," he said.

The Government had decided to give local authorities R70-million in the 1982/3 financial year, comprising R63-million from assessment rates, R24-million from the railways and R2 400 000 from the post office. From 1983, the Government would make R90-million available, Mr Nel said.

RDM 7/10/82

(320) Rom 14/10/82

Fringe benefits taxation to be introduced shortly

By GERALD REILLY
Pretoria Bureau

FRINGE benefits taxation will be introduced in the 1983/84 tax year in spite of the recession and the inflationary impact of the tax, according to Pretoria sources.

The commission evaluating the perks for tax purposes is expected to complete its report within the next four or five weeks.

It will take the form of a draft Bill to amend the Income Tax Act, and come before Parliament early in the session.

The tax has been hanging over the heads of employers for more than three years. The Minister of Finance announced last year it would be introduced during the current financial year. However, the processing of the reactions of the private sector to the original draft Bill caused delays which made this impossible.

After three years of agonising over the tax there is still a large section of the private sector which questions its viability.

They claim the tax will be more trouble, and more costly to collect, than it will be worth.

However, Inland Revenue officials say it would be "fiscally immoral" to ignore the large slices of real income paid, particularly to senior employees, in tax-dodging fringe benefits.

The private sector has insisted that the tax must be applied without discrimination. All must be pulled into the net, "Cabinet Ministers, the lot" it was stated.

An important recommendation in the former draft Bill that the taxing of housing benefits be phased in over a period of seven years will, it is expected, be incorporated in the new legislation.

In the first year 10% of the value of the perks will be taxed, and in the seventh year the whole benefit will be taxable.

It has been made clear by the Government's speakers that it is not the intention to tax the little man out of his house.

The real targets of the tax are those who enjoy, and have enjoyed for years, lavish benefits which have formed part of the executive real income, but which have escaped being taxed.

It is understood there will be no provision in the draft for exempting catagories, such as Cabinet Ministers, who, it has been pointed out, enjoy probably the most lavish perks of all.

Star 14/10/82

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Cent a litre could put off toll routes

Tvl wants fuel tax for roads

By Sheryl Raine, Pretoria Bureau

The Transvaal Provincial Administration has asked the Government for a one cent surcharge on every litre of petrol sold in the province to help finance its roads.

The request, backed by the Administrator of the Transvaal, Mr Willem Cruywagen, and the MEC for road transport in the provincial council, Mr John Griffiths, will be considered by the Cabinet.

A formal request for the provincial petrol price increase has already been sent to the Minister of Transport, Mr Hendrik Schoeman.

The one cent surcharge on petrol could bring in R40 million a year.

If approved, the measure would forestall the immediate need for toll roads.

Funding

In recent years Government funding for road building has declined rapidly.

During the 1979-80 financial year R367 million was spent on national and provincial roads, compared with R489 million for the 1975-76 financial year.

In the Transvaal the provincial budget for road building and maintenance has been cut by R300 million in the last five years.

The budget for 1982-83 in the province was 40 percent lower than five years ago.

At the same time the population of the Transvaal is increasing more rapidly than in the rest of the country.

Demands

Industrialisation and homeland development are making heavy demands on road networks.

A Department of Transport source said today the one cent surcharge on petrol would be used initially to construct one road.

It is believed the road is the Golden Reef Road between Krugersdorp and Brakpan which has already been singled out as the country's first major urban toll road.

If a surcharge is introduced on petrol the toll system on the road would not be necessary and the cost of building it would be borne by the province.

Political

The considerations relating to the building of this road are also political.

It will be a major artery carrying traffic from Soweto to areas on the Reef.

The R300 million road running through Johannesburg would take at least 10 years to build if current financing methods are used.

A surcharge on the price of petrol would enable the National Transport Commission to complete the road in four or five years, Mr Griffiths said.

The tax you don't have to pay

Mercury 15/10/82 (320)

Mercury Reporter

MANY Durban shoppers who are buying Christmas presents to send overseas are paying GST when they don't have to, according to a Mercury survey.

A spokesman for the Receiver of Revenue confirmed yesterday that sales tax is not due on items which are consigned overseas by a shop as a service to the customer.

He said: 'Sales tax is not charged on export items but unfortunately people who post the items themselves have no way of proving their purchase is for export so they are charged GST.'

He revealed, however, that the GST exemption did not apply to duty free shops at the airports.

While the Mercury survey revealed that many retailers were prepared to oblige their customers by doing the postage, most had charged sales tax because they had not known about the exemption.

Four different salesmen in a La Lucia shopping complex categorically told the reporter she would have to pay GST on parcels sent overseas.

At another shop the household department said GST would be charged. The delicatessen department said 'everything was built into the price of hampers' and finally someone in the administrative office said GST should not be charged and undertook to inform all departments.

A jewellery shop was quite happy to send gifts overseas but the manager explained 'that GST had to be paid on everything bought in South Africa'.

A variety of other shopkeepers were surprised to learn of the sales tax exemption and only one, an antique dealer, volunteered the information that no GST would be due.

Asked to comment, Mr Ken Hobson, secretary of the Durban Chamber of Commerce, said most overseas Christmas presents were consigned through mail order houses who were geared to the situation and well aware of the tax exemption.

With regard to the duty free shops having to charge GST, Mr Hobson said: 'Its an extraordinary anomaly and while this must be very annoying for South Africans it must be even more annoying for foreign tourists.

'It seems ridiculous that the goods are not subject to duty but are subject to GST. The exemption should apply to all exports and the chamber has made representations to the authorities for the duty free shop ruling to be changed.'

When GST is exempt on items

(320)

Mercury 16/10/82

Finance Reporter

CONFUSION over whether to charge sales tax on export items has spread from local shop owners to the offices of the Receiver of Revenue.

Following a report yesterday on 'Sales tax you don't have to pay,' The Natal Mercury received a call from Mr Trevor Trembling, head of the accounts and registry section of the sales tax division for the Receiver of Revenue.

He said the Sales Tax Act provided for goods, purchased by a tourist, to be exempt from sales tax if the store itself sent, or delivered the goods to an address overseas.

'But this only applies if they are addressed in the tourist's name and not to anyone else,' Mr Trembling said.

However a spokesman for the sales tax head office in Pretoria thought any goods purchased in South Africa and consigned overseas by the store were exempt from sales tax.

By late yesterday afternoon it seemed that the Receiver of Revenue's offices had reached an agreement that sales tax is only exempt if the goods are consigned by the store, to the purchaser, at an overseas address.

But an added complication emerged. A South African citizen can also qualify for this exemption if he addresses the goods to himself at an overseas address.

The information contained in yesterday's report in the Mercury was accepted in good faith from the offices of the Receiver of Revenue in Durban.

Rocking the job market

320

By GERALD REILLY
Pretoria Bureau

RDM 1/6/82

THE introduction of the promised fringe benefit tax could set off a rash of staff-snatching and job-hopping, according to economists.

The tax is expected to be introduced next year and will lead to a "frenzy" of hard bargaining between employees, who lose real income because of the tax, and employers, it was stated.

Responding yesterday to claims that time was running out for the introduction of the tax next year, the Director-General of Finance, Dr Joep de Loor, said the evaluation commission was on its last lap. The principle of the tax had been accepted a long time ago, and all the commission was asked to do was fill in the details and ensure it was fair and equitable.

"My expectation is it will be introduced in the 1983/84 tax year."

Companies, he said, had had ample warning of the new tax and should by now be prepared for the necessary adjustments, Dr De Loor added.

Some sources estimate that as much as a third of the real income of top staff in many companies is in the form of fringe benefits — company cars, subsidised housing and big entertainment allowances among them.

In the current harsh economic climate, it was pointed out employers will be reluctant to compensate their staff fully for the taxing of perks.

And aside from the more obvious perks — company cars, entertainment allowances, subsides on house building loans — the commission is evaluating the taxability of perks like sales to employees at under-valued prices, bursary benefits for the children of employees and other more subtle means, which have been used to avoid taxation.

Star 22/10/82

Sales tax rise 'not justified'

(320)

By David Breier, Chief Reporter

The Government's half-yearly financial performance proves that the last increase in General Sales Tax was unnecessary and inflationary, Mr Harry Schwarz, the Opposition spokesman on finance, said today.

He was commenting on Government spending for the first half of the current financial year up to September 30, published by the Department of Finance. The figures show that Government departments overspent their budgeted votes for this period of R473 million which is only about five percent more than their allocations.

The department which overspent its allocation most was Defence which was R255 million over its R1 334 million allocation.

Mr Schwarz pointed out that the Government recently raised a stock issue of R200 million for its stabilisation fund to cover unexpected spending and to reduce inflation.

As spending was usually less in the second half of the financial year, the last increase of GST, pushing this tax from 5c to 6c, from September 1, was unnecessary and inflationary, he said. This had now become evident in the light of the half-yearly spending which did not show any extraordinary tendencies.

Mr Schwarz condemned the Government's practice of delaying

To Page 3, Col 9

Sales tax rise not justified – Schwarz

22/10/82 Star (320)

from page 1

spending incurred in the second half of the financial year, to the first half of the next year, He said this enabled the Government to play with figures and to enable its Budget to look better than it really was.

Referring to the loss of R500 million expected by the South African Transport Services this financial year, Mr Schwarz said part of this could be attributed to the recent 16,3 percent average Escom tariff increase.

He criticised Escom's policy of raising capital through tariffs instead of raising it in the normal way through loans.

This policy aggravated inflation in inflationary times, and was further proof that the Government did not give priority to the fight against inflation.

Senior spokesmen for the Department of Finance and the Treasury, including the Minister of Finance, were not available for comment today.

A spokesman for the Department of Finance said Mr Schwarz had failed to take into account the deficit before borrowing.

The spokesman said it would be financially unwise to rely on loans as Mr Schwarz suggested instead of relying on ordinary revenue.

OK overall.
15/20

FINANCE

Assocom urges cut in company tax rate

Argus 320 22/10/82

Staff Reporter

PORT ELIZABETH — The annual Assocom congress has adopted a resolution urging the Government to reduce the rate of company tax in the 1983-84 fiscal year and the tax rate on company dividends.

Proposing the motion, Mr M McKnight of the Port Elizabeth Chamber of Commerce said the private sector had been asked to help stabilise the economy and plough profits back into business to help curb unemployment.

But in the current economic downswing companies would find it difficult to meet these demands.

64 PERCENT

Total tax payable by the company and its shareholders amounted to 64 percent of its taxable income, after the increase on company tax imposed in the Budget this year.

The Port Elizabeth Chamber said a strong, healthy, free-enterprise economy was essential to the long-term future of the country.

It was important that entrepreneurs were not denied the incentive of profit.

Reducing the ability to maintain growth and profits would inhibit investment in the future of the country.

BURDEN

The fact that company dividends were taxed in the hands of investors aggravated the burden for many private companies.

"It is important that businessmen invest in the future of the country, and that incentives to invest are not reduced by stifling profits through high taxation."

NOT FOR FUN

Among the speakers to the motion was Mr W J H van der Walt, Commissioner for Inland Revenue, who said taxation was measured against budgetary requirements with the aim of meeting necessary expenditure in the least inflationary manner.

The Minister of Finance would "relish" being able to reduce taxation, and his ideal was to have the minimum tax to meet his budgetary requirements.

Tax on benefits supported

Staff Reporter

PORT ELIZABETH — Assocom is not opposed in principle to a tax on fringe benefits, providing marginal tax rates are reduced.

Mr R J Wood, past president, said this at the Association's annual congress here.

He said Assocom had thoroughly studied the Government's proposals and submitted oral and written evidence to the Parliamentary standing committee on fringe benefit tax.

If the proposals were implemented, business and commerce should be given adequate time to make arrangements to deal with them.

Public service pay key to taxes

Rdm 29/10/82

320

Financial Reporter

TAX increases will be necessary next year if there is any general rise in public service pay levels above 8% to 10%.

But this would probably mean another increase in company tax and not personal taxes.

These are the views of the Stellenbosch Bureau for Economic Research in its Prospects for 1983, written by Mr A J M de Vries and Dr Johan Cloete, chief economist of Barclays National Bank.

They say that although revenue from the gold mines could increase next year — assuming an average gold price of $450 — most other tax categories are likely to be hit by the economic downturn.

Mr De Vries and Dr Cloete say: "It seems unlikely at the same time that the Treasury will be able to restrict the increase in total Government expenditure for the next fiscal year to much below 15% — an average of about 1,5% in real terms."

This would be because of "heavy commitments in respect of such categories of expenditure as defence, education and housing, consolidation of the homelands and interest on the public debt".

"The extent to which salaries and wages are raised in 1983 is likely to be of crucial importance as to whether the Treasury will be able to hold the line on the deficit before borrowing without having to increase taxes.

"Given an increase in expenditure of the order indicated and the likely adverse impact of depressed economic activity on State tax revenue it seems that it will in any case be difficult for the Treasury to avoid an increase in taxation.

"Any general increase of salaries and wages in excess of 8% to 10% in 1983 would probably make a further tax increase unavoidable.

"If higher taxation should become necessary it is expected that a further increase of company tax would be the most likely candidate because of the relatively low average effective rate of tax paid by companies.

"No increase in personal tax or in indirect tax is assumed for the fiscal year 1983-84."

Other forecasts made in the Stellenbosch report include:

- Inflation is unlikely to ease significantly in the immediate future.
- Relatively high interest rates will still be called for part of next year to restrain inflation to at least more tolerable levels.
- The current account of the balance of payments should be less of a problem in 1983 than this year.

"Given a moderate recovery in the United States economy, the gold price should move to a higher level while other exports should also experience a moderate improvement.

"Imports on the other hand should continue to decrease under the impact of depressed domestic growth.

- Economic growth is likely to deteriorate during the greater part of next year and an absolute decrease for in real gross domestic product for calendar year 1983 is a distinct possibility.

Man banished from Tshatshu

D.Dispatch 4/11/87

ZWELITSHA — Mr Thembekile Templar Nyobo, 50, has been banished from his Tshatshu home near here to Peddie village by the Ciskei Government.

The Commander in Chief of State Security in Ciskei Lt General Charles Sebe, who lives in Tshatshu, yesterday confirmed the banishment and said the action had been taken in terms of Ciskei security laws following complaints from the tribal authority and tribal court in the area.

He said Mr Nyobo was detained when he was travelling with others to the unveiling of the tombstone of the late PAC leader, Mr Robert Mangaliso Sobukwe in Graaff-Reinet on July 18.

He had been detained under the Ciskei Security Act and released when he was banished.

General Sebe said Mr Nyobo had been given a two-roomed dwelling at Peddie and offered a job under the Ciskei Department of Public Works.

He said Mr Nyobo's family and stock had remained in Tshatshu village.

"The last time he was visited by my men he was reported to be in good health and happy," General Sebe said. — DDR.

RDM 8/11/82

320

Tax cuts asked for literacy training

Labour Correspondent

THE Government has been asked to allow employers to deduct the cost of training their workers in literacy from their taxes.

The request comes from the business-funded Management and Manpower Foundation and, according to an MMF director, Dr John Burns, the Department of Manpower's National Training Board is looking at the issue.

Dr Burns released details of this move at a Press conference last week to brief the Press on the MMF's work.

Dr Burns acknowledged that functional illiteracy among workers was a major stumbling black to meeting the skills shortage.

Employers who trained workers could claim a tax deduction of 100%, cash grants from the Government and other incentives, he said. The MMF had therefore approached the Department of Manpower to ask it to extend these deductions to literacy work by employers.

Dr Burns said the department had told him it was unlikely its National Training Board — which must process applications for training incentives — would agree to this, unless the literacy work formed part of an industrial training programme.

Dr Burns said senior department officials had, however, suggested that employers who were conducting literacy training as part of a general industrial training programme approach the board and ask that the literacy programme be included in the costs of training.

UNIVERSITY OF CAPE TOWN

EXAMINAT...

EVERY CANDIDATE MUST enter in
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Horwood set to clamp down

Hard labour for taxpayers

320

9/11/82

By GERALD REILLY
Pretoria Bureau

SOUTH African taxpayers can brace themselves for tax shocks in the 1983/84 Budget next March, say Pretoria sources.

They say the Government's need for funds is becoming acute.

The Minister of Finance, Mr Owen Horwood, has a number of options open to him. He could increase company taxation, which is considered likely, or go instead for a rise in individual tax, a higher loan levy, another GST increase or indirect taxation rises.

Without adjustments, revenue from all these sources will continue to decline next year, it is feared.

The sources said the only increase in state revenue next year, if the tax pattern remained unaltered, would be the expected introduction of the tax on fringe benefits.

But it has been estimated this would bring in only between R60-million and R70-million and would make an insignificant contribution to the Government's need for funds.

The PFPs finance spokesman, Mr Harry Schwarz, agreed there was reason to fear tax increases next year.

Because of the rundown state of the economy, receipts from company and other tax sources would decline, he said.

The unknown factor in structuring the 1983/84 Budget was the gold price, and the Minister could be expected to make a conservative estimate of the average price for the 1983/84 financial year.

Barclays Bank's chief economist, Dr Johan Cloete, said the recession was bound to cut into government tax revenues, and with the possibility of the economy going into negative growth next year, the cut could be deep.

He said the most likely increase would be in company taxation which, with the loan levy, stood at about 48%. However, with government allowances, the effective company rate was only 26% or 27%.

A key factor in determining to what extent taxation would be raised was the extent to which the Government was prepared to cut annual pay rises in the public sector, he said.

Volkskas economists said government spending during the current financial year was expected to increase by 15%, but revenue to increase by only 13%.

As a result there could be a build-up in the backlog of essential government spending next year.

An increase in company tax to 50% would bring in an additional R150-million, but the Government could be looking for between R800-million and R1 000-million, they said.

Internal	External
(2)	(3)
62	

INTERNATIONAL

NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.

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.
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TAXATION 320 355

Taxing inflation

FM 12/11/82

Income tax, rather than inflation, has been responsible for the deterioration in the disposable income of South Africans over the last 10 years.

This is the disturbing conclusion of a study done by two academics, Chris Coertse and Johnny Smith, at the School of Business Leadership of the University of South Africa.

The study shows that while salary adjustments have kept pace with inflation, real income tax has increased considerably. Average nominal white incomes, for example, rose from R3 572 in 1971 to R11 238 in 1981. This represents a modest real increase (that is, adjusted for inflation) from R3 108 to R3 252.

Over the same period, however, real personal income tax on average white incomes more than doubled — from 4% to 10%. If general sales tax, introduced in 1978, is taken into account, the increase in real tax is more pronounced — from 4% in 1971 to 12% in 1981, after a peak of 13% in 1977. This is based on the assumption that gst affects 50% of disposable income.

The effects of tax on real personal disposable income for higher salary brackets are more extreme. The nominal salary of a professor rose from R7 200 in 1971 to R22 200 in 1981, representing a real after-inflation rise from R6 246 to R7 598.

In this case, real personal income tax almost trebled over the same period — from 7,5% to 21,5%. With gst accounted for, it rose from 7,5% in 1971 to 23,5% in 1981,

De Loor ... seeking flexibility

peaking at 25% in 1980.

The authors of the study make the point that if income tax structures are not adjusted each time salaries rise due to inflation, individuals pay tax at higher rates. This process is known as "fiscal drag" or "tax-through-inflation." The Americans call it "bracket creep." It describes the way in which a progressive tax system in conjunction with inflation-matching salary rises, which do not increase real income, catapults people into ever higher brackets.

"It would appear," they conclude, "that the State conceals the fact that it takes an ever-increasing share of income from the man in the street."

The authors also point out that the purpose of gst was stated to be the broadening of the tax base, with a consequent decline in personal tax. This, as can be seen, has not happened.

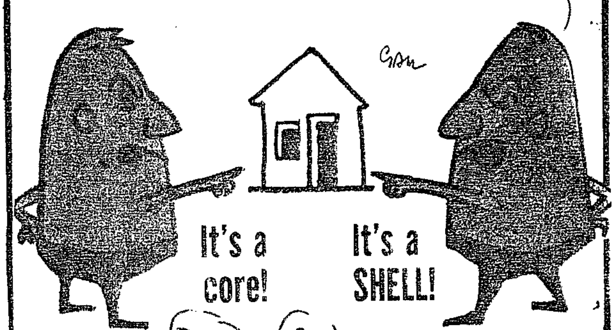
What it means, effectively, is that "the man in the street is more heavily burdened by taxation under inflation." It is a trend, as the graph suggests, which "should not be underestimated by the individual and government."

This question was dealt with in a recent speech by the Director General of Finance, Dr Joep de Loor. He made the point that automatic tax adjustments or rebates through inflation-indexation have the effect of disciplining government spending by limiting its revenues. He rejected this reasoning on the grounds that in SA at least, government was capable of imposing its own discipline. Added to this is the fact that while tax can be adjusted to preserve real income, expenditure cannot. It must be made at prevailing (inflated) prices.

"It is my view," said De Loor, "that statutory indexation is too rigid and hampers budgetary decisions. The practice of making adjustments to the tax rates and rebates as and when the occasion arises and budgetary pressures permit is far more flexible." And he cited the downward tax adjustments and rebates between 1979 and 1981 as an example.

Responding to the charges made by the authors of the study cited above, De Loor denies that the State conceals the effects of fiscal drag. "We've often referred to this," he says. "And when the Budget is made public, it becomes clear that percentage increases in revenue from personal income tax are in excess of the rate of inflation. This is, of course, due to the effects of the progressive tax system, and assumes that the country's wage and salary bill rises in any one year at the same rate as inflation. If inflation in a given year was 15%, but wages and salaries did not rise at all, the increase in total revenue from personal income tax would be only in the region of 10%. It nonetheless always exceeds the rate of inflation."

He adds: "In the short term, we've tried to raise tax thresholds and flatten the rate at which scales rise. In the long term, we're going for a 50% top marginal rate and high-



320

Tax rebate for building cheaper

By LIN MENGE

THERE'S a tax benefit coming for employers who build less expensive housing for their employees.

Mr S F Kotze, Minister of Community Development, wants the present rebate which employers are allowed, to be adjusted to encourage the building of cheaper housing.

He says he has already referred the matter to Mr Owen Horwood, Minister of Finance.

At present, the Income Tax Law allows for a maximum of R4 000 to be deducted from the taxable income of employers for each housing unit they build for their workers in urban areas.

The Government itself is also going for cheaper housing. A core house, Mr Kotze says, could be 15 to 25 percent cheaper than the cheapest completed house built to National Housing Commission standards.

By using core housing, the Government hopes to provide more houses for the same amount of money.

The Government has already cut the cost of the houses it will build for the very poor by 30 percent, by no longer including: fencing on the street boundary; clothes lines; floor coverings; ceiling; painting of the inside walls; and, in some areas, electricity.

By leaving out these items, as much as R2 690 can be saved on the cost of a tiny one-bedroomed house.

Along with the change in standards is a whole new housing language. Quoting The State home ownership loan scheme has been revised to help such people, Mr Kotze said.

● SELF—HELP — assisted: Where the local authority, or some other organisation, such as a utility company (watch HOMEFRONT for what that means!), helps with finance, materials and technical aid.

● SITE AND SERVICE: A township with at least rudimentary services and temporary structures for people to live in (whether or not they put them up themselves), which must be replaced with permanent structures in a set period.

Again, there must be help with finance, technical aid and materials.

from the Louw Committee report, which has not yet been released, Mr Kotze gave these official definitions to a recent seminar of the SA Institute of Housing at Kempton Park:

● COREHOUSING: A bathroom and/or kitchen and, maybe, one other room. The owner must complete the house within a set period.

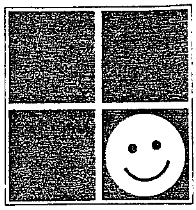
Local authorities will have to establish technical advice centres and introduce controls to ensure the houses are completed.

The core house owner must also have security of tenure and a financial advantage over the person who rents a completed house.

● SHELL HOUSING: The outside walls and roof are provided, but not ceilings or inside walls.

The Government is not sure whether it wants to drop standards even further to allow for shell housing. It is also worried about the "social implications" of not providing inside dividing walls!

● SELF-HELP — unassisted: Where the person erects the house by his own means.



HOMEFRONT!!

Natal plan

A NON-PROFIT Durban-based utility company, Commhousing — launched by a group of Natal businessmen and politicians to ease the housing shortage for whites, Indians and coloureds — will build two and three bedroomed homes, ranging in price from R17 000 to R28 000.

The company is also looking for land in Indian areas and plans to do its own building to keep costs down. Initially, couples will need ordinary bond financing.

Be patient

LOOKING for a home in Alxandra Township? Be patient, warns a Wrab spokesman. It could be three years, he said, before stands could be made available for private home ownership.

That is because a substantial part of the township must be developed first. In the meantime, start saving. HOMEFRONT will keep you informed of progress in Alexandra.

HOMEFRONT tells you what IS being done about the housing crisis, what CAN be done . . . and HOW. So why not tell us what YOU are doing about housing your employees? That way you share useful tips, problems . . . and hope. TELEPHONE: 710-2505/messages 710-2501.

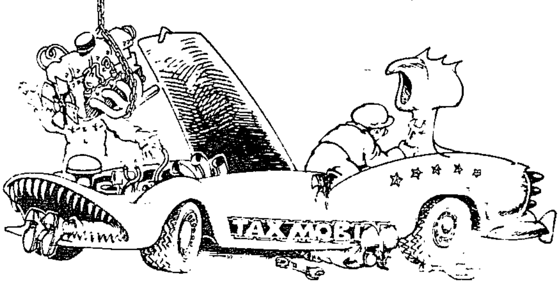
Reforms and free markets

SA will have to decentralise the taxing authority in line with the proposed devolution in political power. In addition, it will need to devise new, automatic means of braking excessive increases in public spending. Otherwise, political reform is likely to stultify through the economy being thrown into the destructive state of "stagflation" that currently afflicts most other industrial economies.

This was the message from one of government's most influential economic thinkers — Professor Jan Lombard, special adviser to the Reserve Bank, at the recent Assocom seminar on tax reform in Johannesburg.

His analysis was confirmed in vital respects by UCT economist Professor Brian Kantor, who told the seminar it was "quite inappropriate to expect a tax system to conform to an economist's notion of internal consistency, or what constitutes a 'good' tax system." Taxes and government expenditure are decided simultaneously by the political process. By implication, therefore, the tax system must always be one that is politically acceptable.

320 19/11/82



And Lombard added a sharp warning note on the economic effects of possible extensions of the franchise in SA. "In the short and medium term, the present political philosophy of a mixed economy, with substantial public welfare services, will not be dislodged in the public mind of SA and especially not in the extended public mind which is to emerge in this country."

Lombard quoted IMF MD Jacques de Larosiere as saying earlier this year that high taxes detract from economic motivation. But, however high taxes are set, they can never be high enough to feed all the insatiable needs aroused in contemporary Western economies by rising public expectations. So governments resorted to the printing press to fill the gap.

When electorates became fed up with the resulting inflation, Western governments switched to non-inflationary financing. This turn of policy led to high interest rates and the "crowding out" of private sector borrowers. The ultimate result was the current malaise — low growth, high unemployment and, at least, some residual inflation — afflicting most of the industrial economies.

For the seven major industrial countries, the ratio of total public expenditure to gdp rose from 29% in 1965 to 37% in recent years. Concurrently, the level of taxes in the OECD countries rose from 24,7% of gdp in 1955 to 28% in 1965 and 36,6% in 1980. In some countries, like Sweden, the ratio is close to 50%. At these levels, disincentive effects and tax evasion (as well as avoidance through legal means) become pronounced.

In better shape

For the moment, though, SA's public finances are in better shape than most. The Assocom panel felt that the current ratio of 60/40 between direct and indirect taxation was adequate to preserve economic incentives. This ratio had been re-established, after a previous drift towards overdependence on direct taxes, by the introduction of the general sales tax and by the income tax reform which had cut income tax rates.

SA has so far managed its public finances on a sound basis, argued Lombard, with total public expenditure (at 22%) under the 25% ceiling which Colin Clark in the Forties regarded as the maximum compatible with non-inflationary finance. The budget deficit — at 2,8% of gdp in the current fiscal year — is not too large to be financed in a non-inflationary manner without adverse effects.

And the public sector deficit requiring loan finance is still acceptable at 2,8% of gdp in fiscal 1981 (although the deficit had crept much higher in earlier years). Lombard acknowledged the "Horwood touch" which had cut State spending from a peak of 27,3% of gdp in 1973 to 20% in 1980. This remarkable result was achieved by keeping State spending fairly constant, in real terms, from 1975 onwards.

Kantor argued that it is unsound for government to set a target ratio of government borrowing to gdp — a requirement that appears to have been exacted recently by the IMF as a precondition for the loan. Wide and unpredictable fluctuations in the gold price cause correspondingly wide fluctuations in the tax and lease contributions from the mines. To maintain borrowings within constant limits would require frequent manipulation of other tax rates — an undesirable fiscal policy.

Rather, pleaded Kantor, set a target for government spending as a proportion of gdp. Hitting such a target would be entirely feasible and if the percentage were a low one — around the present 22% — it would contribute greatly to economic growth. Under this system, the borrowing requirement would rise or fall in a pro-cyclical way.

CBD Association chairman Nigel Mandy put forward a provocative argument for the establishment of a metropolitan authority for the Witwatersrand, in some sort of federal relationship with existing local authorities. The metropolitan authority should be financed through an allocation of a proportion of sales tax receipts from retailers within the region, so as to be able to meet the critical social needs of newly urbanised communities.

More participation

This suggestion is in line with Lombard's views on devolution, but requires for its implementation participation by blacks, coloureds and Indians in the local government process. Such a multiracial approach would have to face down the recently expressed hard-line opposition of the Transvaal Municipal Association to any form of joint decision-making at local level.

And Commissioner of Inland Revenue Mickey van der Walt set his face firmly against any fragmentation of the taxing authority, on the ground that this change would "impede the maintenance of an integrated fiscal system."

On the technical level, Kantor argued that a tax system should interfere as little as possible with the real supply and demand forces in the economy. He attacked the important legal distinction between "investment" and "speculation" for the purposes of taxing capital gains on the ground that it interferes with the proper timing of decisions to buy and sell assets. This distinction has no basis in economic theory.

But Witwatersrand University's Eddie Broomberg felt that SA would eventually follow the US and the UK in imposing a capital gains tax (cgt), however unpopular the step might be. If the deplorable decision to institute a cgt had to be taken at all, there should be (subject to averaging provisions to prevent "bunching" of income) a unified rate for income and capital gains alike. This step would simplify the administration of the tax law. US and UK experience had showed the complexity of running a system with two rates — one for income transactions and another for capital gains.

In the *FM*'s opinion, this is a dangerous line of thought. A unified tax rate would be all very well if the rate were low, but political pressures would be sure to push up the unified rate to unacceptable levels before too long.

Michael Stein, a co-editor of *Businessman's Law*, drew attention to a whole array of tax provisions introduced because of successful lobbying, which heavily distorts the free market economy and pushes up the general tax rates to the detriment of the general body of taxpayers. The SA Act has become a "redistributive machine" that reallocates resources on a vast scale by discrimination between companies and individuals; between higher-earning individuals and lower-earning individuals; between married and unmarried persons; and between professional men, executives, salary and wage earners, on the one hand and taxpayers enjoying special concessions on the other.

Among the large number of taxpayers enjoying special concessions are manufac-

Tax burden on affluent ten percent

320

By Alec Hogg,
Assistant Financial Editor

The most affluent South Africans — 10 percent of the population — account for about 66 percent of the country's direct personal tax revenue, while this group receives only 30 percent of the total personal income.

By contrast, the poorest group — 50 percent of the population — contributes only two percent of the total tax, although this group's proportionate share of personal income is around 20 percent.

This is shown in the November edition of "Focus on key economic issues," undertaken by the University of Pretoria and commissioned by Mercabank.

The study focuses on income distribution and cross-subsidation which, according to the authors, Professor Jan Lombard and Professor J J Stadler, "is one of the most sensitive political issues in any economically sophisticated community."

SUBDUED ISSUE

The authors decided to concentrate on this theme because after years of being a subdued debate, it recently came into the spotlight through the position of maize farmers.

The report states that intervention in the distribution of wealth is performed through both the budget and the powers of government to affect the prices of goods and services bought and sold by consumers and producers in the private sector.

For example: "In agriculture, the rapid increases in the domestic selling price of maize shifted the burden of subsidising producers on to domestic consumers.

"Manufacturing is highly subsidised by protective duties while mines are shielded by exchange rate devaluations."

The report also makes the point that there has been a structural change in the wage structure of the economy. Despite a modest improvement in output, a worker since 1970, wages rose by 21 percent in real terms.

"The average nominal wage a worker increased by 283 percent over the period (to end-1981), which led to a commensurate inflation in the prices of domestic output."

JSE indices

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ARGUS 26/11/82

10 pc pay 66 pc of tax revenue

Argus Correspondent

JOHANNESBURG. — The most affluent 10 percent of South Africans account for about 66 percent of the country's tax revenue though this group receives only 30 percent of total personal income.

By contrast, the poorest 50 percent of the population contribute only two percent of the total tax, although their proportionate share of personal income is around 20 percent.

This is disclosed in the November edition of the authoritative Focus on Key Economic Issues produced by the University of Pretoria and commissioned by Mercabank.

The study focusses on income distribution and cross subsidisation which, according to the authors, Professor Jan Lombard and Professor J J Stadler, is one of the most sensitive political issues in any economically sophisiticated community.

The report does not draw any conclusions on how the distribution of wealth could be more equitably balanced.

It says, however: "Much of the analysis raises the suspicion that the direction of cross-subsidisation of incomes in South Africa does not favour the lower incomes as much as is the case in other sophisticated economies.

FRINGE BENEFITS

"The absence of taxation on fringe benefits also promotes a kind of social welfarism for the higher income groups, organised in the private sector but financed by the Government."

The report also says there has been a structural change in the wage structure of the economy.

Despite a modest improvement in output a worker since 1970, wages rose by 21 percent in real terms in that period.

"The average nominal wage a worker rose by 283 percent to 1981 which led to a commensurate inflation in the prices of domestic output."

Consumpt… …onomous
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endogeno… …le.
~~In Keynesi… …e Theory~~

Question 2 a

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~~TO begin with~~
~~In Keynesian~~ …esian income
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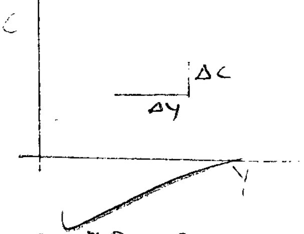


MPC + MPS …

∴ MPS …

Here: I is ass… be autonomous

Letters to the Editor

Garankuwa shops are illegally charging us sales tax

320

Sowetan 28/12/82

SIR — I'm steadily losing my patience with the owners of Garankuwa shops. There is no sale-tax in Bophuthatswana but some shops in Zone 3 and one in Zone 2 are charging us sales tax on newspapers, magazines and food items.

Most of the shopkeepers are worried because they say people are buying in South Africa.

They say they are losing because people don't buy groceries in Bophuthaswana shops. We don't buy in these shops because their prices are very high.

500ml of fish oil bottle in South Africa (OK, Checkers) is R1,05 including sales tax, in Bophuthatswana shops the same bottle is R1,65 without tax.

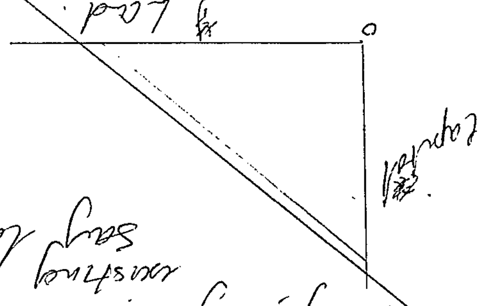
So we go where we like. There are many things which are not in order. Please help us with these exorbitant prices.

POOR TSWANA
GaRankuwa

TAX: Bophuthatswana slips charging non-existent taxes.

Section A.

~~A production possibility frontier shows the different choices of goods that can be attained by, say a society, using an existing variable factor, say labour.~~



As an example, if only two variable factors can vary, say land and capital, then the production possibility frontier shows

TAXATION - 1983

JAN. — DEC.

State losing millions in taxes

Cape Times 20/1/83

(320)

775

Political Correspondent

SOUTH AFRICAN taxpayers could be getting away with R100 million a year in due taxes while the government is unable to run proper checks on the expenditure of its own departments.

All this is due to a severe shortage of accounting and auditing staff in all government departments, including Inland Revenue.

The shortage is highlighted in evidence given to the parliamentary select committee on public accounts. The committee has expressed "grave concern" at the situation and is to take further evidence on the matter.

The Auditor-General's report on government departments for the 1980-81 tax year, and questioning by the select committee, show that:

- The Auditor-General, Mr W G Schickerling, certified the correctness of the accounts of government departments with "hesitation and anxiety".
- Millions of rand in uncollected taxes is lost annually because Inland Revenue lacks staff to perform sufficient checks on tax assessments.

Unrefunded

- People unwittingly paying too much tax could go unrefunded for the same reason.
- There is deteriorating internal financial control in government departments, where staff shortages have led some departments to tell the Treasury that they simply cannot cope.
- There is no assistant auditor in either the Department of Community Development or the Department of Transport, where a total of nine such posts are vacant, while nearly every other government department is understaffed.
- The Auditor-General's department does not employ a single qualified chartered accountant because it cannot offer competitive salaries.

Mr Schickerling and the Commissioner for Inland Revenue, Mr Mickey van der Walt, were both questioned by the committee on the auditing of income tax assessments and the amount of potential tax which went uncollected.

Mr Schickerling said that in the 1980-81 financial year, his auditors had carried out checks at only 11 of the 32 Inland Revenue offices. Only two percent of the returns at these offices, which excluded the major centres, had been checked, but the audit had resulted in nearly R640 000 in additional due taxes being collected.

He estimated that, if a 50 percent or 60 percent audit could be carried out, the additional revenue could amount to R100 million.

He said income tax auditing, particularly of companies, was a complicated task and the public service suffered both from a shortage of trained staff and a high turnover of personnel.

As far as he could establish, there was no auditing at all of company tax assessments by the Auditor-General's department, although Mr Van

A ➡➡➡

Cape Times 20/1/83

A From page 1

der Walt said 10 percent of company returns and 20 percent of individual assessments were chosen for random checks by Inland Revenue.

The check had shown an average error of 4.7 percent in individual assessments and eight percent in company assessments.

Mr Van der Walt said Inland Revenue had 1 030 vacant posts and a staff shortage of 22.9 percent as compared with 17.0 percent in the public service as a whole.

Mr Van der Walt also disputed a press estimate that R800 million in sales tax had gone uncollected in a 45-month period. He said the 90 percent recovery rate for sales tax was high because most of it came from a small number of large chain stores.

R700-m in lost taxes every year

326

Star 21/1/83

By Sheryl Raine, Pretoria Bureau

The Government is losing at least R700 million a year in uncollected taxes, a highly placed source in the Department of Inland Revenue has revealed.

Even though staff shortages in this branch of the Department of Finance had been largely overcome since matriculants entered the job market in November last year, it would take about five years for the new recruits to become competent tax assessors, the source said.

This week The Star reported that deteriorating internal control measures in the public service and critical shortages of staff were estimated by the Auditor-General to have cost the Government R100 million in lost revenue in 1980/81.

'A VERY RELIABLE GUESSTIMATE'

"This is a conservative estimate," said a spokesman for the Department of Inland Revenue in Pretoria. "A very reliable guesstimate puts losses from uncollected taxes in the region of at least R700 million a year."

Some economists had calculated losses of R1 000 million a year, but the actual losses of revenue were incalculable, the spokesman said.

In June last year Inland Revenue reported a 22,9 percent staff shortage. This had dropped to about 5 percent after a new dispensation and salary increases granted to the department last year.

TEN YEARS OF TRAINING NEEDED

"We are now able to do more work than before but we still lack the experienced staff needed to apply the various tax Acts effectively," the spokesman said. "It takes up to 10 years to train a tax assessor to tackle complicated tax returns. A tax assessor can learn the theoretical background to tax law within a matter of months but it takes about five years for him to become a competent assessor."

Meanwhile, the Commission for Administration and the Public Servants Association have both denied that the rationalisation of the public service since 1979 has been in any way to blame for loss of revenue.

Although certain teething problems had occurred in the rationalising of Government departments down to 20 departments in 1980, rationalisaton had in most cases, particularly in the Department of Finance, led to the establishment of a firm basis for financial management, they said.

There had also been a sinificant improvement since 1980/81 in the black staffing situation owing to recent adjustments in pay structures to create parity between black and white salaries.

SUNDAY EXPRESS January 23, 1983

320 ~~275~~ ~~250~~

Does anyone audit GST?

WATCHDOG SILENT ON THE TAX HAUL

By JEAN LE MAY, Political Reporter

WITHIN weeks of a Sunday Express disclosure that R800-million in GST had not reached the State, the Government's watchdog on public expenditure told a Parliamentary committee he did not know if his staff audited GST.

This has emerged from remarks by the former Auditor-General, Mr W G Schickerling (who has since retired) to the Parliamentary Select Committee on Public Accounts.

The committee's report has just been published.

And yesterday, the present Auditor-General, Mr A P Ellis, was also unable to say if GST was audited. "I can't comment as I do not have the facts."

The Sunday Express disclosure, in January last year, led to a major Parliamentary debate — and an acknowledgment by the Minister of Finance, Mr Owen Horwood, that South Africa lost large amounts in uncollected GST.

The Minister conceded that in 43 months more than R628-million in GST payments had not reached the State's coffers. SA's 'compliance' (tax collection rate) was 90%, he said, and the missing money represented the the 10% in taxes that have not been collected.

However, the Government's own experts told the Sunday Express that their calculation on losses was higher — 14% (R809-million). The investigation showed that the losses had been caused largely as a result of growing staff shortages in the Inland Revenue Department, which did not have the means to trace, process and collect all taxes.

The Select Committee on Public Accounts report this week also disclosed that deteriorating internal control measures in the public service and critical staff shortages were costing the State millions of rands in uncollected taxes as well.

Mr Schickerling told the committee his department had been able to carry out a basic check at only 11 of the 32 Receiver of Revenue offices because of staff shortages.

An audit of only 2% showed shortfalls of R637 000, and he estimated that if a 50% to 60% audit was undertaken, the amount could reach R100-million.

However, in regard to GST losses, the report discloses that Mr Schickerling was asked by Progressive Federal Party MP for Yeoville, Mr Harry Schwarz, whether his department was auditing GST.

Mr Schickerling: These things are audited, but it is in the hands of the field staff.

Mr Schwarz: It was not done this year (1981). You have only done income tax.

Mr Schickerling: It is not specifically reported ...

Mr Schwarz: Either you are not reporting them, or alternatively there is nothing wrong and I will not accept that proposition ... Do you audit (general) sales tax?

Mr Schickerling: I do not know. We can discuss it next week.

Mr W J H van der Walt, Commissioner for Inland Revenue, told the committee that transgressions in not paying GST were most likely among small traders, but that "as far as the total volume of tax is concerned, it is rather negligible".

The 90% recovery rate of GST was much higher than that for income tax, which he estimated at 85% for businesses and "much higher" for salaried people.

Govt men say staff shortages are the cause of improper audits

Sunday Express
JOHANNESBURG, JANUARY 24, 1982 38c Plus Sales Tax 2c Prices elsewhere on Back Page

Perks tax could feed inflation

REVEALED: You'll pay more because R400-million in GST has gone astray

SA'S GREATEST TAX SWINDLE

FLASHBACK: The exclusive Sunday Express report of January 24

MOST of the senior Government and Army men who appeared before the 1982 Parliamentary Select Committee on Public Accounts complained of inability to comply with auditing requirements because of critical staff shortages.

Among the departments experiencing difficulties with accounting under a new system introduced by the Treasury was, apparently, the South African Defence Force.

The committee thrashed out the difficulties of stock-taking under operational conditions but the main concern was with the position at technical stores depots.

At one of these, the last complete stock-taking had been done in 1959/60 — 22 years ago.

● General Viljoen: "The enemy was far easier to cope with than the administration".

During a complicated discussion on certificates of exemption from stock-taking the head of the Army, General Constand Viljoen, admitted to Mr Harry Schwarz (PFP) that "the enemy was far easier to cope with than the administration".

The Department of Prisons, which exceeded its budget by R18,5-million in 1981, also had problems with meeting audit requirements.

Mr H J van Eck, deputy Auditor-General, told the PSC that there was "not a proper audit" for the department because more than 10 000 vouchers were missing.

Lieut-General W H Willemse, deputy Commissioner (staff services), said that this was because new accounting procedures had been introduced following "rationalisation" when the Prisons Department, formerly a separate Government department, was placed under the Department of Justice.

The PSC report also disclosed that the State Trust Board had written off an amount of R30 000 paid to Mr Chris van der Merwe by the then Secretary for Information, Dr Eschel Rhoodie, for losses incurred on a prestige book about Transkei which he published in 1976 at the request of the Department of Information.

The report also deals with the PSC scrutiny of the SA Transport Services, during which the Director-General, Mr A B Eksteen, was questioned by Mr Schwarz about the activities of the salvage tugs operated under the Oil Pollution Prevention Fund.

Mr Eksteen said one of the tugs had towed oil rigs from Mobile, Alabama in the United States, through the Straits of Magellan to Los Angeles and from Trinidad in the Caribbean to Mobile.

MR SCHWARZ: I thought the purpose of these vessels was to combat oil pollution on the South African coast. I do not understand what we are doing towing things all over the world.

MR EKSTEEN: The purpose of that is to make more money.

The inability of State departments to comply with auditing requirements was reflected by Mr J H van der Walt, Commissioner for Inland Revenue, in his evidence to the committee.

Asked if the merging of the Treasury, Inland Revenue, and Customs and Excise departments with the Department of Finance had increased the effectiveness of his office, he replied: "Unfortunately, no."

Govt accused of 'biting' into pockets

~~3??~~

320

3/1/83 Sowetan

By EPHRAIM DAMOYI

THE GOVERNMENT was putting its teeth deep in the black communties' lifeblood by increasing rentals, services charges, transport and general sales tax, a meeting was told at the weekend.

In his Vaal Triangle Chamber of Commerce chairman's report, Mr Moses Marole said this was so even at the time when the country's economy was on the downturn and more blacks were being retrenched from their jobs.

Mr Marole said the world was experiencing a "very difficult time" and governments were taxing communities heavily in order to remain in power.

As a result of workforce reductions many black workers were left in a state of catastrophe and those who remained employed were having their working hours cut down.

"As a business community we are concerned about the country's economic stability," he said. "We feel directly challenged by the ever-increasing queues at the labour office where our people stand hungry and thirsty while waiting for someone to give them employment."

He appealed to the public to support buy-at-home campaigns and local industries. He also appealed to businessmen to unite and co-operate in all business matters and so have one powerful voice.

"If we sit back and not encourage our friends and other business people to join the chamber, we will be doomed and perish like fools. If we think that we can meet the authorities individually we might be doomed. Only united action can solve our problems. If we are divided we will fall," he said.

The local businessmen were faced with the challenge of a three-star hotel that was to be built in Zone 14, Sebokeng. He asked members of his chamber how they wanted it financed and managed.

He said the newly-elected chairman of the Vaal Community Council, Mr Esau Mahlatsi, had opened his doors to any organisation that wanted to negotiate anything with his council.

Chorus of protest at tax news delay

320
ROOM
4/2/83

By GERALD REILLY
Pretoria Bureau

BUSINESS and labour leaders yesterday slammed the Minister of Finance, Mr Owen Horwood, for his blunt refusal in Parliament this week to say when the fringe benefit taxation was to be introduced.

The implementation of the tax has been postponed twice since it was first mooted more than three years ago.

Yesterday business leaders and the PFP's finance spokesman, Mr Harry Schwarz, appealed urgently to the Minister to make an immediate "positive and unequivocal" statement.

Replying to a question from Mr Schwarz in the Assembly this week the Minister said he could give no date when the proposed tax would be introduced. However, it was reliably learnt that Mr Horwood told a group of leading businessmen last November that he would not include the tax in this March Budget.

A spokesman for the Federated Chamber of Industries said the business community must be given reasonable time to prepare for the tax.

In the FCI's view, there was now too little time to launch the tax at the start of the new financial year.

Businessmen spoken to condemned the Minister's inability or refusal to publish details of the draft Bill and the introductory date.

The president of the Trade Union Council of South Africa (Tucsa), Dr Anna Scheepers, said the Minister had had ample time to introduce the tax.

"It's been causing uncertainty for the past three years. It's inconceivable that he is still unable to announce the conditions of the tax, and the date of its introduction."

If there were logical reasons for the delay he must make them public, she said.

Mr Schwarz said the Minister's reply to his question had again clouded the whole issue with uncertainty.

"The reality is that the Government undertook to give all interested parties a reasonable opportunity of studying the final recommendations from the commission, and for preparing their businesses for the introduction of the tax. If there is uncertainty he should give the country the reasons for it. If there are last minute administrative snags he should say so."

Mr Schwarz said there was no reason why the Minister could not introduce the legislation during the current session with an announcement that it would only be implemented in the 1984-85 financial year.

(320) Star 7/2/83

Masa urges food tax cut to halt hunger

Pretoria Correspondent

A call for the abolition or decrease of sales tax on basic foodstuffs to combat malnutrition in South Africa has been made bv the Medical Association of South Africa.

Masa says strict price control on basic foods, compulsory enrichment of sifted mealiemeal and less or no sales tax on meal, bread, milk, eggs and sugar would prevent malnutrition, socio-economic disruption, crime and revolt.

In an article under the headline, "Malnutrition is more than just a hungry stomach" in a supplement to the latest edition of South African Medical Journal, MASA quotes a Pretoria doctor as saying the obligations of the Government could be placed in perspective by comparing the daily hospital cost of treating a patient suffering from malnutrition to the price of a bag of mealies.

Masa investigated the influence of increased prices of foods on the health of the population. Food usually is the first item to be cut when buying power decreases, the article says. Rent and water and electricity are paid first because of fear of eviction.

Statistics before Masa are based on hospital records and research done in certain areas since 1970. In Natal, Transvaal and Transkei it was found that between 18,9 and 70 percent of the people investigated were under-weight.

"At one Natal Provincial hospital during 1980 there were 602 deaths caused by malnutrition. These represented 51 percent of the deaths in that particular paediatric ward," the article says.

Tests on 100 children between one and five years old in the Free State showed that 66 of them suffered from malnutrition.

Although malnutrition also exists in the middle and higher income groups as a result of indiscriminate intake of fat and salt, and the use of refined sugar, malnutrition in the lower socio-economic group is caused by poverty, the article says.

'Swapo Invaders' to help SADF comforts

By Andrew Walker

The South African Defence Force is preparing to meet a total onslaught by a new enemy — Space Invaders.

Instead of doing battle with youngsters at corner cafes, Space Invader machines will soon be pitted against SA Army troops in military bases around the country.

Part of the proceeds of the operation will go to the units which accept the machines and be used to improve amenities at the camps.

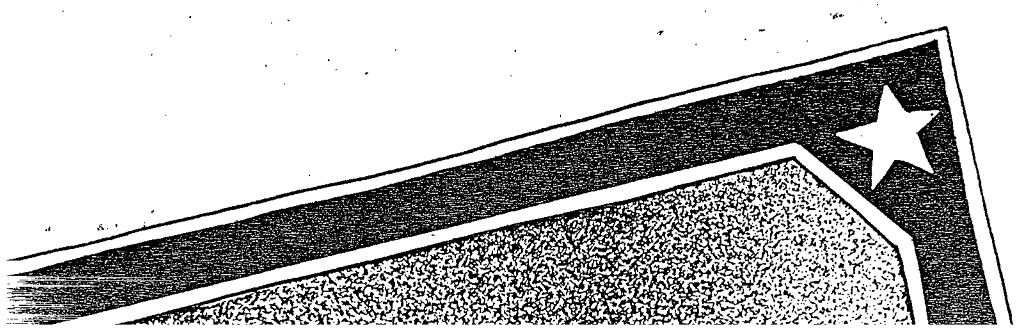
The latest issue of Uniform, the official newspaper of the SA Army, says the response to the scheme has been encouraging.

But the troopies will not use the electronic mechanisms to blast invading spaceships. It will be more of a case of gunning down "Swapo Invaders" — armed not with alien laser guns, but with AK rifles.

"We are attempting to modify the machines to South African conditions," said Space Invader supplier Mr Robin Bernstein.

His firm will supply, maintain and install the machines at any barracks which requests them.

"It is a purely commercial venture but I expect the Army stands to make quite a lot out of it," he said.



GST may be cut, levy abolished

ARGUS 16/2/83

(320)

By TOS WENTZEL
Political Correspondent

THE reduction of general sales tax to five percent and the abolition of the import levy could be announced by the Minister of Finance, Mr Owen Horwood, when he introduces the Part Appropriation Bill tomorrow.

This year he is asking for R5 600-million to tide over State finances until the Budget is passed.

Last year he used the occasion to increase GST to five percent and to impose a 10 percent import levy.

Later GST was increased to six percent, but the levy was reduced to five percent.

RECESSION

While the economy is still in recession with increased unemployment, there are positive developments that could make it possible for the Minister to produce some concessions. These are:

- The strengthening of the balance of payments from a large deficit to a surplus.
- A higher gold price than was provided for in the Minister's budgeting.
- Inflation, while still at a high level, is not increasing because of recessionary conditions.
- Money is readily available at rates below the inflation rate.

Mr Horwood is therefore in a position where he does not need more tax, in spite of the recession.

But he needs to do something about inflation and to ensure that unemployment does not get to politically dangerous levels. He could therefore give some concessions in the Part Appropriation.

Mr Harry Schwarz, the Opposition's main spokesman on finance, said today the removal of the remainder of the import levy should bring some relief in the price of imported goods.

The reduction of GST would help consumers at all levels to keep pace with inflation as wage and salary increases this year were unlikely.

Top firms avoid tax — PFP

CAPE TIMES 17/2/83

320

Staff Reporter

ADMINISTRATIVE incompetence had led to the erosion of South Africa's tax base, with serious implications for the country's overall financial structure, the Provincial Council's Opposition spokesman for finance, Mr Geoff Everingham, MPC for Pinelands, said yesterday.

He was speaking during the second reading of the Part Appropriation Draft Ordinance in which the Administrator, Mr Gene Louw, asked for R510-million to tide the Administration over from the end of this financial year to the beginning of July, when the new budget funds start flowing.

Mr Everingham said the understaffed and undertrained revenue authorities were being "taken to the cleaners" by major companies who were legitimately avoiding massive amounts of taxation.

The results of a survey, which he had conducted among 10 large industrial companies, showed that the rate of tax they paid amounted to only 28,1 percent of profits, in spite of the fact that the tax rate was 46,2 percent.

South Africa was faced with a situation where in spite of a tax increase in the last budget, the taxes actually paid by leading companies were falling as a percentage of profits. Of the two financial years which he had surveyed, the extra R332-million profits only generated R20-million in extra taxation.

Many people in financial circles regarded the Government's administration of the tax system "as a joke".

Recalling the recent report of the Auditor-General, Mr Everingham, said checks were only made at 11 of the 32 revenue offices. Not one chartered accountant was employed.

Tax collection was a shambles, he said.

"With the danger of increased personal taxation or worse still, an increase in sales tax, we may well be faced with a situation where the tax system is resulting in a redistribution of wealth from the poor to the rich."

The debate was adjourned to today.

● Mr Everingham's amendment reads: "That this council declines to pass the second reading of the Part Appropriation Draft Ordinance unless and until the National Party reverses its dictatorial policies and laws which militate against the principles of democracy."

320 Hansard Q. Col. 177-179

Gross national product/tax revenue

136. Mr. J. H. VISAGIE asked the Minister of Finance:†

(1) What was the gross national product of each province in each of the latest specified two years for which figures are available;

(2) what was the tax revenue for the State in respect of (a) individuals and (b) companies in each province in each such year?

The MINISTER OF FINANCE:

(1) No figures in respect of two successive years for the gross national product of the provinces are available

(2) The following tax revenue for the financial years ending 31 March 1981 and 1982 were payed in each province

17/2/83

(a) INDIVIDUALS

	1981 R	1982 R
Cape Province	432 840 889	652 692 834
Natal	220 418 088	336 942 382
Orange Free State	95 029 686	139 851 978
Transvaal	1 342 613 387	2 034 422 975
Total	2 090 902 050	3 163 910 169

(b) COMPANIES

	1981 R	1982 R
Cape Province	380 788 435	523 887 445
Natal	300 151 501	395 248 276
Orange Free State	32 537 350	41 999 742
Transvaal	1 704 103 226	2 160 487 240
Total	2 417 580 512	3 121 622 703

(i) It should be noted that tax payable could be deposited at any of the somewhat 300 revenue offices in the Republic and that the revenue of a certain province may therefore not reflect the economic activity of that particular office.

(ii) It should be noted furthermore that revenue received from certain companies are non indicatory for its economic activity in a particular province, as the large companies which operate nationally pay their taxes at the revenue office where its head office resides.

No change in general sales tax

CAPE TIMES 18/2/83

320

HOUSE OF ASSEMBLY. — Sales tax is to remain unchanged and the import surcharge is to be reduced by 2,5 percent once the Part Appropriation Bill is approved.

The Minister of Finance, Mr Owen Horwood, said when proposing the bill's Second Reading yesterday that in this year's mini-budget he was asking for about 14 percent more than the R4 900-million required last year, but warned parliamentarians not to draw any conclusions from this figure regarding the main budget.

"I do not want to anticipate the main budget in any way," he said. "It should be clear we have had a difficult year and another difficult year is awaiting us."

'Discipline'

To prevent unnecessary speculation he wanted to make it clear the government would continue with its policy of financial discipline, Mr Horwood said.

South Africa had survived the economic storms that had battered the economies of the large industrial countries and crippled countries such as Mexico, Argentina and Brazil.

South Africa had taken the necessary fiscal and monetary steps to meet this world depression and to make the required adjustments with the least possible disruptions.

"We succeeded in these goals," he said.

The main features of government policy had been:

● Increase in government spending had been kept to the minimum.

● The "deficit before borrowing" in the budget had been kept low by, among other things, increasing General Sales Tax through two notches to six percent within a single year.

● The "deficit before borrowing" had been financed without any net use of bank credit by issues of government bonds and by way of "tap issues" via the Reserve Bank.

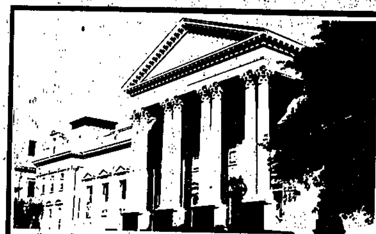
● The Reserve Bank and Treasury had reduced the growth rate of the money supply from 27 percent in 1980 and 25 percent in 1981 to a rate of 14 percent in the second half of 1982.

● The exchange rate of the rand had been kept realistic by allowing it to fluctuate according to supply and demand.

● The Reserve Bank had succeeded in obtaining the necessary foreign credit over the past three years and to negotiate gold exchange transactions.

"The results of this fiscal and monetary policy have exceeded our most optimistic expectations," Mr Horwood said. A few examples were:

● The current account deficit in the balance of payments of R6 900-million in the first quarter of 1982 had turned to a surplus of about R1 000-million by the end of the year.



Mini Budget

● The capital account of the balance of payments had also shown a remarkable improvement as a result of realistic interest rates which generated a large net inflow of foreign capital.

● Gold and foreign reserves, which had dropped sharply between September 1980 and June 1982, had risen strongly to R2 500-million in the next seven months.

● The depreciating rand had been converted to a strongly appreciating rand since mid-1982.

● Share prices and turnover at the Johannesburg Stock Exchange had climbed steeply since mid-1982.

Mr Horwood then sketched the reasons for and the result of the decision to lift the exchange control measures on foreign capital, saying the financial markets had all adjusted more readily than expected. — Sapa

(320) Hansard 18/2/83
Q. Col. 225 – 228

Taxpayers/tax

162. Mr. H. H. SCHWARZ asked the Minister of Finance:

(a) What was the (i) number of individual taxpayers in each income category and (ii) tax assessed in each income category expressed as a percentage of total tax assessed in the 1981-'82 tax year and (b) what percentage of each group of taxpayers is Black?

The MINISTER OF FINANCE:

(a) (i) and (ii) Reliable statistics for the 1981-'82 tax year are not yet available. The following figures reflect the position in respect of the 1980-'81 tax year as at 31 January 1983:—

Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
LOSS	14 718	—
NIL	64 673	—
1— 1 000	90 079	—
1 001— 2 000	122 902	0.06
2 001— 3 000	165 289	0,34
3 001— 4 000	174 402	0,70
4 001— 5 000	153 526	0,94

Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
5 001— 6 000	130 473	1,13
6 001— 7 000	111 681	1,30
7 001— 8 000	101 202	1,60
8 001— 9 000	94 194	1,99
9 001— 10 000	89 833	2,46
10 001— 12 000	166 847	6,46
12 001— 14 000	143 944	8,22
14 001— 16 000	112 958	8,98
16 001— 18 000	81 077	8,57
18 001— 20 000	55 617	7,43
20 001— 22 000	37 125	6,07
22 001— 24 000	25 286	4,93
24 001— 26 000	17 538	4,00
26 001— 28 000	13 569	3,56
28 001— 30 000	10 217	3,06
30 001— 40 000	24 558	9,64
40 001— 50 000	8 894	5,30
50 001— 80 000	7 329	6,78
80 001—100 000	1 274	1,87
100 001—150 000	990	2,02
150 001 and over	621	2,59
TOTAL	2 020 816	100,00

(b) None. The statistics at my disposal only relate to tax levied under the Income Tax Act, 1962, which is not applicable to the income of Blacks.

(320) Hansard Q. Col. 183-4
18/2/83

Blacks: tax

*2. 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 1981-'82 financial year and (b) how many Blacks paid tax on income during this period?

†The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) R152 287 455.

(b) 2 550 404.

320) Hansard Q.61, 296-298
24/2/83

Tax payers/uniform taxation system

260. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) What percentage of each group of taxpayers in respect of the 1980-'81 financial year falls into the (a) White, (b) Coloured and (c) Asian race group;

(2) (a) what progress has been made in respect of a uniform taxation system for all races in South Africa and (b) when is it anticipated that such a system will be brought into operation?

The MINISTER OF FINANCE:

(1)

	(a) %	(b) %	(c) %
Loss	97,17	0,89	1,94
Nil	74,56	17,11	8,33
R 1—R 1 000	73,38	18,72	7,90
R 1 001—R 2 000	52,57	36,09	11,34
R 2 001—R 3 000	53,36	33,64	13,00
R 3 001—R 4 000	62,75	24,41	12,84
R 4 001—R 5 000	66,96	20,98	12,06
R 5 001—R 6 000	71,30	18,01	10,69
R 6 001—R 7 000	76,23	14,60	9,17
R 7 001—R 8 000	80,70	11,54	7,76
R 8 001—R 9 000	85,17	9,11	5,72
R 9 001—R 10 000	88,92	6,79	4,29
R 10 001—R 12 000	92,74	4,43	2,83
R 12 001—R 14 000	95,54	2,59	1,87
R 14 001—R 16 000	96,98	1,56	1,46
R 16 001—R 18 000	97,83	0,90	1,27
R 18 001—R 20 000	98,03	0,61	1,36
R 20 001—R 22 000	98,22	0,45	1,33
R 22 001—R 24 000	98,04	0,43	1,53
R 24 001—R 26 000	97,76	0,42	1,82
R 26 001—R 28 000	97,32	0,51	2,17
R 28 001—R 30 000	97,20	0,43	2,37
R 30 001—R 40 000	97,58	0,34	2,08
R 40 001—R 50 000	98,07	0,28	1,65
R 50 001—R 80 000	98,72	0,19	1,09
R 80 001—R100 000	98,74	0,24	1,02
R100 001—R150 000	99,60	0,10	0,30
R150 001 and over	99,68	—	0,32

(2)(a) and (b) As I said in my oral reply to Question No. 25 on Friday, 18 February 1983, I shall be dealing with this matter in my Budget Speech next month.

Capital gains tax

261. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) Whether any further consideration is being given to the introduction of a capital gains tax; if so,

(2) whether any decisions have been made in this regard; if so, what is the nature of such decisions;

(3) whether it is intended to introduce legislation relating to such tax in the current session of Parliament?

ROAD FINANCE (320)

Taking a toll

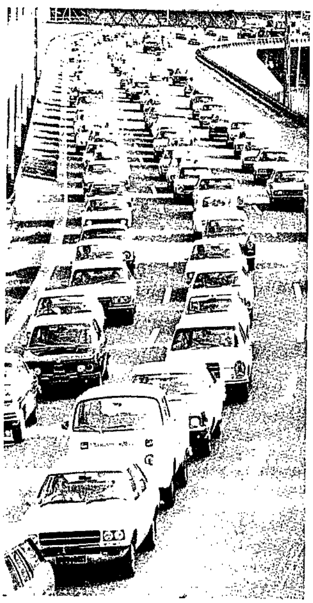
FM 25/2/83

A Bill amending the National Roads Act will be introduced in the House of Assembly soon to provide for toll financing of roads.

According to Gerrie du Plessis, MP for Kempton Park and chairman of the select committee which examined the feasibility of introducing toll financing, senior government law advisers are finalising draft legislation embodying the committee's unanimous recommendations.

The committee found that the system is feasible for "certain" projects, adding that the primary objective is to obtain additional funds to finance new projects, despite "high collection costs in comparison with existing revenue sources, such as levies on fuel sales."

It says that toll financing conforms to the principle of user charging. Tolls levied should, however, constitute a portion only of users' savings and should be differentiated according to vehicle mass and type. In addition, an alternative route should be available for users not wishing to use toll roads.



Road users ... Charging principles

Government, it says, should be part of the scheme to co-ordinate investment and determine priorities "in the allocation of resources," but toll income should be directly allocated to toll projects and not spread around. A single toll authority should be set up under the control of the National Transport Commission, which must be given powers to negotiate long-term loans for toll financing.

Although the committee found that the most appropriate toll projects were for urban roads with high traffic volumes, the projects studied comprised rural and suburban roads and suggested that the Department of Transport should investigate the introduction of toll financing on urban roads. It suggested too that the National Road Fund should receive a fixed percentage levy on fuel sales, rather than a fixed sum which is subject to negotiation from time to time.

It's a fair bet that the Du Toitskloof tunnel project between Paarl and Worcester will be the country's first toll project, followed closely, some believe, by the three bridge projects nearing completion on the Garden Route at Blaaukrantz and Nature's Valley, near Plettenberg Bay.

While the former makes sense in every way, users in the eastern Cape have grave misgivings about toll projects at the three bridges. For a start, traffic volumes at seasonal peak are no more than 1 700 vehicles a day, falling to 700 a day in February (including 300 vehicles belonging to the contractors, LTA) and to 300 a day in the winter period. Average for the year is probably not more than 600.

According to evidence before the committee, a study group of the Department of Transport was told that in France there had to be about 30 000 vehicles a day to make a toll facility economically feasible, and that was in respect of rural roads.

BANKING CHAIR

Barclays Bank has established a chair of banking management at the University of South Africa (Unisa) to "improve the quality of professional qualifications in South African banking."

It will also sponsor 100 selected undergraduates each year for the B Com degree, specialising in banking management. Their studies will be reinforced by practical training at Barclays' training centre in Sandton. These candidates "will be assured of a key position in Barclays within five years."

CAPE TIMES 2/3/83

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This figure, added to the existing provision of R90-million in the Main Estimates, brought the total subsidization of bus passengers to R136,4-million. With R80-million provided for train passenger subsidy, the State was assisting black, coloured and Indian commuters to the tune of R216,4-million in 1982/83.

Agriculture and Fisheries required an additional R142,9-million, Mr Horwood said. Of this, agriculture financing — mainly due to poor farming conditions and the resultant financial difficulties many farmers found themselves in — amounted to R66-million.

Bread subsidy

Of the further R72,5-million voted for trade subsidies and aid, R57-million would go to millers and bakers in order to avoid sharp increases in bread prices.

The largest portion of the requested additional grant of R35-million for community development was due to increased interest subsidies for housing State officials.

Replying to Mr Horwood's speech, Mr Andrew Savage (PFP Walmer) said at least half of the increases were the direct result of inflation. — Sapa

Drought: Call for snap debate

Political Staff

THE Progressive Federal Party has called for a special snap debate on the critical drought in many parts of the country which, it believes is creating panic in the farming community.

The call was made yesterday by Mr Errol Moorcroft, chief oppositon spokesman on agriculture.

In a statement he said the drought had assumed such critical proportions that the survival of South Africa's entire agriculture industry was at stake.

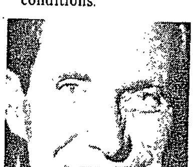
Earlier, speaking during the Second Reading debate on the Additional Apropriation Bill, Mr Moorcroft had said that every day the opposition was receiving distress calls from the farming community.

"One senses almost a degree of panic among the farming community about the impending winter and about the conditions generally in agriculture today."

Earlier during the debate, The Minister of Agriculture, Mr Greyling Wentzel, had said his department was working on a scientific drought index which would enable it to gauge the extent of the drought.

The current drought, he said, was an abnormal one and the government had tailored drought relief aid accordingly.

The basic agriculture policy would have to be investigated and long-term measures would have to be devised for recovering production capacity in the long term and thereby making the industry less vulnerable in drought conditions.



CAPE TIMES 2/3/83 (320)

Horwood: SA GST 'lowest'

Political Correspondent

HOUSE OF ASSEMBLY. — The Minister of Finance Mr Owen Horwood, believes South Africa has the lowest rate of general sales tax in the world because no items, including food, are exempt.

He told Parliament that the average rate of sales tax in other countries was between 15 and 17 percent, when South Africa's was six percent.

Replying to the Second Reading debate on the mini-budget, he said finance ministers in other countries had expressed admiration for a system which, because it made no exemptions, enabled a low rate of tax to be applied.

They had told him that they had escalatory value added taxes and they had all, under pressure, made exemptions which had sent the tax rate soaring.

The underlying reason for GST was that every citizen should contribute something, however small, to the services provided by the State. He described as "fallacious and misleading" opposition statements that GST taxed the poor.

Subsidies

Mr Horwood said food and transport subsidies totalled about more than R500-million a year to help relieve the burden of inflation.

He asked whether South Africa's current 14 percent inflation was "such a terrible rate" in a developing country.

Three years ago South Africa had been told by the International Monetary Fund that it should be like Brazil. Brazil, however, had 100 percent inflation today and owed the rest of the world some 90 billion dollars.

South Africa's inflation rate over the past five years had moved between a narrow 12 percent to 15 percent. Of the developed countries, Britain and America had five percent inflation but Britain's had recently been as high as 25 percent and America's up to 16 percent.

Standards up

The increase in South Africa's living standards compared favourably with any other country in the world, Mr Horwood said. Real earnings in the non-agricultural sector had increased by 3,5 percent in 1980 and by 4,4 percent in the first nine months of 1981.

The real domestic product per head of the whole population had risen by nearly five percent in 1980 and a further 2,2 percent in 1981, reflecting a general rise in living standards.

Returning to the argument that the government taxed the poor, Mr Horwood quoted a survey which had found that two-thirds of the total personal income tax was paid by the richest 10 percent of the population.

The lowest-paid half of the population paid only two percent of all direct taxes.

Apart from various tax concessions for the elderly, pensions had risen by 135 percent over the past five years. Since the Nationalist Government came to power in 1948, pensions had increased twelve-fold while the inflation rate had increased by seven times over the same period, he said.

Police bill 'departs' from criminal code

HOUSE OF ASSEMBLY. — Giving the police absolute power to search anyone on public roads without their necessarily being reasonable grounds to do so would be a fundamental departure from the country's criminal code, Mr Harry Pitman (PFP Pinetown) said yesterday.

He was speaking in the Second Reading debate on the Police Amendment Bill, which would give the SAP the right to search, without warrant, any vehicle at a

RAISING TAXES 320 FM 4/3/83

If you must, choose gst

It is not at all clear whether Finance Minister Owen Horwood will need to raise taxes in his Budget this month. But if so, this should be done by raising gst.

On the face of it, the Exchequer's revenue position looks very comfortable. This is because of the rise in gst last year, an average gold price much higher than the $315/oz assumed in the last Budget and large Treasury borrowings.

The question of higher taxes arises mainly because an assumption has to be made on gold income at a time when the gold price is particularly erratic. Horwood would be wise in these circumstances to adhere to his past conservatism. Non-gold mining corporate tax revenue is also likely to be sharply down.

Another complication is the agreement with the International Monetary Fund to keep the deficit before borrowing to R2,85 billion.

There are a number of advantages in obtaining increased revenue from gst rather than income tax. One is that receipts flow quickly to the Exchequer. A rise in income tax begins to accrue only about six months into the fiscal year once PAYE adjustments are made.

A more telling reason is that gst is spread across the whole community and does not interfere with the existing economic balance: it does not place a larger burden on those who are usually the most productive.

A higher income tax, on the other hand, falls heavily on higher earners, especially as inflation pushes them into ever higher tax brackets. That is why 50% of tax is paid by only 7% of taxpayers. This circumscribes the ability of the economy to grow, which in the end is to the disadvantage of rich and poor alike.

Of course, with rising unemployment, higher gst may appear to be socially reprehensible. But the way to cushion unemployment should be through direct subsidies. That won't necessarily reduce the chances of the economy growing.

320) Hansard
Q. 61, 534 8/3/83

Taxpayers

164. Mr H. H. SCHWARZ asked the Minister of Co-operation and Development:

What was the (a) total number of Black taxpayers and (b) amount of income tax revenue derived from them in the 1980-'81 and 1981-'82 tax years, respectively, as at 30 June 1982?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

Particulars in respect of the total number of Black taxpayers and the total amount of income tax collected, can only be furnished annually as at 31 March:

1980/'81 (a) 2 022 501.
(b) R89 478 368.

1981/'82 (a) 2 550 404.
(b) R152 287 455.

320) Hansard

Q.61. 527—528

Taxpayers

431. Mr. H. H. SCHWARZ asked the Minister of Finance: 7/3/83

How many taxpayers in each income category in respect of the 1981-'82 tax year were (a) White, (b) Coloured and (c) Indian?

The MINISTER OF FINANCE:

Reliable statistics in respect of the 1981-'82 tax year are not as yet available. As at 31 January 1983 assessments issued in respect of the 1980-'81 tax year reflected the following:—

Income category	(a) White	(b) Coloured	(c) Asian
Loss	14 302	131	285
Nil	48 222	11 065	5 386
R 1—R 1 000	66 099	16 862	7 118
R 1 001—R 2 000	64 610	44 359	13 933
R 2 001—R 3 000	88 202	55 599	21 488
R 3 001—R 4 000	109 433	42 576	22 393
R 4 001—R 5 000	102 794	32 217	18 515
R 5 001—R 6 000	93 020	23 503	13 950
R 6 001—R 7 000	85 132	16 310	10 239
R 7 001—R 8 000	81 671	11 677	7 854
R 8 001—R 9 000	80 228	8 584	5 382
R 9 001—R 10 000	79 881	6 096	3 856
R 10 001—R 12 000	154 734	7 398	4 715
R 12 001—R 14 000	137 531	3 725	2 688
R 14 001—R 16 000	109 545	1 759	1 654
R 16 001—R 18 000	79 320	726	1 031
R 18 001—R 20 000	54 523	757	337
R 20 001—R 22 000	36 464	167	494
R 22 001—R 24 000	24 791	109	386
R 24 001—R 26 000	17 146	73	319
R 26 001—R 28 000	13 205	69	295
R 28 001—R 30 000	9 931	44	242
R 30 001—R 40 000	23 965	83	510
R 40 001—R 50 000	8 722	25	147
R 50 001—R 80 000	7 235	80	14
R 80 001—R100 000	1 258	3	13
R100 001—R150 000	986	1	3
R150 001 and over	619	—	2
Total	1 593 569	283 998	143 249

LOCAL GOVERNMENT FM 11.3.83

The Croeser option (320)

The Parliamentary select committee on the Constitution hopes to finish drafting a new Black Communities Development Bill (BCDB) before the Easter recess. Co-operation and Development Minister Piet Koornhof could then introduce the measure in mid-April.

Publication of the Bill should give a clear indication of how government intends the new "autonomous" black local authorities to be financed. Last week's announcement of a mass sell-off of State-owned houses indicates that Pretoria is coming to terms with a permanent black presence in urban areas.

The *FM* understands the new Bill could go a long way towards clearing up government's attitude towards black land ownership. Opposition to individual freehold title remains strong but it is probable government will agree to the transfer of public land, currently owned by the administration boards, to black local authorities.

The mechanism could be that the BCDB would provide for the transfer of public land from administration boards to the Minister. He could then, depending on circumstances, decide to transfer land to the newly-structured township councils.

But there are doubts whether property taxation, and the development of profitable business areas, would be sufficient to make black town councils financially viable. If they remain divorced from the rest of the urban milieu, the prospect recedes further.

The infrastructure supporting an urban community is tied to the needs and capabilities of the industrial, commercial and residential sectors. Black townships lack both industrial and commercial bases. They are, and for the foreseeable future will be, largely residential.

How, in fact, black local authorities should be financed is an open debate. Strong support is emerging for the so-called Croeser option. This advocates a system of metropolitan financing and is based on the recognition of the fact that a sound financial base must be related to the entire urban community.

Gerhard Croeser, chief of public finance at the Department of Finance, suggests the establishment of combined local government organisations to provide "hard services" to urban communities of all population groups. These bodies would be established in the eight development regions, and in some of the 42 sub-regions of the National Physical Development Plan, and be known as joint services committees (JSCs).

Their function would be the planning and co-ordination of land usage, water supply, sewerage, electricity supply, fire protection services and urban transport. They would provide and operate the services and have powers of taxation and financing. Also, they would determine bulk tariffs, collect revenues, and have borrowing powers, on their own behalf and as agents for their local authority members.

Municipal services demand huge capital outlays and large borrowers like the JSCs would have better status in the capital market and obtain cheaper rates than constituent local authorities.

First World standards of service would not necessarily be the objective. An acceptable minimum standard for the whole community would aimed for and communities or authorities demanding higher standards would have to pay for them from their own resources.

The greatest beneficiary from a programme to provide minimum standards for all would, in the short to medium-term, obviously be black residential zones where an enormous backlog has developed. This should not require a lowering of standards in other areas.

Koornhof ... road ahead for urban blacks?

Members of JSCs would be nominated by constituent local authorities on a basis related to their financial contributions weighted by factors like availability of additional revenue and use of specific services.

JSC revenue would come from tariffs levied on:

- Trading services (water, power, sewerage), where tariffs should be pitched to produce a trading profit;
- Economic services (libraries, caravan parks, licensing), with tariffs based on full cost allocation;
- Subsidised services (zoos, halls, museums, fire protection), where it is not possible to recover full costs. Deficits would be covered from normal revenue; and
- Community services (traffic, street lighting, roads and stormwater drains), which are provided by local authorities without any reimbursive tariffs being levied. Costs should be financed from normal revenue and subsidies, where applicable.

Financial sources Croeser has in mind are:

- A levy on all business enterprises, industries and service industries. In practice this would replace existing trade licensing and could be structured as a local turnover tax. It would probably be possible to limit this to a few tenths of a percentage point on the turnover of the previous year. The scale would have minimum levels and upper cut-off points to prevent aggravation of the cascade effect of the tax; and
- A tax on the wages of all employees in the JSC area. It would be collected from employers and its wide coverage would ensure a substantial yield at a low scale. The proceeds could be used to pay for urban transport in its broadest sense.

Croeser says that while he realises such a tax "will possibly increase the bias which our tax system may already have against the creation of job opportunities — something I don't agree with — I think it would nevertheless be wise to counter this imbalance by creating a third tax."

He calls this source an "investment levy" — a relatively unsophisticated tax which would be levied mainly on basic improvements and production equipment of business enterprises. The rationale for the tax is that improvements, which are not taxed in all the provinces or are taxed on a differentiated basis, will in future be taxed.

The attraction of the new taxes, says Croeser, is that even if the burden is passed on to consumers, no harm would be done, consumers stand to gain most from the workings of a JSC.

TAX (32) FM 11|3|83 *

Hitting wealth

The removal of discriminatory employment practices will not lead to "wealth parity" between SA's various population groups. So says Michael McGrath of Natal University's Economic Research Unit, in a paper on "The Distribution of Personal Wealth in SA."

McGrath argues that the concentration of wealth in white hands, and the inequalities in education, health and housing, virtually consigns blacks to being poor neighbours of whites in perpetuity — at least in present circumstances.

But, he adds, fundamental changes have to be made if whites are to ensure their survival. "A redistribution of opportunities, incomes and wealth is needed to induce black South Africans to desire the perpetuation of a free enterprise economic system."

He suggests that one route could be to increase wealth tax and use the income to raise standards for the less privileged. He regards estate tax as the ideal vehicle, as it avoids the harmful effects of increased tax rates as well as the regressive effects of higher sales tax. In addition, its relative importance in terms of tax revenue has fallen dramatically and there is need for a reassessment.

In 1925, estate taxes made up 4,5% of total tax revenue. By 1976, this had shrunk to a mere 0,01%. The increased level of abatements on estate duties tended to counteract fiscal drag. In 1977, there were 107 estates with gross value of more than R500 000 and with an average of more than R800 000. Statutory abatements reduced the dutiable amount on these estates to an average of R555 790 and the tax paid averaged 20% on gross value. By contrast, in the US in 1969, the average rate of tax on estates with values over R500 000 was 32%.

Says McGrath: "Estate and gift duties in America yield approximately 2,3% of the federal government's revenue. If the SA rates were adjusted to attain the same yield, the tax would have generated revenue in 1978-79 equal to one-third of the total grant from the central government to the Transkei, Bophuthatswana and the non-independent homelands."

Other forms of wealth tax he suggests could be considered. These include "inheritance taxes and gift taxes payable by the recipient, based on the accumulated value of lifetime accruals.

"Wealth taxes are paid on the annual value of the net worth of the tax-paying unit. An increase in the rate of taxation on income from wealth and an abolition of taxation exemptions on post office savings bank certificates and building society tax-free shares is possible."

But, warns McGrath: "Each alternative would require a careful evaluation with regard to its administrative feasibility, the revenue which would be yielded, the effects on the propensity to save, work and bear risks and the degree to which the taxes can be avoided."

320 ~~270~~ Q. 61.679 – 682
Hansard

Tax

476. Mr. J. J. B. VAN ZYL asked the Minster of Finance:† .

What amount of tax was paid to the Receiver of revenue by (a) the goldmines, (b) other mines, (c) companies other than mining companies and (d) individuals (i) by means of the PAYE system or (ii) otherwise in each month of 1982?

The MINISTER OF FINANCE:

Unfortunately it is not possible to distinguish between payments made in terms of the PAYE system and other payments and the information asked for is not yet available for December 1982. The available information is as follows:—

	(a) Gold Mines R	(b) Other Mines R	(c) Other Companies R	(d) Individuals R
January 1982	205 571	5 343 530	476 777 138	266 915 121
February 1982	472 550 448	44 451 453	120 343 228	310 933 578
March 1982	[illegible] 725	11 122 903	407 [illegible] 18 402	488 243 451
April 1982	719 139	1 832 387	24[illegible] 43 037	234 131 379
May 1982	135 175 884	588 32[illegible]	138 208 133	255 299 763
June 1982	—	19 312 02[illegible]	293 185 814	296 474 705
July 1982	63 670	4 412 611	534 009 674	259 001 653
August 1982	401 027 154	10 281 292	254 848 521	423 919 795
September 1982	—	2 359 924	266 629 019	444 916 655
October 1982	873 594	28 104 127	312 070 291	260 636 499
November 1982	98 074 144	22 862 200	177 161 108	305 572 527

an entertainment allowance as such, but is only reimbursed for actual expenditure when entertaining in his official capacity, up to a maximum of R1 500 per year.

Rape

638. Mr. P. R. C. ROGERS asked the Minister of Justice:

In how many cases of rape in (a) each province of the Republic and (b) the Western Cape in the latest specified period of 12 months for which figures are available (i) were (aa) prosecutions instituted and (bb) convictions obtained and (ii) was (aa) the death penalty and (bb) a suspended sentence imposed?

The MINISTER OF JUSTICE:

The required information is unfortunately not readily available. The following information has, however, been obtained from the Central Statistical Service: During the period 1 July 1981 to 30 Jun 1982 9 974 prosecutions were instituted in the Republic. There were 1 804 convictions in the Cape Province, 756 in Natal, 2 213 in Transvaal and 406 in the Orange Free State. The death penalty was imposed on three persons. In the case of 304 persons the sentence was suspended and in the case of 668 persons the sentence was partially suspended.

Hansard Q.Col. 935-936

Children in welfare homes: maintenance grant

11/4/83

672. Mr. R. A. F. SWART asked the Minister of Health and Welfare:

(1) (a) What is the *per capita* maintenance grant to welfare societies for children in welfare homes and (b) when was this grant last increased;

(2) whether the maintenance grant is to be increased in 1983; if so, (a) what will be the amount of the increase and (b) when will it come into effect?

The MINISTER OF HEALTH AND WELFARE:

(1) (a) The maximum *per capita* maintenance grant is R178,98 per child per month or the actual unit cost of the particular children's home, whichever is the least;

(b) 1 October 1982;

(2) yes;

(a) it will be calculated after 1 April 1983 in the light of the percentage increase in the consumers price index for the period 1 April 1982 to 31 March 1983 plus 3 per cent increase in respect of salaries for normal annual salary increments;

(b) 1 April 1983.

Hansard Q.Col. 936 13/4/83

320

Tobacco industry: customs/excise duty

691. Mr. A. B. WIDMAN asked the Minister of Finance:

What amount of (a) customs and (b) excise duty was derived from the tobacco industry in the 1981-'82 financial year?

The MINISTER OF FINANCE:

Customs duty—R22 784 051.
Excise duty—R351 633 413.

WEDNESDAY, 13 APRIL 1983

†Indicates translated version.

For oral reply:

Orange Free State Law Book

*1. Mr. H. D. K. VAN DER MERWE asked the Minister of Internal Affairs:†

Whether he has received any representations with regard to section 1 of Chapter XXXIII of the Orange Free State Law

Book since 28 September 1978; if so, (a) (i) when and (ii) from whom or from which bodies were the representations received and (b) what was (i) the nature of the representations and (ii) his attitude in regard thereto?

The MINISTER OF INTERNAL AFFAIRS:

Yes.

(a) (i) 1981 and 1982 to my predecessor.

(ii) The South African Indian Council and an individual member of the Council.

(b) (i) The representations dealt with the repealing of section 1.

(ii) No effect was given to the representations.

"Constitutional Guidelines: A New Dispensation for Whites, Coloureds and Indians"

*2. Dr. F. HARTZENBERG asked the Minister of Constitutional Development and Planning:†

Whether the brochure *Consitutional Guidelines: a New Dispensation for Whites, Coloureds and Indians* reflects the policy of the Government?

†The DEPUTY MINISTER OF FOREIGN AFFAIRS AND INFORMATION (for the Minister of Constitutional Development and Planning):

Yes.

"Constitutional Guidelines: A New Dispensation for Whites, Coloureds and Indians"

*3. Dr. F. HARTZENBERG asked the Minister of Foreign Affairs and Information:†

(1) Whether it is his intention to have further copies of the brochure *Constitutional Guidelines: A New dispensation for Whites, Coloureds and Indians* printed and distributed; if so, how many copies in (a) Afrikaans and (b) English are to be printed and distributed;

(2) whether the text of the brochure will remain unchanged?

The DEPUTY MINISTER OF FOREIGN AFFAIRS AND INFORMATION:

(1) There is still a great demand for the brochure. The Department of Foreign Affairs and Information, in the normal execution of its task, has decided to have (a) 20 000 of the Afrikaans edition and (b) 30 000 of the English edition reprinted to satisfy the demand.

(2) Yes.

Mr. D. J. DALLING: Mr. Speaker, arising out of the reply given by the hon. the Deputy Minister, could he tell us from what quarter this demand arises?

The DEPUTY MINISTER OF FOREIGN AFFAIRS AND INFORMATION: Mr. Speaker, the demand arises from various quarters. A reply to this supplementary question by the hon. member will be given in full when I reply to Question No. 25.

†Mr. H. D. K. VAN DER MERWE: Mr. Speaker, further arising out of the hon. the Deputy Minister's reply, can he tell us whether political parties may apply to get copies of the brochure?

†The DEPUTY MINISTER: Mr. Speaker, it amazes me that the hon. member asks such a question. The greatest demand for the brochure in fact comes from his party. [Interjections.]

†Mr. H. D. K. VAN DER MERWE: Mr. Speaker, further arising out of the hon. the Deputy Minister's reply, can he tell us whether his reply means in effect that the brochures will be made available to the various political parties?

†The DEPUTY MINISTER: Mr. speaker, if the hon. member will put the same ques-

(320) Hansard Q. col. 695 16/3/83

Taxpayers

227. Mr. H. H. SCHWARZ asked the Minister of Co-operation and Development:

What was the (a) number of individual Black taxpayers and (b) tax assessed in each income category of Black taxpayers expressed as a total percentage of the tax assessed in the 1981-'82 tax year?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) 2 550 404.

(b) Particulars of Black taxpayers in each income category are not readily available. No special record in the form of a register is kept and the information required can not be ascertained without performing a considerable volume of work.

Uniform taxation next year

320

CAPE TIMES 3/3/85

HOUSE OF ASSEMBLY. — All taxpayers in South Africa are to be taxed on a uniform basis in terms of the Income Tax Act from March 1 next year.

This was announced by the Minister of Finance, Mr Owen Horwood, in his Budget speech yesterday.

Agreement had been reached with the all the national states on the final phasing out of the Black Taxation Act, he said.

In terms of the National States Constitution Act of 1971 the various self-governing states had the right to tax the income of their citizens regardless of where such citizens resided in South Africa.

In 1979 it had been decided, in consultation with the governments of these states, to seek parity of taxes relating the incomes of all persons in the Republic.

It was not the intention to abrogate the right of the national states to tax their citizens and they had to be consulted in the final phasing out process, the minister said.

"The national states will retain their right to tax citizens and, while Inland Revenue will collect the tax in areas outside their boundaries, each state will collect the tax from its citizens within its boundaries.

"As payment of taxes cannot be identified on ethnic lines, especially PAYE deductions, and since the yield to the national states of taxes collected under the Income Tax Act will be less than under the Black Taxation Act, a basis of payment to the national states will be proposed to ensure they are not worse off," Mr Horwood said. — Sapa

CAPE TIMES 31/3/83

320

No loan levy on individuals

HOUSE OF ASSEMBLY. — The loan levy on individuals is to be abolished with effect from March 1, this year.

The Minister of Finance, Mr Owen Horwood, said yesterday that where the economy was in recession, he felt it desirable to inject a "modest morale booster" by way of financial relief.

The best measure to achieve this was, in his view, to abolish the loan levy on personal income taxpayers which he had re-imposed a year ago.

"This will leave the maximum marginal rate of tax at 50 percent without any loan levy encumbrance. I propose therefore to abolish the loan levy on individuals with effect from the tax years starting after March 1, 1983.

"The amount foregone to the Exchequer is estimated at R230 million." — Sapa

The Argus Thursday March 31 1983

ARGUS 31/3/83

320

No GST cut means 'poor will suffer'

Consumer Reporter

THE Government's failure to reduce general sales tax in the Budget means the poor will suffer as the drought pushes up food prices, according to Mr Norman Daniels, chairman of the Western Cape branch of the Trade Union Council of South Africa.

Poorer people spent a larger proportion of their income on food and other essentials and were already hard-hit by the 6 percent tax, he said.

But he welcomed the decision that all races should pay income tax on the same basis from March next year because it ended the anomaly that black taxpayers received no rebates. It was a step towards the ending of discrimination.

Chambers

This decision was also welcomed by the Cape Town Chamber of Commerce. Director Mr Brian MacLeod said it had been pressing for this for years because, under the present system, some black people paid tax at a higher rate than whites.

The director of the Cape Chamber of Industries, Mr Jack Roos, said the decision was logical but would have to be explained clearly to those affected to avoid unpleasant repercussions.

Statements from both chambers praised the Minister of Finance, Mr Owen Horwood, for his responsible attitude in producing a Budget that would continue to bring down inflation.

Loan levy

They regretted, however, that he had not removed the import surcharge, which had an inflationary effect.

That the Minister was "looking at the question of administered prices", had ended the loan levy and avoided increasing either company or personal income tax was also welcomed by the Chamber of Commerce.

The Chamber of Industries approved of Mr Horwood's promise to consult the private sector before making any decision on the taxation of fringe benefits.

It also welcomed the restrictions on Government expenditure; the help that would be given to small businesses; and the promise of a long-overdue study into the method of financing the South African Transport Services, the Post Office and other organisations.

The Minister's approach to the promotion of exports was encouraging.

"But it is essential that the precise nature of these incentives be made known as soon as possible."

● See Page 6

CAPE TIMES 30/3/83

320

No tax yet on fringe benefits

Political Staff

HOUSE OF ASSEMBLY. — Thanks to the machinations of bureaucracy South Africans can go on eating the cherry on the top for another year.

The Minister of Finance, Mr Owen Horwood, has delayed the implementation of fringe benefit tax until at least next March — but those enjoying the bonuses of free cars, subsidised housing, free petrol and lavish expense accounts are definitely approaching the end of tax-free high living.

Nothing can be done to introduce fringe benefit tax before March, 1984, says Mr Horwood.

"Last year I confirmed that the taxation of fringe benefits arising from employment had been reaffirmed by the government," he told Parliament.

It has been a government commitment of long standing. Ways of enabling the government to whip the cream off the top of taxpayers' earnings first came under investigation nearly 14 years ago.

And it has been in progress ever since, complicated only by the need to approach the matter "very circumspectly" as Mr Horwood puts it.

"It was decided," Mr Horwood said yesterday, "Because of the compexity of the problem that the standing commission's valuation proposals should form the basis of a thorough inquiry by a commission of parliamentarians."

And Mr Horwood is informed that the parliamentary commission plans to complete its report "very shortly".

Even that will not be the end of the road. Before being submitted to the cabinet for a final decision the parliamentary commission's report will be submitted to interested parties for scrutiny and comment.

"Because of the time element necessarily involved in this process it is not envisaged that any decision that may be made can be implemented before March 1, 1984," said Mr Horwood.

Cape Times 9/4/83 (320)

R500 fine for tax bribery

Staff Reporter

A SHOP-OWNER who bribed a tax officer to remove three taxpayers' files from the offices of the Receiver of Revenue in Cape Town, was fined R500 (or 12 months) in the Regional Court yesterday.

Mohammed Yusuf Begg, 41, of Olifant Road, Primrose Park, had previously pleaded not guilty to a charge of bribery. However, he changed his plea to one of guilty yesterday.

He admitted offering Mr Kevin Groenewald R150 on September 13, 1982, as a reward for removing three income tax files. The files belonged to Mr Mogamat Yusuf Booley, Mr Achmat Adams and Art Upholsterers (Pty) Ltd.

Begg was also sentenced to a further 12 months, suspended for five years.

A statement Begg made to the police a day after his arrest was handed in to the court. In it Begg said he was the owner of Parkwood Provisions in Parkwood Estate. He had known Mr Booley and Mr Adams for about three years.

Both men were directors of the firm Art Upholsterers Pty Ltd. Begg said that during 1981 he had visited Mr Yusuf Armien, a bookkeeper at the firm, to collect money for a mosque.

Mr Armien had told him that he was going to see a Mr Brandt at the Revenue Offices and that he was "negotiating" with Mr Brandt to reduce Mr Booley's income tax.

Mr Armien had said that Mr Brandt was a "big shot" and that he only needed to pick up the telephone to "fix" everything. He also said that the "contact" was expensive and that a lot of money was involved.

Begg said he had approached Mr Armien for a loan. The two of them had then gone to a shop in Ottery where Mr Armien had collected money for a "job" done by Mr Brandt.

Mr Armien left Mr Booley's firm and, after his financial position deteriorated, Begg said he had approached Mr Booley for a loan. The two of them had discussed income tax and Mr Booley had said he would help him if he tried to reduce some of his income tax fines.

Begg said he had telephoned Mr Groenewald at the Receiver of Revenue and arranged to meet him. Groenewald had told him that it would be difficult to reduce the fines and it would be easier if the files "went missing".

He had offered Mr Groenewald R150 and after Mr Groenewald had accepted, he telephoned Mr Booley to tell him that he would be able to get rid of the files.

Begg said he had telephoned Mr Groenewald again on Friday, September 9 and Mr Groenewald had told him to fetch two of the files from him on the Monday.

He was arrested outside Mr Groenewald's office after handing over the money and taking the files.

Begg had two previous convictions for forgery and uttering and fraud.

Mr J M Lemmer was the magistrate. Mr J P Jordaan appeared for the State and Mr M Parker for Begg.

Late-night transport 'not requested'

Staff Reporter

THE need for additional public transport for late-night Festival-goers had not been referred to City Tramways, a company spokesman said yesterday.

A Railways spokesman said past experience had led to the lack of extra trains being provided.

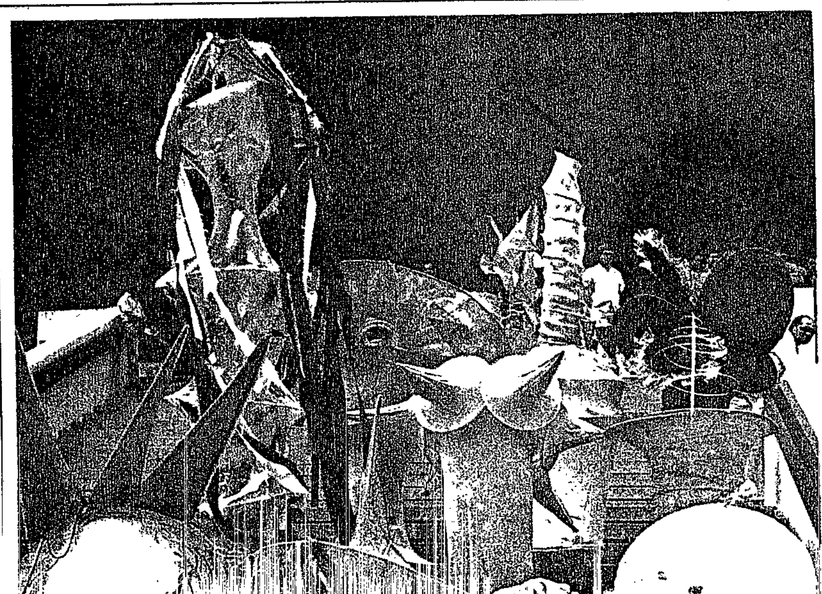
The spokesman for the bus company said he was aware some of the festivities ended late and that there was no public transport available. However, the company had not been approached by the Festival organizers to bring in an extra service.

"If they ask us and if there is sufficient need for such service, we will [illegible] except Sunday. The buses leave from the terminal at 6.30pm and they will wait for their passengers after the show, which ends about 9.30."

He added there was a possibility City Tramways would be asked to provide a late-night service for Festival-goers, but only on Friday and Saturday nights.

"We must look at it from their point of view," he said. "They will put on a bus provided they will recoup their money. On weekday nights the demand for the service is unlikely to be great enough to justify it."

Mr G la Grange, a director (Public Relations) of the South African Trans- [illegible]



Natal bowler fined for assault

Own Correspondent

DURBAN. — Natal fast bowler Evan Hodkinson, 22, was fined R250 (or 100 days) yesterday for assaulting a man with intent to do grievous bodily harm.

Appearing before Mr W Hahn in the Durban Magistrate's Court, Hodkinson had pleaded not guilty to assaulting Mr Ernest Hayes at the Northlands Sports Club on February 20.

The scuffle between the two men followed an incident when Hodkinson slapped a dog and was reprimanded by a woman sitting nearby.

The court heard that he had told the woman to

Cape Times 13/4/83

173

220

Housing: City's sales tax call

Municipal Reporter

THE MINISTER of Community Development, Mr Pen Kotze, has told the City Council he is prepared to propose to the government its suggestion that sales tax be increased and used as a source of housing finance.

Private sector

According to the minutes of a meeting held between Mr Kotze and a top-level council delegation on February 28, Mr Kotze said he did not agree with the Prime Minister's financial advisers who had unanimously condemned the government's previous policy of providing mass housing.

The advisers, drawn mainly from the private sector, believed the State should not build houses but should provide the infrastructure only.

Although he disagreed with this view and supported the council's proposed solutions to the housing crisis, Mr Kotze said that because of current low funds, a greater investment from the private sector would have to be encouraged while the government concentrated on doing what it could for those most in need.

Mass housing, he said, had been the policy for a number of years and his department had spent R1,7-billion over the past five years through the National Housing Commission alone — more than the total spent during the previous 55 years.

However, funds were becoming less and less available. In 1983, R150-million was available for capital works. However, after certain prior commitments had been met, only R50-million would be left over for new housing.

R600-million

Schemes valued at R600-million had been approved and he could not favour Cape Town — only one overcrowded area — with financial concessions for its approved schemes.

He agreed that immediate steps should be taken to find more suitable land for coloured housing, and acknowledged that site-and-service schemes would not be "a total solution" in Cape Town.

GST, housing plan supported

CAPE TIMES 14/4/83

Municipal Reporter

AN increase in general sales tax was one of the most "painless" ways of collecting sufficient money to ease the housing crisis, the City Engineer, Mr Jan Brand, said yesterday.

A City Council proposal that GST be increased by one cent in every rand — from six to seven percent — could bring in R600-million a year for desperately-needed housing.

Well received

The proposal, one of several options put forward by the City Council, was sympathetically received by the Minister of Community Development, Mr Pen Kotze, at a recent meeting.

However, officials and councillors interviewed yesterday agreed that there was little chance that the State Treasury would consider a GST increase diverted to a single area, that of housing.

Injection of funds

Mr Brand said Cape Town needed 8 400 new houses a year if it was to cope with the backlog and natural increase in housing demands.

This could only be attempted with a massive injection of funds. If the provision of housing was left to the private sector — a policy now being advocated by the government — the situation would take much longer to ease. And the introduction of self-help schemes would only be part of the solution.

The deputy chairman of the Housing Committee, Mr Norman Osburn, said the council's GST proposal need not necessarily mean an increase. What the council was appealing for was an immediate and massive allocation of funds nation-wide and this could be taken from the current GST income.

The option appeared to be an easy way of getting cash. There would be no chance of the State increasing income tax by such an amount for a relatively short period.

Last resort

Another member of the committee, Mr Clive Keegan, said a GST increase to supplement housing funds should be a last resort because such an increase would hit everybody.

There remained, however, a heavy obligation on the State to spend much more on housing, he said.

Mr Osburn said although the GST increase would hit the poorer people the hardest, it was aimed at helping them in the field of housing.

● Kotze warns on housing needs, page 9

LEGISLATION 32C

Toll-roads coming

FM 15/4/83

Draft legislation to provide for the introduction of toll-roads has been published in Parliament. The draft comes in the form of the Second National Roads Amendment Bill and is an accurate playback of select committee recommendations to Transport Minister Hendrik Schoeman.

There are no surprises and the two main principles of toll-financing (that fees collected on a specific toll project should be used only for that project, and that an alternative route should be available to users) are strictly adhered to.

The draft proposes that toll-financing should be managed and administered by the National Transport Commission (NTC), the body that co-ordinates the national road construction programme. However there is provision for toll-gates to be operated by private contractors, subject to agreement with the NTC.

Sub-section 3(a) says the commission shall keep a separate account of all moneys received by way of toll in respect of a particular toll road and paid into the fund and of all interest on investments. The commission must use the funds for:

- The recovery of all expenditure incurred from the fund in connection with surveys and investigations relating to design, planning and construction of toll projects, the erection of gates and similar outlays.
- The maintenance and operation of toll roads.

Section 4, outlining the powers and duties of the NTC, says the commission may declare any bridge or tunnel on, or any other portion of a national road a toll road. It may, however grant exemption from the payment of toll to certain vehicles of a category determined by the commission, or to a category of person. It may also determine toll-free hours or suspend the toll for a period.

Sub-section 3 says "The commission shall not declare any portion of a national road as a toll road unless, in the opinion of the commission, an alternative road to the intended toll road, along which the same destination or destinations may be reached as that or those to which the relevant toll road and national road leads, shall be available to road users, and which has been provided by the commission or is under the control of the commission or any other road authority."

The Minister, on the recommendation of the NTC, will determine the amount of toll which may differ on certain projects and for certain users and vehicles, at different times.

New tax plan for homelands

(320) (LOI) CAPE TIMES 25/4/83

PRETORIA. — Black taxpayers would pay less tax in terms of the Income Tax Act from March 1 next year, the Minister of Finance, Mr Owen Horwood, said yesterday.

Opening the session of the Kangwane Legislative Assembly in Kanyamazane, Mr Horwood elaborated on the announcement he made during the presentation of his Budget that tax discrimination would be abolished from next year.

He emphasized that the abolition of tax discrimination did not mean that the right of the homeland governments to tax their own citizens was abrogated. The homeland governments were consulted and their approval was obtained regarding the changes in the tax system.

"The national States still retain their right to tax their citizens and while Inland Revenue (instead of the Department of Co-operation and Development) will collect the tax in areas outside the boundaries of the national States, each State will collect the tax from its citizens within its own boundaries," Mr Horwood said.

Because the tax collected by the homeland governments would be less, a basis of payment to the homelands would be proposed to ensure that they were not worse off from next March. Payments to the homeland government would be increased annually at a rate equal to the increase in the total income tax collected from individuals in areas outside the homelands.

'Paying less'

"With few exceptions, taxpayers who are members of the black community will find that they will be paying less tax in terms of the Income Tax Act after March 1, 1984 than before," Mr Horwood said.

It was fair for all South Africans to be taxed in terms of the same income tax Act, and at the same time enjoy the same concessions, deductions and rebates.

A cabinet committee looking into the position of urban blacks was "approaching its allotted task with the greatest seriousness and diligence".

The government accepted that many black people outside their national States were at present in the Republic of South Africa and would be there in the future.

"It is recognized that these people have their aspirations and it is therefore an important constitutional challenge for the South African Government to help find acceptable ways of fulfilling these aspirations by creating structures for decison-making and consultations."

to monitor in conjunction with the agencies involved in the contingency plan operations, all activities in this regard.

(2) A detailed Press statement will be released by me at the appropriate time, perhaps tomorrow evening after I have paid a personal visit to the area accompanied by departmental officials.

For written reply:

(320) Hansard 9/8/83 Q. Col. 1839

Tax

1069. Mr. S. P. BARNARD asked the Minister of Finance:†

(a) What was the estimated amount paid in tax by Whites, Coloured persons and Indians, respectively, in the latest specified period of 12 months for which figures are available and (b) how many persons in each of these population groups were liable to taxation in respect of that period?

The MINISTER OF FINANCE:

(a) Statistical data from which the amount of tax actually paid by persons in each population group can be ascertained, are not readily available. The following are the amounts of tax for which assessments have been issued in respect of the 1981 year of assessment up to 31 March 1983—

Whites........	R2 072 059 211,98
Coloured persons	R 39 156 386,08
Asiatics.......	R 43 513 192,00

(b)

Whites.................	1 318 817
Coloured persons........	147 186
Asiatics...............	79 243

320 Hansard Q. 61. 1102

Income tax

26/4/83

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

What is the total amount of income tax assessed for the 1981-'82 tax year in respect of (a) companies and (b) individuals?

The MINISTER OF FINANCE:

(a) R2 002 154 000.

(b) R2 380 341 000.

The above amounts reflect the position as at 28 February 1983.

TAX ALLOWANCES (320)

Freeing the fiscus

FM 29/4/83

The Standing Commission on Taxation this week spelt out the new regime in initial and investment allowances.

The investment allowance on machinery and plant, due to expire June 30 1985, will not be renewed and the 20% investment allowance on buildings will be discontinued a year later. However, the initial allowance, currently granted at the rate of 25%, will be increased to 55% in respect of plant and machinery used in manufacturing processes from July 1985.

The commission says Inland Revenue should consider an amendment to the Income Tax Act which would have the effect of limiting the allowances to income generated through leasing, to prevent "losses" resulting from allowances being set off against income from other sources.

The building investment allowance will not be extended beyond factory "starts" beginning June 30 1985 and brought into use not later than June 30 1986. The allowances are made up of an annual 2% of the cost to the taxpayer of the building and a one-off 20% investment allowance based on the cost of the building. However, the commission concedes the need to induce industrialists to construct factory buildings. For this reason it recommends that where the construction of such buildings begins after June 30 1985, a building initial allowance equal to 20% of the cost to the taxpayer of the building be granted in the year in which the building is brought into use. In this way the taxpayer's cash flow will not be affected for many years.

The commission stresses in its report, tabled in Parliament this week, that the new regime should apply to all industrialists in SA, including the new decentralised areas. One of the main incentives of the new Regional Development Plan is based on the number of employees in an undertaking, and comes in the form of a monthly cash payment.

The new investment allowance proposals and the decentralisation incentives (income tax relief and monthly cash payments) together should provide a reasonable balance between the need for capital and labour intensiveness. It says it is satisfied that the abolition of the investment allowances will be balanced by the increased initial allowance, thereby reducing the pressure of rising replacement costs. This is in line with the commission's recommendations that a revised scheme should:

☐ Maintain the present balance between incentives given to industrial investment and those given to other sectors, like agriculture and mining, without excessive stimulation of either capital- or labour-intensive undertakings;

☐ Give reasonable encouragement to physical investment without detracting from the importance of investment in "human capital" (training schemes); and

☐ Be more cost effective than the present system. The commission calculated that the sum of tax revenue foregone as a result of the investment allowance on machinery and buildings in industry rose from R182m in 1975 to R549m in 1981. At the same time gross deductions allowed for purposes of the initial allowance on machinery used for manufacturing increased from R306m to R927m in the same period. At a tax rate of 46,2%, it means government's contribution to an undertaking's requirement of investment funds in that year is more than 25%.

In its investigation, the commission found that fiscal allowances had over the years resulted in a process of "capital deepening," that is, an upward trend in the real capital stock per person employed.

In 1961 the capital per worker was R5 181, in 1980 it was R11 231 and the forecast for 1986 is R13 440 (in 1975 prices throughout). In 1961, R1 of capital stock produced R0,45 of gdp at factor cost (1975 prices). In 1980 this became R0,35 and the forecast for 1986 is R0,32.

REPUBLIC OF SOUTH AFRICA

May 1983.

HOUSE OF ASSEMBLY

TAXATION PROPOSALS

(Laid upon the Table of the House Assembly on 30 March 1983)

PRINTED BY ORDER OF MR. SPEAKER
MARCH 1983

[A. 1—'83] ISBN 0 621 08014 4

REPUBLIEK VAN SUID-AFRIKA

VOLKSRAAD

BELASTINGVOORSTELLE

(In die Volksraad ter Tafel gelê op 30 Maart 1983)

OP LAS VAN DIE SPEAKER GEDRUK
MAART 1983

[V. 1—'83] ISBN 0 621 08014 4

BELASTINGVOORSTELLE

I. INKOMSTEBELASTING *(Normale Belasting)*

(1) Dat, onderworpe aan die bepalings van die Inkomstebelastingwet, 1962 (Wet No. 58 van 1962), en van 'n Wet tot wysiging van daardie Wet gedurende die huidige Parlementsessie aangeneem te word en onderworpe aan die omskrywings, voorwaardes, uitsonderings en vrystellings waarvoor in genoemde Wette voorsiening gemaak word, 'n belasting (die normale belasting te heet) betaal word—

(a) deur elke persoon (behalwe 'n maatskappy) ten opsigte van belasbare inkomste deur daardie persoon verkry uit bronne in die Republiek of geag in die Republiek te wees, ten opsigte van die jaar van aanslag eindigende op 29 Februarie 1984 of 30 Junie 1984, watter ook al van toepassing is; en

(b) deur elke maatskappy ten opsigte van belasbare inkomste deur daardie maatskappy verkry uit bronne in die Republiek of geag in die Republiek te wees, ten opsigte van elke jaar van aanslag van daardie maatskappy wat eindig gedurende die tydperk van twaalf maande eindigende op 31 Maart 1984.

(2) Dat die skale van normale belasting wat betaalbaar is deur persone (behalwe maatskappye) en deur maatskappye ten opsigte van die belasbare inkomste en jare van aanslag in paragraaf (1) bedoel, soos volg is:—

(a) ten opsigte van die belasbare inkomste van 'n ander persoon as 'n maatskappy, 'n bedrag van belasting wat ooreenkomstig die tabel hieronder bereken word: Met dien verstande dat in die geval van 'n persoon wat nie 'n getroude persoon is nie—

(i) daar by die bedrag van belasting volgens bedoelde tabel bereken ten opsigte van soveel van die belasbare inkomste van bedoelde persoon as wat R28 000 nie te bowe gaan nie 'n toeslag gevoeg word gelyk aan 20 persent van 'n bedrag wat verkry word deur van die bedrag van belasting aldus bereken 'n bedrag af te trek gelyk aan die som van die kortings wat ingevolge artikel 6 van die Hoofwet afgetrek kan word;

(ii) waar die belasbare inkomste van bedoelde persoon R28 000 te bowe gaan, die bedrag van belasting wat bereken moet word ten opsigte van daardie gedeelte van sy belasbare inkomste wat oorbly nadat die som van R28 000 daarvan afgetrek is, bereken word teen die skaal van 50 persent van bedoelde gedeelte in plaas van 'n belastingberekening volgens bedoelde tabel ten opsigte van bedoelde gedeelte;

TABEL

Belasbare Inkomste	Skale van Belasting
Waar die belasbare inkomste— R7 000 nie te bowe gaan nie	10 persent van elke R1 van die belasbare inkomste;
R7 000 te bowe gaan, maar nie R8 000 nie	R700 plus 12 persent van die bedrag waarmee die belasbare inkomste R7 000 oorskry;
R8 000 ,, ,, R9 000 ,,	R820 plus 14 persent van die bedrag waarmee die belasbare inkomste R8 000 oorskry;
R9 000 ,, ,, R10 000 ,,	R960 plus 16 persent van die bedrag waarmee die belasbare inkomste R9 000 oorskry;
R10 000 ,, ,, R11 000 ,,	R1 120 plus 18 persent van die bedrag waarmee die belasbare inkomste R10 000 oorskry;

Belasbare Inkomste	Skale van Belasting
Waar die belasbare inkomste— R11 000 te bowe gaan, maar nie R12 000 nie	R1 300 plus 20 persent van die bedrag waarmee die belasbare inkomste R11 000 oorskry;
R12 000 ,, ,, R13 000 ,,	R1 500 plus 22 persent van die bedrag waarmee die belasbare inkomste R12 000 oorskry;
R13 000 ,, ,, R14 000 ,,	R1 720 plus 24 persent van die bedrag waarmee die belasbare inkomste R13 000 oorskry;
R14 000 ,, ,, R15 000 ,,	R1 960 plus 26 persent van die bedrag waarmee die belasbare inkomste R14 000 oorskry;
R15 000 ,, ,, R16 000 ,,	R2 220 plus 28 persent van die bedrag waarmee die belasbare inkomste R15 000 oorskry;
R16 000 ,, ,, R18 000 ,,	R2 500 plus 30 persent van die bedrag waarmee die belasbare inkomste R16 000 oorskry;
R18 000 ,, ,, R20 000 ,,	R3 100 plus 32 persent van die bedrag waarmee die belasbare inkomste R18 000 oorskry;
R20 000 ,, ,, R22 000 ,,	R3 740 plus 34 persent van die bedrag waarmee die belasbare inkomste R20 000 oorskry;
R22 000 ,, ,, R24 000 ,,	R4 420 plus 36 persent van die bedrag waarmee die belasbare inkomste R22 000 oorskry;
R24 000 ,, ,, R26 000 ,,	R5 140 plus 38 persent van die bedrag waarmee die belasbare inkomste R24 000 oorskry;
R26 000 ,, ,, R28 000 ,,	R5 900 plus 40 persent van die bedrag waarmee die belasbare inkomste R26 000 oorskry;
R28 000 ,, ,, R30 000 ,,	R6 700 plus 42 persent van die bedrag waarmee die belasbare inkomste R28 000 oorskry;
R30 000 ,, ,, R32 000 ,,	R7 540 plus 44 persent van die bedrag waarmee die belasbare inkomste R30 000 oorskry;
R32 000 ,, ,, R34 000 ,,	R8 420 plus 46 persent van die bedrag waarmee die belasbare inkomste R32 000 oorskry;
R34 000 ,, ,, R36 000 ,,	R9 340 plus 47 persent van die bedrag waarmee die belasbare inkomste R34 000 oorskry;
R36 000 ,, ,, R38 000 ,,	R10 280 plus 48 persent van die bedrag waarmee die belasbare inkomste R36 000 oorskry;
R38 000 ,, ,, R40 000 ,,	R11 240 plus 49 persent van die bedrag waarmee die belasbare inkomste R38 000 oorskry;
R40 000 te bowe gaan	R12 220 plus 50 persent van die bedrag waarmee die belasbare inkomste R40 000 oorskry;

(b) op elke rand van die belasbare inkomste van 'n maatskappy (met uitsondering van belasbare inkomste uit mynwerksaamhede verkry en belasbare inkomste in subparagraaf *(e)* bedoel), 42 sent: Met dien verstande dat daar by die bedrag van belasting bereken volgens die voorgaande bepalings van hierdie subparagraaf 'n toeslag gevoeg word gelyk aan 10 persent van bedoelde bedrag;

(c) op elke rand van die belasbare inkomste wat deur 'n maatskappy uit die myn van goud op 'n ander wyse as op 'n na-1966-goudmyn verkry word (maar met uitsluiting van soveel van die belasbare inkomste as wat volgens vasstelling van die Kommissaris van Binnelandse Inkomste toe te skryf is aan die inrekening by bruto inkomste van 'n bedrag bedoel in paragraaf *(j)* van die omskrywing van „bruto inkomste" in artikel 1 van die Inkomstebelastingwet, 1962), 'n persentasie vasgestel ooreenkomstig die formule:

$$y = 60 - \frac{360}{x}$$

in welke formule (asook die formules in die eerste en tweede voorbehoudsbepaling hierby uiteengesit) y die bedoelde persentasie voorstel en x die verhouding, as 'n persentasie uitgedruk, waarin die aldus verkreë belasbare inkomste (met genoemde uitsluiting) staan tot die aldus verkreë inkomste (met genoemde uitsluiting): Met dien verstande dat indien die aldus verkreë belasbare inkomste (met genoemde uitsluiting) nie meer as R40 000 bedra nie, die belastingskaal nie hoër is nie as 'n persentasie vasgestel ooreenkomstig die formule:

$$y = 20\,(1 - \frac{6}{x})$$

en indien bedoelde belasbare inkomste meer as R40 000 bedra, die belastingskaal nie hoër is nie as 'n persentasie vasgestel ooreenkomstig 'n formule wat verkry word deur die getal 20 in die formule $y = 20\,(1 - \frac{6}{x})$ te verhoog met een vir elke volle bedrag van R2 500 wat genoemde belasbare inkomste meer as R40 000 bedra: Met dien verstande voorts dat waar 'n sertifikaat deur die Staatsmyningenieur gegee word ten effekte dat voorgeskrewe voorwaardes nagekom is, die belastingskaal ten opsigte van belasbare inkomste uit die myn van goud op 'n ondersteunde goudmyn verkry nie hoër is nie as 'n persentasie vasgestel ooreenkomstig die formule $y = 68 - \frac{601}{x}$: Met dien verstande voorts dat daar by die bedrag van belasting bereken volgens die voorgaande bepalings van hierdie subparagraaf, behalwe die tweede voorbehoudsbepaling, 'n toeslag gevoeg word gelyk aan 15 persent van bedoelde bedrag;

(d) op elke rand van die belasbare inkomste wat verkry word deur 'n maatskappy uit die myn van goud op 'n na-1966-goudmyn (maar met uitsluiting van soveel van die belasbare inkomste as wat volgens vasstelling van die Kommissaris van Binnelandse Inkomste toe te skryf is aan die inrekening by bruto inkomste van 'n bedrag bedoel in paragraaf *(j)* van die omskrywing van „bruto inkomste" in artikel 1 van die Inkomstebelastingwet, 1962), 'n persentasie vasgestel ooreenkomstig die formule:

$$y = 60 - \frac{480}{x}$$

in welke formule (asook in die formules in die eerste voorbehoudsbepaling hierby uiteengesit) y die bedoelde persentasie voorstel en x die verhouding, as 'n persentasie uitgedruk, waarin die aldus verkreë belasbare inkomste (met genoemde uitsluiting) staan tot die aldus verkreë inkomste (met genoemde uitsluiting): Met dien verstande dat indien die aldus verkreë belasbare inkomste (met genoemde uitsluiting) nie meer as R40 000 bedra nie, die belastingskaal nie hoër is nie as 'n persentasie vasgestel ooreenkomstig die formule:

$$y = 20\,(1 - \frac{8}{x})$$

en indien bedoelde belasbare inkomste meer as R40 000 bedra, die belastingskaal nie hoër is nie as 'n persentasie vasgestel ooreenkomstig 'n formule wat verkry word deur die getal 20 in die formule $y = 20\,(1 - \frac{8}{x})$ te verhoog met een vir elke volle bedrag van R2 500 wat genoemde belasbare inkomste meer as R40 000 bedra: Met dien verstande voorts dat daar by die bedrag van belasting bereken volgens die voorgaande bepalings van hierdie subparagraaf 'n toeslag gevoeg word gelyk aan 15 persent van bedoelde bedrag;

(e) op elke rand van die belasbare inkomste van 'n maatskappy wie se enigste of vernaamste besigheid in die Republiek die myn van goud is of was en waarvan die vasstelling van die belasbare inkomste vir die tydperk van aanslag nie op 'n vasgestelde verlies uitloop nie, wat volgens vasstelling van die Kommissaris van Binnelandse Inkomste toe te

skryf is aan die inrekening by sy bruto inkomste van 'n bedrag bedoel in paragraaf *(j)* van die omskrywing van „bruto inkomste" in artikel 1 van die Inkomstebelastingwet, 1962, 'n skaal gelyk aan die gemiddelde skaal van normale belasting of 35 sent, watter ook al die hoogste is: Met dien verstande dat vir die doeleindes van hierdie subparagraaf die gemiddelde skaal van normale belasting vasgestel word deur die totale normale belasting (met uitsondering van die belasting wat vir die typerk van aanslag ooreenkomstig hierdie subparagraaf vasgestel is) wat deur die maatskappy betaal is ten opsigte van sy totale belasbare inkomste uit die myn van goud vir die tydperk vanaf 1 Julie 1916 tot die end van die tydperk waarvoor aangeslaan word, te deel met die getal rande wat genoemde totale belasbare inkomste bevat;

(f) op elke rand van die belasbare inkomste wat deur 'n maatskappy uit die myn van diamante verkry word, 45 sent: Met dien verstande dat daar by die bedrag van belasting bereken volgens die voorgaande bepalings van hierdie subparagraaf 'n toeslag gevoeg word gelyk aan 15 persent van bedoelde bedrag;

(g) op elke rand van die belasbare inkomste wat deur 'n maatskappy verkry word uit mynwerksaamhede (behalwe die myn van goud of diamante), 42 sent: Met dien verstande dat daar by die bedrag van belasting bereken volgens die voorgaande bepalings van hierdie subparagraaf 'n toeslag gevoeg word gelyk aan 10 persent van bedoelde bedrag:

Met dien verstande dat die belasting ooreenkomstig enige van die subparagrawe *(a)* tot en met *(g)* vasgestel, benewens die belasting vasgestel ooreenkomstig enige ander van genoemde subparagrawe betaalbaar is.

(3) Dat die skale uiteengesit in paragraaf (2) die skale is wat deur die Parlement ooreenkomstig die bepalings van artikel 5 (2) van die Inkomstebelastingwet, 1962, vasgestel moet word ten opsigte van belasbare inkomstes verkry uit bronne in die Republiek of geag in die Republiek te wees.

II. SEËLREGTE

(1) Dat, onderworpe aan die bepalings van die Wet op Seëlregte, 1968 (Wet No. 77 van 1968), en van 'n Wet tot wysiging van daardie Wet gedurende die huidige Parlementsessie aangeneem te word, en onderworpe aan die omskrywings, voorwaardes, uitsonderings en vrystellings waarvoor in genoemde Wette voorsiening gemaak word—

(a) die seëlreg wat ingevolge Item 2 van Bylae 1 by die Wet op Seëlregte, 1968, betaalbaar is ten opsigte van 'n ooreenkoms of kontrak ten opsigte waarvan geen ander seëlreg uitdruklik bepaal word nie, tot R1,00 verhoog word;

(b) die seëlreg wat ingevolge Item 3 van genoemde Bylae ten opsigte van 'n voor- of nahuwelikse kontrak betaalbaar is, tot R5,00 verhoog word;

(c) die seëlreg wat ingevolge Item 5 (1) van genoemde Bylae ten opsigte van 'n tjek betaalbaar is, tot 5 sent verhoog word;

(d) die seëlreg wat ingevolge Item 11 van genoemde Bylae ten opsigte van 'n doeane- en aksynsdokument betaalbaar is, tot 40 sent verhoog word;

(e) die maksimum seëlreg wat ingevolge Item 12 van genoemde Bylae betaalbaar is ten opsigte van die duplikaat-oorspronklike van 'n stuk waarvan die oorspronklike aan seëlreg onderhewig is, tot 40 sent verhoog word;

(f) die seëlreg wat ingevolge Item 13 van genoemde Bylae betaalbaar is ten opsigte van 'n vaste deposito-kwitansie, met inbegrip van 'n sertifikaat of ander stuk waarby 'n vaste deposito erken word of waarby te kenne

gegee word dat dit ontvang, gestort of betaal is, tot 10 sent vir elke R200 (of deel daarvan) van die bedrag van die vaste deposito en vir elke tydperk van 12 maande (of deel daarvan) waarvoor die deposito gestort word, verhoog word;

(g) die seëlreg wat ingevolge Item 13A van genoemde Bylae betaalbaar is ten opsigte van 'n huurkoopooreenkoms of -kontrak ten opsigte van goedere, koopware of handelsware (behalwe lewende hawe of landbouprodukte) ook gehef word ten opsigte van 'n bruikhuur en dat genoemde reg teen die volgende tariewe gehef word:

Waar die bedrag ingevolge die ooreenkoms, kontrak of bruikhuur—	Bedrag aan reg betaalbaar
R2 000 nie te bowe gaan nie	R 1,00
R2 000 te bowe gaan maar nie R5 000 nie	R 2,00
R 5 000 ,, ,, R10 000 ,,	R 4,00
R10 000 ,, ,, R15 000 ,,	R 6,00
R15 000 ,, ,, R20 000 ,,	R 8,00
R20 000 te bowe gaan......................	R10,00

(h) die seëlreg wat ingevolge Item 17 van genoemde Bylae ten opsigte van 'n ooreenkoms van vennootskap betaalbaar is, tot R10,00 verhoog word;

(i) vir die doeleindes van die seëlreg wat ingevolge Item 18 (6) van genoemde Bylae ten opsigte van 'n polis of sertifikaat van versekering betaalbaar is, die voorbehoudsbepaling by artikel 24 (4) *(a)* van die Wet op Seëlregte, 1968, gewysig word deur die woorde ,,tienduisend rand" deur die uitdrukking ,,R25 000" te vervang;

(j) die seëlreg wat ingevolge Item 19 van genoemde Bylae betaalbaar is ten opsigte van 'n spesiale of algemene volmag of stuk van 'n dergelike aard of vervanging daaronder, tot R1,00 verhoog word;

(k) die maksimum seëlreg wat ingevolge Item 20 (1) van genoemde Bylae betaalbaar is ten opsigte van 'n dokument van waarborg of verpanding of akte van borgtog of skadeloosstelling of waarborg wat nie anders aan seëlreg onderhewig is nie, en die seëlreg wat ingevolge Item 20 (2) van genoemde Bylae ten opsigte van bedoelde stuk betaalbaar is, tot R20,00 verhoog word.

(2) Dat die seëlregte en wysigings wat in paragraaf (1) voorgestel word van toepassing is ten opsigte van stukke wat op of na 1 April 1983 verly word: Met dien verstande dat die seëlregte en wysigings wat in subparagrawe *(c)* en *(g)* van daardie paragraaf voorgestel word, van toepassing is ten opsigte van stukke wat op of na 1 Julie 1983 verly word.

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TAXATION PROPOSALS

I. INCOME TAX *(Normal Tax)*

(1) 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, there shall be paid a tax (to be called the normal tax)—

(a) by every person (other than a company) in respect of taxable income derived by such person from sources within or deemed to be within the Republic, in respect of the year of assessment ending on 29 February 1984, or 30 June 1984, whichever is applicable; and

(b) by every company in respect of taxable income derived by such company from sources within or deemed to be within the Republic, in respect of every year of assessment of such company ending during the period of twelve months ending on 31 March 1984.

(2) That the rates of normal tax payable by persons other than companies and by companies in respect of the taxable income and years of assessment referred to in paragraph (1) shall be as follows:—

(a) in respect of the taxable income of any person other than a company, an amount of tax calculated in accordance with the table below: Provided that in the case of a person who is not a married person—

(i) there shall be added to the amount of tax calculated in accordance with the said table in respect of so much of the taxable income of such person as does not exceed R28 000 a surcharge equal to 20 per cent of an amount arrived at by deducting from the amount of tax so calculated an amount equal to the sum of the rebates allowed to be deducted under section 6 of the principal Act;

(ii) where the taxable income of such person exceeds R28 000, the amount of tax to be calculated in respect of that portion of his taxable income as remains after the deduction therefrom of the sum of R28 000 shall, in lieu of any calculation of tax in accordance with the said table in respect of the said portion, be calculated at the rate of 50 per cent of the said portion;

TABLE

Taxable Income	Rates of Tax
Where the taxable income— does not exceed R7 000	10 per cent of each R1 of the taxable income;
exceeds R7 000 but does not exceed R8 000	R700 plus 12 per cent of the amount by which the taxable income exceeds R7 000;
,, R8 000 ,, ,, R9 000	R820 plus 14 per cent of the amount by which the taxable income exceeds R8 000;
,, R9 000 ,, ,, R10 000	R960 plus 16 per cent of the amount by which the taxable income exceeds R9 000;
,, R10 000 ,, ,, R11 000	R1 120 plus 18 per cent of the amount by which the taxable income exceeds R10 000;

Taxable Income				Rates of Tax
Where the taxable income—				
exceeds	R11 000	but does not exceed	R12 000	R1 300 plus 20 per cent of the amount by which the taxable income exceeds R11 000;
,,	R12 000	,, ,,	R13 000	R1 500 plus 22 per cent of the amount by which the taxable income exceeds R12 000;
,,	R13 000	,, ,,	R14 000	R1 720 plus 24 per cent of the amount by which the taxable income exceeds R13 000;
,,	R14 000	,, ,,	R15 000	R1 960 plus 26 per cent of the amount by which the taxable income exceeds R14 000;
,,	R15 000	,, ,,	R16 000	R2 220 plus 28 per cent of the amount by which the taxable income exceeds R15 000;
,,	R16 000	,, ,,	R18 000	R2 500 plus 30 per cent of the amount by which the taxable income exceeds R16 000;
,,	R18 000	,, ,,	R20 000	R3 100 plus 32 per cent of the amount by which the taxable income exceeds R18 000;
,,	R20 000	,, ,,	R22 000	R3 740 plus 34 per cent of the amount by which the taxable income exceeds R20 000;
,,	R22 000	,, ,,	R24 000	R4 420 plus 36 per cent of the amount by which the taxable income exceeds R22 000;
,,	R24 000	,, ,,	R26 000	R5 140 plus 38 per cent of the amount by which the taxable income exceeds R24 000;
,,	R26 000	,, ,,	R28 000	R5 900 plus 40 per cent of the amount by which the taxable income exceeds R26 000;
,,	R28 000	,, ,,	R30 000	R6 700 plus 42 per cent of the amount by which the taxable income exceeds R28 000;
,,	R30 000	,, ,,	R32 000	R7 540 plus 44 per cent of the amount by which the taxable income exceeds R30 000;
,,	R32 000	,, ,,	R34 000	R8 420 plus 46 per cent of the amount by which the taxable income exceeds R32 000;
,,	R34 000	,, ,,	R36 000	R9 340 plus 47 per cent of the amount by which the taxable income exceeds R34 000;
,,	R36 000	,, ,,	R38 000	R10 280 plus 48 per cent of the amount by which the taxable income exceeds R36 000;
,,	R38 000	,, ,,	R40 000	R11 240 plus 49 per cent of the amount by which the taxable income exceeds R38 000;
,,	R40 000	....		R12 220 plus 50 per cent of the amount by which the taxable income exceeds R40 000;

(*b*) on each rand of the taxable income of any company (excluding taxable income derived from mining operations and taxable income referred to in subparagraph (*e*)), 42 cents: Provided that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 10 per cent of such amount;

(*c*) on each rand of the taxable income derived by any company from mining for gold otherwise than on any post-1966 gold mine (but with the exclusion of so much of the taxable income as the Commissioner for Inland Revenue determines to be attributable to the inclusion in the gross income of any amount referred to in paragraph (*j*) of the definition of "gross income" in section 1 of the Income Tax Act, 1962), a percentage determined in accordance with the formula:

$$y = 60 - \frac{360}{x}$$

in which formula (and in the formulae set out in the first and second provisos hereto) y represents such percentage and x the ratio expressed as a percentage which the taxable income so derived (with the said exclusion) bears to the income so derived (with the said exclusion): Provided that if the taxable income so derived (with the said exclusion) does not exceed R40 000, the rate of tax shall not exceed a percentage determined in accordance with the formula:

$$y = 20\left(1 - \frac{6}{x}\right)$$

and if such taxable income exceeds R40 000, the rate of tax shall not exceed a percentage determined in accordance with a formula arrived at by increasing the number 20 in the formula $y = 20\left(1 - \frac{6}{x}\right)$ by one for each completed amount of R2 500 by which the said taxable income exceeds R40 000: Provided further that where a certificate is given by the Government Mining Engineer to the effect that prescribed conditions have been complied with, the rate of tax in respect of taxable income derived from mining for gold on an assisted gold mine shall not exceed a percentage determined in accordance with the formula $y = 68 - \frac{601}{x}$: Provided further that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph, excluding the second proviso, a surcharge equal to 15 per cent of such amount;

(d) on each rand of the taxable income derived by any company from mining for gold on any post-1966 gold mine (but with the exclusion of so much of the taxable income as the Commissioner for Inland Revenue determines to be attributable to the inclusion in the gross income of any amount referred to in paragraph *(j)* of the definition of "gross income" in section 1 of the Income Tax Act, 1962), a percentage determined in accordance with the formula:

$$y = 60 - \frac{480}{x}$$

in which formula (and in the formulae set out in the first proviso hereto) y represents such percentage and x the ratio expressed as a percentage which the taxable income so derived (with the said exclusion) bears to the income so derived (with the said exclusion): Provided that if the taxable income so derived (with the said exclusion) does not exceed R40 000, the rate of tax shall not exceed a percentage determined in accordance with the formula:

$$y = 20\left(1 - \frac{8}{x}\right)$$

and if such taxable income exceeds R40 000, the rate of tax shall not exceed a percentage determined in accordance with a formula arrived at by increasing the number 20 in the formula $y = 20\left(1 - \frac{8}{x}\right)$ by one for each completed amount of R2 500 by which the said taxable income exceeds R40 000: Provided further that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 15 per cent of such amount;

(e) on each rand of the taxable income of any company, the sole or principal business of which in the Republic is or has been mining for gold and the determination of the taxable income of which for the period assessed does not result in an assessed loss, which the Commissioner for Inland Revenue determines to be attributable to the inclusion in its

gross income of any amount referred to in paragraph *(j)* of the definition of "gross income" in section 1 of the Income Tax Act, 1962, a rate equal to the average rate of normal tax or 35 cents, whichever is higher: Provided that for the purposes of this subparagraph, the average rate of normal tax shall be determined by dividing the total normal tax (excluding the tax determined in accordance with this subparagraph for the period assessed) paid by the company in respect of its aggregate taxable income from gold mining for the period from 1 July 1916 to the end of the period assessed, by the number of rands contained in the said aggregate taxable income;

(f) on each rand of the taxable income derived by any company from mining for diamonds, 45 cents: Provided that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 15 per cent of such amount;

(g) on each rand of the taxable income derived by any company from mining operations (other than mining for gold or diamonds), 42 cents: Provided that there shall be added to the amount of tax calculated in accordance with the preceding provisions of this subparagraph a surcharge equal to 10 per cent of such amount:

Provided that the tax determined in accordance with any of the subparagraphs *(a)* to *(g)*, inclusive, shall be payable in addition to the tax determined in accordance with any other of the said subparagraphs.

(3) That the rates set forth in paragraph (2) shall be the rates required to be fixed by Parliament in accordance with the provisions of section 5 (2) of the Income Tax Act, 1962, in respect of taxable incomes derived from sources within or deemed to be within the Republic.

II. STAMP DUTIES

(1) That, subject to the provisions of the Stamp Duties Act, 1968 (Act No. 77 of 1968), 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—

(a) the stamp duty payable under Item 2 of Schedule 1 to the Stamp Duties Act, 1968, in respect of an agreement or contract in respect of which no other duty is specifically provided shall be increased to R1,00;

(b) the stamp duty payable under Item 3 of the said Schedule in respect of an antenuptial or postnuptial contract shall be increased to R5,00;

(c) the stamp duty payable under Item 5 (1) of the said Schedule in respect of a cheque shall be increased to 5 cents;

(d) the stamp duty payable under Item 11 of the said Schedule in respect of a customs and excise document shall be increased to 40 cents;

(e) the maximum stamp duty payable under Item 12 of the said Schedule in respect of the duplicate original of any instrument the original whereof is chargeable with stamp duty shall be increased to 40 cents;

(f) the stamp duty payable under Item 13 of the said Schedule in respect of a fixed deposit receipt, including any certificate or other instrument whereby any fixed deposit is acknowledged or is expressed to have been

received, deposited or paid, shall be increased to 10 cents for every R200 (or part thereof) of the amount of the fixed deposit and for every period of 12 months (or part thereof) for which the deposit is made;

(g) the stamp duty payable under Item 13A of the said Schedule in respect of a hire-purchase agreement or contract in respect of goods, wares or merchandise (other than livestock or agricultural produce) shall also be levied in respect of a financial lease and that the said duty shall be levied at the following rates:

Where the amount payable under the agreement, contract of financial lease—					Amount of duty payable
does not exceed R2 000					R 1,00
exceeds R2 000 but does not exceed R5 000					R 2,00
,,	R 5 000	,,	,,	R10 000	R 4,00
,,	R10 000	,,	,,	R15 000	R 6,00
,,	R15 000	,,	,,	R20 000	R 8,00
exceeds R20 000					R10,00

(h) the stamp duty payable under Item 17 of the said Schedule in respect of an agreement of partnership shall be increased to R10,00;

(i) for the purposes of the stamp duty payable under Item 18 (6) of the said Schedule in respect of a policy or certificate of insurance, the proviso to section 24 (4) *(a)* of the Stamp Duties Act, 1968, be amended by the substitution for the words "ten thousand rand" of the expression "R25 000";

(j) the stamp duty payable under Item 19 of the said Schedule in respect of a special or general power of attorney or instrument of a like kind or any substitution thereunder shall be increased to R1,00;

(k) the maximum stamp duty payable under Item 20 (1) of the said Schedule in respect of a document of security or pledge, or any act of suretyship, indemnity or guarantee not otherwise chargeable with duty, and the stamp duty payable under Item 20 (2) of the said Schedule in respect of such instrument, shall be increased to R20,00.

(2) That the duties and amendments proposed in paragraph (1) shall apply in respect of instruments executed on or after 1 April 1983: Provided that the duties and amendments proposed in subparagraphs *(c)* and *(g)* of that paragraph shall apply in respect of instruments executed on or after 1 July 1983.

'Raise GST to pay for low income group homes' call

Mercury 17/5/83, 320

Property Reporter

GENERAL sales tax should be raised by 1 percent to provide money for houses for low income groups, it was proposed at a conference organised yesterday by the Natal branch of the South African Institute for Housing.

Rejecting any suggestion that commerce and industry had a responsibility to pay for employees' housing, Mr Alexander Hamilton, head of a major construction company, said it was the duty of the State to ensure the provision of low cost housing.

'After all, the private sector has not caused the shortage of low cost housing,' he said.

Mr Hamilton said huge sums of money were needed on a regular basis to acquire land, survey it, install the necessary infrastructure and build homes. He said the only way to obtain this would be to increase GST by 1 percent

'Although this effectively raises the tax burden on the population, it is however a burden shared by the whole population group in a venture to solve our housing shortage,' he said.

This would raise more than R650 million annually, which would allow the authorities to grant 'soft loans' to prospective home buyers.

Loans with interest between 1 and 4 percent could be introduced, with interest based on a sliding scale of income, depending on the buyer's needs.

Mr Hamilton pointed out that a R10 000 bond, repayable at the current 14 percent over 25 years, resulted in monthly repayments of R121. On a 4 percent interest rate, repayments would be R53 and with no interest at all, repayments would be R33,50.

FM 27/5/83

TAX ALLOWANCES

Making hay

320

An upsurge in capital expenditure in the next two years may be one of the consequences of the imminent abolition of investment allowances.

These allowances, 30% on investment in plant and machinery and 25% on buildings, will be phased out respectively in 1985 and 1986. Announcing this in his budget speech a month ago, Finance Minister Owen Horwood added that increases in initial allowances would partially compensate for their disappearance. Nonetheless, taking into account both higher initial allowances and existing wear-and-tear provisions, industrialists will in future be able to write off only 100% of the cost of fixed investment, instead of between 120% and 130%.

Investment allowances, according to a local corporate analyst, are "basically gift deductions against taxable income, granted in the year in which new or unused plant and machinery or buildings are brought into use in a process of manufacture." Initial and wear-and-tear allowances, by contrast, permit the deduction over time of the entire cost of assets against taxable income.

Spur to expansion

Maintained by Pretoria partly because of its drive for economic self-sufficiency, the investment allowances have been a spur to the expansion of local industry over the last decade. The tax savings represented by them substantially alter the feasibility of planned projects in meeting hurdle rates of return. "Now that many strategic production facilities are in place," conjectures an expert, "the need for the incentive is probably diminished."

However the timing of the abolition of the allowances could put a kink in the fixed investment cycle, as industrialists rush to make use of them before they disappear. Projects shelved by the recession could be re-activated, even if new capacity cannot be utilised immediately. This in turn may bolster the construction and engineering sectors. But after 1986, analysts say, the manufacturing sector may settle into a period of considerably lower capital expenditure, with widespread consequences like:

- Less business for capital goods suppliers and financiers;
- Higher tax and reduced cash flow for companies that cut capital spending;
- High deferred tax provisions early in the life of a new asset (due to higher initial allowances) reversing more quickly than before;
- Lower financing demands, hence lower corporate interest bills;
- More efficient utilisation of existing facilities, and thus potentially higher returns on capital employed.
- Expansion more by way of acquisition and merger than by the building of new plant and machinery.

The impact of the withdrawal of investment allowances on the published profits of certain companies — the large capital spenders — is not to be underestimated. Most companies include the benefit from the allowance in earnings per share either in the year it accrues or spread over the life of the asset. In its most recent financial year, for example, Barlow Rand's incentive allowance benefit of about R48m (most probably due to investment allowances) boosted its published earnings per share by 19%. Amic's R38m benefit boosted eps by 20% and Sappi's R12m boosted eps by 20%.

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R50m State gain from 'perks'

By GERALD REILLY
Pretoria Bureau

STATE coffers will benefit to the extent of about R50-million when the fringe benefit taxation is imposed next year, and the "untaxed perks evil" is eliminated, according to Pretoria sources.

Some employees, according to the source, have been getting away with "tax murder". Up to a third of the real earnings of some senior workers, it was pointed out, is in the form of fringe benefits.

It is understood that the commission of MP's inquiring into the evaluation of perks has virtually completed its report. The recommendations will make tax evasion through fringe benefits on the present scale impossible.

The recommendations will be incorporated in an amendment to the Income Tax Act. They will make possible the application of a uniform formula for the taxing of perks throughout the country.

At present the evaluation of perks has varied from one Receiver of Revenue office to another.

There is no general standard of valuation to apply to the use of a company car, subsidised housing and other loans to employees and other tax avoiding benefits.

Now, however, the commission has put a clear valuation on perks, and how they are to be taxed.

A senior revenue official said the main objective of the tax was not the raising of additional revenue — although this would be a "fringe benefit" for the Government — but a tighter and more efficient control of real income disguised, as 'entertainment allowances' and 'other perks.

It is understood, too, that the legislation to amend the Income Tax Act to incorporate the commission's recommendations will not go through Parliament this year.

It is expected that the commission's report will be circulated to Assocom, the Federated Chamber of Industries, the Afrikaanse Handelsinstituut and other private sector organisations for comment before final Cabinet approval is given the recommendation.

Economists pointed out yesterday that the more stringent taxing of perks would mean a major restructuring of salaries in the private sector.

The implementation of the tax has been postponed twice, partly because of strong opposition from workers in the public sector who feared they would lose the considerable benefit of subsidised housing loans.

It is considered certain that the taxing of this perk will be phased in over seven or eight years.

Concern over tax structure to support new regions

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E. Post 17/6/83

CAPE businessman have urged the Government to consult with the private sector before deciding on a new tax structure to support its proposed regional authorities.

The appeal came in a background paper tabled by the PE Chamber of Commerce at a recent regional congress of Cape Midlands and Southern Cape Chambers of Commerce.

In the paper the Port Elizabeth chamber warns that the constitutional proposals in this regard carry grave implications for businessmen.

"At regional level," says the paper, "it is likely that the present provincial councils will also be phased out and replaced by a system of metropolitan and rural councils, with some of the functions of the provincial councils being transferred to the central government and others devolving upon local authorities.

"It is evident that the shift in the exercising of powers will lead to shifts in sources of revenue.

"In addition, if separate, additional local authorities are created for different race groups, the need to provide staff and other infrastructure for these local authorities will also mean that costs will increase and these costs will have to be funded by additional revenue."

At present existing authorities of a regional nature, such as water boards, derive their revenue from the sale of their services. Existing local authorities derive their revenue chiefly from property rates, and also from the provision of services such as electricity.

Under the new proposals it has been suggested that regional authorities derive their income from the provision of the so-called "hard" services, plus rates on business and government properties, plus all new sources of revenue — so-called "neutral" funds such as net income from rates on commercial, industrial, mining, agricultural, government and government-derived businesses, plus new services such as payroll taxes and tax on business turnovers.

Local authorities, it is proposed, will receive revenue from home-owners' rates as well as profits on water, electricity, sewerage and other services.

"It is highly unlikely that the sources of revenue available to local authorities will be sufficient for their needs, and it is hoped that this will not lead to the charges for the local services increasing in leaps and bounds," said Mr Rubin.

"Additional sources of revenue will be needed, if the constitutional proposals become law, for both regional authorities and local authorities.

"Several suggestions have been mooted in various quarters, including the possibility of local authorities deriving income from GST gathered in their areas.

"However, an analysis of local authority finances reveals that the people who live in an area are the people who must contribute the revenue to the local authority.

"The only additional source of revenue, ultimately, is for the residents to pay more, and the only alternatives are therefore either:

- Services of a lower standard, which will probably cost more in real terms in any case.
- Higher costs to the residents.

"In conclusion," states the paper, "it will be necessary to examine very carefully both the proposed sources of revenue as well as different sources of revenue, and strict care will have to be taken that any additional taxes levied meet certain very strict criteria.

"These include:

- That taxes must be equitable.
- That revenue must be capable of collection without placing undue strain on the resources of local authorities, particularly smaller local authorities.
- It will have to be ensured that any additional taxes are taxes which local authorities will be able to administer responsibly.

FOCUS

Joint tax dries up all enthusiasm for work

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~~355A~~

Star 30/6/83

I SAY!

Candid comment by Sue Grant

The response to the column I wrote a couple of weeks ago about the adverse effect the system of joint taxation of married working couples is having on productivity, has been one of the most overwhelming I have had in my 15 years in journalism.

Letters have flooded in, from men and women and, with a couple of exceptions, they have criticised the Minister of Finance for his taxation policy.

The main response has been one of anger and a sense of helplessness.

The rising cost of living added to inflation has resulted in more women working. They are earning, due to inflationary wages, more than they have ever done before.

But their earnings, added to that of their husbands, have put thousands of couples who regard themselves as middle-income earners into the supertax bracket.

It seems from the letters pouring in, that many of these couples are caught in a vicious circle.

They say they have realised it is not really worth their while financially to have two incomes. Many of the women want to stop working outside the home, not only because their husbands insist on it to prevent paying supertax, but because they say they are tired of working for the Receiver of Revenue and not for themselves.

Now they have a backlog of tax owing the Receiver which they are working to pay off. They say they don't know how they will get off the treadmill of earning enough to pay him without building up another tax backlog.

They say the financial return on their work is not attractive enough to overcome their guilt feelings of leaving their children to be looked after and brought up by other people.

The letters have come from people right across the social and economic spectrum, from artisans, part-time secretaries, medical doctors, university graduates, teachers, nurses and engineers.

This supports the contention, made in my column by a tax consultant who is doing research into the present system, that joint taxation is not just hurting those in the upper income brackets, but the majority of working couples.

A woman with two post-graduate degrees and nine years' experience in one of the engineering fields, wrote that she is seriously considering giving up work and staying at home. Yet a developing country like this desperately needs expertise in fields such as engineering.

A woman wrote saying she and her fiance "live in sin". She's religious and finds the experience traumatic.

Another told of a book she recently had published which has "sadly turned out to be a good seller. I had another book in mind, but not at this rate of pay".

Someone who doesn't want his name published says he hopes the Government doesn't change the present system, as he got divorced on account of it, and now the Receiver as far as he's concerned instead of taking money from him and his "wife" is paying for an annual overseas trip for them.

I have one case history after the other about how much tax couples are paying to the Receiver. The average amount according to these letters, seems to be R3 000 a year over and above their PAYE (which in many cases they have adjusted anyway so they are paying in more than the tax tables require).

The one dissenting letter came from a chap who said that as his approach "comes from the other side of the coin, I do not expect my letter to be published".

He says the extra tax he pays, R2 913 annually, is offset by the pleasure his wife gets out of working, and that the extra net after-tax-income outweighs the cost of joint taxation.

"Most people may be creating a storm in a teacup," he said.

It sounds to me as if some people feel they are drowning in those teacups. Others aren't prepared to brave the storm and are depriving the country of their skills, many of which have been attained at taxpayers' expense.

That seems to me to be a fairly stormy situation.

Readers slam joint taxation

The letters published here have been abbreviated. There are many which we are unable to publish because of lack of space. See Page 9 of the Metro section for more letters.

Last year, 1982/1983, we were shocked to find that we had to pay the Receiver almost R1 000. This year we find that we will have to pay in an additional R3 000 in spite of having a large chunk of our income taken in the first place.

We have requested our compan-

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my salary and an extra R100 from my husband's salary.

This makes us another R275 short each month — and paying approximately R600 in tax per month in total — on top of which we are paying off the R1 000 from 1982.

Why should we get divorced after eight happy years of marriage? Why should I change my job and work for less?

Helen Adendorff
Yeoville

We have both had increases to try to offset inflation. This means we will now be paying over R4 000 on our next assessment.

My wife and I have discussed divorce, but as we have been married for 25 years we decided against this.

We have to decide who makes the sacrifice of giving up a productive job for a lower-paid one to prevent giving 50 percent of our earnings to the Government.

A H
Benoni

Your column about joint tax deserves only one answer — that South African women deserve everything they receive from the ALL-MALE Government.

Women hold almost threequarters of the vote in any election.

Women handle finance in any family to a greater or lesser degree. There should be a woman Deputy Minister of Finance who can legislate separate taxation.

It is beyond understanding how women expect rights from the Government when they are too cowardly to stand for election and fight for justice in Parliament.

Sue Grant, you have a golden opportunity to correct this state of affairs in your column. Wake up our women to use their voting power for the benefit of all...

Another Botha
Primrose

My husband and I are an average couple earning an average salary with an average-sized family of two children.

In order not to "pay in" after each tax year, my husband requests that his employers deduct income tax as if he were a single person.

So much for allowances for wife and children....

Wake up, Receiver of Revenue — your system is antiquated and very unfair.

L Bougault
Alberton

Since it is the progressive nature of the present tax system which contributes most to the levels of dissatisfaction, can we not concentrate on that aspect and form a lobby for tax reform which encompasses more than the plight of the skilled married woman?

In this way we could replace some of the emotion (for which we are frequently criticised) surrounding this debate, with sound business sense.

If we had a uniform tax rate:

- Every wage earner liable would have PAYE deducted at source.
- There would be no need for annual returns; deductions and rebates could be scrapped.
- The question of a fringe benefits tax could fall away since there would be less incentive to find rewards other than remuneration which could carry as high as a 50 percent marginal tax rate.
- Married women would not be penalised by having their incomes classified as additional earnings in the hands of their husbands, attracting progressively more punitive tax payments.
- Manpower requirements in the Receivers' offices throughout the country would be reduced, releasing the existing staff for the arduous task of checking corporate tax accounts or for re-employment in other undermanned government departments.

Lilian Boyle
Johannesburg

Until recently I was a professional design engineer and my wife a manageress in a firm dealing in sophisticated equipment.

In 1970 I paid 10½ percent tax as a bachelor, now in joint taxation far over 40 percent, reaching 50 percent.

I liked my work but as it was easiest for me, I have stopped. I still do the odd job here and there to keep me busy, ensuring, however, that I do not earn too much.

The days I am home I paint and garden, rather like semi-retirement.

This all as a result of joint taxation — I cannot afford to take on a full-time job.

In my opinion anything over 30 percent tax kills incentive.

A J
Germiston

I have decided that, because of tax, it is no longer practical for me to carry on earning such a high salary.

I gave up my senior secretarial position and now work in a temporary capacity as a copy typist.

My salary has now decreased considerably and so has my interest in my work. But if I become a private secretary again, it will mean going back into the taxman's slaughterhouse.

Y Gentz
Berea

The loss to the fiscus if separate taxation was introduced is a fiction.

Every year the Government adjusts tax rates of all sorts to balance the Budget to the extent it deems prudent.

If an adjustment is necessary to compensate for separate taxation, the Government has sufficient talent to arrange it in the most politically advantageous way.

"Anti-technicalities"
Edenvale

In 1981 I decided to work as a temporary secretary. I worked for only eight months of the year and paid 10 percent of my salary in tax.

My earnings worked out to R652 a month.

In 1982 I worked mornings only as a legal secretary at R690. During that year we received a bill of R1 200 from the tax office.

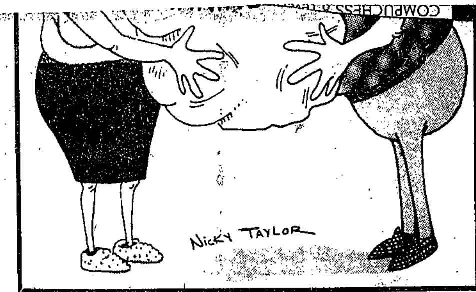
So for eight months I paid over half my salary in tax and just managed to scrape through on what was left.

I quit my job as soon as I paid the tax bill and stay firmly at home.

I now have a job that does not employ my skills but pays me about R50 a week tax free for a few hours a week, and I am better off under such a system.

Thank you for taking up such an important issue. Every little dig at the tax system helps.

L Steenkamp
Randburg



Bloody minded

Is the film viewing public ready for large-scale cannibalism on the screen? Paramount Studios thought not, but MGM disagreed. So director Tony Scott got his crack at making "The Hunger", starring Catherine Deneuve, David Bowie . . . and lots of blood.

● Tonight!, Page 24.

Chips down

It's the first-ever family "talking" car .... The Austin Metro was Leyland's key to survival. Now the Maestro, a micro-chip-controlled wonder car which cost R360 million to develop, is the company's key to success.

● Today!, Page 12.

INDEX

TEL: 633 9111

Plea to Horwood: Abolish joint tax system for couples

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Star 30/6/83

By Sue Grant

Progressive income tax scales combined with inflation are hurtling many average-income husbands and wives into the super-tax bracket at a rate that is both alarming and infuriating them.

It has been estimated that 1,3 million South Africans feel the negative effects of joint tax.

Last night an appeal was made to the Minister of Finance, Mr Owen Horwood, to abolish joint taxation of married couples because it contributed less than one percent of the total tax revenue received.

Mr Ron Miller (NRP, Durban North) said the advantages of such a move far outweighed the disadvantages.

He said that only R120 million was contributed to the State's coffers through joint taxation which was "paltry" compared to the 1983/4 tax revenue estimates of R5 300 million annually in direct tax, and R3 950 million in indirect tax.

In the past, critics of the system of joint taxation of working couples were told it affected only those who earned more than R12 000 annually.

Today the average couple working in the PWV triangle earns much more than that, and the extra tax is making many women reconsider working outside their homes.

This year the Minister of Finance did not adjust the R1 600 allowed in tax-free earnings to working wives. Many couples are now paying off last year's tax bill and are worried about next year's.

The Government has told the Standing Commission on Taxation Policy to look again at the vexed system of joint taxation, and the item is on its August agenda. But this does not mean there is any change envisaged.

WORLDWIDE PROBLEM

A top official in the Finance Department said: "It is a problem not only in our country but anywhere in the world. There really is no immediately apparent solution."

It is known the department does not like the present situation, but it says it has to maintain it to bring in a certain amount of revenue.

● See Page 7 of the World section.

Tale of graft shocks

362 Star

The Star Bureau

HARARE — A catalogue of corruption, graft and misuse of council funds by the sacked Mayor of Gweru, Mr Patrick Kombayi, was outlined in the Zimbabwe Parliament yesterday.

A hushed House heard from the Minister of Local Government, Mr Enos Chikowore, how the ex-mayor had established his own corps of "Amazons" — a group of leaders of women's clubs paid from council funds who supported him in demonstrations — and a special police force of former combatants who came under his direct control.

Blatant excesses had include purchase without authority R60 000 limousine and four chains for himself, the deputy [illegible] and their wives at a cost of R48[illegible]

The Minister said that whil[illegible] Kombayi was in office the allo[illegible] for spending on civic function[illegible] up from R675 a year to more R12 000.

Council contracts had been a[illegible] ed to a building company whi[illegible] had set up against the advice o[illegible] cials and his own hotel had su[illegible] liquor for the mayor's parlour tail bar prices which cost the c[illegible]

Perks tax unlikely to make its debut — yet

(320) 2/7/83 RDM

By GERALD REILLY
Pretoria Bureau

THERE is an outside possibility of a further reprieve for those who fear the introduction of the tough fringe benefit taxation, it was learnt in Pretoria yesterday.

Implementation of the tax has been posponed on three previous occasions.

It is understood there was nothing in the Income Tax Act which came before Parliament earlier this week dealing with fringe benefits — and there is nothing on the order paper.

While the extraordinary parliamentary session starting on August 8 will deal mainly with constitutional proposals, some legislation will be on the order paper.

But again because the commission of Members of Parliament evaluating the various perks for tax purposes is not expected to complete its report before the end of September, perks tax legislation will not be on the agenda.

The PFP's finance spokesman Mr Harry Schwarz said organised commerce and industry would be given the opportunity to make further representations to the Government after they had studied the proposed draft Bill.

Mr Schwarz said it was obvious that Parliament would have to move quickly if it was intended to introduce legislation by the start of the 1984-85 tax year.

The more stringent monitoring of tax evading perks, and the closing of loopholes in the Act, will require the restructuring of salaries in much of the private sector.

Economists claim that up to one-third of the real incomes of many middle and top level management personnel is made up of fringe benefits — company cars, low interest loans and big expense accounts, among them.

Companies will have to assess how much to pay these workers to maintain their real income levels.

And as the introduction of the tax is likely to coincide with the expected upsurge in the economy, and an even greater demand for scarce skilled manpower, tough bargaining between companies and their top staff is certain.

Authorities have claimed that although it is clearly "fiscally immoral" to ignore the large amounts of real income on which no tax is paid, by drawing the net tighter the Treasury will gain only a comparatively small additional amount of revenue — in the region of R50-million.

And the Commissioner of Inland Revenue Office says the administration of the tighter control of perks will not mean more staff will have to be employed. In fact, one senior official said, time-wasting arguments over the evaluation of perks, which would now be clearly codified in the legislation, would be eliminated.

Housing crisis 'govt's burden'

CAPE TIMES 7/7/83 320

Staff Reporters

NEW thoughts on how Cape Town could solve its housing crisis were welcomed yesterday, but many people felt that housing was a burden the government should bear.

The reaction followed a suggestion by the City Engineer, Mr Jan Brand, that extra taxation could produce the funds to solve the City's housing crisis — the need for 5 500 houses a year beyond those provided by government or private-sector funds.

'Controversial'

His suggestions — increased sales tax or a levy on water, electricity or rates — did not receive widespread support. However, most people felt that the suggestions were a start.

Mr David Curry, chairman of the Labour Party, said although he and many others believed it was the State's responsibility to provide housing, local authorities were being forced to look for other sources of income.

An additional rate levy would be "controversial", but this income would give the City more say in providing housing more suited to its needs rather than having to abide by the standards imposed by the State.

Neither could industry escape its responsibility to provide money for the housing of its employees, he said.

Mr Herbert Hirsch, leader of the Opposition in the Provincial Council and city councillor, said Mr Brand should be congratulated on initiating discussion on the problem.

The implications of extra taxation needed in-depth investigation, he said. "I'm sure that if we put out heads together, we could consider alternatives and the best solution for the community."

He suggested the formation of an ad hoc committee, including councillors and representatives from private enterprise.

National tax

Mr Dennis Lambert, chairman of the housing committee of the Divisional Council, felt that Mr Brand's suggestions for taxation would hit the poor hard. He suggested a national tax on liquor and cigarettes to deal with the national housing crisis.

Mr Brian MacLeod, director of the Cape Town Chamber of Commerce, said Mr Brand's attempts to find solutions to the housing problems were "laudable".

The burden of an extra rate levy would fall mainly on white ratepayers who could well accept the sacrifice as "worthwhile" in the interests of housing.

However, he cautioned against "precipitate action" by the City Council while the new local government dispensation had still to be finalized. It was not known what functions and services would be allocated to a new regional or metropolitan authority and existing local authorities, he said.

Burden spread

Assuming that a regional authority was made responsible for housing, the cost would then have to be shouldered by a much wider population, giving a broader base from which to draw revenue.

The chairman of the Cape Areas Housing Action Committee (Cahac), Mr Wilfred Rhodes, said the government should carry the burden of providing housing as the housing crisis had been caused by their policies.

He said he appreciated the City Council's position in the present crisis, but could not support a suggestion which would hit the general public.

Mr Clive Keegan, a housing committee member of the City Council, said housing was the responsibility of the government. "The council could raise a few pennies here and there, but there is no way they could raise the amount needed."

Unreserved support

Mr Neil Ross, a housing committee member of the Divisional Council — one of the country's largest housing authorities which is also battling with a lack of housing funds, gave unreserved support to the idea of an additional tax.

Mr N Osburn, vice-chairman of the City Council's housing committee, supported the idea of increased sales tax on a national basis, which would spread the burden.

Employers should also assist their employees to become home-owners, he said.

Provincial Administration spokesmen were not available for comment yesterday.

Tax plan to aid housing

CAPE TIMES 3/8/83

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Municipal Reporter

THE Housing Committee of the City Council is to recommend that the Executive Committee seriously consider solving Cape Town's housing crisis by raising tax — either sales tax or a levy on rates, electricity or water.

These proposals were contained in a presentation on July 5 by the City Engineer, Mr Jan Brand, who stated that it was possible for the City to solve its housing crisis. There was a need for 5 500 houses a year beyond those provided with government or private sector funds.

The Housing Committee discussed Mr Brand's proposals at a meeting yesterday and decided that they were worth pursuing. They are to recommend to the Executive Committee that it give serious consideration to his proposals.

Mr Brand and the City Treasurer, Mr J Watkins-Baker, are to prepare detailed reports on how the proposals could be implemented, and these will be forwarded to the Executive Committee.

VW chief calls for radical new tax structure

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S. Post 13/8/83

By Louis Beckerling

Business Editor

A VIBRANT economy, growing at the rate required to ensure full employment, can be secured for South Africa by the simple but bold expedient of cutting income tax by half.

Such a courageous and innovative step was therefore vital to a successful national industrial stategy, argued Mr Peter Searle, managing director of Volkswagen (SA) Pty Ltd, this week.

And Mr Searle's thought-provoking suggestion, made during a wide-ranging interview on the obstacles to economic growth — particularly in the Eastern Cape — has attracted immediate and widespread support among colleagues in commerce and industry.

Mr Searle argued that the common wisdom on the South African economy was that there were two main obstacles to growth, namely:

- Inadequate capital formation.
- A poor supply of technically-skilled and productive labour.

"All the remaining requirements for growth — an abundance of raw materials, labour, entrepreneurial skills and flair, and a well-developed infrastructure — are present in the economy," said Mr Searle.

The compelling need to bring these positive elements together successfully has frequently been underlined by economic planners, and Mr Searle said South Africans should not be intimidated by figures which demonstrated that a minimum 8%-10% annual growth in the economy was necessary to ensure full employment for the growing workforce.

"Numbers of so-called 'Nics', or newly-industrialised countries, have achieved growth rates in excess of these figures, and there is no reason, given the correct national industrial strategy, why South Africa could not do so as well."

Mr Searle's remarks come against a background of massive unemployment among South Africa's black workers. And if economic growth is not re-ignited and sustained the problem will become more acute over time.

The estimate of the Economic Development Programme is that at a moderate growth of, say 3,6%, unemployment will rise to 22% of the economically active population within five years.

Clearly a bold industrial strategy will be crucial to the country's future, and Mr Searle believes such a strategy must address the two major obstacles already isolated by businessmen and economists: capital and skills.

"By reducing direct taxation on income and increasing taxation on expenditure (via an increased General Sales Tax), people will be encouraged to save more — hence create capital rather than consume — and acquire higher skills and thus greater rewards in the form of an income which is not so heavily penalised by a high rate of tax," said Mr Searle.

Mr Searle added that such a scheme should be implemented with the proviso that essential foodstuffs were protected from excessive tax increases.

A glance at the relevant statistics in the SA Reserve Bank's latest Quarterly Bulletin suggests that GST would have to be substantially raised in order to compensate for lost income tax — though not beyond levels already charged in several industrialised countries.

Thus in 1983 total revenue which the State collected from company and personal tax amounted to R9 443 million (R1 284 million of which came from gold mines). From GST and sales duty came an amount of R3 181 million.

Halve income tax rates and this would reduce State revenue from this source by some R4 722 million — which represents some 150% of current income from GST, hence an increase from 6% to around 15% in GST.

A tax expert in an international partnership of accountants represented in Port Elizabeth said Mr Searle's suggestion appeared perfectly sound.

The principle that penalising rates of tax on higher income-earners acted as a disincentive on producing more and therefore earning more could not be denied. An alternative manner of achieving the same effect, he added, would be to introduce a flat rate of tax.

"There is support for the view that such a flat rate would remove the disincentives on earning more — and therefore encourage people to produce more," he said.

The penalty imposed on upper-income earners was graphically illustrated earlier this year in an analysis of the country's tax structure by Volkskas bank.

The bank showed that only 1,1% of the country's tax-payers in 1979/80 earned in excess of R30 000 and yet their contribution to the total tax bill was 17,8%.

On the other side of the coin 70,2% of the country's wage-earners earned less than R10 000 and contributed only 20% to total tax receipts.

Mr Tony Gilson, director of the PE Chamber of Commerce, said he, too, endorsed Mr Searle's suggestion as it seemed self-evident that under existing circumstances enterprise and innovation were being penalised — "and that is something this country can least afford".

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Mercury 17/8/83

Separate taxation

1,8 million would have to pay more

Mercury Correspondent

PRETORIA—Taxing working wives separately would mean higher taxation where the combined income was less than R15 000 — and 75 percent of taxpayers were in this category.

According to a senior official of the Department of Inland Revenue, of the total of 1 856 942 taxpayers, 1 836 173 fell into this bracket.

A husband and his working wife earning R10 000 — the husband contributing two-thirds of the income — would pay under the existing system R484.

Taxed separately the husband would pay R458 and the wife R58 — a total of R516, a disadvantage of R32.

At R15 000 the two bread-winner family under the existing system would pay R1 394.

Taxed separately the husband would pay R988 and the wife R258 — a total of R1 246 — an advantage of R148.

And as the combined income got bigger the advantage widened.

At R25 000 the two-breadwinner family, under present conditions would pay R4 466.

Rebate

Taxed separately the husband would pay R2 850 and his wife R689, a total of R3 539 — an advantage of R927.

And at R40 000 the two breadwinners taxed together would pay R10 939. Separately the husband would pay R6 986 and the wife R1 784, a total of R8 770 — an advantage of R2 169.

The single breadwinner family would pay at R10 000, R723; at R15 000, R1 792; at R25 000, R5 056; and at R40 000, R11 723.

The difference between what the single breadwinner paid in the existing system as opposed to that paid by the two-breadwinner famlly was mainly because of R1 600 rebate granted to married women who worked.

Doctors lash out as tax bites

W/C ARGUS 27/8/83

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By BRUCE CAMERON
Political Staff

DOCTORS and dentists are up in arms about tax measures which they claim could lastingly retard medicine and proper health care.

And the Government has been accused of taking the steps without consulting the professions.

The new Income Tax Act takes away a concession which allowed doctors and some other professions to claim expenses against tax for attending "approved postgraduate study courses and congresses".

Condemned

In a special insert in the latest edition of the South African Medical Journal, the secretary-general of the Medical Association of South Africa has condemned the measure.

His organisation "regards the repeal of the concession as a retrograde step which will, without doubt in the long term, not only have extremely deleterious effects on the health services in this country, but will also adversely affect South Africa's international relations and image.

He assured members that the association would "leave no stone unturned in its efforts to rectify what it perceives as a disservice to the professions concerned and the community".

The Progressive Federal Party health spokesman, Dr Marius Barnard, said his party had opposed the measure in Parliament without success.

He warned that South Africa could find its health services retarded as a result, as had happened in communist-bloc countries.

"I have been to Russia and Poland and have seen the bad effect the isolationist policies of those countries has had on medical care," said Dr Barnard.

Concern at loss of medical tax perk

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Pretoria Bureau

THE medical profession has learned with "shock and concern" of the plan to repeal one of its tax perks.

The secretary general of the Medical Association of South Africa, Dr C E M Viljoen, said in the SA Medical Journal the Tax Act provided for medical practitioners, dentists, engineers and scientists to attend approved postgraduate study courses and congresses, and claim any expenditure as a tax deduction.

The association, Dr Viljoen said, had now learnt with "shock and concern" that this year's Income Tax Act provided for the repeal of the section from next year.

"What is more difficult to comprehend is that despite a long-standing agreement not one of the professions was officially notified or consulted."

Masa regarded the repeal as a retrograde step which would not only have extremely harmful effects on the health services but would adversely affect South Africa's international image.

"Where efforts to isolate South Africa internationally are increasing every day, we simply cannot afford to meekly surrender this extremely valuable source of international contact."

The high regard in which the South African medical profession was held internationally was largely due to personal contact.

This seemed more than adequate justification for extending the privilege to other professions.

Big GST debts by black shops

320

E. Post

24/9/83

By GARTH KING

SHOPKEEPERS in Port Elizabeth's black townships owe the State hundreds of thousands of rand in overdue payments of General Sales Tax.

This was said by the chairman of the Port Elizabeth African Chamber of Commerce, Mr Monwabisi Mkaza, who urged the "more than a hundred" shopkeepers affected to approach the chamber in an attempt to clear up the mess with the Port Elizabeth Receiver of Revenue.

"Unfortunately, some of our shopkeepers don't know whether they're coming or going when it comes to GST," Mr Mkaza said.

"But it's their own fault. We've called many meetings about this matter but they didn't come. They're listless and apathetic.

He said a recent "crackdown" on GST defaulters in the township had revealed that the shopkeepers owe vast amounts to the State.

"Some," he said, "haven't paid GST since it was introduced in 1978."

Mr Mkaza said some shops had not added on, or in, in an attempt to compete with the cheaper prices in town.

"The Receiver, obviously, has every right to penalise them. In fact, the staff have been very sympathetic and amicable about making suitable and very fair arrangments for the payment of owed money and penalties," he said.

Port Elizabeths' Receiver of Revenue, Mr H W Jacobs, said there had been no particular crackdown on black shopkeepers.

"White, green, pink or black — if you've evaded responsibility then you must pay what you owe," he said.

Another spokesman for the Receiver said investigation into GST payments in the last three months alone had discovered defaulted payments of R250 000.

Mr Jacobs said there was a 10% penalty for unpaid GST — which normally increased by another 10% for every month thereafter until the defaulted sum plus the accrued penalties had been paid.

"We have been very lenient in the past — but it's now 1983 and GST was instituted five years ago," he said.

One Kwazakele shopkeeper, who did not wish to be identified, said it was the feeling of black shopowners that the Government was clamping down on the black middle class.

"They've turned against us. The Government, in the past, failed to implement the law and now we are having to pay up. They were lenient in the past — because of our innocence and inexperience as businessmen but all of a sudden we are being punished," he said.

Another shopkeeper said that most of his peers, including himself, owed "vast amounts". Sums like R40 000, R80 000 and R120 000 were mentioned as being owed to the State because of defaulted GST payments.

One shopkeeper said he had had a 100% penalty slapped on him.

Said another: "How does the Government expect us to pay this back? We know we owe this money, but it's not our fault."

Army drops its tax-snoops team

A TAX-HUNTING team of 38 national servicemen who helped retrieve R32-million from tax dodgers in an eight-month blitz are being pulled out of their jobs.

The crack tax squad — chartered accountants or auditors in civvy life — were seconded last year by the SADF to inland revenue offices throughout the country as part of their national service.

The 38-man team were drafted into tax offices as an emergency to help the critically understaffed revenue department to recover millions of rands in general sales tax (GST).

The taxes were paid by consumers, but had failed to reach the State coffers.

In January last year, the Sunday Express disclosed that the average South African taxpayer was the victim of the biggest tax swindle in the country's history — R809-million in GST payments had gone astray through theft, non-declaration or underpayment of tax.

One month later, the Minister of Finance, Mr Owen Horwood, admitted for the first time that South Africa might have lost large amounts in uncollected GST. He said the tax collecting rate was 90%. This meant a loss of 10%, or almost R628-million.

The authorities later decided to draft 38 accountants and auditors to the revenue offices, as a means of doing their national service, to help recover the missing tax monies.

But this week Mr Schalk Albertyn, deputy director (operations) of the Directorate of Inland Revenue, disclosed that the specialist tax recovery team was being withdrawn.

The 25 who joined last year will finish off this week, and the remaining 13 who joined in April will be pulled out in July next year.

By Wilmar Utting

There will be no more intakes.

"It is a great pity. The men did a first class job. They got back millions of rands for us," Mr Albertyn said.

This week, Mr Albertyn said that although the assistance given by the servicemen had been excellent, the directorate felt it no longer had a case to put to the Defence Force for the continued use of its men.

"We are short of experienced revenue tax inspectors, but we have now recruited enough untrained people to bring our GST inspectorate up to complement. We are busy training them," Mr Albertyn said.

But the decision has been greeted with anger by Mr Harry Schwarz, the chief Opposition spokesman on finance, who first suggested the scheme.

Mr Schwarz said he had not been told the men were now being withdrawn.

"There will be substantial complaints about this.

"I have been told the servicemen were doing an excellent job," Mr Schwarz said.

Now Inland Revenue must train GST staff

● Mr Owen Horwood

● Mr Harry Schwarz

"Now I am very unhappy. Unless they have been able to recruit suitable people in the Directorate of Inland Revenue, we are heading for the same problems we have had before with sales tax.

"I think it is most unfair. It is wrong," Mr Schwarz said.

"People frequently complain that they are wasting their time during their national service. Here is a classic example.

"The directorate will account to Parliament for the revenue that has not been collected."

In February this year, Mr Horwood disclosed that between April last year and January this year, 6 256 cases of GST irregularities had been uncovered.

This had resulted in R26,4-million being recovered plus R6,8-million paid in penalties.

Mr Schwarz, describing the amount as "staggering", told Parliament that what concerned him was the number of people who had not been caught.

"We would like to see the inspector's staff strengthened and a far stricter application of the law," he said.

In February last year there were 72 vacancies countrywide in the complement of 183 GST inspectors, and a total of 1 000 vacancies out of a total complement of 4 500.

It was when the matter was raised in Parliament that Mr Schwarz suggested national servicemen with accounting experience should be appointed to relieve the acute staff shortage in the Directorate of Inland Revenue.

The men were seconded to Receiver of Revenue offices in the main centres, usually where they normally lived. They wore the standard Defence Force uniform to and from work, but changed into mufti for their inspections of offices and shops.

A Defence Force spokesman said at the time that the use of the national servicemen to collect GST funds was an example of the "deployment of highly trained men in the national interest".

And the Commissioner of Inland Revenue, Mr W J H van der Walt, defending his department's using the men, said at the time: "In terms of the Defence Act, national servicemen can be used in any line of defence, and the collecting of funds falls into this bracket."

Plugging a giant drain on revenue

Staff Reporter

SHOPKEEPERS in Port Elizabeth's black townships owe the State hundreds of thousands of rands in overdue general sales tax payments.

This was said by the chairman of the Port Elizabeth African Chamber of Commerce, Mr Monwabisi Mkaza, who urged the "more than a hundred" shopkeepers affected to approach the chamber to clear up the mess with the Receiver of Revenue.

"Some of our shopkeepers don't know whether they're coming or going when it comes to GST.

"We've called many meetings about this matter but they didn't come. They're listless and apathetic."

He said that a recent crackdown on GST defaulters in the township had revealed that the shopkeepers owe vast amounts.

Port Elizabeth's Receiver of Revenue, Mr H W Jacobs, said there had been no particular crackdown on black shopkeepers. "White, green, pink or black — if you've evaded responsibility then you must pay what you owe," he said.

(3 20) ROM 28/9/83

Tucsa pleads for GST relief

Pretoria Bureau

THE Trade Union Council of SA has made another powerful plea for the lifting of general sales tax on basic foods and commodities.

It was made by the retiring president of Tucsa, Dr Anna Scheepers, at the council's annual conference in Port Elizabeth this week.

Dr Scheepers has stressed that GST is a tax on the poor. Groups who would otherwise pay no tax were compelled to contribute to Government revenue through a tax on essentials.

Her plea has the support of consumer organisations and the Housewives' League.

And the PFP has pleaded in vain for the past two years with the Minister of Finance, Mr Owen Horwood, to relax the tax on essentials.

The PFP's finance spokesman, Mr Harry Schwarz, said yesterday:

"GST is a good tax in a situation where there is greater equality of incomes, but where a large section of the population is in the low income group category it causes hardships."

Mr Schwarz said there was little prospect of the Government scrapping the tax but there was obviously a strong case for abolishing it on essentials.

He did not believe the administrative problems associated with scrapping the tax on essentials were insurmountable. Economists have pointed to the high level of poverty in South Africa and say that for security reasons at least, basic food prices should be kept as low as possible.

NATIONAL

Church body may call for end to GST

ARGUS 4/10/83

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Owen Cardinal McCann

Religion Reporter

A MOTION asking the Government to abolish general sales tax on all staple foods will come before the national conference of the Catholic Women's League, to be held in Cape Town from Friday.

The Durban diocesan council of the league will propose the motion asking for GST to be abolished on foodstuffs such as bread, mealie meal, milk and sugar.

Also tabled for discussion is a proposed inter-church committee to establish rehabilitation centres for released prisoners and to ensure a Christian ministry to those in prison.

Another motion suggests that the league should help to prepare families for when sons or husbands are away on military service and support young men during their periods of service.

The conference opens with a Mass at Our Lady of Good Hope Church in Sea Point on Saturday, at which Owen Cardinal McCann, the Roman Catholic Archbishop of Cape Town, will be the principal celebrant.

Later he will formally open the conference. Other speakers at the opening ceremonies will be Mrs Elena Moore of Cape Town, national president of the league; and Mrs Brenda Kreiner, Mayoress of Cape Town.

During the conference Mrs Andy Piper of Durban will be inducted as national president for 1983-85.

In addition to 40 delegates from all parts of Southern Africa, the conference will be attended by representatives of affiliated bodies, including the Consumer Union, the National Council of Women, the National Council for Child and Family Welfare, the National Council for the Blind, the Women's World Day of Prayer, the Women's Bureau of SA and the National Council for the Aged.

SUNDAY EXPRESS October 9, 1983

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EXPRESSCOPE ASKS: IS LIVING IN SIN CHEAPER?

Separate tax on the cards... but so is more tax!

By ANGELA GILCHRIST

THE government is considering separate taxation — but, said the Deputy Minister of Finance, Mr Eli Louw, this week week, much depended on whether solutions could be found "to its various problems".

It is the first time a senior government official has admitted that separate taxation is under consideration — and it is likely to be hailed by feminists and upper-income, two-breadwinner families.

In certain cases it is cheaper today for a couple to 'live in sin' than to marry and pay the extra tax.

And tax expert Mr Costa Divaris said this week that separate taxation was definitely on the cards for whites, coloureds and Indians, because the government wants all races taxed according to the same system.

Mr Louw was responding to Sunday Express questions about his recent statement at the Cape congress of the National Party that the government would consider the appointment of a commission of inquiry into the taxation of married women.

But a cautious Mr Louw added: "I don't think you should take it any further than what I said at the congress.

"I believe it is a sound argument that women with scarce qualifications refrain from going out to work because of high taxation.

"I'd like to find out to what extent the problem applies, and will recommend to the Minister of Finance, Mr Owen Horwood, that the government appoint the Human Sciences Research Council to carry out the necessary research.

"This should give us a comprehensive picture of the situation — but only then will we be able to make a decision."

Mr Louw said one of the problems of separate taxation was that lower income groups could pay more under certain systems than at present and it was "no good taking money from the poor to give to the rich".

ALTERNATIVE TAXING SYSTEMS

Joint Taxation	Separate Taxation		Present System Single Breadwinners	
	Married persons	As single persons	Bachelor	Married man

● Tax expert Costa Divaris — "separate tax is elitist."

Taxmen and the wages of 'sin'

JUST how much does it cost the average couple to marry?

In a marriage where the husband earns R20 000 a year and his wife R10 000 they would pay a total of R4 724 if taxed as individuals.

When their salaries are taken jointly their tax bill is R6 381 — over R1 500 more.

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He refused to say how the government could avoid this if a system of separate taxation were to be implemented. Mr Louw also refused to say what kind of separate taxation system the government might consider.

But Mr Horwood has repeatedly stated that if joint taxation of married couples were abolished, the loss of revenue would put the country's average tax rate up.

And while feminists will rejoice at what they see as a major breakthrough in the government's attitude to female breadwinners, Mr Divaris, described it as an "elitist non-event".

"Everyone assumes that separate taxation means less tax but it isn't necessarily the case because the government would have to make up for a massive loss of revenue," Mr Divaris said.

"Half the personal income tax collected by the government comes from 7% of the taxpayers — those who earn R20 000 a year or more. The only people who will benefit from separate taxation are the high-income bracket.

"As many as 65% of our taxpayers are earning R10 000 a year or less and under some alternatives to our present system, they will have to pay more tax than they do now.

"The bulk of our taxpayers are not concerned with the problem of joint tax at all. It is an elitist problem."

Mr Divaris said if the government introduced separate taxation feminists would claim it as a victory, "but I don't believe it will be their victory at all".

"They assume the government would stick to present tax rates in introducing a separate system of taxation. But the country couldn't afford that. The extra revenue will be claimed from people like them.

"If the government introduces separate taxation, it will be because it has promised that the system of taxation for blacks will be done away with by next year. The government wants blacks to be taxed according to the same system as whites, coloureds and Indians.

"Blacks have separate taxation at present and if one system is to be created for all races, it means that blacks either have to become jointly taxed or whites separately taxed."

Mr Divaris said it seemed unlikely that blacks would be jointly taxed because of difficulties posed by the migrant labour system and some customs which meant that some men had more than one wife.

"To devise one system for all races, it seems more likely that whites will start being taxed separately," Mr Divaris said.

"The government dare not discriminate against blacks in a new system because the present black tax Act is an appalling piece of legislation."

However, some financial sources said this week it was possible the government would introduce separate taxation and make up for its loss of revenue — or at least some of it — by introduction of the much discussed 'perks tax'.

Details of the draft Bill on fringe benefits are expected to be released later this month or early next month. Tighter control of perks seems likely from the start of the 1984/85 fiscal year.

It is estimated that up to 30% of the income of some executives in the private sector is made up of fringe benefits. Prime targets of the legislation will be company cars, lavish entertainment allowances, subsidised company loans and housing benefits.

The president of the Southern African Women's Foundation, Ms Adele van der Spuy, aims by the end of the year to present Mr Horwood the names of one million supporters for the abolition of joint taxation.

Ms van der Spuy says about 1 500 00 married South Africans are affected by joint taxation and the foundation has received the support of men and women of all races.

The chairman of the Womanpower Committee, Mr Velia Kirkpatrick, said it was important that the government was changing its attitude and seeing women as workers and not as housewives working for pin money.

Husband	Wife	Total	Present system	As married persons	As single persons	Bachelor	Married man
22 000	18 000	40 000	10 939	6 238	8 234	13 622	11 723
31 000	9 000	40 000	10 939	7 896	9 922	13 622	11 723
12 000	8 000	20 000	2 782	1 380	2 071	4 093	3 294
15 500	4 500	20 000	2 782	1 926	2 645	4 093	3 294
6 000	4 000	10 000	484	220	516	988	722
7 600	2 400	10 000	484	386	580	988	722

THIS table, compiled by tax expert Mr Costa Divaris, illustrates the patterns that would emerge if the government were to introduce separate taxation.

It assumes:

- **Present rates of tax apply.**
- **Salaried income only.**
- **Under separate taxation with taxation of each spouse as a married person, the wife is entitled to the present earnings deduction of R1 600. (In fact, the deduction would probably disappear.) The husband claims the standard deduction of R300. Both spouses claim the basic rebate of R350.**

Mr Divaris says the table illustrates the following trends:

- **It shows that if people were taxed at married rates the tax would be less in every instance than if they were taxed separately.**
- **If taxed separately at single rates, the difference would be much less.**
- **That lower income people would pay more under a separate taxation system, if taxed as single persons.**

Mr Divaris says a separate taxation system would be unfair to the single-breadwinner family.

more.

Some tax consultants maintain they have clients who have for this reason chosen to live together rather than marry.

The president of the Southern African Women's Foundation and a long-time campaigner for separate taxation, Ms Adele van der Spuy, has sent a letter to all churches and synagogues in South Africa expressing a shared concern about "the present deterioration in family life, the sharp increase in couples co-habiting without the benefit of marriage and the ever-rising divorce rate."

According to foundation figures, divorce in South Africa has increased by 73% and marriage by 21% during the last six years.

But tax experts maintain the tax rate does not play an important part in the decision to marry.

Says tax expert Costa Divaris: "People do not make decisions about marriage or divorce for tax reasons only. All the people who want to be married are married. It might sometimes be used as an excuse by those who are afraid of making a commitment to one another.

"I also believe that all the women who want to work outside the home, are doing so."

Case for a flat rate of payment

TAX expert Mr Costa Divaris says separate taxation had two major flaws.

"Overseas it has been proved that when people are allowed to separate their incomes, they begin shifting income to avoid paying tax.

"For instance a man earning more than his wife might begin making investments in her name," he said.

"So you need a complicated set of rules to prevent people from abusing the system of separate taxation.

"The second flaw," he said, "is that separate taxation will benefit households where both spouses are breadwinners at the expense of households having only one breadwinner — and that is not justifiable.

"In a way separate taxation would discriminate against the woman who doesn't go out to work — the housewife."

Mr Davaris said he did not believe the problem had anything to do with "working" women. "The culprit is our progressive system of tax which means the more you earn, the more you pay. We need a flat rate of tax."

Low-interest bond subsidies under attack

w/k Argus (bus) 22/10/83

~~88~~ 320

By DEREK TOMMEY
Financial Editor

LOW-INTEREST tax-free housing subsidies granted to public servants and employees of financial institutions are coming under attack from several quarters.

They are being blamed for distorting the property market, for leading to the wasteful use of the country's savings and for creating an unfair tax situation.

Mr Neville Berkowitz, editor of the Property Economist, said this week that bond subsidies and low-interest loans granted to the staffs of financial institutions were responsible for soaring house prices. They enabled sellers to demand inflated prices.

In the first three months of this year, building societies lent R477,7- million — 232 percent more than in the first three months of 1982.

Between 60 and 65 percent of bonds granted by the two largest building societies in the first four months of the year carried some form of subsidy.

Subsidies were making a mockery of the affordability of homes, Mr Berkowitz said.

With two out of three homes being financed by a subsidy, he expressed sympathy for the remaining 33 percent of the market — people who did not have access to a bond subsidy.

Stimulatory

"It is subsidised buyers who have pushed prices out of reach of those people who do not enjoy a similar perk."

A Cape Town building society official said this week that news of the latest increase in the public service house subsidy had had a marked stimulatory effect on the prices of low cost housing.

As a result of the increase there were now few houses on offer in the R40 000 to R50 000 price range.

The price of an ordinary house was now between R60 000 and R70 000.

Mr W F de la H Beck, chairman of Murray and Roberts, has also criticised low-interest tax-free housing subsidies on the grounds that they lead to a misuse of capital.

Writing in Murray and Roberts' house journal, he says because of the non-taxable nature of low-interest housing subsidies, an inordinate and artificial amount of capital is being directed into providing houses of a type and a cost which would not have been built if normal market-related interest rates had appertained.

One of South Africa's leading tax consultants, Mr Costa Divaris said today he was amazed that the South African taxpayer had put up with this situation for so long.

If some people paid less tax than they should, others not getting tax-free housing subsidies had to pay more than their fair share.

The people who really benefited from the system were employers and property owners. By giving tax-free housing subsidies employers were able to keep wages down.

As a result the South African taxpayer was actually subsidising employers, he said.

To Page 3.

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w/k Argus (bus)

Subsidies

320 123 S8

From Page 1 22/10/83

The Government has been investigating the levying of taxes on low-interest loans for the past two years.

It recently appointed a two-man commission to take evidence from interested parties and to consider the matter further.

A senior Treasury official said yesterday the commission had finished its report and submitted it to the Cabinet for consideration.

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Control of tax mechanism 'key to power'

CAPE TIMES 26/10/83 (320)

Political Reporter

THE crucial key to power in South Africa was control of the tax mechanism, Mr Bill Sutton, former New Republic Party MP and now a member of the President's Council, told members of the Cape Town Chamber of Commerce yesterday.

At a special referendum meeting attended by about 30 members, Mr Sutton said whoever controlled the tax mechanism controlled the lives of businessmen.

No-one doubted that the black majority believed that "whitey owes them". Handing over this control to the black majority at such a delicate stage of the country's economy would see the tax mechanism being used in a punitive fashion against the "have's", as happened elsewhere in Africa.

He said that for businessmen, a "no" vote would likely result in a prolonged period of uncertainty abroad with a decline in interest and investment and increased pressure for sanctions.

Mr Colin Eglin, the Progressive Federal Party MP for Sea Point, said that whatever well-meaning people intended, every "yes" vote was an endorsement not only of the fatally-flawed constitution, but also of Nationalist apartheid on which the constitution was based and which it was designed to serve.

He believed a "no" vote on November 2 could harness the good that had emerged from the referendum debate for use in hammering out a better constitution.

Mr J H Heyns, the National Party MP for Vasco, said the National Party would remain the majority party in the new constitutional system and whatever the powers of the State President, he would still be subject to party discipline.

Dr W Snyman, the Conservative Party MP for Pietersberg, said the tide was turning against leftist politics in South Africa. Rejecting the new constitution, he said that government by consensus would not work.

(Report by Jane Arbous, 77 Burg Street, Cape Town).

RAND DAILY MAIL, Monday, Oc

(320) RDM 31/10/83

Grim prospect of tax rise faces South Africans

By GERALD REILLY
Pretoria Bureau

SOUTH AFRICANS face the grim prospect of higher company and personal tax levels in the 1984/85 budget, according to leading economists.

Another option open to the Government in its efforts to raise State income next year is to increase general sales tax, they said.

Their views are supported by the annual forecast of the economic research bureau of the University of Stellenbosch, which speculates that there may be a tax increase of 10%. This would increase State revenue by an estimated R1 000-million.

Volkskas chief economist, Mr At Engelbrecht, said the Government would need additional income next year to meet growing commitments.

He estimated the deficit before borrowing in next year's budget would exceed the projected R2 000-million, because of increased Government spending during the current financial year.

He said the targeted increase in State spending during the current financial year was 10,3%. This was, however, now nearer to 17%.

He said the Government had a number of options in its search for a bigger income. These included:

- Increased company tax;
- Increased GST;
- Imposition of a loan levy;
- A surcharge on income tax.

The Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said the joker in the pack was the performance of the gold price.

"If there is no improvement, and particularly if it sags further, then there is little doubt that taxation will have to be raised," he said.

The chief economist of Barclays Bank, Dr Johan Cloete, said it might not be politically feasible for the Government to raise taxation in the March budget.

Higher taxation in March would also hit business confidence at a time when the economy would probably be in need of stimulation.

The Minister of Finance, however, would have to find ways of increasing State revenue some time during the financial year to counter the expected big Budget deficit.

Another option open to the Minister was to raise GST or impose a loan levy — or a combination of the two — later in the fiscal year.

FINANCE

GST receipts show economy faltering

ARGUS 18/11/83 320

By DEREK TOMMEY
Financial Editor

FIGURES for general sales tax receipts published by the Treasury show that the economy has been losing momentum.

Sales of goods and services have shown a successively smaller rate of growth on a year ago for the past two quarters.

Calculations based on GST receipts show that sales in the first quarter of this year amounted to about R14,4-billion, up 10,8 percent on the year ago figure of R13-billion.

Sales in the second quarter were R14,8-billion, up 9,2 percent on last year's second quarter figure of R13,5-billion.

However, third quarter sales at R16-billion were up only 5,9 percent on the year-ago figure of R15,1-billion, with the increase in September only 1,8 percent.

GST receipts are a useful indicator to the state of the economy as the tax is levied on everything sold to a final consumer.

Therefore it is not an index of retail sales but of everything sold to the agricultural, mining, manufacturing, and commercial sectors as well as to the household sector.

However, while sales may be levelling off, the general sales tax collections have so far been up to the Treasury's expectations, mainly as a result of the 20 percent increase in the tax rate last September from 5 to 6 percent.

The Treasury has budgeted for a 24,2 percent increase in GST receipts in the current tax year.

At the end of September with half the tax year gone, GST receipts at R1 849,5-million were up 24,5 percent on last year's comparative figure of R1 485,8.

But the increase in receipts in September of only 1,8 percent compared with last year, suggests that the Treasury might not hit its final target.

The income tax figures are probably more pleasing to the Treasury. At the end of the first half of the fiscal year they amounted to R5,2-billion, which was up 21,5 percent on a year ago.

This compares with a Treasury forecast of a 17 percent increase in income tax receipts this year.

Although the economy may be running down, income tax receipts have so far held up well, with collections in September up 18,5 percent on a year ago.

It seems that the maintenance of a fairly high gold price to the mines, together with fiscal drag which is pushing taxpayers into higher income brackets, are the factors mainly responsible for the buoyant income tax collections.

Overall, tax receipts in the six months ended September have been buoyant and at R10-billion show a 26,1 percent increase over the R7,95-billion collected in the same period of last year.

However, this year's tax collections includes a transfer of R900-million from the Stabilisation Fund. If this figure is excluded, tax receipts are up only 14,7 percent on last year.

This is still greater than the 11,2 percent increase in total revenue for which the Treasury has budgeted this year.

Call for urgent probe into tax system

Argus 23/4/83

~~322~~ 320

Argus Correspondent

PRETORIA. — The Transvaalse Onderwysvereniging (TO) has asked for an urgent investigation of the tax system.

According to the official news magazine Mondstuk, the TO has asked the Federal Council of Teachers' Associations to ask the Government to investigate the system.

This request came in the light of constantly increasing taxation, although the maximum allowable on tax deductions had not increased since 1980.

Taking into account the loss of money value because of inflation, the maximum deductable allowance for medical purposes should have increased from R1 000 in 1980 to R1 500 in 1983/84, Mondstuk said.

In the case of a married woman the maximum allowable deduction was R1 600 a year. This was determined in 1980.

This maximum should by this time have been raised to R2 400, taking into account the depreciation of money because of inflation, Mondstuk said.

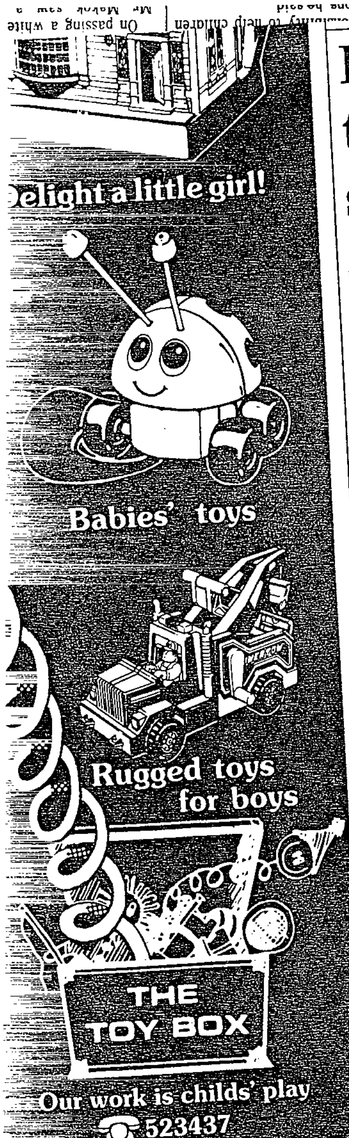
Tax percentage

Although the maximum on tax deductible items had not increased, the tax percentage had.

In an example given in the newsletter a married man with two children earning R20 000 in 1980/81 would have been taxed R3 120 — or 15,6 percent of his a salary.

However, in 1983/84, with a salary increase to R28 730, he would pay R6 606 in tax — or 22 percent of his salary. This was a tax increase of 6,4 percent.

If taxation kept in line with inflation, at 15,6 percent, then the taxable amount on a salary of R28 730 would be R4 481 — leaving a salary of R24 249, and not the present R22 124.



Blacks, whites to be taxed the same next year

320 E. Post 25/11/83

● From Page 1

in those national states.

Acceptance of a parity system meant that:

● The Black Taxation Act of 1969 would be repealed, which meant that blacks would be taxed on that basis only up to the tax year ending February 29.

● The provisions of the Income Tax Act would apply to all the population groups in South Africa and the national states.

● The Commissioner of Inland Revenue would be responsible for the administration of the Income Tax Act in the metropolitan areas of South Africa and the national states.

● National states would retain the right to tax their citizens and to collect the tax.

● Inland Revenue would tax individuals residing within metropolitan areas.

Although it appeared that some blacks would be paying more tax, ample rebates and standard deductions allowed by the Income Tax Act ensured that liability arose only when the taxable income for a full tax year exceeded certain amounts.

In the case of unmarried wage earners under the age of 60, the minimum taxable annual amount varied from R3 576 in the case of a person with no children to between R4 409 and R6 909 or more in the case of people with one or more children.

For married wage earners, the scale varied from R4 385 to R12 051 or more.

In terms of the existing system, all blacks earning R1 800 or more are liable

With the exception of domestic workers or farm labourers whose annual earnings do not exceed R1 600, all black employees will in future have to complete IRP2 forms. — Sapa

Single SA tax system in 1984

320 E. Post

PRETORIA — Blacks will be taxed the same as whites from next year.

The Commissioner for Inland Revenue, Mr Mickey van der Walt, said in a statement today that the Black Taxation Act was to be scrapped and a single tax system introduced for all South Africans on March 1.

The Minister of Finance, Mr Owen Horwood, disclosed in his Budget speech this year that the provisions of the Income Tax Act would from next year apply to all taxpayers in the country.

"The uniform tax system which is to come into force on March 1 is based on one of the fundamental principles of our taxation system, namely equity," said Mr Van der Walt.

"Acceptance of a uniform tax system ensures that tax parity is achieved for all population groups.

"Under the existing system, blacks have rarely, if ever, paid the same tax as other population groups — whites, coloureds and Indians — in identical circumstances.

"In practice they paid either more or less than other population groups."

Mr Van der Walt added that an agreement had been reached with Gazankulu, Kangwane, Kwandebele, Kwazulu, Lebowa and Qwa Qwa on a basis for taxation

● Turn to Page 2

Robbers strike

Post Correspondent

JOHANNESBURG — Two United Building Society agencies in Roodepoort only 800 metres apart were robbed within 10 minutes of each other by two gunmen this week.

The first agency was robbed of R4 000 and the second of R8 942.

The spate of robberies of building societies and banks on the Reef continues without pause.

The holder of one agency, Mr Johan Schoombie, said: "You are completely helpless with can't argue."

The two gu 10am and on clerk, Mrs J held his revol

The same m other agency the door and t der Merwe a volver at Mrs

"We were

Police are bers, who got

Cape Times 26/11/83

Tax system for all races

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Own Correspondent

PRETORIA. — The separate taxation system for blacks is to be scrapped and replaced with a uniform system for all races from the start of the 1984-85 financial year.

In a statement in Pretoria yesterday the Commissioner of Inland Revenue, Mr Mickey van der Walt, said a uniform system would ensure tax parity for all groups.

This would mean the rates of tax for all population groups would be harmonized, and that uniform tax concessions, deductions and rebates would apply.

To achieve this the Black Taxation Act would be repealed from March 1 next year.

"Under the existing system, black persons have rarely if ever paid the same tax as other population groups — that is whites, coloureds and Indians — in identical circumstances.

"In practice they paid either more or less than other population groups," Mr Van der Walt said.

Agreement

He said agreement had been reached with Gazankulu, Kwandebele, Kwazulu, Lebowa, and Qwa Qwa on the basis on which their citizens were to be taxed. The acceptance of the principle of tax parity from March 1 next year meant that:

- Blacks would be taxed on the existing basis only up to the end of the tax year ending on February 29, 1984.
- The provisions of the Income Tax Act would apply to all population groups, as well as to citizens of national states who lived in the states.
- The Commissioner of Inland Revenue would be responsible for the administration of the Income Tax Act in the metropolitan areas and the national states.
- National states would retain the right to tax their citizens, and to collect the tax.
- Inland revenue will tax individuals who live in metropolitan areas

Aleck Lotz tries out his new motorized chair.

New chair keeps Aleck buzzing

Staff Reporter

A GIFT of a special motorized chair has brought new freedom to 12-year-old Aleck Lotz of Vista Nova Cerebral Palsy School.

For the first time in his life, Aleck will be able to take off on his own and visit friends or buy sweets at the shop around the corner from his home in Sanddrift.

Because of his spastic-diplegic condition, and difficulties he has walking, he always has to be helped. If he falls, he cannot get up on his own.

Sitting in his chair for the first time yesterday, Aleck buzzed around the schoolgrounds beaming from ear to ear. It was then packed up and sent home with him on the school bus.

"Aleck is so absolutely delighted," said physiotherapist, Mrs Dorothy Basson, who wrote a letter of motivation for the chair about a month ago.

The chair, donated by the Cerebral Palsy Association and Aleck's parents, costs about R1 200. It is only the second of its kind at the school.

"In the past we only had electric wheelchairs, but these are wonderful because they are so easy to transport and can be dismantled in 30 seconds."

Education act amended

Political Reporter

AUTHORITY to allow black children to attend white private schools was officially given to the Administrator, Mr Gene Louw, yesterday with the publication of an amendment to the Education Ordinance.

Asked to comment on the implications, the Director of Education, Mr Hugo Lambrechts, said the amendment was not a new development, merely a regularization of a situation which had existed for some years. Black pupils had been admitted to private schools since Cabinet approval in the 1970s.

The amendment was to bring the Ordinance into line and the same was being done in every province, he said.

Tele Views

VIEWERS described One Day at a Time as "childish, plastic, tripe and not worth a penny".

Mrs Julie Mullard of Camps Bay said she wished "SATV would keep to its published times for programmes. I missed the start of The Turn of the Screw because the film was screened seven minutes early without prior warning. And it's not the first time it has happened," she said.

Mr N Human of Constantia said the new comedy, One Day at a Time, was "a lot of tripe. I hope we are not going to have this every week. Tell the SABC to put it back under that flat stone or wherever they got if from," he added.

Stephen Donnelly of Milnerton said: "One Day at a Time is ridiculous. "It's childish, plastic — absolutely terrible. I'd rather watch a boring political speech than that."

George Jay of Newlands, referring to One Day at a Time, said: "It's an American import that isn't worth a penny. It's dull and boring, devoid of humour, and assisted by a studio audience that make the show worse. They laugh at the most inane remarks hoping that viewers w[illegible] do the same."

Mr E J Smith of Kenilworth did not appreciate Afrikaans commentary on golf during Sportsvision last night. "It makes things ve[illegible] difficult for the likes [illegible] me. I'm an immigrant."

Mrs L Hall of Mea[illegible] ridge said: "My husba[illegible] and I appreciate SATV sports coverage but w[illegible] have to complain ab[illegible] the perpetual slow-[illegible]tion replays of ever[illegible] shot in tennis and cri[illegible]et which makes us [illegible] the next shot. By t[illegible] time they get back, t[illegible] next shot has be[illegible] played and we hav[illegible] seen it. Can't they [illegible] out the slow-motion [illegible] play?"

- If you would [illegible] to comment on tele[illegible]sion programmes or any television issu[illegible] ☎ 24-2233 Ext 21 Monday to Friday.

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11/83

REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF FINANCE

INLAND REVENUE

NOTICE TO EMPLOYERS REGISTERED WITH INLAND REVENUE

EMPLOYEES TAX: HARMONISATION OF PAYE SYSTEM

1. Introduction

In accordance with the announcement by the Minister of Finance in his 1983 Budget Speech, persons of all population groups will be liable for income tax in terms of the Income Tax Act with effect from the 1985 tax year, which commences on 1 March 1984.

2. Procedures to be followed up to 29 February 1984

Tax deducted from the remuneration of Black persons, which is at present paid over to the Department of Co-operation and Development, will not be deductible from remuneration after 29 February 1984.

Tax deducted up to 29 February 1984 must however be paid over to that Department and any outstanding matters relating to the Black Taxation Act must be finalised with the local Commissioner of Co-operation and Development.

3. Procedures as from 1 March 1984

As from 1 March 1984 employees tax must be deducted from the remuneration of *all* employees in accordance with the IRP 10 tables or computer formulae, supplied by the Commissioner for Inland Revenue, or a tax directive issued by a Receiver of Revenue. All employees tax deducted as from 1 March 1984 must be paid over to the Receiver of Revenue concerned per form IRP 4.

The IRP 10 tables provide for the following categories of employees:

(1) Single persons
(2) Married persons
(3) Married women
(4) Part-time employees.

A male employee is regarded as a married person if he is married in accordance with any law or custom.

The single and married tables make provision for reduced deductions where the employee is entitled to rebates in respect of children. Rebates are allowed, subject to certain age and income qualifications, only in respect of own children, step-children and legally adopted children.

Where a man has more than one wife the employees tax must be deducted from the first wife's income in accordance with the tables for married women.

4. What you as employer should do

- Obtain IRP 2 forms (Personal Particulars of Employee) from all your Black employees so that employees tax may be deducted where applicable from March 1984.
- At this stage Black employees must insert only identity numbers as they do not have income tax reference numbers. The latter numbers will be allocated in due course, where necessary.
- IRP 2 forms are available from receivers of revenue and up to 29 February 1984 also from Commissioners of Co-operation and Development.
- Where employees tax has been deducted IRP 5 certificates must be issued and handed to the employees at the close of the tax year or when the employee leaves your service, if earlier.
- In cases where employees tax was not payable IT 3 (a) forms must be given to employees.
- If you have branches of your undertaking in any of the National States (Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and Qwaqwa) you must register with the taxation authority of the State in question and pay over to the relevant taxation authority all employees tax deducted from Black employees by those branches. Employees tax deducted from Whites, Coloureds and Asians at those branches must however be paid over to the South African taxation authorities. For this purpose a branch means either a permanent branch or operations extending beyond six months in the National State.

5. The final deduction system

Under the final deduction system a taxpayer may be relieved of the obligation to submit an income tax return if—

- his/her taxable income consists solely of remuneration (e.g. salary, allowances, wages, overtime pay, bonus, emoluments and pension) which does not exceed R8 000 per annum;
- the prescribed amount of employees tax has been deducted from that remuneration; and
- the taxable portion of interest and dividends which accrued to him/her during that year does not exceed R100.

Some of your employees may fall into this category and provided employees tax has been correctly deducted they will have no further obligations in regard to income tax.

Employees must retain all IRP 5 certificates and IT 3 (a) forms for a period of three years from the end of the tax years to which they relate.

An employee who considers that he/she is entitled to a refund of employees tax, may obtain a "Return for the Determination of Liability" (form IT 11) from the Receiver of Revenue.

6. Employees to whom the final deduction system does not apply—

- These employees need not register as taxpayers at this stage and must retain all IRP 5 certificates as they will be required to file income tax returns in future.

7. Liaison with Black employees

- It would be appreciated if you would point out to your Black employees that the employees tax deductions will take the place of the Black tax deductions and that in most cases less tax will be payable than under the previous system.
- Income tax becomes payable at the following annual levels of taxable income (in other words, persons with a taxable income of less than the following amounts will not be liable for income tax):

	Married persons	Single persons
Persons under 60 years		
No children	R 4 385	R3 576
1 Child	R 5 217	R4 409
2 Children	R 6 051	R5 242
3 Children	R 6 884	R6 076
4 Children	R 7 717	R6 909
5 Children	R 8 515	
6 Children	R 9 551	
7 Children	R10 467	
8 Children	R11 301	
9 Children	R12 051	
Persons over 60		
No children	R 5 384	R4 576
Persons over 70		
No children	R 6 884	R6 076

Under the Black Taxation Act tax is payable irrespective of marital status or number of children on all income in excess of R1 800 p.a.

- **COMPARATIVE TABLES**

The following are examples of the employees tax deductible in accordance with the Black Taxation Act and the Income Tax Act.

Remuneration	Tax deductible								
	Black Taxation Act	Income Tax Act							
		Married persons					Single persons		Married women
		No children	Children				No children	1 child	
			1	2	3	4			
Monthly									
R									
200	0,74	—	—	—	—	—	—	—	6,42
250	1,94	—	—	—	—	—	—	—	11,42
300	4,34	—	—	—	—	—	—	—	16,42
350	7,20	—	—	—	—	—	7,20	—	22,83
400	11,20	3,92	—	—	—	—	14,40	4,40	32,83
450	15,62	9,92	1,58	—	—	—	21,60	11,60	42,83
500	20,82	15,92	7,58	—	—	—	28,80	18,80	52,83
600	31,88	27,92	19,58	11,25	2,92	—	43,20	33,20	72,83
700	45,04	40,04	31,71	23,38	15,04	6,71	57,95	47,95	92,83
800	61,48	54,03	45,70	37,37	29,03	20,70	74,94	64,94	112,83
900	80,44	70,77	62,43	54,10	45,77	37,43	95,22	85,22	132,83
1 000	102,16	89,83	81,50	73,17	64,83	56,50	118,30	108,30	152,83
1 200	153,94	135,03	126,70	118,37	110,03	101,70	173,14	163,14	192,83
1 500	251,90	220,17	211,83	203,50	195,17	186,83	275,70	265,70	255,31
2 000	438,16	388,37	380,03	371,70	363,37	355,03	478,14	468,14	360,31
Weekly									
R									
50	0,27	—	—	—	—	—	—	—	1,82
60	0,51	—	—	—	—	—	—	—	2,82
70	1,07	—	—	—	—	—	0,11	—	3,82
80	1,62	—	—	—	—	—	1,55	—	5,03
90	2,40	0,62	—	—	—	—	2,99	0,68	7,03
100	3,25	1,82	—	—	—	—	4,43	2,12	9,03
120	5,29	4,22	2,30	0,38	—	—	7,31	5,00	.13,03
140	7,57	6,62	4,70	2,78	0,86	—	10,19	7,88	17,03
160	10,21	9,02	7,10	5,18	3,26	1,33	13,11	10,80	21,03
180	13,38	11,84	9,91	7,99	6,07	4,14	16,53	14,23	25,03
200	17,01	15,06	13,14	11,22	9,29	7,37	20,45	18,15	29,03
220	21,25	18,71	16,78	14,86	12,94	11,02	24,87	22,56	33,03
240	25,74	22,77	20,84	18,92	17,00	15,07	29,79	27,48	37,03
260	30,96	27,24	25,32	23,40	21,47	19,55	35,21	32,90	41,03
280	36,55	32,13	30,21	28,29	26,36	24,44	41,12	38,81	45,03

- It may be found that the amount of employees tax payable in the case of a married woman is more than what she paid under the Black Taxation Act. It may be pointed out to such an employee that in all probability less employees tax will be payable by her husband and that the overall effect will most likely be that less tax is payable by the family unit.
- Dependants (other than a wife or child referred to in par. 3): While the tables do not provide for dependants, employees will be given relief either when applying for a refund (final deduction system cases) or on assessment.

8. Employees tax deduction tables (IRP 10) and computer formulae

New employees tax deduction tables will come into effect from 1 March 1984 and the tax payable by persons earning less than R8 000 will, except in the case of a married woman, be slightly less than the tax payable in terms of the present IRP 10 tables. In the case of married women, the employees tax will be the same as indicated in Volume 24 of the IRP 10 tables.

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Pretoria
0001

NOVEMBER 1983

18/13/5

instances, and the government has decided to shift the responsibility to the employer.

"The present tax system is unfair," Mr Bubb said. "There was a time when anyone earning between R30 000 and R40 000 could

"The biggest problem is that the tax tables have simply not kept pace with inflation," he added. "Our top tax bracket stands at R40 000 at which point people start paying back 50% of their earnings in tax. It should be set at, say, R65 000.

paying off a car, he said, was R500 a month and groceries run to at least R300 a month, depending on the size of the family. This already amounted to R21 600.

Since 1977 the average earnings had jumped dramatically to cover these costs, but the tax system had not been adjusted sufficiently.

"I do not agree with the claim that joint taxation is an elitist problem," he said. "I have spoken to thousands of salaried couples who fall into this bracket and who are having difficulty making ends meets."

Mr Bubb suggested that, intially, a flat tax rate could be phased in as follows:

- **Up to R10 000 — 12%.**
- **R10 000 to R20 000 — 16%.**
- **R20 000 to R30 000 — 22%.**
- **R30 000 to R50 000 — 33%.**
- **R50 000 to R75 000 — 42%.**
- **R75 000 up — 50%.**

The effects of inflation would be lessened, the housewife who didn't want to work would not be greatly prejudiced and the maximum earnings tax rate level would be increased.

"Taxation should mirror society," he said. "People as individuals have the right to work regardless of whether they are part of a family unit or not," Mr Bubb said.

"Forty years ago the working woman was a rarity. Today half the work force is female. If they stopped working, the economy would face incredible problems."

At what stage was a pay increase no longer a proposition? Mr Bubb believed this "is always worth getting, although it must be remembered that the tax man will collect 50% of any above R40 000".

"The whole salary isn't taxed at 50% — just the amount over R40 000," he said.

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27/11/83

320

A BIG SALARY ALONE WON'T MAKE YOU RICH, A TAX EXPERT ADVISES

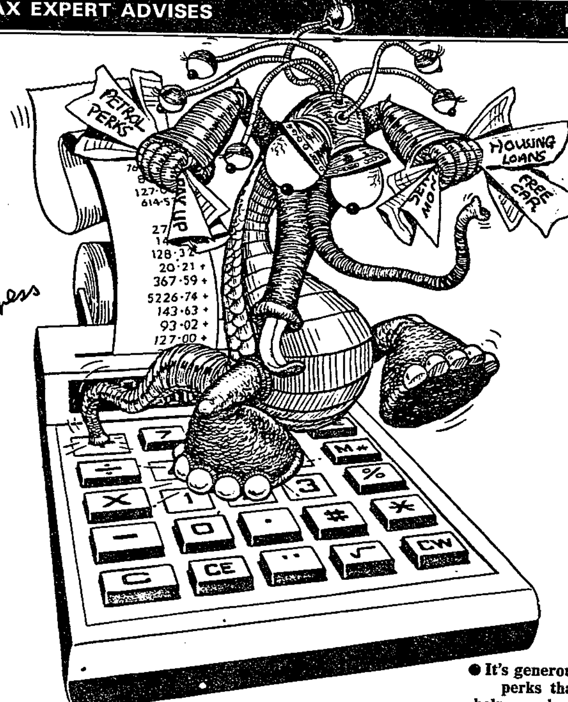
By WINNIE GRAHAM

How smart people earn more by earning less

320

S. Express

27/11/83



"WHAT'S the salary?" is only the fifth question you should ask in a job interview — there are four others which, if answered positively, mean the salary is just about irrelevant and you can pocket it as small change.

This is the view of personal tax expert Mr Terry Bubb.

He pointed out this week that the man who pays for and runs his own executive-style car, for example, will have to earn an additional R24 000 a year to compete with the man who is given such a car by his company.

South Africa's "crazy" tax system did that, said Mr Bubb.

So when you're in that job interview, first ask the following four questions before you talk salary:

- How big is the housing subsidy?
- Do I get a company car, and how large is it?
- How big is the entertainment allowance?
- What other perks do you offer — in the form of travel and medical allowances, group life cover, discount goods or staff canteen?

Then talk salary.

	MARRIED	SINGLE
10 000	18%	21,6%
15 000	28%	33,6%
25 000	38%	45,6%
30 000	44%	50,0%
40 000 up	50%	50,0%

● This table shows how much more tax you pay on each additional rand earned at various incomes

The man whose job offers him more perks than hard cash will be better off by far than the man who is paid a big salary and has a heavy tax bill.

Mr Bubb said a man who could get, say, an R80 000 bond from his firm at 2% (building society rate 16%) "does not have to be a mathematician" to realise that this was equivalent to earning an additional R22 400 a year.

The housing subsidy amounts to R11 000, which is tax free. A man in the top tax bracket (whose salary, with his wife's, amounts to more than R40 000 a year) would have to earn an additional R22 000 to match the benefit of the subsidy, because half of it would go to the tax man.

In addition, said Mr Bubb, the man who received a housing subsidy did not have to pay an additional 14% to the building society where the interest rate was about 16%.

Thousands of South Africans employed by banks, building societies and other financial institutions qualify for housing subsidies at 2% or little more. Public servants and employees of quasi-government bodies, such as Escom, also have their housing bonds subsidised, but the extent of the subsidy depends on the size of the loan and the salary.

An entertainment allowance is tax deductable, as are certain travel allowances, medical aid, and business life assurances.

The government has endorsed the principle of taxing fringe benefits or 'tax perks'.

At present taxpayers are asked to make a voluntary declaration of the value of the perks they receive. This is not b...

● It's generous perks that help you beat the Receiver's arithmetic

have been considered upper income, but inflation has changed all that.

"The middle-class core of South Africans now fall in that bracket — and that is why joint taxation has become such a problem."

He believed most wives worked, not so much because they wanted to, but because they were forced to help their husbands make ends meet. More and more women were having to help buy ... and pay ...

A man who tackles the Tax Man

MR Terry Bubb, B Comm, Cert IMM, is the managing director of Bubbs Taxaid, the largest personal tax company in South Africa.

He started the firm seven years ago and has since advised thousands of middle-income men and women on their tax problems since.

He is married, has a young son and his wife is expecting a second child "at any time".

"In the United States, where the cost of living is on a par with that of South Africa, if not lower, people do not start paying out 50% of their salaries in taxes until their earnings reach the R90 000 mark."

He said a fitter and turner, for instance, earned R18 000. His wife, a caterer, earned R14 000, making a family total of R32 000.

The "average family" needed that kind of salary to exist. Few houses cost under R65 000 and R75 000, representing a monthly repayment and costs of at least R1 000 a month.

The co...

Higher taxes loom in Budget as . . .

Horwood scraps import surcharge

(320) RDM 29/11/83

By **HOWARD PREECE**

THE 5% surcharge on imports has been scrapped and the prospect of tax increases in the Budget now looks stronger than ever.

These were the key points to emerge from the speech yesterday by the Minister of Finance, Mr Owen Horwood, at the anti-inflation conference in Pretoria.

He also disclosed that Government spending was running ahead of the 1983-84 estimates "by a worrisome margin".

The causes were higher-than-expected expenditure on drought relief, defence and interest charges on State borrowing.

Mr Horwood said the Budget deficit before borrowing for 1983-84 was running substantially more than the figure of R2 082m, or 2,4% of gross domestic product, originally estimated.

This arose from an extra R500m on drought relief, R400m more on defence and R500m for additional loan financing — R1,4bn more than budgeted.

Mr Horwood said: "In these circumstances it becomes necessary to look critically at both the tax structure and the incidence of taxation.

"With the (economic) growth rate still negative I am reluctant to raise taxes just at this moment."

He added: "Whether such a step becomes incumbent upon us will become clearer as we proceed. The prospect can certainly not be left out of account."

However, Mr Horwood told the conference: "What I have decided to do is to announce the complete abolition of the remaining 5% import surcharge with effect from November 29.

"When this measure was first introduced in February 1982 I stated that it would be temporary. Since that time the surcharge has, in fact, already been reduced in its two stages from its original level of 10%.

"In view of the improvement in South Africa's balance of payments on current account, and the upward pressure on import prices by recent depreciation of the rand, I believe the time has now arrived to remove this tax altogether.

"In taking this step we are also complying fully with an undertaking we gave to the Interntional Monetary Fund last year when we negotiated a comprehensive loan programme."

Economists said last night that the removal of the surcharge should have a small but useful effect in contributing to the downward trend in the inflation rate in the economy.

It might also take some pressure off South Africa's relations with the IMF which are subject to political attack.

Among the points made by Mr Horwood about the inflationary position in South Africa were:

● "The answer does not lie in generalised direct controls over prices, wages, dividends, interest, imports, capital movements and so on."

● More steps will be taken "to counteract monopolistic practices and to promote competition, to improve training and education and to avoid undue protectionism".

Mr Horwood said: "In general, our broad fiscal and monetary strategy of the past two years has already borne fruit and single-digit inflation appears within reach.

"Yet this prize may still slip from our fingers if we let up now, particularly as the economic background to our efforts has recently darkened again.

"The gold price has declined sharply and the prolonged recession throughout the world shows only weak and scattered signs of an eventual upturn so that our export markets remain stagnant.

"Dependent as we are on foreign trade we cannot borrow and spend ourselves out of the recession but must wait for an export-led recovery."

● THE Association of Chambers of Commerce (Assocom) last night welcomed the removal of the remaining 5% import surcharge.

Mr Raymond Parsons, Assocom's chief executive, said the abolition of the surcharge was in line with representations made by the business organisation.

"The elimination of the surcharge will assist businessmen in cutting import costs and reducing inflation, especially at a time when the recent depreciation of the rand was threatening to have the opposite effect.

"The prompt removal of the surcharge once again underscores South Africa's ability to meet its international financial obligations, as this country had undertaken with the International Monetary Fund to drop the surcharge by the end of the year."

● See Page 4, 5

Need for black education on tax

(320) S Times 4/12/83

By Angus Macmillan

IF the Government's all-race taxation scheme is to be implemented without stirring a labour hornets' nest, extensive education programmes will have to be organised by employers.

This was the message to industry from Friday's Manpower and Management Foundation seminar on black taxation.

From March 1984, blacks will be taxed on the same basis as other races, and will fall under the jurisdiction of the Department of Inland Revenue rather than the Department of Co-operation and Development.

Employers will have to explain to their black employees, many of whom are illiterate, the benefits they will receive through the new tax, and to convince them that it is not a "white government ploy to deprive them of money".

"Those who regard themselves as being in a less favourable decision than other members of the community usually have a great deal of suspicion, and demonstrate high levels of tension when a change is contemplated, and much more when it is implemented without consultation," Marshall Swana, a senior Anglo American industrial relations adviser, told the conference.

"In addition to lack of trust in the Government, the employer in the South African context is physically and politically white. The black taxpayer may have a problem distinguishing between the employer and the Government."

A particular question that blacks will ask, said Mr Swana, is "how will the Government use revenue from taxation?" Another is: "Will it provide equal education and other services for all racial groups?"

CAPE TIMES 6/12/83 (320)

Assocom sees no need to raise taxes before Budget

Own Correspondent

JOHANNESBURG. — An increase in tax is not required between now and March 1984, according to the Association of Chamber of Commerce (Assocom). But businessmen are feeling uncertain about higher taxes next year.

An Assocom delegation conveyed these views to the Minister of Finance, Mr Owen Horwood, and senior Treasury officials in Pretoria yesterday.

Although State spending, and therefore the deficit before borrowing, will overshoot their targets for the financial year 1983/84, Assocom does not believe that an increase in tax in this fiscal year is needed.

The association claims that the public finance situation can be adequately handled through an appropriate interest rate and debt management policy.

Assocom will formulate its specific views on a suitable tax mix at a later stage in the light of the economic and social circumstances then prevailing.

Three possible sources of additional new tax are causing uncertainty among businessmen. They are:

- The possible need to finance higher State spending in 1984;
- Expenditure arising from the new constitution at both the local and national levels, and
- The proposed tax on fringe benefits.

"What is important here is the cumulative impact of these three possible tax developments on the productive sector of the economy, bearing in mind the limited taxing capacity available in a developing economy, and the persistence of fiscal drag.

"Assocom recommends that in the interest of maintaining business confidence there should be as far as possible full consultation with the private sector before any final decisions, about new taxes, are taken."

The first policy priority should be reducing inflation and inflationary expectations.

"Cutting inflation in the short term is good for job creation in the long term."

Assocom says that an appropriate monetary and fiscal policy is not sufficient in itself to curb inflation. Structural policies, including lower administered prices, must also play their part.

Various factors such as the world economy, the price of gold, the effects of the drought, inflation, consumer and business confidence, and high interest rates have an impact on South Africa's economic performance.

These factors create a difficult short-term outlook for the economy. There has been a bottoming-out of the economy and a rise in the gold price could transform the situation, but the current picture is negative.

For 1984 as a whole Assocom sees a growth rate of 2½ percent to three percent particulary if there is a substantially better agricultural season.

Unemployment, especially among blacks, will be higher in 1984 and the economy will not experience a recovery until the second half of next year, assuming that the favourable factors internally and externally materialise.

Although the current account of the balance of payments have produced surpluses in the first nine months of 1983, these surplusses could be reduced in the near future by the drop in the gold price, the need to import grain and the sluggish recovery of United States fixed investment which is contributing to lower South African base mineral export earnings.

SEC TION 4B

320 RDM 8/12/83

Be prepared for a pay squeeze

By HOWARD PREECE

TAX rises and continuing high real interest rates are likely next year, according to Dr Johan Cloete, chief economist of Barclays National Bank.

He predicts, however, that inflation will be down to about 9%, measured by consumer prices, and that there will be real economic growth of about 2,8%.

Dr Cloete is not over-optimistic about gold.

He also thinks wage and salary rises will in general be held to about 10%. This will mean, particularly with any tax increases, that total real disposable incomes will again show a reduction.

Main points of his forecasts for next year are:

GOLD AND EXPORTS. The odds are gold will remain "relatively weak, given a continuation of relatively high interest rates overseas in the year ahead, together with relatively low inflation rates and a relatively strong dollar.

"With these fundamental determinants of the gold price likely to continue to exert a restrictive effect on the price in the months ahead, it would probably be unwise to expect that gold earnings for 1984 will be any higher than they have been in the past year".

Dr Cloete also believes that with only moderate world economic growth next year South Africa's non-gold exports will probably show an equally moderate upturn.

FORECAST IN A NUTSHELL

	Estimated % 1983	Forecast % 1984
Growth		
Real G D P	−4,0	2,8
Agriculture	−13,9	11,7
Mining	−1,6	0,5
Manufacturing	−8,0	4,0
Wholesale and retail	−2,0	-0,2
Building, construction	−1,4	−0,5
Real consumer spending		
Total	−0,5	−0,6
Durables	−8,2	−4,7
Semi-durables	−2,8	−3,7
Non-durables	1,3	0,8
Services	2,0	1,0
Real investment		
Total fixed	−8,7	−1,4
Public corporations	−9,5	1,8
Public authorities	−6,1	3,1
Private sector	−9,7	−4,8
Inflation	12,4	9,0

Taking that and gold together the total export stimulus, "on which our next cylcical economic upswing is so dependent, is likely to be considerably more moderate than at the start of the previous upturn in 1978".

THE BUDGET. Dr Cloete says the deficit before borrowing for 1984-85 could well be more than R3bn.

For anti-inflation reasons this would have to be met by raising taxes and/or borrowing in the domestic capital market.

Dr Cloete says Mr Owen Horwood, Minister of Finance, "is likely to pursue a middle course — increase direct taxation on individuals and perhaps also on companies moderately and, at the same time, push up his borrowings and hence interest rates in the capital market".

These rate increases will, however, be less than would be necessary without tax rises.

WAGES AND SALARIES. These are "unlikely to show an increase of much more than 10% during 1984 compared with an estimated increase of around 13% for 1983.

"Assuming an average inflation rates of 9% for 1984, and no increase in employment levels in the face of a likely continuation of negative new fixed investment in real terms, it must accordingly be expected that total real disposable incomes will show a further reduction next year".

Tax increases would add to that possibility.

INFLATION. Dr Cloete sees various reasons why there will still be strong upward pressures on prices.

"It must be expected that producers and suppliers of such necessities as food, housing, power and transport will tend to increase their prices at rather immoderate rates despite the severe recession."

This will be helped by the fact that people simply have to buy these items.

Against that prices more dependent on consumer discretion will be restrained and this will be boosted by the chances of no fuel price rise and the modest tariff rises announced by Escom.

This should see the consumer price index down to 9% next year, especially if further depreciation of the rand and another rise in general sales tax can be avoided.

MONEY SUPPLY. "For the year ahead ... the rate of increase in the money supply should slow down quite appreciably as the banks are unlikely to continue to create credit for non-productive purposes on the same scale as during the past year."

The broadly defined M-2 should rise by around 14% against an estimated 20% for 1983.

This would be enough to allow a significant fall in short-term interest rates from the second quarter of 1984.

DR JOHAN CLOETE

BALANCE OF PAYMENTS. A 5% rise in net exports of goods and non-factor services in real terms is seen for 1984.

Imports should also show a moderate real increase.

ECONOMIC GROWTH. The export upturn, coupled with an end to the running of inventories in the domestic economy, should produce real growth of about 2,8%.

Dr Cloete says, however, that "this would represent largely a statistical improvement and, except for a possibly strong contribution to growth from the agricultural sector in the year ahead, business firms generally as well as the consuming public are unlikely to experience any real improvement in their standard of living at least for the greater part of 1984."

CAPE TIMES 9/12/83 (320)

Higher taxes inevitable — Standard Bank

By HOWARD PREECE

JOHANNESBURG. — Business conditions are likely to get worse in the first part of next year before improving. This is the conclusion of Standard Bank's Economic Review for December.

It says: "The continuation of the recession is likely to have serious implications for the consumer.

"Unemployment is high and rising.

"Most year-end salary increases are below the inflation rate and many companies will not be paying a Christmas bonus.

Stimulation

"Since the possibility of fiscal stimulation next year is remote and increased taxes look inevitable, consumers will have to tighten their belts.

"Quite apart from the need to adjust to lower real incomes, consumers are also bound to realize now that it no longer makes sense to buy on credit since in real terms interest rates have never been higher.

"The real prime rate is over eight percent a year and the cost of consumer credit higher still."

Standard says: "Recent developments abroad, particularly in the gold and commodity markets, have been far from favourable for South Africa.

"Domestically there has been a distinct further tightening of financial markets and a deterioration in the business climate.

Progress

"This suggests that a significant recovery of the South African economy is certainly not a prospect for the first part of next year and conditions are likely to get worse before improving again."

Standard says: "Progress has been made in reducing the inflation rate but the improvement would be only a temporary one if the money supply growth is not substantially reduced from current levels.

"To achieve this, the demand for bank credit must diminish.

"For that reason, among others, the present high interest rate structure is likely to be maintained for some months.

"The Reserve Bank's high interest rate policy is likely to slow down consumer spending which has continued to grow strongly on the back of credit virtually throughout the recession.

"In the coming months personal spending will tend to reflect to a greater degree the reduction in real disposable incomes evident for some time.

"This could have significant implications for the economy's growth performance, particularly for those sectors which have shown relative buoyancy in 1983."

Standard says "the economy is still not ready for a recovery".

"Even though the balance of payment had improved dramatically in the second half of 1982 that momentum has now been lost.

Improvement

"Before a healthy recovery can take place, a strong improvement in exports is necessary.

"The weaker rand has certainly helped exporters but what is really needed is an improvement in both the prices (in foreign currencies) and the volumes of South Africa's export commodities.

"A substantial improvement on the balance of payments is clearly necessary to form a sound basis for renewed growth.

"But the domestic financial sector, too, still needs to make substantial adjustments to enable a recovery to take place in a healthy manner."

The bank adds: "A financial precondition for recovery is that the cost of credit be low in real terms.

Monetary policy

"However, at this stage any decline in interest rates would have to be engineered through an expansionary policy and that would have disastrous implications for future inflation.

"The Reserve Bank has thus stated its intention to maintain a tight monetary policy until satisfactory progress has been achieved in curbing both money supply growth and inflation.

"This requires that the demand for bank credit be substantially reduced."

7/10

SALES TAX

Who pays?

(320) FM 9/12/83

Last Friday, with only four weeks to go before advertising and publicity services became liable for gst, the Sales Tax Act was changed. And sport sponsors and packaging manufacturers are delighted because it appears that they are now to be exempt. But the amendments have failed to clarify a number of important guidelines, says Ernst & Whinney tax consultant Trevor Emslie.

Explains Emslie: "A lot of businesses will have to register as vendors and become tax collectors, but I see at least four aspects with scope for tax avoidance. Firstly, according to the Act, only advertising activities in the ordinary course of carrying on an enterprise are taxable. Does this mean that infrequent, unusual or extraordinary activities are excluded?

"Secondly, only advertising to the public or a section thereof is taxable. How does one define a section of the public? For example, do a company's existing clients constitute a section of the public?

"Thirdly, only activities performed in the carrying on of an enterprise are taxable and the Act defines an enterprise as being of a continuing nature. Would an enterprise established solely to conduct a new product launch and which was then discontinued constitute an enterprise as defined? Probably not, and if not, there is no sales tax liability.

"Finally, only advertising services rendered 'to any person' are covered. What then is the position of partnerships and trusts which have no legal personality? Partnerships as a collection of persons are probably covered, but advertising services rendered to a trust might escape tax."

Advertising or publicity services are now defined as communications to the public or

(320) 9/12/83

Sponsored sport ... safe from the taxman

a section thereof through the medium of specified advertisements in media such as newspapers, radio or television. This differs from the original definition in that the words "or any other medium" have been deleted.

"The sales tax net was apparently cast wider than even the internal revenue authorities intended," says Emslie. "Previously, journalistic and educational communications would apparently have been taxable and there was speculation that sponsorship of sporting events was also included. These are now clearly excluded."

Sales tax is still payable on the preparation, design or furnishing of material for specified advertisements, but there are three important exemptions in the new definition. These are:

- ☐ The design and manufacture of packaging material, including labels, for use in the marketing of goods;
- ☐ Any merchandising or direct-selling activity or any fashion or modelling show; and
- ☐ Publication in the *Government Gazette* or any newspaper of any notice required by or for the purposes of any law.

Freelance photographers and copywriters will sometimes be obliged to charge sales tax for their services. But when these are rendered to a registered vendor claiming an exemption, sales tax need not be charged. Likewise, newspapers, the SABC and printers will frequently charge sales tax unless an exemption is claimed.

Advertising agencies and public relations consultants, having obtained various inputs tax-free, must collect sales tax from their clients and pay it over to Inland Revenue.

The *FM* understands that the authorities will soon distribute memorandums setting out their understanding of advertising and publicity services.

BLACK TAXATION

Please explain

Implications of government's ~~plans~~ to extend the Income Tax Act to blacks next year are being closely examined by many employers and some trade unions.

The move will result in blacks being taxed on the same basis as whites. The financial implications of this will probably not be significant for many black employees. Some black working wives may find themselves paying substantially more in PAYE — a factor which is causing concern in industries ~~where many women~~ are ~~em-~~

Financial Mail December 9 1983

ployed. ~~But at~~ the same time ~~some black~~ households may pay less income tax than they have in the past.

However, some employers fear that unless the new system is effectively explained to black employees, there could be labour unrest on a scale of the 1981-82 strikes against government plans to preserve pensions.

Indeed, the decision to create a unitary income tax system could raise a number of thorny political issues. For example, some industrial relations practitioners say it is possible that black unions and political organisations could mobilise protests around the whole question of taxation without political representation. Similarly, there could be protests against the introduction of equal taxation without equal benefits (for example education and state pensions) being provided to all population groups.

Opposition

There are also some employers who fear that the introduction of the new system will create a heightened awareness of tax matters among black workers. This, they speculate, may prompt opposition to income tax gathered from urban blacks being used to finance defence or homeland administrations.

An immediate employer concern is to ensure that the implications of the new system are effectively communicated to black employees. Ron Marsden, general manager (manpower) of the Manpower and Management Foundation, says employers and government face a "massive communication job."

The Trade Union Council of SA (Tucsa) has been examining the new system and believes that government needs to do more to inform employers and unions about it. Tucsa general secretary Arthur Grobbelaar emphasises that there will be much ill-feeling "unless somebody gets through to the black taxpayer and explains what the whole system is all about."

Business tax to help local govt?

D. Dispatch 10/12/83

320

JOHANNESBURG — Commerce and trade in the private sector will become major sources of revenue for the country's hard-pressed local authorities if the cabinet approves recommendations of the Croeser Working Group examining municipal finances.

Informed municipal and government sources disclosed yesterday the Croeser Working Group was likely to make final recommendations early next year to the cabinet about vital, additional sources of revenue for municipalities.

But there are also indications of private sector fears that the proposed sources of revenue — a system comprising the triple municipal taxation of industries and businesses — could lead to national and regional price increases, could damage the country's economic performance and even undermine financial control.

In the latest issue of Local Government, the Deputy Director-General of the Department of Finance, Mr Gerhard Croeser, the chairman of the Croeser Working Group, outlines some of the recommendations.

These are:

- Taxing the turnovers of all business institutions, industries and service industries;
- Levying investment taxes on commerce and trade on the value of basic improvements to buildings and production equipment; and
- Levying employment tax on the overall amount paid out to company employees in wages and salaries irrespective of their race.

Mr Croeser also recommends that the traditional source of municipal revenue, assessment rates, be continued but that the rates be levied on both the value of property sites and improvements such as buildings and houses, and not only on site value which is the present practice.

In the article based on a speech delivered by Mr Croeser, he says that the turnover tax will essentially replace trade licences and that it would amount to a very small tax.

"I am thinking in terms of only tenths of a percentage point on the turnover of the previous year as the basis for a scale . . . ," he says.

Mr Croeser says in the article that investment tax would also be very low and that this would help to counter the possible effect of employment tax leading to more mechanisation and the creation of less employment opportunities.

"I realise fully that commerce and industry will have to pay these taxes, but I also know that they will pass on the load to the consumer who will reap the benefits of the system.

"It should also be realised that these sources of revenue and the levying thereof will be subject to macro control by the central government," he says.

The Chief Executive of Assocom, Mr Raymond Parsons, said yesterday that Assocom had approved a motion as a result of the recommendations at its national congress held in Pretoria in October and as a result of the motion the government had promised to consult with Assocom early in the new year.

He said that Assocom had not yet "committed" itself to any special form of financing of the proposed devolution of powers to local government.

The Assocom motion approved in October said it feared that the recommendations would "lead to the undermining of overall financial control and discipline, would result in additional taxes which would have a cascading effect on prices at the national and local level and that it would damage the economic performance of South Africa."

The chairman of the Johannesburg Management Committee, Mr Francois Oberholzer, welcomed the Groeser Group's recommendations and said that such additional sources of revenue would especially benefit emerging local authorities who could not rely on traditional sources such as assessment rates.

He also said that the recommendations were welcome in view of the failure of the Browne Committee of Investigation in 1981 to recommend any additional sources of revenue for local authorities. — DDC.

Business Day/**LABOUR**

Trouble lurks in tax equality

320

RPM 12/12/83

MOVES by the Government to remove tax discrimination by including blacks in the same system as whites is worrying employers who fear it will lead to unrest similar to that over pensions in 1981.

The Commissioner for Inland Revenue, Mr Mickey van der Walt, addressed the Johannesburg Chamber of Commerce on this issue, and the tax authorities have met some unions to explain the new system.

In one important aspect, employer fears seem exaggerated — based on the incorrect belief that blacks pay less tax than whites do. As Mr Van der Walt says, the present system means most blacks pay *more* tax than whites with similar income do, and in future they will pay less.

Thus, black workers will be able to claim rebates on their wives and children, which they cannot do at present.

There are some tax issues in which worker groups might want to intervene. The authorities want farm workers and domestics to register as taxpayers if they earn more than R1 600 a year, but are prepared to consider raising this figure, according to Mr Van der Walt.

Workers earning under R8 000 a year will have Paye deducted automatically and must submit returns only if they seek rebates. Advice groups might assist workers to do this.

Some unmarried, higher-paid black workers may have to pay more tax, according to Mr Van der Walt.

But there is little potential for unrest in all this.

There is, however, one employer fear which may well have more substance. This is that the change will focus workers' attention on the tax system and fuel the charge that, because they are voteless, blacks are subject to taxation without representation.

In the wake of the referendum result, which has caused ~~much black~~ bitterness, this is possible.

LABOUR WEEK

By STEVEN FRIEDMAN

However, the future of this tactic may be limited. None of the demos has won noticeable gains for dismissed employees and many unions may well argue that one reinstatement order in the industrial court is worth several pickets.

□□□

THE recognition dispute between the Frame Group and the National Union of Textile Workers is SA's oldest, dating to the early 1970s. Now it is being fought in the courts — on a breathtaking scale.

There have been two industrial court and one ordinary court actions as a result. The union, which has consistently run up against a brick wall in its attempts to win recognition at Frame, believes it can tackle the company in the courts and seems to be missing no opportunity to do so.

The process is costly for both sides and the outcome may well be settled largely by the will of the two sides to contine the battle in this way.

CAPE TIMES 14/12/83 (320)

Challenge on joint taxation

Staff Reporter

THE Southern African Women's Foundation has challenged the government to abolish the joint taxation of married couples and to increase the tax on cigarettes to offset any short-term tax loss incurred by this reform.

In a strongly-worded statement signed by Adele van der Spuy (president), and Elana Swanepoel (vice-president), the foundation said the government was well able to afford the introduction of separate taxation and should do so by 1985 at the latest.

"If the government fails to introduce this urgent, essential reform it will reveal itself as placing the interests of cigarette smokers over and above the interests of married women in South Africa."

The foundation dismissed as "factually incorrect" the government's claim that from March 1, 1984, there would be equal taxation for all.

"Since 1914 — for 70 years — the governments of both the Union and the Republic of South Africa have enriched themselves at the expense of the economically active married women of this country," it said.

The foundation also called on the government to reconsider its plan to "summarily deprive black married women of their separate income tax status".

Referring to the Income Tax Act, the foundation said that it "critically objected" to the economic linking of married women and minor children.

It proposed that the government abolish the R1 600 tax-free allowance currently granted to men with working wives, and increase the excise tax on all cigarettes by 10c per pack of 20s.

It calculated that this would increase the tax revenue of the Department of Inland Revenue by R300 million — enough to meet the estimated short-term tax loss incurred from the introduction of separate taxation.

ay December 27 1983

Higher taxes on companies may dampen share buying

ARGUS 27/12/83 (320)

By DEREK TOMMEY
Financial Editor

THE Government is likely to increase taxes on companies in the next Budget which could dampen share investment, Mr J Smith, an analyst with the Cape Town stockbroking firm of Simpson, Frankel, Kruger, warns.

He says in a circular to clients that because of increased Government spending as a result of the drought and greater defence needs, it is estimated the Budget deficit in the present tax year will be around R2,9-billion.

This is R800-million more than the Government has budgeted for.

As spending on defence and agriculture is expected to remain heavy next year, while the Government will also have to meet the cost of the public servants' 12 percent pay rise, next year's deficit could rise to R4,5-billion if there is no change in tax rates.

BORROWINGS

The country's leading economists do not think the Government will step up its borrowings to reduce the deficit, Mr Smith says.

They believe that foreign borrowings will be used to only a limited extent because of their inflationary effects. Local borrowings are already running at a high level and cannot be increased much further.

Consequently, economists take the view that this deficit will be reduced mainly through raising extra revenue by increasing company tax from its present level of 46 percent of profits to 50 percent, or by the imposition of a 10 percent surcharge.

However, the economists do not expect any increase in personal tax, though they considered the re-introduction of the loan levy a possibility.

They also do not expect any increase in general sales tax.

CONSERVATIVE

Most of the economists believe the Budget will be conservative in tone, but nevertheless the consequences of higher Government spending on the economy will be stimulatory.

Mr Smith says an increase in company tax will lower dividend growth. A 10 percent increase in pretax profits will result in only a 2 percent earnings growth if company tax is raised to 50 percent.

6pc GST on newspaper advertising

CAPE TIMES 28/12/83

320

EXCEPT in certain categories, all newspaper advertisements will be subject to the six per cent general sales tax from January 1, in terms of a recent amendment to the Sales Tax Act.

The exceptions include obligatory advertising such as legal notices, and tenders and municipal and government notices.

Advertising agencies who will organize their own GST collection also qualify for exemption.

Other categories that will qualify for exemption are:

- Sports clubs and professional tournaments;
- Election notices, manifestos and letters of thanks;
- Certain categories of appointments;
- Church and charity advertising.

Prices quoted for advertising in the Cape Times will be exclusive of GST, and the six per cent tax will therefore have to be added.

The onus for obtaining exemption from GST on an advertisement rests on the person or body placing such an advertisment or notice in the newspaper.

TAXATION — 1984

JANUARY — MAY

(320) FM 6/1/84

BLACK TAXATION

Employers' role

The Johannesburg Chamber of Commerce has highlighted the crucial role that employers will play in communicating the benefits of SA's new uniform tax system to black workers.

The new system comes into effect on March 1, and will result in people of all races being taxed on the same basis. The Black Taxation Act of 1969, under which blacks were taxed, will be repealed.

The Johannesburg Chamber of Commerce has released guidelines aimed at helping its members to deal with the new system. It points out that although the changes that will come about as a result of the new tax structure are beyond the control of management, "it is management and not the Revenue authorities who will have to face the consequences of any adverse reaction."

The chamber believes the greatest potential for unfavourable reaction from black employees lies in uncertainty and a lack of understanding of the harmonised structure. It emphasises that all people directly involved in industrial relations or personnel administration should be fully briefed on all aspects of the new structure to ensure that they can deal with queries.

The chamber suggests that employees should be briefed on the new structure in small groups of not more than 20 people.

Beyond helping black employees to complete IRP2 forms, employers should "stress the positive aspects of the new tax structure." They can, for example, point out that tax relief will be granted to married men who have children."

Communities may have to raise own funds

Star

Tax shake-up 'on the cards'

320

7/1/84

Own Correspondent

DURBAN — A major shake-up of the taxation system, which would result in a multiplicity of taxing authorities, is being investigated by the Government.

The idea is that under the new constitution each tier of government would be given authority to raise additional funds themselves for projects such as new hospitals.

Thus a homeland like kwaZulu, a local authority like Verwoerdburg, a municipality like Johannesburg, or the Indian or coloured community, would be given the power to raise their own taxes instead of obtaining the money from the central government.

The political thinking behind the move is that communities will be more selective in launching new projects if they must bear the responsibility for raising the money to finance them.

Details of the plan have been "leaked" from the special Kroeser Committee set up to investigate taxation.

They emerged when the president of the Durban Chamber of Commerce, Mr Sandy Morrison, said in the latest chamber information digest that organised commerce was against the new system.

"There are moves afoot to decentralise the whole taxation process, which would result in the establishment of a multiplicity of taxing authorities throughout the land.

"This is something which organised commerce will fight tooth and nail as it will be tremendously expensive both to the public sector and the private sector.

"It will also absorb scarce skilled manpower resources which should be more productively used elsewhere."

One business leader said yesterday that the plan might make sense politically but it had frightening consequences for those who had to implement the new system.

On the collection side alone the cost could be staggering as each tier of government would require its own taxation department, resulting in duplication of duties previously conducted by central authorities.

The Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said that if the leak was accurate the concept of decentralised taxation conflicted with the vast differences in wealth between the various race groups.

"There is a heavy price to be paid in future taxation by the haves. Not only must they pay tax to maintain themselves but they must pay an additional amount to maintain and improve the lives of the have-nots as well," said Mr Schwarz.

The leader of the New Republic Party, Mr Vause Raw, said he understood the proposal meant all communities would be taxed by a central government body. Any additional services and facilities would have to be provided by the communities themselves.

Mr Raw described this as "sound thinking".

SA propaganda war to sway Australian views

The Star's Foreign News Service

BRISBANE — The South African Embassy in Canberra and the recently authorised information office of the ANC and Swapo are poised for a full-scale propaganda war to sway Australian opinion about South Africa.

The federal government has allowed the ANC and Swapo to present the other side of the South African Government's argument which has been forcibly put by Dr Denis Worrall, South

the rightwing League of Rights, which has been described as a religious-political front organisation through which South Africa can intensify its activities among churches in Australia.

Backing the black African nationalists are several anti-apartheid groups, trade union leaders, human rights campaigners and the Australian arm of the World Council of Churches.

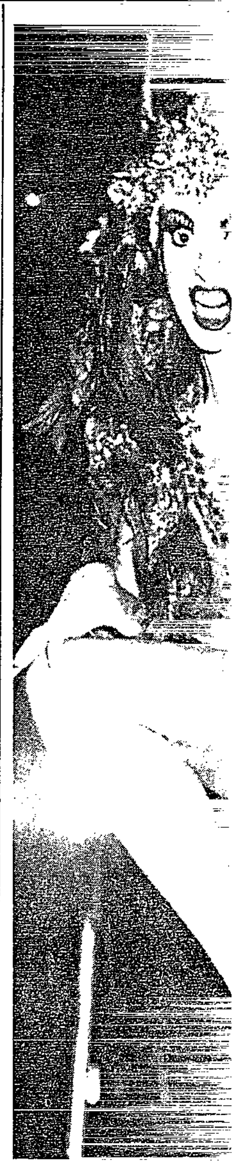
Dr Worrall's opponents are small in number and have limited financial resources.

To maintain the ANC office expected to be located in Sydney, they have launched a public appeal with an impressive list of Australian political, religious and academic figures acting as trustees. The target figure is in the vicinity of R50 000 a year.

An immediate target of the anti-apartheid group is the South African Airways, branded as a "carrier of propaganda" because the airline is used to transport South African Government publications, such as the South African Digest, to Australia.

Call for tough line on SA

The Star Bureau



Seb's sist

Her big brother Seb ma
in the country, but Mira
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star's 23-year-old sister wi
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Piccadilly Theatre next we
high-kicking Miranda pla

New tax Act sparks black labour unrest

17/1/84 Star (320)

By Carolyn Dempster, Labour Reporter

The imminent introduction of the new Income Tax Act, which will be applied to black employees for the first time, was one of the major grievances among workers who went on strike at a Durban rubber company yesterday.

More than 400 workers at the Wayne Rubber Company downed tools over wage grievances and the looming implementation of the Act on March 1.

The workers, all members of the South African Allied Workers Union (SAAWU) demanded a six percent increase over and above the six percent rise the company granted them from January 1. And they are refusing to allow any tax deductions to be made from their pay packets when the new Act comes into effect.

Mr Sam Kikine, general secretary of SAAWU, said employers had been preparing to implement the legislation by asking workers for personal details such as age, address and birth certificate, since the beginning of December.

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Women's group takes tax-man to task

Staff Reporter

THE Southern African Women's Foundation has called on the fiscal authorities to "revise their methods of income tax collection".

Copies of a charter setting out the basis for their appeal were handed to the chairman and members of the Standing Commission on Finance, the Prime Minister and the cabinet this week.

The president of the Foundation, Mrs Adèle Van der Spuy, said in Cape Town yesterday that the main principles of the charter were separate but equal taxation, and a move away from tax on income to tax on expenditure.

The necessity of "tax equity for all" is laid out in the document, which also states that if South Africa does not follow this principle, it will not be able to grant tax parity for all population groups in 1984 — although it has announced its intention of trying to do so from March 1984.

"The same income tax rate applied to every taxpayer in the RSA will foster enormous goodwill among the entire community," the charter says.

The charter deems it desirable that 38 percent of State revenue should come from general sales tax, 30 percent from company tax, 20 percent from excise and other taxes, and 12 percent from income tax.

Of these four sources of income for the State, income tax is at present "the odd man out" in that the principle of tax equity does not apply.

The charter says that all four types of taxation should be uniform in their application, and all members of the community should be treated in the same manner.

It emphasizes that every person — male or female — should be taxed individually and separately, and that a married woman should pay income tax in the same manner as everyone else in the country.

The charter also recommends that the system of general sales tax be changed so that 5 percent GST is charged on food items and 10 percent on non-food items.

In addition, it suggests that every manufacturer, wholesaler and retailer should pay a pro rata portion of the GST to the State.

Other suggestions made by the foundation are:

- Taxpayers with taxable incomes below R8 000 a year should not have to complete annual returns, but would still pay income tax under the PAYE system.
- For income tax purposes, the tax year should be made the same as the calendar year.
- The simplification of income tax forms would benefit all concerned.
- The tax on cigarettes should be increased by a minimum of 10c on 20 cigarettes and 15c on 30 cigarettes.
- Company tax should be raised to 50 percent

BLACK TAX (320)

Explanations needed

FM 20\1\84

As the March 1 deadline for the introduction of the new tax structure to bring black taxation in line with that of whites approaches, both employers and trade unions are showing signs of nervousness.

Despite widespread support for the "harmonisation" of the PAYE system, there are clear indications that both sides are fearful that government has not made enough effort to disseminate information about it to workers on the shop floor. It seems that nightmare visions of a repeat of the misunderstanding over the Preservation of Pensions Bill in 1980-81 are troubling a great many people.

The Trade Union Council of SA (Tucsa), which represents close to half a million workers, while stating that it is not opposed to the system, has come up with sharp criticism of government's handling of the issue. The latest edition of the council's mouthpiece *Labour Mirror* makes that clear.

Commenting on a meeting held in Pretoria last year at which the former Commissioner of Inland Revenue, Mickey van der Walt, addressed union and employer representatives on the issue. Tucsa says: "Then shock came when, in reply to a questioner, he said that the government was taking no steps to publicise the new tax system in the black communities and was addressing all its communications on the issue through employers."

Tucsa states unequivocally that this approach is unacceptable. "Will they never learn?" it asks. "If the decision to tax black South Africans on the same basis as other race groups is based on sound and fair principles — as we believe it is — then the government should have the courtesy to explain their reasons to the community concerned.

"It is difficult enough to sell any form of taxation to full citizens of a community who share in all its privileges. How much more so is it going to be to put across this potentially explosive issue to a disadvantaged black community?"

Tucsa warns that the new tax system could become as big a headache for government as the pensions issue and warns that political agitators will exploit the situation: "Undoubtedly there will be those elements who will grasp at an opportunity to politicise the issue as was done with the preservation of pensions proposals a few years ago. And there will be many angry black people — particularly working couples — who will pay higher taxes under the new system.

"If the government is again opting to let beerhall agitators and political rabblerousers be the sole interpreters of their financial legislation in the black communities, they have only themselves to blame if we have another fiasco similar to the 1980-81 pensions issue."

BLACK TAXATION

Ignoring the danger

320

There are no signs that government realises how dangerous the black taxation issue can become. It is focusing on the manifest advantages of a unitary tax system while ignoring the perils and pitfalls of introducing it — particularly in a time of recession.

Government's case is perfectly reasonable. It can even be argued that by scrapping the Black Taxation Act and making all taxpayers subject to the Income Tax Act it is doing away with an area of discrimination. Complaints in the past have held that many blacks pay more under the separate taxation system than they would in a unitary system.

320 FM 20/1/84

This is perfectly true. Most estimates are that between 85% and 95% of blacks will pay less under the new system (on current tax tables). Government therefore has a case — but is failing to make it.

Once again it is counting on employers to do the work of communicating the advantages of the new system to employees. Employers, with memories of the pension preservation fiasco in mind, are not enchanted. They certainly see the dangers and are becoming ever more nervous as the March 1 deadline for introducing the new system approaches.

One worry is that a unitary tax system offers a propaganda field day to political militants. Not only will they continue to use the "taxation without representation" argument — historically a very powerful one — but they will be able to point out that while paying tax on the same scale as whites, blacks will receive considerably lower benefits in return.

Government, after all, has not even suggested that once the unitary system is in operation black state pensions, education and health expenditures will be increased to the same level as for whites.

Another danger lies in the probability of a tax increase in the forthcoming Budget. Most employers are doing their best to explain the system to their workers. But, of necessity, they are using current tax tables. What happens if, soon after the unitary system comes into force, relatively unsophisticated workers find they are paying more than they expected?

A unitary tax system is obviously desirable. But the wisdom of introducing it during a recession is open to question. Would it not have been better to accustom black taxpayers to the idea during an upturn, when a hefty tax increase would be less likely? As it is, the move appears to be occurring too rapidly.

In its "guidelines" to members on how to deal with the issue, the Johannesburg Chamber of Commerce (JCC) points out that "it is management and not the revenue authorities who will have to face the consequences of any adverse reaction."

It adds: "The greatest potential for unfavourable reaction from black employees lies in uncertainty and a lack of understanding of the proposed harmonised tax structure."

And there is indeed room for misunderstanding, particularly as some cultural and political practices will complicate the operation of the standard tax system when it is applied to blacks.

Some blacks, for instance, practise polygamy. In such cases, the Receiver regards the first wife married as the spouse whose income is added to the husband's for tax purposes. Other wives will be taxed as single persons.

In the non-independent homelands, businesses will have to keep two sets of books since the tax on whites, coloureds and Asians will have to be paid to the Receiver in the normal way while that on blacks will be paid directly to the homeland concerned (whose tax structure may differ from Pretoria's).

In addition, married women, either in single-partner marriages or as "first wives," are likely to find their PAYE deductions considerably higher than under the Black Taxation Act. This, says the JCC, "could of course cause financial embarrassment and even hardship — not to mention the possibility of dissatisfaction and adverse reaction."

Either way, it is government's task to communicate the details and advantages of a major taxation change to those concerned. When the decision to introduce the system was taken, Commissioner for Inland Revenue Mickey van der Walt told businessmen and unionists that government was taking no special steps to explain it. That was up to employers (see *Current affairs*).

Given the vast information resources at government's disposal, this is an abdication of responsibility. If things go wrong, as they did over the pensions issue, will government turn around and blame the employers? The matter deserves serious consideration in Pretoria.

New black tax system is explained at EL seminar

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EAST LONDON — The repeal of the Taxation of Blacks Act and the introduction of uniform taxation, due to be implemented on March 1, was not a new tax but merely a new method of levying tax, the Commissioner for Inland Revenue, Mr Mickey van der Walt said here yesterday.

Mr Van der Walt was addressing a seminar for local businessmen and industrialists organised by the Manpower and Management Foundation of Southern Africa.

Mr Van der Walt said that the inclusion of blacks under the Income Tax Act of 1962 would mean many benefits for 90 per cent of black taxpayers as they would qualify for rebates previously not available to them.

He said that within a given economy and geographical area it was always preferable to have a uniform taxation system as this precluded the creation of tax havens and gave the community a sense of equality.

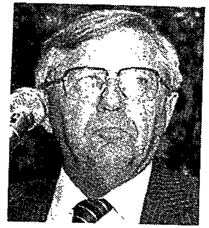
Mr Van der Walt emphasised that the new system of taxation would operate within the national states where the South African Government provided the taxation service and retained the revenue. Citizens of national states would register as taxpayers at their place of residence.

The independent states would retain their own system of taxation but their citizens would register as taxpayers at their place of work. Whites who derived income from both South Africa and independent states would continue to be taxable by South Africa.

Under the new system the existing rules would now apply to everyone. Blacks would be able to claim rebates for children and other dependants and deductions would be made for medical expenses and contributory pension funds. People who had been overtaxed would be eligible for a refund.

Mr Van der Walt said that employees earning less than R8 000 a year would not be required to register as taxpayers but could be liable for deductions under the final deduction system.

All black employees, excepting farm labourers and domestic servants whose income did not exceed R1 600 per year, would be required to complete an IRP 2 form giving personal particulars to employers.



MR VAN DER WALT

In the case of married couples, where the wife is in employment, the husband and wife will now have their incomes added together for tax purposes. Where a man has more than one wife, his income will be taxed with that of his first wife's only.

However, he will be entitled to claim a rebate for all his children under the age of 18 which come from legal marriages. Where a child is dependent because he or she is studying, the rebate can be claimed until he is 26 years of age.

Second and third wives would be taxed as single people and will be able to claim rebates for their own children.

Under the new system certain single employees will pay more tax. Those without children who earn less than R3 576 per year will pay less tax but those with incomes of approximately R4 000 and above will pay more. Single women with child dependants will be taxed as married women. The fathers of illegitimate children will have to offer proof that they are supporting the child before they can claim a rebate.

Mr Van der Walt said that on average, a married couple with three children would pay less tax under the new system.

He said that to avoid hardship, the PAYE regulations allowed for taxpayers to appeal for their deductions to be reduced if they were in excess of their capabilities.

In cases which were not automatically clear, such as in the taxation of seasonal workers, a directive could be obtained from the Receiver of Revenue.

Mr Van der Walt said that an initial burden would be placed on employers in the assembly of base documents but that his department hoped to keep extra work for employers to a minimum.

"It is not the employer's job to police the IRP 2 form. That is our task and we are planning to mount more PAYE inspections in the near future," he said.

"The employer's main concern must be the effective and sympathetic communication of the new system to employees and so avert any misunderstandings that could arise."

Mr G. Uys, the personnel director of an East London electronics company, said that employers should formulate an efficient method of disseminating this information to prevent others from misinforming the workforce.

"The recent industrial unrest arising from the proposed preservation of pensions legislation will not be far from the minds of employers when it comes to introducing the new tax system.

"Industry must accept some of the blame for that unrest. I am sure that companies who kept their staff informed of the proposals experienced few problems at that time. Communication is of the essence," Mr Uys said.

He said that while the logic of the message to employees might seem perfectly clear, employers should try to assess the effect of that message on people's feelings and take all possible steps to alleviate concern. — DDR.

320 RDM 21/1/84

Taxpayers to feel the pinch

By GERALD REILLY
Pretoria Bureau Chief

TAXPAYERS will have to fork out millions of rands more this year to pay the country's swelling corps of bureaucrats.

The Government's wage and salary bill will soar to record levels, placing an additional severe strain on limited State funds.

In addition to its 360 000 workers, funds will have to be found to support the new dispensation.

This will add hundreds of more workers to an already huge establishment — back-up staff for the 85 coloured and 45 Indian MPs.

The inflated salary bill is a major reason why the Minister of Finance, Mr Owen Horwood, will impose higher direct or indirect taxation in his March Budget.

It is estimated that the 12% increase granted to all public sector workers from January 1 will cost the Treasury more than R80-million for the last three months of the current financial year.

Over a 12-month period the additional wage bill will increase by about R380-million for the 360 000 workers, bringing the total Government — including the SADF, Prisons and Police — salary bill to more than R3 000-million.

The salary pay-out of the provinces, because of the January increase, will rise by about R250-million to an annual total of about R2 300-million for the 260 000 workers.

And, as much of the provinces' salary bill will be paid from the Government's annual subsidies to the provinces, Mr Horwood's task will become even more complex.

Hunt goes on for Swapo men

By TONY WEAVER
Mail Africa Bureau

WINDHOEK. — Security Force units yesterday continued their search for a group of five Swapo guerrillas roaming the area around white farming land near Tsintsabis in northern South West Africa.

A spokesman for the SWA Territory Force said yesterday the search was continuing, but there was no sign of the men, whose presence was first announced on Tuesday.

The spokesman said a report in a local newspaper that it was now thought there were two groups of guerrillas, one operating near Oshivello on the Etosha Pan boundary, was "not correct".

The report, which was sent from Grootfontein south of Tsintsabis, said the Tsintsabis group had made contact with farm workers at the Mangetti Block cattle farm owned by the first National Development Corporation.

If there is a second group, both groups are now in easy striking distance of both white farmers and the Etosha Pan, now closed for the summer.

Birth rate too high — report

Mail Correspondent

HARARE. — Unrestrained population growth will wreck most of Zimbabwe's development plans if the government does not undertake bold policies to reduce the birth rate.

This was disclosed in a report released this week, entitled "Population and Development Problems in Zimbabwe", published by the Non-profit Whitsun Foundation.

It predicted the country's population would double to more than 14 700 000 by the year 2000 if the present high growth rate, officially estimated at 3,3% a year, did not change.

The report said it was unlikely the government could provide sufficient health care, educational facilities, houses and jobs for that many citizens.

Current land resettlement programmes were at best stop-gap measures. Increasing pressure on the land would further degrade already marginal areas and reduce the country's ability to feed itself.

The report criticised the government for not including population growth policies in its three-year transitional national development plan, released a year ago.

The birth rate, one of the highest in the world, is usually attributed to high fertility and a steadily declining mortality rate from improved nutrition and health care.

The mortality rate dropped from 22,1 for every 1 000 births in 1955 to 13,5 a 1 000 in 1981.

Sociologists and health officials have blamed the breakdown of the traditional family unit for the marked increase in unwanted pregnancies in recent years.

In 1982, 1 213 school girls between the ages of 13 and 15 fell pregnant and hundreds of babies were abandoned or murdered last year.

Reported cases of spontaneous abortions at Harare hospitals rose by 10% between 1979 and 1983, prompting several Harare gynaecologists to advocate education in contraceptionve use.

In 1981 Zimbabwe banned the contraceptive,Depro-provera, already banned in most Western country's due to its side effects. It was used by about 100 000 women, often in secret.

But, the government has failed to find an effective substitute and traditional

D. Dispatch (320) 24/1/84

Tax system is explained

EAST LONDON — Certain misconceptions could have arisen from a report concerning the new tax system, carried in the Daily Dispatch yesterday, Mr W. Rode, Receiver of Revenue for the Border, said yesterday.

"It is a complicated system for those not familiar with taxation procedure and I would like to clarify a few points," Mr Rode said.

Mr Rode said that black employees earning less than R8 000 from all sources would not be required to render a tax return to the receiver but would be required to complete an IRP 2 form giving personal particulars to their employers.

Employees falling into this category could be liable for deductions according to the PAYE tables and should such a person believe he had been overtaxed, he could obtain a simplified return form from the receiver and claim any refund he was entitled to.

In the case of farm labourers and domestic servants, who are regarded as a special category, they would not be required to render an IRP 2 form unless they earned in excess of R2 400.

Farmers and employers who employ workers in this category had pay them more than R2 400 are required to register them and deduct tax.

In the case of single women with children, where they support the children "in the whole or in the main", they will be taxed as a married person. — DDR

SA heading for world's heaviest taxed country

By DEREK TOMMEY, Financial Editor

SOUTH AFRICANS are on the way to becoming the heaviest taxed people in the world if the numerous forecasts that the Government is about to increase general sales tax prove to be true.

In recent years income tax rates in South Africa have risen sharply. This fact, together with the introduction of general sales tax, has meant that the ordinary individual's tax burden has more than doubled in the past nine years.

It is now being forecast that the Minister of Finance will increase general sales tax from the present 6 percent to 8 percent when Parliament reassembles. If this turns out to be correct it will mean that most people's tax burden would have trebled since 1974.

Almost double

This can be seen by comparing the tax rates in 1974 and those in force today on the same incomes adjusted for inflation, and adding general sales tax, which was introduced only in 1978.

GST's predecessor, the sales duty, is not taken into account as it had nowhere near the revenue-raising ability of GST.

Tax tables show that in 1974 a married man with two children earning R2 762 a year paid R52 a year in tax. This was equal to 1,8 percent of his total income.

Today the same person, after his income has been adjusted for inflation, would be earning R8 360 out of which R280 or 3,3 percent would have to be paid in tax. This is almost a doubling in the income tax rate.

If to this is added the amount taken in general sales tax, at present 6 percent, it can be seen that far more income is going in tax today than 10 years ago.

Altogether, the tax burden of a person in this earnings category has risen about a four-and-a-half times in real terms — from about 1,8 percent of his income to around 8,3 percent

5,6 times

A person earning R11 000 in 1974 would be earning about R33 400 today.

But the income tax payments on this amount would not just have trebled in line with the rise in income, but would have risen about 5,6 times, with the percentage of income going in tax rising from 13,6 percent to around 25,1 percent today.

If it is assumed that GST would takes a further 3,5 percent of his income, his tax burden would have risen 2,1 times in 10 years.

Other examples of how the tax burden has increased can be seen in the table accompanying this article.

The main factor which has enabled the Government to increase income tax rates in this way has been inflation, which over the years has pushed taxpayers into successively higher tax brackets.

Fiscal drag

This has meant that unless the Government took positive action tax rates would be automatically increased every year. As it is, the tax tables have changed only slightly in this period.

This "fiscal drag" or "bracket creeping" as the process is termed, means that people with bread and butter salaries are now being subject to the tax rates deemed appropriate in 1974 for champagne and caviar incomes.

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Heaviest taxed

From Page 13

So far the South African public — apart from the working wife segment — has offered little protest, partly because the increase in tax rates has been gradual and partly because the effects have been eased by the pay-as-you-earn "tax-payments without pain" system.

Only working wives, whose incomes are aggregated with their husbands resulting in their paying extremely high marginal tax rates, have been particularly critical about the tax system.

Fringe benefits

Helping many people to escape the full impact of the high tax rates has been the swing to remunerating employees with fringe benefits such as company cars and housing allowances which are usually subject to little or no tax — a situation which the Government apparently condones, in spite of the great loss of revenue, probably running into more than R700-million a year.

No official figures have been published showing the extent of the perks. But motor dealers say that about two-thirds of new cars are bought by companies.

Even if only half this number are supplied to employees as part of their remuneration packages, it would mean that about 100 000 cars are bought every year by companies for this purpose.

Companies can write off about 45 percent of the cost of a car against tax. Taking the average cost of a car at R8 000, this process could be losing the Government about R350-million a year.

In addition, many companies also bear at least part of the cost of running a company car which also entails a loss of revenue to the Treasury.

Housing allowances come in different forms, ranging from a payment equal to half the monthly instalment to bonds at 3 percent.

In hard cash the value can amount to up to R9 000 a year or more, but it is likely the average benefit at the moment is around R5 000 a year.

If one assumes that half the 600 000 building society bonds taken out are subsidised to some degree (building society officials say at present 60 percent of the bonds they grant are subsidised) and no tax is paid on them, the loss to the Treasury could amount to up to R350-million a year.

As a result of the rise in South African income tax rates, those levied on people in the middle and upper income brackets are now on a par with those in Britain, once regarded a country with the heaviest tax rate in the world after Sweden.

In fact, following the 1983 tax reductions in Britain, South Africa's income tax rates in the R20 000 to R30 000 a year range are not much below those below in Britain, and are higher above R30 000 a year.

South Africa's tax rates on people in the upper incomes are certaionly way above those in the United States.

Both countries have the same top marginal rate of 50 percent, but in South Africa it applies to incomes of R40 000 a year or more while in the United States it comes into affect only on incomes of more than $80 000 (R100 000).

Jump sharply

The Government is in a difficult situation with the drought, the recession and the drop in the gold price hitting tax revenues while expenditure is set to jump sharply following the latest pay rises granted the public sector.

But any tax increases will have to be given careful consideration in view of the already high level of taxation, the latest downturn in the economy and the growing imbalance between those with fringe benefits and those without.

If some people are paying less tax than their fair share, others are having to pay more.

Joe Soap foots the tax bill as big boys dodge

320

S. Times

22/1/84

By ALEC HOGG

TAX dodging by companies has cost the Treasury billions of rands and has saddled the man in the street with a bigger tax burden than ever.

In 1978 individual taxpayers contributed 31% to the State's coffers, but since the introduction of general sales tax — and because of determined tax avoidance by companies — their toll rose to nearly 50% in 1983-84.

The contribution of companies not involved in mining has hardly changed from about 20%.

Tax experts say Mr Horwood must take this into account when formulating tax increases in his March Budget. They say the Minister of Finance could avoid substantial increases in tax rates by improving tax collection.

Sources in the Department of Finance disclose that tax avoidance by companies has become so prevalent that some sectors are paying half the company tax rate of 46,2%. Avoiding tax through investment, training, export and other allowances has become a thriving industry employing hundreds of the best brains.

Avoidance techniques have become so sophisticated that the Receiver of Revenue has a problem in keeping up with them. An investigation by the department shows that the average effective tax rate of industrial companies is 26% and trading companies 30%. Non-gold mining companies pay an effective tax rate of only 16%.

Because tax paid by individuals is monitored by the Paye system, most individuals, particularly those in the lower-income group, pay the proper tax. Individuals who earn more than R1 500 a month are paying a higher tax rate than industrial companies. Those earning more than R2 000 a month pay a higher rate than trading companies.

"Fiscal drag" also hits the small man. Because of the tax structure, a married man earning R1 500 a month who receives a 15% salary increase will take home only 12% more after tax.

Biggest culprits in the great tax dodge are suspected to be partnerships, sole proprietors and private companies. These often make a point of showing the lowest profit possible to avoid tax.

Sometimes cash sales are not recorded and sales tax does not reach the Receiver. Housing and personal loans are frequently granted to directors at virtually zero interest rates. Expensive cars are paid for by companies and "entertainment" expenses include such items as the family laundry, electricity and grocery bills.

"Business expenses" can include overseas holidays for directors and families, who often travel first class. Often the wives and even children of private company directors have expensive cars, with all running costs paid for by the company.

This is done to reduce stated profits. Many directors' personal incomes are kept as low as possible. They frequently take their remuneration in kind — with perks running from free mortgage bonds to private schooling for their children.

Inland Revenue officials are aware of these practices, but complain that they are woefully understaffed and can hardly cope with the annual returns from Paye taxpayers. One suggestion is that accounting graduates be seconded to the Receiver's office while doing their national service.

Public companies use more subtle ways to escape the tax net. One gaping hole in tax legislation allows companies to benefit from huge capital investment by totally unrelated concerns. For instance, Pick 'n Pay has been able to reduce its tax to negligible proportions by selling its tax base to Sappi, whose new R600-million Ngodwana plant qualifies for investment allowances.

Government encourages these capital developments through a complicated structure which allows 130% of the investment to be written off against tax. The spirit of the legislation, however, has often been blatantly ignored.

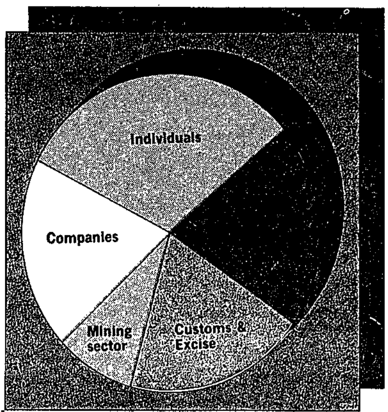
One estimate is that R4 000-million went through the tax net because of this kind of avoidance.

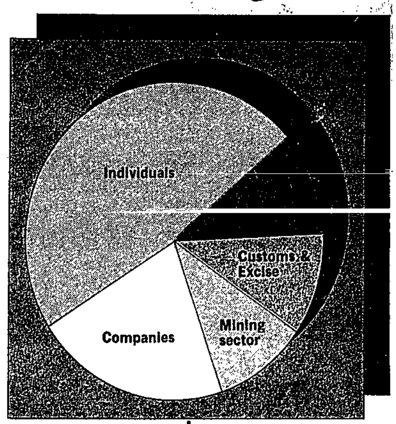
Companies like Pick 'n Pay — its effective tax rate was less than 1% last year — argue that by taking part in these schemes they are providing job opportunities. But in Pick 'n Pay's case the cost of jobs was R533 000 each.

The Government has known about this tax dodge for some time. The managing director of a bank told Business Times he wrote "virtually a thesis on the dangers" to the authorities four years ago, but nothing was done. As a result "we were forced, for competitive reasons, to climb on the bandwagon".

Aggravating the problem is the consistent overspending by government departments (see table). For four consecutive years, State spending has been well over the estimates in Mr Horwood's Budget.

Tax experts argue that until there are radical changes in the tax system, the burden will be carried by the small man, with serious long-term effects on the economy.





The pie charts illustrate how individuals' contribution to the State's spending, cake have grown. The chart on the left shows contribution for the largest taxpayers for the 1978-79 fiscal year, and that on the right is for the current year. GST has been added to the individual figure as the small man accounts for well over 90% of this source of State revenue.

GOVERNMENT SPENDING

	APRIL TO DECEMBER 1982	1983	ANNUALISED 1983/84	BUDGET ESTIMATE 1983/84	DIFFERENCE %
Finance	5 263,0	3 353,0	4 470,7	3 721,0	20,1
Consitutional Dev.	10,4	3 004,0	4 005,3	3 789,8	5,7
Defence	2 426,1	2 396,6	3 194,7	3 092,7	3,3
Co-operation & Dev.	946,1	1 175,6	1 567,5	1 593,3	(1,6)
Health & Welfare	899,0	1 039,1	1 385,5	1 330,5	4,1
Internal Affairs	742,0	818,9	1 091,9	1 057,2	3,3
Community Dev.	672,5	787,5	1 050,0	1 009,8	4,0
National Education	565,2	626,0	834,7	725,6	15,0
Agriculture	416,0	556,0	741,3	467,3	58,6
Foreign Affairs	495,4	495,0	660,0	736,0	(10,3)
Mineral & Energy Affairs	394,5	467,7	623,6	535,0	16,6
Police	400,0	453,0	604,0	564,3	7,0
Industries & Comm.	342,0	411,5	548,7	504,6	8,7
Education & Trg.	360,0	416,0	554,7	561,3	(1,2)
Transport	253,2	258,2	344,3	313,7	9,8
Environmental Aff.	266,0	255,6	340,8	340,5	—
Prisons	145,5	178,4	237,8	233,3	1,9
Justice	65,7	72,3	96,4	107,3	(10,2)
Manpower	51,2	51,7	68,9	71,1	(3,1)
Comm. for Admin.	22,4	27,3	36,4	29,3	24,2
Parliament	8,9	11,6	15,5	12,0	29,2
Audit	5,9	7,1	9,5	9,6	—
Prime Minister	8,3	4,9	6,5	4,9	32,7
Service Improvements	1,8	4,7	6,3+	250,0	(97,4)
State President	1,0	1,0	1,4+	12,1	(88,4)
Sundries	360,3	361,9	482,5	527,2	(8,5)
Total	15 090,2	17 236,1	22 981,3	21 702,9	5,9

+ Usually only drawn on towards end of fiscal year.

the tax would become a source to be tapped at will by the Government had now been confirmed.

"Parliament has not even been consulted. It simply means that in a time of austerity the burden on the poor to average South African is going to become even heavier."

Mr Ken Andrew, one of the Progressive Federal Party's spokesmen on consumer affairs, said the announcement would come as a nasty shock to consumers.

It would again fuel inflation and thousands of people struggling to meet rising food and mortgage bills would be hard hit.

Parliament

"Mr Horwood has on a number of occasions in recent years increased GST outside his annual Budget and outside parliamentary sessions," Mr Andrew said.

"This makes meaningful parliamentary debate more difficult and shows a 'couldn't care less' attitude towards Parliament.

"Year after year Mr Horwood proudly claims in his Budget speech that Government expenditure is being tightly controlled and then allows over-expenditure amounting to hundreds of millions of rands to occur.

"The economy has been badly mismanaged and the man in the street, particularly pensioners, the poor and the unemployed, are now being made to suffer."

Mr Andrew added that the amount of tax paid by individuals had rocketed over the past few years and that the man in the street was now bearing a heavy tax burden.

'No surprise'

Mr George Bartlett, the New Republic Party's chief spokesman on financial matters, said the announcement had not come as a surprise.

This was only the start of a belt-pulling process over the next few months.

The Government itself should pull in its belt and there should be a 10 percent reduction in State spending.

In his announcement, Mr Horwood said that one of the advantages of general sales tax was that it had a broad base.

● **South Africans will pay an extra R50-million a month in taxes from next Wednesday — See Page 22.**

ARGUS

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Man-in-the-street will be hard put to meet bills, Opposition warns

ARGUS 24/1/84 (320)

New tax squeeze

By TOS WENTZEL, Political Correspondent

INFLATION will be fuelled by the sudden increase of general sales tax from six to seven percent and people struggling to meet rising food and mortgage bills will be hard hit, Opposition spokesmen warned today.

There was also sharp criticism of the way in which the Minister of Finance, Mr Owen Horwood, made the announcement outside Parliament, three days before the start of the new session.

Some announcement was expected in the Part Appropriation Bill debate.

In his announcement, the Minister said it was impossible to avoid an increase as the South African economy was in one of the most difficult phases since the great depression of the 1930s.

The Government was today also accused of mismanaging the economy.

GST was first introduced in July 1978. It was then four percent. In February 1982 it was increased to five percent and in September 1982 to six percent.

R600-m yield

The latest increase is expected to yield up to R600-million.

The Leader of the Opposi-tio[illegible]

GST to rise 1pc next month

Cape Times 24/1/84

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Staff Reporter

THE government would increase the general sales tax by one percent to seven percent from February 1, the Minister of Finance, Mr Owen Horwood, announced last night.

Mr Horwood put the blame for the increase on the world-wide economic downswing, the inability of South Africa's trading partners to register an early and meaningful economic recovery, and the recent drought in South Africa.

He said the rapidly-declining gold price and a consequent weakening of the rand-dollar exchange rate, and the higher-than-budgeted expenditure on essential services, also contributed to the need for the increase in GST.

"No tax increase is without sacrifice, and in view of price and cost increases evident elsewhere in the economy, the government would have preferred to avoid any increase in taxation, especially at this point in time. Unfortunately this is just not possible," Mr Horwood said.

An advantage of general sales tax, however, was that it was levied on almost all final purchases.

"As a consequence, the community as a whole contributes to the financing of public expenditure, which in turn is incurred for the benefit of the whole community," he said.

The government's most important and unavoidable expenses were on drought relief, defence and the servicing of the public debt. Other expenses were on food and transport subsidies.

"On the other hand, the growth of the country's sources of income is limited by the present economic downswing and is insufficient to cover a growing deficit, due primarily to declining profits in the business sector and a decrease in net customs and excise revenue," Mr Horwood said.

Pointing out positive steps, Mr Horwood said significant progess had been made in the fight against inflation. A positive turn-about in the balance of payments had been continued and consolidated. South Africa's credit-worthiness internationally stood at a very high level.

"In addition, it seems as if the economic downswing has reached its lowest ebb, or very nearly so.

"All in all, I am optimistic that South Africa will soon benefit from the long-awaited improved international economic climate and during 1984 experience the commencement of a prolonged and healthy export-led economic upswing."

● **Poor people hardest hit, page 6**

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'Poor people hardest hit' by increase in GST

By **BARRY STREEK**

POOR and working-class people would be hardest hit by the latest increase in sales tax, trade unionists and academics said last night.

It would also force a new round of wage negotiations, said Mr Joe Foster, general secretary of the Federation of South African Trade Unions (Fosatu), the largest grouping of independent unions.

Mr David Lewis, general secretary of the General Workers' Union, said last night's announcement made it "quite impossible for unions to commit themselves to annual adjustments in wages when the government is able to introduce a measure as drastic as this without prior warning and without negotiation".

Mr Lewis also said the "cost of military adventurism, sanctioned by a minority, is ultimately borne by a majority who have to pay for it".

Ms Laurine Platzky, co-ordinator of the Surplus Peoples Project, said the decision would be "devastating" in resettlement areas.

"It means that a bag of mealie meal, the staple diet, is going to have to last five weeks instead of four weeks.

"People barely survive in those areas and whole families live off old-age pensions — R114 every two months.

"Now they are going to live on even less. What can you do on R57 a month for a whole family?" she said.

Mr Charles Simkins, a University of Cape Town economics lecturer, said the latest research by the Southern African Labour and Development Research Unit (Saldru) showed that the medium minimum wage — the effective income — for labourers and unskilled workers dropped by 4,7 percent between January 1983 and December 1983.

In that kind of context this one percent was an additional burden to bear.

Moreover, between May 1982 and May 1983 — the latest figures — black employment had dropped by 1,8 percent and it had probably dropped further since then.

This had made people worse off.

Mr Johan Maree, a lecturer in industrial sociology at the University of Cape Town, said taxes were usually progressive, and people with higher incomes were usually taxed more.

Sales tax, however, had something of the opposite effect. It was not progressive.

It started making the low-income groups pay more in tax. The burden also fell on low income groups to pay more for basic commodities.

The whole approach of sales tax was to put a heavier tax on the poor and low income groups — and the more the government did this, the less it needed to increase the tax burden on the wealthy, Mr Maree said.

In his reaction, Mr Foster said the increase in GST would hit workers hard at a time of high unemployment and high inflation.

Mr Lewis said that in the midst of a severe recession, the brunt of which had been borne by workers and their families, the government had in effect introduced a general price increase which would affect all those who were unemployed, as well as those who had been forced to stomach a decline in real wages through the period of the recession.

In Johannesburg, Mrs Leah Tutu, wife of Bishop Desmond Tutu, said she did not think the government had taken the lower income group into consideration at all when reaching a decision about increasing GST.

"Most black people, and particually domestic workers, will be extremely hard-hit by this.

"If housewives worked together on issues such as these, we would possibly be more effective in staving off the government. We are too used to taking things lying down," she said.

The national president of the Black Housewives' League, Mrs Sally Motlana, said the increase in sales tax was "shocking".

She said: "This will be the last stranglehold on the black community. I think it would have been adviseable for the government to think of stopping the increase of tax on food, because people simply can no longer live like this."

She said the issue would be discussed at the next meeting of the Housewives' League.

A spokesman for the Consumer Council said in a statement to Sapa in Pretoria that the GST increase from six to seven percent represented a greater rate of increase than the inflation rate itself.

He described the decision as "most disappointing" and predicted that it would not be long before sales tax doubled from the initial four percent.

MGIL 24/1/84 (320)

Call to exempt bread, maize, milk and flour

Staff Reporter

WIDESPREAD calls for basic foods to be exempted from general sales tax have been made following today's announcement that GST will rise to seven percent on February 1.

Mr Raymond Ackerman, chairman of Pick'n Pay, said he would ask the Government to exempt five basic foods: bread, milk, maize meal, flour and sugar.

Mr Ackerman said he would also lead a campaign for a tax surcharge on company profits to replace the loss in tax revenue caused by exempting basic food from GST.

REQUESTS TURNED DOWN

Mrs Lyn Morris, senior vice-president of the Housewives' League, said if a country such as Zimbabwe could exempt basic food from GST, so could South Africa.

She said previous requests by the league to the Government for basic food to be exempt from GST, had been turned down on the grounds that this would be technically difficult.

Mrs Morris said that in Zimbabwe other commodities were subject to 18 and 23 percent GST but basic agricultural products, including items such as raw meat, were exempt.

"Inevitably the poor will suffer most from this increase as they spend a high proportion of their income on food and essentials," she said.

The league also supports exemption on other essentials used mainly by blacks, including household paraffin, candles and matches.

(Turn to Page 3, col 1)

Call to exempt basic foodstuffs

(Contd from Page 1)

The GST increase would inevitably lead to higher wage increases which would in turn be followed by a price spiral, she added.

Professor Z S A Gurzynski, former head of the University of Cape Town School of Economics, said basic foodstuffs as well as items such as children's clothing below a certain price, should either be exempt from GST, or subject to a lower tax.

However, he said GST should not be computed as part of the cost-of-living index just as income tax was not included in the index.

ABOVE INFLATION

Mr Bernard Hellberg, assistant director of the Consumer Council, said the 1c increase in GST from 6c in the rand to 7c was in effect a 16,6 percent increase in GST.

This was well above the current inflation rate of less than 12 percent he said. If an increase was necessary, the Government should have put it up to 6,5c in the rand. Although there were no more half cents, it would be relatively simply to work out tax percentages, he added.

"The Government will find it difficult to ask the private sector to keep price increases to below the inflation rate if its own increases are higher," he said.

Professor Brian Kantor, head of the School of Economics at the University of Cape Town, said he was not happy with the increase.

The latest Government figures showed that revenue and expenditure were much in line up to December, he said.

It was not obvious that the tax had to be increased — unless it presaged a substantial increase in Government spending in the next fiscal year.

Mr Brian MacLeod, director of the Cape Town Chamber of Commerce, said that while the increase had to be regretted, it had been forced on the Government because of over-spending in both the public and private sectors.

HIT THE POOR

"While the increase in GST will hit the poor, on balance it is to be preferred to raising direct taxation, since its overall effect will be to dampen demand and help to contain inflation, which influences economic growth negatively."

Blacks will be hardest hit

1% GST OUTCRY

320 Sowetan 25/1/84

THE ONE PERCENT increase in General Sales Tax drew widespread outrage yesterday with black leaders and community organisations urging the Government to exempt basic foodstuff from the tax.

Dr Nthato Motlana, chairman of the Soweto Committee of Ten, condemned the GST increase saying the Government was "obviously doing the despicable trick" of removing the tax burden from the "fat cats" of this country to the poor working class.

By LEN MASEKO

The GST hike, announced by the Minister of Finance, Mr Owen Horwood this week, will come into effect from February 1. This means that for every purchase of R1, consumers will pay an extra seven cents.

Consumer bodies condemned the hike, adding that one percent increase was a cause for disquiet because it exceeded the current rate of inflation of almost 11 percent. The hike was a bitter blow to the millions of people in South Africa.

Said Dr Motlana: "The increase in GST is to be condemned without reservations whatsoever. The Government does not want to alienate its voters by doing the right thing, namely to increase the personal taxes of the highly-paid and mighty corporations. Instead, it chooses to clobber the voteless poor masses."

Blacks should demand that, as over 50 percent Government revenue was derived from them, an equivalent amount be spent on services like black education and housing, Dr Motlana added.

Executive director of the 10 000-member National Federated Chamber of Commerce, Mr Mandla Kubheka, urged the Government to introduce a subsidy for basic foodstuffs "in order to balance the situation." "This kind of hike affects the low income groups, that is blacks, because these increases are matched with salary increments," he added.

The Soweto Sofasonke Party PRO, Mr Ambition Brown, reacted: "The GST increase will continually plunge us into poverty because there is no substitute to counter the escalating cost of living."

Mr Raymond Ackerman, chairman of Pick 'n Pay group, said he would ask the Government to exempt five basic foodstuffs from GST, namely: bread, milk, maize meal, flour and sugar, according to

To Page 2

GST UPROAR

From Page 1

Sapa.

Meanwhile, the National Council of Women has condemned yesterday's announcement to increase General Sales Tax to seven percent.

Two contributing factors to one percent increase in General Sales Tax announced on Monday night were drought aid of R300-million and defence expenditure, the Minister of Finance, Mr Owen Horwood, said.

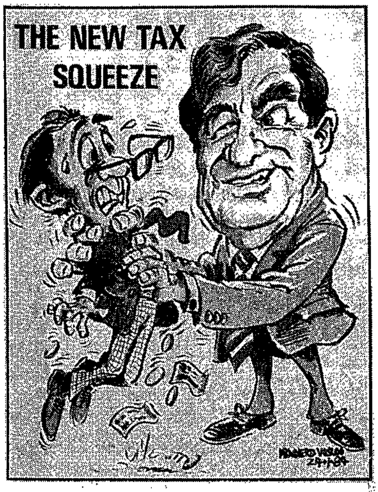
Government urged to free basics from GST

(320) Star 25/1/84

The increase of sales tax from six to seven percent has stirred up a hornets' nest among South African housewives, who have called on the Minister of Finance, Mr Owen Horwood, to exempt basic foods from GST.

Mrs Joy Hurwitz, national president of the Housewives' League of South Africa, said GST especially affected pensioners and the unemployed.

"We are appalled at the increase. Consumers understand that additional money must be found to subsidise transport and assist drought-stricken farmers, but what relief is there for consumers battling to survive against one increase after another?" she asked.



Mrs Hurwitz said the league had implored Mr Horwood to exempt bread, maize, meat, dairy products, eggs and essential commodities such as coal, paraffin and candles from GST.

"Why can't more revenue be acquired through increased tax on luxury items?" she said.

Consumer Council director Mr Jan Cronje agreed. "A tax increase on goods such as liquor and cigarettes would be more to the purpose," he said.

STRUCTURE

Mr Cronje hoped the GST increase would help prevent the present income tax structure from being altered.

"Nevertheless, by exceeding the current inflation rate of nearly 11 percent, the GST increase cancels recent salary adjustments," he said.

Mr Horwood said last night he did not envisage further GST increases in the near future.

Numerous consumers contacted the Consumer Council yesterday to point out that had the current GST of six percent been efficiently collected, there would have been no need for the increase.

Black consumers yesterday greeted with gloom the announcement of the GST increase.

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with diversi... l financial
statements, ... ng policies.

ACCOUNTING P...

Basis of con...

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Associated c... ed equity
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Deferred Tax

The Directors ... bility
for tax arisi... ion is
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Depreciation

Land - no depr...
Buildings - no ... is charged unless ... a finite
limit to its useful life.
Plant and equipment - depreciation is calcul... ant
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Unrealised gains or losses on such translati... to non-
distributable reserve.

Realised gains and losses arising from fore...
are included in the income statement. ... ions

Investments and Marketable Securities

The investments stated at cost in the consolidated balance sheet are those held by investment companies and are considered the group's long term holdings. Realised profits or losses on sales of these investments are shown as extraordinary items in the income statement.

Marketable securities held as current assets are valued at the lower of cost or market value in the aggregate. These are held by sharedealing companies and are generally held for the short term. Realised profits or losses on sales of these shares are shown as net sharedealing profits

Taxman chases the GST-dodgers

Argus 25/1/84

220

Argus Correspondent

PRETORIA. — The Department of Inland Revenue is establishing a new division at its head office here to stop millions of rands worth of general sales tax evasion.

Economists have estimated that the Government loses R700-million to R1 000-million a year in uncollected taxes.

Mr S Albertyn, chief director (administration) of the department, said top-level personnel were being interviewed to fill new posts.

The Department of Inland Revenue had only six chartered accountants, but the number would be increased soon, he said.

9 000 inspections

In 9 000 inspections by sales tax inspectors last year about R25-million was collected from businesses involved in irregularities.

There were 144 000 businesses in South Africa which paid sales tax monthly and another 93 000 which paid sales tax annually.

The workforce in the department had grown from 4 500 to 6 400 and officials would be able to conduct more thorough inspections.

The staffing position had improved considerably since June 1982, when the department reported a 23 percent staff shortage. The department now has a 10 percent staff shortage.

Extremely difficult

Mr Albertyn said it was extremely difficult to accurately estimate how much revenue was not being collected. Many people were not engaging so much in tax evasion as in different interpretations of the tax laws.

"People know that they must pay sales tax but their interpretation of grey areas of the Sales Tax Act differ. Our inspectors plan to educate business managers and to inform them of our interpretation of the Act."

The controversy involving GST evasion surfaced in 1980/1981 when the Auditor-General said that critical staff shortages in the Department of Finance had cost the Government R100-million in recorded revenue.

Since then the Tax Commission for Administration had embarked on a sophisticated project involving the differentiation of job categories in the Public Service.

The project has singled out important job categories and has stipulated improved salaries and working conditions for those in essential posts. The staff position in the Department of Finance has improved considerably since then.

● The Argus Correspondent in Johannesburg reports that the increase of sales tax from six to seven percent has stirred up a hornet's nest among South African housewives.

Exempt basics

They have called on the Minister of Finance, Mr Owen Horwood, to exempt basic foods.

According to Mrs Joy Hurwitz, president of the Housewives League of South Africa, GST especially affected pensioners and the unemployed.

"We are appalled at the increase which is to cover deficits in Government income.

"Consumers understand that additional money must be found to subsidise transport and assist drought-stricken farmers, but what relief is there for consumers battling to survive against one increase after another?"

Implored

The league had implored Mr Horwood to exempt bread, maize, meat, dairy products, eggs and essential commodities such as coal, paraffin and candles from GST.

"Why can't more revenue be acquired through increased tax on luxury items?"

Consumer Council director Mr Jan Cronje said: "A tax increase on goods such as liquor and cigarettes would be more to the purpose."

RAND

pRG

25/1/84

(320)

Coming to grips with the new GST

PERSONS planning to purchase movable goods or enter into other transactions which are subject to sales tax will no doubt be keen to avoid the additional sales tax of 1 percent to be imposed from February 1, says Mr Trevor Emslie, tax consultant with Ernst and Whinney, Cape Town.

The cut-off points for the various taxable transactions are given below to assist readers to plan their affairs accordingly.

● **Sales of goods:** Where sales of goods are concerned, increased sales tax will become payable in respect of sales concluded on or after February 1.

The date of conclusion of a sale is deemed to be the date of delivery of the goods or the date on which the price (excluding finance charges) is paid in full, whichever date is earlier. Therefore where delivery or full payments occurs before February 1, sales tax should be paid at the old rate of 6 percent.

● **Financial Leases:** Sales tax on financial leases bepomes payable on the date of delivery of the leased property. Thus where leased property is delivered before February 1, sales tax remains payable at 6 percent.

● **Rental agreements:** The new rate of 7 percent will apply to any rental payments which accrue on or after February 1.

This means that rental payments due on or after Febrary 1 will, broadly, be taxable at the increased rate. The fact that a rental agreement was entered into or that the goods rented were delivery before February 1 is irrelevant.

● **Taxable services, board and lodging and accommodation:** In these three categories the new rate of sales tax will apply to the rendition of taxable services, the supply of board and lodging and the letting of accomodation on or after February 1.

The date of payment for such services is immaterial, so payments after February 1 are taxable at 6 percent provided that the service was rendered before that date.

● **Goods applied to private or internal use:** Liability for sales tax arises, for example, whenever a trader takes goods which he has acquired free of tax out of stock and uses them privately or in his business other than as trading stocks.

When such an appropriation occurs on or after February 1, liability for sales tax at the new rate of 7 percent will arise.

● **Imported goods:** The new rate of 7 percent will apply to any goods imported on or after February 1 and in terms of the Customs and Excise Act, goods cleared for home consumption are deemed to be imported on the date of their clearance. The date of payment is irrelevant.

The scope for avoiding the increase in GST is clearly limited by the time available. But taxpayers who are quick off the mark can plan pending transactions along the lines discussed above to avoid the additional tax, says Mr Emslie.

CENTS

FINANCE

R1-R10		R11-R20		R21-R30		R31-R40		R41-R50		R51-R60		R61-R70		R71-R80		R81-R90		R91-R100	
Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R
1	0,07	11	0,77	21	1,47	31	2,17	41	2,87	51	3,57	61	4,27	71	4,97	81	5,67	91	6,37
2	0,14	12	0,84	22	1,54	32	2,24	42	2,94	52	3,64	62	4,34	72	5,04	82	5,74	92	6,44
3	0,21	13	0,91	23	1,61	33	2,31	43	3,01	53	3,71	63	4,41	73	5,11	83	5,81	93	6,51
4	0,28	14	0,98	24	1,68	34	2,38	44	3,08	54	3,78	64	4,48	74	5,18	84	5,88	94	6,58
5	0,35	15	1,05	25	1,75	35	2,45	45	3,15	55	3,85	65	4,55	75	5,25	85	5,95	95	6,65
6	0,42	16	1,12	26	1,82	36	2,52	46	3,22	56	3,92	66	4,62	76	5,32	86	6,02	96	6,72
7	0,49	17	1,19	27	1,89	37	2,59	47	3,29	57	3,99	67	4,69	77	5,39	87	6,09	97	6,79
8	0,56	18	1,26	28	1,96	38	2,66	48	3,36	58	4,06	68	4,76	78	5,46	88	6,16	98	6,86
9	0,63	19	1,33	29	2,03	39	2,73	49	3,43	59	4,13	69	4,83	79	5,53	89	6,23	99	6,93
10	0,70	20	1,40	30	2,10	40	2,80	50	3,50	60	4,20	70	4,90	80	5,60	90	6,30	100	7,00

Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R
0-07	0,00	8-21	0,01	22-35	0,02	36-49	0,03	50-64	0,04	65-78	0,05	79-92	0,06	93-100	0,07

From February 1 the general sales tax rises to 7 percent. These tables show how.

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The Cape Times, Wednesday, January 25, 1984 15

New GST increase comes under fire

Staff Reporter

SOUTH AFRICA's system of General Sales Tax — used in few Western countries — came under fire yesterday following the announcement that GST would be increased to seven percent.

This system of indirect taxation was criticized for the following reasons:

- Poor and working class people were hit hardest by increases.
- The system resulted in "inequity" of taxation in a country like South Africa where there were large income gaps. The poorest income groups paid the largest percentage of their income in sales tax.
- It was easier for shopkeepers to evade tax in the GST system.

Mr Harry Schwarz, chief opposition spokesman on finance, said countries like Britain had overcome this inequity by using the principle that essential items should not be taxed.

He said Britain used the Value Added Tax system whereby sales tax was paid at each link in the chain so that the entire burden did not fall on the consumer.

However, several reasons were given in support of the present system:

- Administration of taxes were simpler under the present system.
- It would be difficult to decide what qualified as a "luxury" item and what did not.

Mr Schwarz said he had championed for change in the GST system since its introduction.

He said there was inequity in the present system because a poor man would spend his entire income and pay sales tax on 100 percent of his earnings. The same would not apply to someone with a large income.

He also said the "impact" of general sales tax on low-income groups was far greater: "If you only have R100, the impact of paying R7 sales tax will be greater than for a man who spends R10 000 and pays R700 sales tax."

Mr Schwarz said that although there were excise duties on items like cigarettes, fuel, liquor and cool-drinks, many of these items were bought by the ordinary man.

Professor Brian Kantor of the University of Cape Town's School of Economics, said the GST and the VAT systems "came to much the same thing".

He said the advantage of the VAT system was that it was more difficult for shopkeepers to evade taxation.

"But how would one decide what was a luxury item and what was not. Some people would consider bread a basic item — but what about special breads?

"The whole thing would result in enormous political activity. It is a complex system and would take up a lot of energy and resources," he said.

A spokesman for the Cape Town Chamber of Commerce said a system of subsidies was a way to keep the cost of basic foodstuffs down without introducing VAT — a system that needed more administration.

Govt plans crackdown on GST loopholes

Millions lost in sales tax swindle

320 Star 25/1/84

The government is cracking down on General Sales Tax evasion and loopholes used by businesses to avoid paying millions of rands in sales tax.

The Department of Inland Revenue is establishing a new division in Pretoria to stop the multi-million rand tax evasion operations.

Some economists have estimated that the Government is losing between R700 million and R1 000 million a year in uncollected taxes.

Mr S Albertyn, chief director (administration) of the department, said top-level personnel were being interviewed to fill new posts.

He also revealed that the entire Department of Inland Revenue had only six chartered accountants at present. However, the number would be increased.

Mr Albertyn said that in 9 000 inspections by sales tax inspectors last year, about R25 million was collected from businesses involved in irregularities.

The department, which had a 10 percent staff shortage, dealt with 144 000 businesses in South Africa which paid sales tax monthly and a further 93 000 which paid annually.

Bigger workforce

He said the total workforce in the department had recently grown from 4 500 to 6 400 and officials would be able to conduct more thorough inspections in all spheres of tax collection.

"The staffing position has improved considerably since June 1982 when the department reported a 23 percent staff shortage."

Mr Albertyn said it was extremely difficult to estimate accurately how much revenue was not being collected. He said people were engaging more in different interpretations of the tax laws as opposed to direct tax evasion.

"People know that they must pay sales tax but they have different interpretations of grey areas of the Sales Tax Act. Our inspectors plan to educate business managers and to inform them of our interpretation of the Act."

The controversy involving GST evasion surfaced in 1980/1981 when the Auditor General revealed that staff shortages in the Department of Finance had cost the Government R100 million in recorded revenue.

Since then the Commission for Administration has embarked on a sophisticated project involving the differentiation of job categories in the Public Service.

Assocom launches exemption probe

The reasons behind the persistent climb in GST and the possibility of exemptions for a number of essential shopping items — especially in food baskets — will be probed by a special study committee launched today by the Association of Chambers of Commerce.

The nationwide investigation will also assess the GST collection system and the costs of various exemptions to both the public and private sectors.

The probe marks a significant departure from Assocom policy to oppose exemptions on arguments that administrative costs would outweigh any benefits.

● See Page 1, Metro section.

Take GST off basics, says Ackerman

320

C.T. 25/1/84.

Staff Reporter

THE chairman of Pick 'n Pay, Mr Raymond Ackerman, said yesterday that he would ask the government to exempt five basic foods — bread, milk, mealie meal, flour and sugar — from General Sales Tax.

Mr Ackerman was reacting to the announcement by the Minister of Finance, Mr Owen Horwood, that GST would be increased by one percent to seven percent from February 1.

Mr Ackerman said he would also lead a campaign for a tax surcharge on company profits to replace the loss in tax revenue caused by exempting basic food from GST.

He would also ask the government to reduce GST when the economy recovered.

The director of the Consumer Council, Mr Jan Cronje, said the increase was "a cause for disquiet" because it exceeded the current rate of inflation of almost 11 percent.

"An increase in the tax on luxury goods such as liquor and cigarettes would have been better," he said.

Mr Cronje said he hoped that if the GST increase helped to prevent the current income tax structure from being altered, the increase would eventually serve a good purpose.

"But it is a foregone conclusion that the GST increase will have a marked inflationary influence and will cancel the recent salary adjustments," he said.

He said consumers had contacted the council to say that had the current GST of six percent been collected effectively, the increase would not have been needed.

Mr W S Yeowart, president of the Association of Commerce (Assocom), said the increase was an "unpleasant reality", but regretted the decision had been taken in isolation.

The private sector had not been able to form a definite view of whether the decision was justified or not, he said.

He also said the high levels of State spending this year required immediate financing, and GST was the obvious widely-based source.

Schwarz: GST will hit poor

CAPE TIMES 25/1/84

326

Political Correspondent

THE Progressive Federal Party yesterday opposed the increase in GST from six to seven percent as an inflationary measure which would hit poor people hardest.

Mr Harry Schwarz, opposition spokesman on finance, also accused the government of bad budgeting and said other sources of finance, such as loans, could have been used instead of next month's tax increase.

"This increase hits lower-income groups hardest and perpetuates the evil of taxes on foodstuffs and other essentials, which we have always said should be exempt," he said.

"We concede that the government needs more money, but the question is whether those who can least afford it should be the ones to pay."

In an interview on SATV, the Minister of Finance, Mr Owen Horwood, last night singled out the drought and heavy spending on defence as two reasons for the increase in GST.

Mr Horwood said "The economy was in its worst state since the general depression" and this was a "result of the downswing throughout the world" and the inability of most of South Africa's trading partners to register "a full and meaningful recovery."

Mr Schwarz ~~said~~ the government should concentrate on ending substantial GST abuses, making sure every cent due at the present rate was collected.

The PFP was also concerned about the inflationary effects of the tax increase at a time when combating inflation was supposed to be a priority. With other increases in administered prices in the pipeline, he believed drastic steps would have to be taken to hold inflation to its present 10 percent this year.

"If we don't bring inflation down now, and we move into an economic upswing next year, inflation will rise even faster."

The basic problem was that the government had not provided in last year's budget for the full projected rise in expenditure over the year. The PFP had said so at the time and had now been proved right.

Two of the main reasons for additional expenditure were drought relief and military operations in Angola. As the extent of the drought was largely known when last year's budget was presented, and military operations could have been foreseen, both should have been provided for.

● GST increase under fire, page 15

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... that this month
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... has been serious... — against a rain... 126mm last January, ... been recorded this while Pietersburg has ... drop of 41,5mm and ... in 11mm.

... of three dams in the ... — the Rustfontein ... Dam and ... — have dropped Tuesday, while the ... Dam in the north... has dropped from 60,34%, the Spitskop ... 4,63% to 4,31%. Loskop Dam in the eastern Transvaal ...48% to 60,38%. Vaal Dam has risen ... from 50,34% to

...hamir ...ts a ...s' vote

...SALEM. — Prime ... Mr Yitzhak Shamir's government yesterday ... a parliamentary no-... vote over Israel's ... troubles, after ... a last-minute ... with a key coalition partner.

... vote, following an ... hour debate among ... was 62-56, with one ...

... the very last minute ... unclear if Mr Shamir ... have the support of the ... Tami party, which ... to leave the coalition ... Mr Shamir agreed ... write its demands ... reaching benefits to ... paid Israelis.

... Mr Shamir could defeated the no-confidence challenge without Ta... votes, the defec... would have seriously ... the coalition and ... have forced early ... elections.

... last-minute hitch was demands by Tami ... Mr Aharon Abuhatzeira that Mr Shamir commit ... in writing to the new ...

... reached an agreement with a letter, with the ... of the Prime Minister a beaming Mr Abuhatzeira told reporters as he ... from Mr Shamir's ... in the Knesset building ... no-confidence vote. —

HUPARTHIA KEKANA
On her way to doctor

Police shots kill girl, 7

Pretoria Bureau

A SCHOOLGIRL, aged seven, on her way to see a doctor, was shot dead by police when the taxi she was travelling in raced away when it was flagged down by police.

Huparthia Kekana, of Sekwinya Street, Saulsville, died shortly after being admitted to the Kalafong Hospital with a bullet wound in the head on Tuesday night.

Her mother, Miss Poppie Kekana, who works in Pretoria as a confectioner, said she sent Huparthia to the doctor when she arrived home after work.

"I found out she had been vomiting and was not feeling well. It was the last time I saw my only child."

Two riot squad policemen fired a total of eight shots into the car when it failed to stop after they flagged in down on the corner of Maunde and Sekhu streets in Atteridgeville.

The driver and a passenger ran away, while another passenger was wounded in the side. He was admitted to Kalafong Hospital, and was in satisfactory condition yesterday.

Police later found that the car, a Valiant, had false number plates.

Police investigations into the incident are continuing.

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Commerce to probe dropping GST on basics

By GERALD REILLY
Pretoria Bureau

THE Association of Chambers of Commerce — which has been a supporter of GST with no exemptions — is to investigate the merits and demerits of dropping the tax for basic necessities.

Assocom has argued at low rates of tax, the administrative cost of exemptions would outweigh the benefits.

The study will be conducted by Assocoms taxing committee, with possible assistance from academics.

The study will look into the reasons for the persistent increases in GST, the scope of exemptions for certain commodities, the cost of administering GST in the event of exemptions and the implications for State revenue.

Asscom's investigation comes at a time of mounting pressure on the Government to remove GST on basic foods and other necessities.

The urgent need for scrapping GST on basics like bread and milk has been made repeatedly by the Housewives League, the Trade Union Council of South Africa and the Progressive Federal Party.

So far, the Minister of Finance, Mr Owen Horwood, has rejected the pleas on the grounds of "administrative difficulties".

But the issue has become more urgent since Tuesday's announcment that GST is to be raised by another 1% to 7% from February 1.

Economists pointed out yesterday that an extra 7% on basic foods was a heavy burden for lower income earners.

Poverty in South Africa had spread since the start of the recession nearly two years ago. The scrapping of the 7% tax on basics would bring real relief to thousands of black families and pensioners of all races, it was argued.

● See Page 4

Farewell to Parliament

TV Correspondent

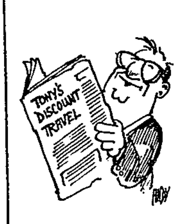
SABC-TV cameras will be on hand in Cape Town tomorrow to record the historic last opening of Parliament in its present form.

The fourth session of the seventh Parliament will be the last before the tricameral system under the new constitutional dispensation is introduced.

TV1 opens at 10.15am for coverage of the ceremony.

● The R150 000 Wild Coast-Pan Am Golf tournament at Casino Beach will be screened from 5.11pm today.

Breakfast Quip



"Sir Freddie Factor?"

RI... gu...

SA... ne... Ch... ser... nia... An... bu... po... scr... ob... day... pea... TV... ing give... cere... stor... after last suit... be h... nesb... up h... lishe...

Woman strangled in her empty ...

By EMIELIA JAROSCHEK
Crime Reporter

A 73-YEAR-OLD Randburg woman was found strangled to death in the servant's quarters of her home yesterday when friends came to her house to pick her up for a club meeting for the aged.

Mrs Cornelia van der Spek, of Hill Street, Ferndale, the widow of a building contractor, who lived on her own, was discovered by a friend, Mr Thomas Skinstad of Ferndale, when he and three women arrived at the house to pick her up at 9.45am.

Brixton Murder and Robbery Squad detectives said later that they were investigating the possibility that the house had been looted by her attacker or attackers. A shocked Mr Skinstad said yesterday that Mrs Van der Spek had been repeatedly warned about living alone in the large desolated house.

"She had bought a flat in November last year but was a bit slow about moving into it because the flat did not have a telephone.

Mr Skinstad then recalled how his morning's "routine trip for the past four years" turned into a horror ordeal.

"My wife and I and two other women friends drove up to the house as usual but Corrie was not waiting for us. I walked up to the house and found the front door open.

"I called her repeatedly as I went thro... barked a... reply. He... Then I n... her serva... I looked i... murdered...

"We im... nearby b... police and anything c... too late."

Police s... made.

Defector ... war (R52)

Business Day

Higher GST could crack industrials

(320) RDM 26/1/84

By PATRICK McLOUGHLIN
Investment Editor

THE increase in general sales tax could crack the industrial share market which — despite the slump and depressed gold price — has remained remarkably buoyant.

"Industrial shares are definitely no longer going up," a JSE broker said yesterday. "If company taxation is increased the market could fall between 5% to 10%."

Over the past year gold shares have provided a roller-coaster investment, riding high then plummeting with the gold price. On January 3 last year the morning fix in London was $452,75 an ounce.

On Tuesday it was down to $365,20 — a 20% fall and yesterday it was fixed in the afternoon on slightly up at 366,50.

The gold mines have, however, been given some considerable relief by the fall in the foreign exchange value of the rand against the dollar. Even so, gold shares have followed gold with the RDM gold share index shedding 18% from 988,8, at the start of JSE trading last year, to 810,9 on Tuesday.

Industrial shares, on the other hand, have until recently improved in price despite some negative fundamentals.

These include the drought, economic downturn and rising interest rates which should, theoretically, have diverted funds into the money markets and depressed share prices.

Yet industrial stocks have held up with the RDM 100 index climbing 32% from 740,9 on January 3 1983 to 976,7 at the start of this year.

From late October, despite the constant flow of poor corporate financial results, the RDM 100 moved upwards from the 890s toward the record 1 000 level on January 9.

Towards the end of last year some companies were moving up to record price levels despite the traditional quiet pre-Christmas period and gloomy forecasts by many JSE analysts that the 1984 market was going to be deadly dull.

Furthermore, the massive Sasol rights issue drained funds allocated for equity investment by institutions and it was thought this would prove to be yet another depressing factor on market prices.

But the market held up,

The rise in GST, however, may signal an easier trend in the industrial shares market.

One broker said yesterday: "Everything's going against the economy and the market could come down by 10% by March."

Although it probably won't have a significant and immediate effect on company profitability the GST announcement may cause other important effects.

Coupled with more expensive credit, it will add to the downturn in consumer spending, hitting retailers and their suppliers.

Another important point lies in the fact that it will almost certainly not make up the Government's revenue shortfall.

Many economists believe a rise in company tax to 50% is due in the Budget and, if gold remains depressed, the upturn could well be delayed further.

"It is not certain, but a rise in company tax up to 50% is a strong possibility," Volkskas chief economist, Mr At Engelbrecht, said. "This will effect company profits and expectations on the share market. There will also be a delaying action on economic recovery."

Another reason behind the market's strength, say some analysts, was the expectation of economic revival by the end of this year.

The likelihood of further tax rises inducing a delay in recovery could keep impatient investors, now benefiting from high interest rates on investments, away from the market.

After breaking through the 1 000 level, the RDM 100 index has been sliding slowly downwards. With the GST news it lost almost 5 points to fall to 962,9. Since last week the index has come down 19 points from 981,9.

This does not represent a marked fall but a downward trend has been established and the market waits anxiously.

RAND DAILY MAIL, Thursday, January 26, 1984

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Pressure to drop GST on basics mounts

By GERALD REILLY
Pretoria Bureau Chief

PRESSURE on the Government to remove GST from basic foods and other necessities is mounting.

Economists pointed out yesterday that the extra 7% on basic foods was a heavy burden for the lower income groups.

And the poor could face another blow soon, if the Government approves increases in administered prices — as is expected.

The urgent need for scrapping GST on basics like bread and milk has been repeatedly put to the Government by the Housewives League, the Trade Union Council of South Africa and the Progressive Federal Party.

So far, the Minister of Finance, Mr Owen Horwood, has rejected the pleas on the grounds of "administrative difficulties".

The issue has become even more urgent since this week's announcement that GST is to be raised by another 1% to 7% from February 1.

Poverty and hunger in South Africa had spread since the start of the recession nearly two years ago. The scrapping of the 7% tax would bring real relief to thousands of black families and pensioners of all races, it was stated.

And now the Association of Chambers of Commerce, which has supported the broadly based GST tax and opposed exemptions, is to investigate the merits and demerits of introducing exemptions on basic necessities.

Assocom has claimed that at low rates of tax, the administrative cost of exemptions would outweight the benefits.

The investigation is to be made by Assocom's taxing committee, with the possible assistance of university personnel.

Further increases in the prices of bread and dairy products, including fresh milk, are expected to be authorised by the Government in the next week or two.

A Wheat Board spokesman said the higher GST would add a cent to the price of white bread, bringing it up to 54c. Brown bread would not be affected.

According to the Dairy Board, the prices of all dairy products would be affected. Fresh milk is likely to rise by a cent a litre to 66c in the Pretoria area.

Cheddar Cheese will rise by about 5c/kg to about R5,03, and gouda also by 5c/kg to about R5,08. Butter is likely to rise by 4c/kg to about R4,36.

The 1% GST increase would add R700-million to Government coffers. However, even this will not be enough to keep the expected Budget deficit at an acceptable level.

The Automobile Association said yesterday that in the longer term, the GST increase would have a notable effect on motoring costs.

It said the higher GST would add an additional R57 a year to running a vehicle, purchased for R10 000, with a 1 800cm³ engine covering 20 000km a year.

The AA, nevertheless, supported the broad based taxation system of GST as opposed to narrowly based user-pays methods, such as toll roads which incurred substantially higher costs for the individual.

The AA urged the Government to ensure that all GST collected accrued to the central revenue fund, to avoid further increases in GST in the near future.

Tax millions hunted out

Pretoria Bureau

THE Department of Inland Revenue is to intensify its search for the missing GST millions.

The chief director of administration of the department, Mr S Albertyn, said in Pretoria yesterday new inspector's posts had been created, and there were now 338 staffers policing the different tax areas for GST evaders.

He confirmed the State was losing millions of rand through evasions, and loopholes in the system.

Mr Albertyn said in 9 000 investigations last year irregularities involving about R25-million were uncovered.

With the fines imposed for evasion, the Treasury benefited to the extent of about R34-million. He added that shortage of personnel had meant that only 10% of businesses could be visited annually by inspectors.

Mr Albertyn said the Directorate of Inland Revenue, which annually collected R1 500-million in taxes, had only six qualified accountants on its staff last year.

Following this week's announcement of a GST increase to 7%, the consumer council and other sources demanded that the loss of millions of rand through slipshod GST administration should be eliminated as a top Government priority.

Efficient collection methods, it was stated, might have precluded the GST increase.

The PFP finance spokesman, Mr Harry Schwarz, said millions were being lost to the exchequer every year because of inadequate controls for the collection of GST, especially in smaller cash businesses.

A system would have to be devised in which it was compulsory for every buyer to be given a cash register receipt with the GST clearly stamped on it. The present system, Mr Schwarz said, was open to abuse and was, in fact, being abused.

CAPE TIMES 26/1/84 (320)

Essentials: Anti-GST call grows

Own Correspondent

PRETORIA. — Pressure on the government to remove GST from basic foods and other necessities is increasing.

The urgent need for scrapping the seven percent tax on basics like bread and milk has been stressed to the government repeatedly by the Housewives League, the Trade Union Council of South Africa and the Progressive Federal Party.

'Difficulties'

So far the Minister of Finance, Mr Owen Horwood, has rejected the pleas on the grounds of "administrative difficulties".

The issue has become even more urgent since Tuesday's announcment that GST is to be raised to seven percent from February 1.

Economists pointed out yesterday that seven percent extra on basic foods was a heavy burden for lower-income groups.

Poverty and hunger in South Africa had spread since the start of the recession nearly two years ago. Scrapping the seven percent tax would bring real relief to thousands of black families and pensioners of all races, it was stated.

Now the Association of Chambers of Commerce (Assocom), which until now has supported the broadly-based tax and opposed exemptions, is to investigate the merits and demerits of introducing exemptions on basic necessities.

Assocom has also claimed that at low rates of tax the administrative cost of exemptions would outweigh the benefits.

The investigation is to be made by Assocom's tax committee, with the possible assistance of university personnel. Chambers of commerce throughout the country would be consulted, the executive director of Assocom, Mr Raymond Parsons, said.

● **Tax-man to step up hunt for evaders, page 19**

Motsuenyane pleads for tax breather

1029 26/1/84

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Financial Reporter

THE worst effects of the recession are yet to come, says the chairman of the African Bank, Mr Sam Motsuenyane.

He adds in his annual review: "South Africa is still very much in the slough of stagnation and I do not entirely share the view of some analysts that the recession has bottomed out."

Mr Motsuenyane says the country is still recovering from the worst drought in living memory which has brought the agricultural sector to the brink of collapse.

Prices of farm products have only just begun to rise and this will produce a ripple effect on a whole range of other commodity prices.

Struggles are still being waged to bring the inflation rate more into line with the country's major trading partners. To counter inflation the equalisation of money supply will still have to be the authorities' most urgent priority.

This will discourage investment, however, and further delay the upturn.

Furthermore, it is unlikely that consumer demand will improve significantly this year in view of the expected increases in taxation.

"My view would be for Government not to raise taxes at this stage as this will have a very negative influence on the living standards of the black masses. I would argue very strongly for the reflation of the economy as a matter of top priority. Another year of depressed economy would result in serious damage in human and other terms."

A higher tax bill and high interest rates sent the African Bank's profits plummeting 39% for the year ending September.

While turnover increased 18%, from R3,16m to R3,72m, after-tax income dropped from R110 000 to R67 000.

The results, released with the annual report, showed that the main reason for the profit decline came from a tax hike from R4 000 in 1982 to R40 000 in 1983. Taxes deferred in 1983 were much less than in 1982, says Mr Moses Maubane, the African Bank's chief executive.

Pre-tax profits were also down significantly. This was attributed to lower margins and the higher cost of borrowing from the money market.

Yet again the directors have decided not to pay a dividend but the board is hopeful that "in a year or two" a dividend will be paid.

Inflation another culprit in money squeeze

X 320 Star 26/1/84

GST pushes SA up among world's tax heavyweights

Own Correspondent

CAPE TOWN — South Africans are on the way to being among the most heavily taxed peoples in the world, with the rise in general sales tax to seven percent from February 1.

In recent years income tax rates in South Africa have risen sharply. This, together with the introduction of GST, has meant that the ordinary individual's tax burden has more than doubled in the past nine years.

Increase in GST to seven percent means that most people's tax burden has almost trebled since 1974.

This can be seen by comparing the tax rates in 1974 and those in force today on the same incomes adjusted for inflation, and adding GST — which was only introduced in 1978.

GST's predecessor, the sales duty, is not taken into account as it had nowhere near the revenue-raising ability of GST.

Tax tables show that in 1974 a married man with two children earning R2 762 a year paid R52 a year in tax. This was equal to 1,8 percent of his total income.

Today the same person, after his income has been adjusted for inflation, would be earning R8 360, out of which R280, or 3,3 percent, would have to be paid in tax. This is almost a doubling in the income tax rate.

If to this is added the amount taken in GST, at present six percent, it can be seen that far more income is going on tax today than 10 years ago.

The tax burden of a person in this earnings category has risen about 4½ times in real terms — from about 1,8 percent of his income to around 8,3 percent.

A person earning R11 000 in 1974 would be earning about R33 400 today.

But the income tax payments on this amount would not just have trebled in line with the rise in income — it would have risen about 5,6 times, with the percentage of income going on tax rising from 13,6 percent to around 25,1 percent today.

If it is assumed that GST would take a further 3,5 percent of his income, his tax burden would have risen 2,1 times in 10 years.

Other examples of how the tax burden has increased can be seen in the table below.

INFLATION

The main factor which has enabled the government to increase income tax rates in this way has been inflation, which over the years has pushed taxpayers into successively higher tax brackets.

This has meant that unless the government takes positive action (as it did to a very limited degree a few years back) tax rates automatically increase every year. As it is, the tax tables have changed only slightly in this period.

This "fiscal drag" or "bracket creeping" means that people with bread-and-butter salaries are now being subject to the tax rates deemed appropriate in 1974 for champagne-and-caviare incomes.

So far the South African public — apart from the working wife segment — has offered little protest, partly because the increase in tax rates has been gradual and partly because the effects have been eased by the pay-as-you-earn "tax payments without pain" system.

Only couples in which the wives work, so that the wives' incomes are aggregated with their husbands' and they pay extremely high marginal tax rates, have been particularly critical about the tax system.

Many people have been helped to escape the full impact of the high tax rates by the swing to remunerate employees with fringe benefits.

Company cars and housing allowances are usually subject to little or no tax — a situation which the government apparently condones in spite of the great loss of revenue, probably running into more than R700 million a year.

No official figures have been published showing the extent of the perks. But motor dealers say that about two-thirds of new cars are bought by companies.

Even if only half this number are supplied to employees as part of their remuneration packages, it would mean that about 100 000 cars are bought every year by companies for this purpose.

Companies can write off about 45 percent of the cost of a car against tax. Taking the average cost of a car at R8 000, this process could be losing the government about R350 million a year.

In addition, many companies also bear at least part of the cost of running a company car, which also entails a loss of revenue to the Treasury.

Housing allowances come in different forms, ranging from a payment equal to half the monthly instalment to a bond at three percent.

SUBSIDISED

In hard cash the value can amount to up to R9 000 a year or more, but it is likely the average benefit at the moment is around R5 000 a year.

If one assumes that half the 600 000 building society bonds taken out are subsidised to some degree (building society officials say at present 60 percent of the bonds they grant

How burden of taxes has soared

THIS table shows how the tax burden on South Africans has increased since the beginning of the 1970s.

Based on the PAYE tables, it lists the amount of tax paid and the average tax rate (ATR) of married taxpayers with two children in 1970 and the same figures for equivalent incomes in 1974 and 1983-84.

It also indicates how the introduction of GST has further added to the tax burden.

Although GST is 6 percent, allowances in the calculations have been made for the fact that not all income goes on items subject to GST. Notable exceptions are, of course, income tax payments, pension fund contributions and rent.

	1970	1974 (equiv) (+38,1%)	1983 (equiv) (a) (+418%)	1983 GST (b)	1983 Total ATR (a+b)
Income	R2 000	R2 762	R8 360		
Tax	R10	R52	R280		
ATR	0,5%	1,8%	3,3%	5%	8,8%
Income	R4 000	R5 523	R16 720		
Tax	R213	R353	R2 077		
ATR	5,3%	6,4%	12,4%	4,5%	16,9%
Income	R6 000	R8 285	R25 080		
Tax	R494	R815	R4 884		
ATR	8,2%	9,8%	19,5%	4,0%	23,5%
Income	R8 000	R11 047	R33 440		
Tax	R864	R1 498	R8 387		
ATR	10,8%	13,6%	25,1%	3,5%	28,6%
Income	R10 000	R13 809	R41 800		
Tax	R1 322	R2 432	R12 407		
ATR	13,2%	17,6%	29,7%	3,5%	33,2%

are subsidised) and no tax is paid on them, the loss to the Treasury could amount to up to R350 million a year.

As a result of the rise in South African income tax rates, those levied on people in the middle and upper income brackets are now on a par with those in Britain

In fact, after the 1983 tax reductions in Britain, South Africa's income tax rates in the R20 000 to R30 000 a year range are not much below those in Britain — and are higher above R30 000 a year.

South Africa's tax rates on people in the upper incomes are certainly way above those in the United States.

Any further tax increases will have to be given careful consideration because of the already high level of taxation, the downturn in the economy and the growing imbalance between those with fringe benefits and those without.

How people can avoid paying that extra one percent

It is possible to avoid paying the increase in general sales tax by concluding certain transactions before February 1, when the tax rises from six to seven percent, says a tax consultant, Mr Roger Bramwell.

"The increased GST will become payable in respect of sales concluded on or after February 1," he says. "The date of conclusion of a sale is the date of delivery of the goods or the date on which the price is paid in full, whichever date is earlier."

With regard to financial leases, GST is payable on the date of delivery of the leased property, while in the case of rental payments the new rate applies on payments on or after February 1.

In the case of taxable services, and board and lodging, GST is determined on those services at the time of rendition. This means that even if payments are made after February 1 for services rendered before that date, they will be taxed at six percent.

The new rate applies to any goods imported on or after February 1, with the date of payment being irrelevant.

Mr Bramwell says the law provides that the rate of sales tax applicable to any tax period is the rate in force on the last day of that period.

"A rate of seven percent must therefore be used for every tax period ending on or after February 1 1984, even though past transactions are included in the period.

"To counteract the effect of including such past transactions (taxed at six percent), the law provides a mechanism for making suitable adjustment," he says.

26/1/84

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'Will mean further drop in workers standard of living'

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C. Herald 26/1/84

TRADE Unions, women's organisations, consumer bodies and political organisations have reacted angrily to the Government announcement that General Sales Tax will be increased from six to seven percent.

● The Retail and Allied Workers' Union said the GST increase would "contribute further to the degrading general living standards of the working class."

"We find it unfair that we should foot the bill for the State's incursions into other sovereign states," they said. "Our problems will not be solved outside of South Africa. These problems are caused by a Government which does not represent the majority of South Africans."

CRITICISED

● The United Women's Organisation sharply criticised the Government for making life even harder for the underprivileged and called for the removal of GST on basic foodstuffs and for an increase in food subsidies.

"We are paid poverty wages and cannot feed our children. The government should not consider increasing the price of people's foodstuffs," said UWO Secretary, Nonto Beko.

● Senior vice-president of the Housewives' League, Mrs Lyn Morris, feared that the GST increase would lead to a new round of wage increases and inflation.

IMPOSSIBLE

She said, "The Government should seriously think about taking tax off basic foodstuffs. Although they have repeatedly dismissed this as being administratively impossible, I don't see why Zimbabwe can employ such a system and not us."

● A FOSATU spokesperson said, "We strongly oppose this form of taxation since it affects workers the most. Workers do not benefit at all from expenditure like defence. The Government must cut all expenditure created by its apartheid system — like a three-house parliament."

GOVERNMENT SQUEEZE TIGHTENING

By Portia Maurice and Peter Delmar

C-Herald 26/11/84

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"MY mummy says she is sick and tired of all these increases. The people who put the prices up don't know what it is like to struggle from day to day to keep your family alive."

So said six-year-old Jane Cupido, translating into words the sign language of her death-mute mother.

Grassy Park housewife Carol Cupido had read about the increase in General Sales Tax early on Tuesday morning and she was angry.

Minister of Finance Owen Horwood's justification for the increase — the recession, the falling gold price, the drought which has swept through large parts of South Africa — did not impress her.

POORER

All she knew was that it would make her family poorer. And they were already struggling to make ends meet, she said.

Mrs Cupido cannot go out to work — she suffers from epilepsy. Her husband Edwin's employment opportunities are limited. He was once a victim of polio and he still walks with difficulty.

Both of them receive grants from the Department of Internal Affairs. She gets R139 and her husband R95 a month.

FOOD

"We barely survive," she says. In fact, she adds, if she were not able to buy groceries "on the book" at a nearby shop, her family of four would go without food some days.

● *MRS Carol Cupido communicates in sign language with her "voice", six-year-old Jane. Making eyes at the camera is Elizabeth, 2.*

"How much do you spend on food? We asked her. "And what do you buy?

Ten minutes later she had produced her weekly shopping list: It consisted of the most basic foodstuffs only. For instance she spent only R2 a week on meat. Total cost came to R18. Sales tax would add another R1,08 to her bill.

On February 1 her contribution to the Government will increase to R1,26.

Clothes for her family — which she doesn't buy very often — will push up this amount even further.

Mrs Cupido's weekly shopping list:

1 tin peas	42c
1 tin green beans	46c
2 tins mixed vegetables	98c
1 tin brand fish	84c
1 tin yellow fish	62c
1 tin tomato paste	44c
1 tin ideal milk	82c
1 tin corned beef	99c
1 tin meatballs	85c
1 tin frikaddels and spaghetti	59c
1 kilogram rice	87c
2½ dozen eggs	R2.65
500g margarine	R1,09
6 loaves brown bread	R1.86
1 kilogram sugar	R1.09
1 tin coffee	R1.43
meat	R2.00
TOTAL	R18.00

As can be seen, only the most essential foodstuffs have been included.

Poor bear brunt

HARDEST hit by the increase in GST will be the lower-income groups, who spend proportionately more on basic foodstuffs than do the better off.

The Minister of Finance has described the increase as unavoidable.

His reasons include the loss of revenue due to the present economic recession, the low gold price, and the devastating drought. The latest tax increase, which takes effect from February 1, is expected to earn the Government an extra R600-million annually.

The man in the street at present supplies half of the Government's revenue, making South Africans among the most heavily taxed people in the world.

Many critics of the latest tax increase believe that GST is an extremely unfair system of taxation because it does not tax according to one's means.

Anger at 'squander', burden on poor

ANGRY Teleletters callers attacked the government, and the Minister of Finance in particular, yesterday on the latest general sales tax increase.

"The Minister of Finance should be asked to resign," said **Mr A Sufi** of Athlone. "This is a country of natural wealth, but millions are being squandered on a senseless war in which innocent youngsters are being killed and the people are being left to carry the financial burden."

Mrs F Forshaw of Lakeside said: "It is iniquitous that a Minister of Finance should resort to robbing the poor. He should be thrown out forthwith. If he put extra taxes on tobacco and alcohol, however, he might do some good."

Mrs I E Collinson of Goodwood also called for heavier taxation on tobacco and alcohol rather than on food.

Mr Ivan Sylvester of Brackenfell said: "It is the people who have no say in the government who suffer most under this taxation."

"The government has been digging this country's grave since 1948 and this increase in sales tax is just another spade. In reality, it is having to raise more funds to keep eighteen-year-olds fighting in the bush on the border of a country that doesn't belong to us," said **Mr R O York** of Pinelands.

"It just does not pay to save any more," said **Miss A Duncan** of Southfield. "One battles to build up a savings account only to be taxed on it and then again on anything purchased with it. This means we're taxed twice on the same money."

Miss Meisie Olivier of Guguletu said: "This drought also affects us. Where are we going to turn to make good our own losses?"

Mrs D Dixon of Rondebosch said: "It is a disgrace the way the poor people of this country are being made poorer to keep the rich richer. If the country is in such a financial mess, why can't MPs reduce their own salaries?"

"Our wages are going nowhere these days," said **Miss Florrie Oliver** of Bakoven. "The droughts are God's work, so why should we workers have to pay?"

Miss S Gamaroff of Mowbray said: "Food is a necessity and not a luxury, and should therefore not be taxed. Our money is being used to build a laager and the word 'defence' is becoming offensive. The government should put the millions of rands to better use than ammunition."

Mr Mike Saunders of Caledon said: "While the increase is probably a necessity, the government's timing, as usual, is bad and the warning insufficient."

"The whole tax situation should be reviewed," said **Mrs S Roman** of Lotus River. "It is ridiculous that we have to pay sales tax, income tax *and* a loan levy."

Mrs G Arendse of Lotus River estimated that "a woman has to work for four or five months a year just to pay the taxation on her family's living costs".

"The government's actions are becoming worse than communism," said **Mr E Barros** of Bonteheuwel. "The government just does what it wants to, without considering the man-in-the-street, as in this latest tax increase."

Mr Charles Grover of Constantia said that the front-page headline of Tuesday's Cape Times was misleading. "Sales tax is, in reality, rising by 16,6 percent, which is one percent on six percent. One percentage point would equal 6,1 percent."

If you would like to comment on these views or any other topic, telephone Teleletters on ☎24-2233 extension 216 between 9am and noon today.

CAPE TIMES 28/1/84 (320)

REPUBLIEK VAN SUID-AFRIKA
BINNELANDSE INKOMSTE
(Verkoopsbelastingswet 1978, soos gewysig

REPUBLIC OF SOUTH AFRICA
INLAND REVENUE
(Sales Tax Act 1978, as amended)

7%

RAND

R1-R10		R11-R20		R21-R30		R31-R40		R41-R50		R51-R60		R61-R70		R71-R80		R81-R90		R91-R100	
Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R	Sales R	Tax R
1	0,07	11	0,77	21	1,47	31	2,17	41	2,87	51	3,57	61	4,27	71	4,97	81	5,67	91	6,37
2	0,14	12	0,84	22	1,54	32	2,24	42	2,94	52	3,64	62	4,34	72	5,04	82	5,74	92	6,44
3	0,21	13	0,91	23	1,61	33	2,31	43	3,01	53	3,71	63	4,41	73	5,11	83	5,81	93	6,51
4	0,28	14	0,98	24	1,68	34	2,38	44	3,08	54	3,78	64	4,48	74	5,18	84	5,88	94	6,58
5	0,35	15	1,05	25	1,75	35	2,45	45	3,15	55	3,85	65	4,55	75	5,25	85	5,95	95	6,65
6	0,42	16	1,12	26	1,82	36	2,52	46	3,22	56	3,92	66	4,62	76	5,32	86	6,02	96	6,72
7	0,49	17	1,19	27	1,89	37	2,59	47	3,29	57	3,99	67	4,69	77	5,39	87	6,09	97	6,79
8	0,56	18	1,26	28	1,96	38	2,66	48	3,36	58	4,06	68	4,76	78	5,46	88	6,16	98	6,86
9	0,63	19	1,33	29	2,03	39	2,73	49	3,43	59	4,13	69	4,83	79	5,53	89	6,23	99	6,93
10	0,70	20	1,40	30	2,10	40	2,80	50	3,50	60	4,20	70	4,90	80	5,60	90	6,30	100	7,00

SENT/CENTS

Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R	Sales c	Tax R
0-07	0,00	8-21	0,01	22-35	0,02	36-49	0,03	50-64	0,04	65-78	0,05	79-92	0,06	93-100	0,07

HONDERDE/HUNDREDS

Sales R	Tax R
200	14,00
300	21,00
400	28,00

Sales R	Tax R
500	35,00
600	42,00
700	49,00

Sales R	Tax R
800	56,00
900	63,00
1 000	70,00

CoL takes big bite of increases

Own Correspondent

DURBAN. — Workers who started this year with a ten percent rise will see a great deal of the cash going to pay additional mortgage bond instalments, income tax and income-related deductions like pension funds.

A person with a R500 salary in December can expect to get 63 percent of his R50 increase, but someone with a salary of R2 500 will only get 17 percent of his R250 increase.

Mortgage bond payments rise by 1,25 percentage points in the middle of February, general sales tax rises 17 percent — one percentage point — from February 1 and bank economists and other experts on the economy are convinced that more tax increases are in the pipeline.

Most medical aid funds are in the process of upping contributions.

The increase in GST will hit a heavy proportion (50 percent and more in the lower income groups) of income with only bond payments, insurance, and building and building alterations exempt from this all-embracing tax.

There will be a mini-budget some time in February and the main Budget at the end of March. The Minister of Finance, Mr Owen Horwood, could pounce on the consumer on both dates.

This is how a typical worker with two children, saving about ten percent of his income and paying about one-quarter of his income on a mortgage bond (and provided he bought his property some years ago) and contributing 7,5 percent to a pension fund will see his pay-packet diminish:

Reduced

With a salary of R500 a month his rise will be reduced by R3,75 towards his pension, R2,46 on income tax, R9 for bond, and R3,20 for GST. Total R18,41 to leave him R31,59 (or 63 percent) of his R50 rise.

On a salary of R1 000 there will be R7,50 to his pension, R26 to tax, R20 on his bond and R5,62 on GST. Total R59,12 leaving R41,88 — 42 percent of his R100 rise.

Extra

At R1 500 there will be extra pension of R11,25, tax R42,00, bond R26 and gst of R8,63. Total R87,88 leaving R62,12 out of his R150 rise — 41 percent.

For R2 000 there will be R15 for pension, R68,33 for tax, R39 for bond and R9,10 for GST. Total R131,43 leaving 34 percent or R68,57 of his R200 rise.

For a R2 500 salary pension will take R18,75, tax R96,13, bond R82, and GST R9,95. Total of R206,83 — leaving R43,17 or 17 percent of the R250 rise.

Tax-man to step up hunt for evaders

Own Correspondent

PRETORIA. — The Department of Inland Revenue is to intensify its search for the missing GST millions.

The chief director of administration of the department, Mr S Albertyn, said here yesterday that new posts for inspectors had been created, and there were now 338 scouring the different tax regions for GST evaders.

He confirmed that the State was losing millions of rands through evasions, and loopholes in the system.

"The staff position, however, has greatly improved and we are now in a position to police GST collections more thoroughly."

Mr Albertyn said 9 000 investigations last year had uncovered irregularities involving about R25-million.

The fines imposed for evasion had netted about R34-million for the Treasury. However, shortage of personnel had meant that only ten percent of businesses could be visited annually by inspectors.

Only six accountants

Mr Albertyn said the Directorate of Inland Revenue, which collected R15-billion in taxes annually, had only six qualified accountants on its staff. However the staff position had improved greatly last year when the total employed in the directorate had risen from 4 500 to 6 400.

Following the announcement this week of a GST increase to seven percent, the Consumer Council and other bodies demanded that the loss of millions of rands through slipshod administration of the tax should be eliminated as a top government priority.

More efficient collection methods, it was stated, might have avoided the need to raise GST by one percent.

The Progressive Federal Party finance spokesman, Mr Harry Schwarz, said unknown millions of rands were being lost to the exchequer every year because of inadequate controls for the collection of GST, especially in smaller cash businesses.

A system would have to be devised making it compulsory for every buyer to be given a cash register receipt with the GST clearly stamped on it. The present system was open to abuse and was, in fact, being abused.

Barclays merger battle looms

Argus Foreign Service

LONDON. — Powerful forces are marshalling to oppose Tuesday's second reading of a Bill intended to allow the merger of Barclays Bank with Barclays Bank International.

The most vociferous opposition is likely to come from left-wing MPs who object to BBI's associations with South Africa.

Trade unions are also lobbying strongly against the Bill, for different reasons, and a Cheshire chartered accountant has petitioned Parliament against its passage.

The unions have three main objections — that the Bill contains no guarantees on redundancies, that only one of the present two pension funds will continue to operate and that conditions of employment might be "harmonised" at a lower level.

Petitioner Mr John Butcher, a former Conservative parliamentary candidate and a lifelong customer, says the merger will adversely affect his rights.

"BBI have made a number of large loans to foreign governments which are notoriously incapable of repaying those loans," he says in his petition.

"The most recent accounts of BBI do not contain adequate provisions for bad and doubtful debts in respect of those loans."

Black workers 'ecstatic' over rebates deal

W/G Argus 28/1/84

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By AUDREY d'ANGELO

BLACK workers who pay income tax are "absolutely ecstatic" at the prospect of getting rebates for their wives and children for the first time, says Mr Windsor Skweyiwa, labour officer of the South African Stevedore Association.

From March 1 all races will pay income tax under the same system and there have been suggestions that there might be resentment from black workers and trouble with their unions unless the change is fully understood.

Mr Jack Roos, director of the Cape Chamber of Industries, said it was part of good labour relations for employers to ensure that employees fully understood any changes taking place.

Although the Government should do its best to give out information it was not every black worker who read newspapers or listened to the radio and employers, also, should make sure their workers were fully informed.

Pay less

"But if it is true, as we have been told, that most black taxpayers will actually pay less under the new system I cannot imagine there will be any trouble."

Mr Skweyiwa pointed out that under the system of separate taxation for blacks it was only white, coloured and Asian men who were able to claim rebates for their wives and children.

When black stevedores worked overtime and double time their money "poured into the coffers of the Government".

They had wanted to be taxed on the same basis as other races for a long time.

The Stevedores Association had discussed the matter thoroughly with the workers' committee and the response had been very favourable.

"I cannot imagine why anyone should think there will be trouble."

A supplement to the current issue of the Cape Chamber of Industries weekly bulletin carries answers given by Mr W J H van der Walt, retiring Commissioner for Inland Revenue, to questions from some employers.

These make it clear that contract workers living in single quarters apart from their wives will be regarded as married and that employers will not have to prove the existence of wives and children although occasional checks will be made.

Mr van der Walt said polygamy was a dying custom, but where it existed the first wife would be regarded as the wife.

SA's 7% GST is modest by UK's standard

28/1/87 RDM 320

From JOHN BATTERSBY in London

BRITAIN'S system of value added tax (VAT) is currently running at 15%.

Unlike South Africa's general sales tax (GST) — due to increase by 1% on February 1 and which is collected at the point of sale by either adding-on or adding-in to the purchase price — VAT is a broad-based tax collected at each stage of the production/distribution chain.

The final tax is borne by the consumer after a chain reaction of buck-passing which is achieved with a system of input and output tax.

The difference between the two — VAT — is paid to Britain's Department of Customs and Excise.

A wide range of goods and services are relieved from VAT through a dual system of zero-rating and exemption.

Zero-rated goods include most foodstuffs, books, newspapers, periodicals, young children's clothing and footwear and drugs and medicines supplied on prescription.

Exempted items include land rentals, insurance, postal services, betting, education, health and burial and cremation.

This year R26 400-million will be collected in VAT from the British consumer, accounting for 12,3% of the country's R214 000-million internal revenue.

Income tax, at R53 400-million, and national insurance, at R39 000-million, are the only two items of internal revenue which exceed VAT as a source of state money to finance Britain's welfare state.

Britain's 15% VAT compares favourably with the rate in other European countries.

In most European countries a two or three-tier VAT system is used to differentiate between essential goods and services, ordinary goods and luxury items.

One of the highest VAT rates is the 35% imposed on a wide range of "luxury" items in the Republic of Ireland.

But along with jewellery and cosmetics go such "non-essentials" as refrigerators and, until the last budget, other kitchen appliances and household furniture.

In a three-tier system, Ireland has an ordinary rate of 23% on a wide range of goods, including chemicals, non-essential foodstuffs, alcohol and office machinery.

Essential foods, clothing and footwear, certain medical equipment and oral medications for human consumption are zero-rated and therefore not subject to VAT.

In France a complex, four-tier system of VAT imposes taxes of between 33% and 5,5%.

The super-reduced rate of 5,5% applies only to the raw materials of basic foodstuffs and the reduced rate of 7% applies to the balance of agricultural produce.

The vast majority of goods are subject to the ordinary rate of 18,6%.

Luxury items, such as cars, hi-fi equipment, jewellery and furs, fall under the 33% rating.

In West Germany, foodstuffs and educational books are subject to 7% VAT, while all other goods are taxed at the ordinary rate of 14%.

By European standards, South Africa's proposed 7% GST is modest.

CAPE TOWN, JANUARY 28 1984

Call for tax reform in SA

W/C ARGUS 28/1/84 (320)

By Derek Tommey, Financial Editor

The South African tax system was badly in need of reform, Mr Michael Steyn, a leading Cape Town tax consultant and co-editor of the publication Income Tax Reporter, said today.

The system contained numerous anomalies and had led to unequal and discriminatory taxation.

The Income Tax Act had become not simply a means of raising revenue "but unfortunately and disturbingly, a massive and somewhat unwieldly redistributive machine".

It was employed by the State not only to finance its own functioning, but also to take from some and give to others.

Robin Hood

"But not as the legendary Robin Hood did, from the rich to the poor — but often from the rich to the richer and from the poor to the rich."

He said the tax system discriminated unfairly between many sections of the community.

It discrimated between companies and individuals, between individuals earning a lot and those earning less, between married and unmarried people and between professional men and executives.

It had also created a special class of "privileged traders" — a whole legion of special interest groups which had been able to secure the benefit of special concessions or incentive allowances.

Here the discrimination was most unfair and significant, Mr Stein said.

"It had resulted in a terribly unfair redistribution of wealth, mostly in favour of the least needy."

Tax holidays

Among the "privileged traders" were:

- Manufacturers, hoteliers and co-operatives which have special capital allowances;
- Manufacturers who have situated their businsses in decentralised areas and who have virtual tax holidays;
- Farmers who may write off most of their capital expenditure almost immediately, who may write down the value of their livestock to next to nothing very quickly and, if they are still deriving a taxable income after these deductions, are subject to tax at special average rates or better;

("One only needs to think of some very wealthy people who have gone into the breeding of race horses to see what I mean by unfair redistributions to this group and the fallacy of the so-called principle of ability to pay.")

- Exporters, whose marketing expenditure is almost totally borne by other taxpayers;
- Companies which train their employees, almost entirely at the cost of their fellow-taxpayers; and added to the ever-growing list of privileged are
- Those who erect certain types of residential units for letting.

"It is small wonder that companies in South Africa are alleged to pay an average rate of tax on their profits of something of the order of 25 percent, in spite of the existence of the apparent rate of tax of 46,2 percent."

Mr Stein blamed the situation on the fact that some groups are better organised or had greater lobbying ability.

Manufacturers, hoteliers, farmers and "other "privileged traders" exert much pressure on the authorities through their organised associations — and the extent of their success testifies to their immense skill in this matter.

Handouts

But Mr Stein said these groups could not be blamed for seeking handouts.

"If there is to be a redistribution financial survival and plain good sense demand at least that one should be on the side of the privileged than of those who foot the bill, because someone always pays for tax handouts, and the payout at the moment is enormous."

Mr Stein suggested that the solution to the problem was to tackle

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Business Day/LABOUR

ROM 28/1/84

Few hard trends in latest wave of strikes

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LABOUR WEEK by PHILLIP VAN NIEKERK

UNIONS and employers are waiting with bated breath to see if the upsurge of worker militancy in the first weeks of the new year will continue.

By the end of last week, at least 20 000 workers had participated in strikes and work stoppages involving a broad spectrum of unions.

There are few hard and fast trends for labour observers trying to make sense of it all. Wages have been cited as the major reason for the strikes but they are not an adequate explanation on their own.

A number of strikes have involved workers protesting against alleged unfair dismissals and a few have been over union recognition, with the new uniform tax system also getting a mention.

The drop in the number of strikes last year was attributed to workers valuing job security above wage increases during a recession, which is still with us.

A more complex picture is that the whole climate has changed, due to political and economic factors. If that is so, then the wave of industrial action could be, as one labour consultant described it, merely the "overture to an almighty opera".

There is no doubt that the black community is taking massive economic strain as a result of lower wage increases over the past 18 months, dropping employment levels and the drought.

Mr Charles Simkins, an economics researcher at the University of Cape Town, has calculated that the standard of living of blacks dropped by 4,1% between May 1982 and May 1983. And that trend was unlikely to improve during the remainder of 1983.

While the real wages of blacks increased by about 1,5% during that period, Mr Simkins has also taken into account population growth, at 2,8%, and employment, which dropped by 2,8%. The burden of supporting the increasing numbers of unemployed has fallen largely on the shoulders of the wage earners.

Further evidence of a decline in the standard of living for blacks has been unearthed by UCT's Southern Africa Labour Development Research Unit (Saldru).

It has made a study of all industrial council wage agreements during 1983, which show that the real wage of uskilled workers, nearly all of whom are black, dropped by 4,7%.

Adding to the financial squeeze is the drought in the rural areas, which has made the families of migrant workers more dependent on wage income at a time when those wages have been declining.

Mr Simkins has calculated that between May 1980 and May 1983, the standard of living of blacks improved by 2,6%, compared to 4,9% for whites, 5,7% for coloureds and 14,5% for Asians.

This followed a period during the middle and late 1970s when the standard of living of blacks was increasing at a faster rate than whites, gradually redressing the vast imbalance.

Thus the rising expectations of blacks have been increasingly frustrated, reaching a peak with the actual decline in living standards during recession-hit 1983.

Labour consultant Mr Gavin Brown believes the "cutting edge of the recession is only drawing blood now". He says there is widespread anger that "white business is tightening its belt at the expense of black employment and income", a perception which is confirmed by union leaders.

The real pressures have been building since the middle of last year and were seen in the increase of strike action towards the end of the year. Now, the caution of most of last year has been translated into anger — and workers are increasingly taking action regardless of the consequences of losing their jobs.

More difficult to measure in percentages is the effect of the political climate on the industrial scene. Here there is little doubt that the new constitution, the white referendum and the continued exclusion of blacks from political power has politicised and embittered black workers.

Barred entrance into the political arena, their political frustrations are likely to increasingly surface on the shopfloor.

This could acquire a new focus in the new uniform tax system to be introduced in March, over which there have already been rumblings.

Most unskilled and semi-skilled workers will pay less tax than they are paying at present. But the issue of whether they should pay tax at all — supporting the Defence Force on the border and the building of new Parliaments in Cape Town which they have no voice in — will be reawakened.

One union leader said that while it was not a strong issue yet, employers are likely to encounter problems when they start handing out tax forms for workers to fill in and explaining what the deductions are all about.

Finally, any explanation of the strike wave of the past two weeks has to be made by looking concretely at the strikes the[illegible].

The AECI strike by about 8 650 workers, for instance, was the country's first legal national strike. Its only resemblance to most of the other strikes was that it was over wages.

The strike was a consequence of the increasing use by emerging unions of the official dispute-resolving machinery, a trend given impetus during the recession.

Any hope, however, that it would improve the credibility of the country's labour legislation has suffered a crushing blow along with the crushing defeat suffered by the South African Chemical Workers Union (Sacwu).

At the end of the day, after having gone through the complicated and lengthy channels which are required before a legal strike is possible, the balance of power had not changed. Workers could still be threatened with dismissal if they did not go back to work.

This should provide ammunition for the lobby which has been calling for a legal bar on the firing of legal strikers. If the Department of Manpower wants black unions to make use of the Labour Relations Act, rather than striking illegally, the argument goes, they will have to provide some form of incentive to workers.

The strikes in the mining industry — at Impala Platinum Refinery and Rietspruit — can be largely attributed to the relatively recent unionisation of black mineworkers, chiefly by the National Union of Mineworkers.

What is apparent in almost all of the disputes is that the unions have been taking a beating. Whether that means that industrial action can be quelled by tough management attitudes will be seen in the weeks and months ahead.

2 RAND DAILY MAIL, Saturday, January 28, 1984

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Govt all set to reap millions from GST rise

By GERALD REILLY
Pretoria Bureau Chief

BILLIONS of rands — probably more than R4 700-million — will flow into Government coffers in the next fiscal year with the 1% increase in general sales tax.

The increase comes into effect on Wednesday.

For the current financial year the Minister of Finance, Mr Owen Horwood, estimated GST would bring in R3 994-million.

The PFP will raise the matter of the increase to 7%, announced by the Minister earlier this week, in the Assembly during the coming session.

The PFP, according to its spokesman on finance and consumer affairs, Mr Harry Schwarz, has battled for several years to have basic foods exempted from the tax.

He welcomed the proposed investigation by the Association of Chambers of Commerce into the desirability of introducing exemptions. Until now the Government's biggest objection to exemptions had been the administrative difficulties entailed.

"Whatever these may be, and they are surely not insurmountable, the social undesirability of burdening South Africa's large number of low income group families, must surely outweigh them."

Mr Schwarz said at 4% the tax was harsh on the poorer section of the population, including pensioners.

"However at 7% the situation for many has become impossible," he said.

When the increase came before the Assembly for ratification the PFP would again demand that basic foods and other necessities be exempted.

It had been claimed, Mr Schwarz said, that about 10% of GST revenue went uncollected because of evasions.

"During the coming financial year this will mean, unless the leak of revenue is plugged, that about R470-million will be lost," he added.

According to Sapa, the Transvaal Chamber of Industries was categorically opposed to removing so-called "essential" or "sensitive" items from the scope of GST.

In a statement yesterday the chamber said: "The almost universal adaptation of the 'add-on' system of GST would lead to serious administrative problems both at the point of sales and returns.

"A differentiated system with certain exclusions can at best only be arbitrary in terms of having to make decisions as to the degree of essentiality or sensitivity of a large group of qualifying items.

"Any such system would also lead to more extensive evasions and abuses, and would affect both the consumer and the fiscus adversely.

"The exclusion of any such group of products would not diminish the Government's need for revenue, but on the contrary by restricting the tax base, would result in an appreciably higher GST having to be levied on the remaining products and services.

"This would lead to an artificial distortion of the market and create depressed demand for a wide variety of products and services.

"This in turn would lead to a further decline in already depressed industrial sectors, with consequent additional unemployment and a general decline in economic activity and the well-being of the consumer and the community," the statement said.

(320) S. Tribune 29/1/84

Oh, Owen! Uproar after Horwood breaks a promise

By Graham Ferreira

THERE'S been an uproar following the raising of general sales tax — Minister of Finance Owen Horwood promised only four months ago: "It looks set to stay at six percent for many years."

Mr Horwood made a promise not to raise GST in this year's budget late in September while addressing a National Party congress in Natal.

Mr Attie de Vries, head of the Bureau for Economic Research at the University of Stellenbosch, said this week he found it difficult to reconcile Mr Horwood's pre-referendum promise with his announcement this week that GST would be raised to 7 percent.

Mr De Vries said the main reasons Mr Horwood gave for raising the tax were predictable more than four months ago — before the minister made his tax promise.

The drought relief paid to farmers, the increased defence spending and the low price of gold were the reasons given by Mr Horwood for the Government overspending by between R2 000 million and R3 000 million.

"There are other factors which cannot be forseen but both the drought and the war have been going on for a long time, and the expenditure on them should have been predictable. The drop in gold to below $400 an ounce has in some way been compensated for by the price of the rand.

"I find it difficult to reconcile Mr Horwood's statement in September that he would not raise the tax, with his statement this week that he was going to do just that."

Mr De Vries said the increase in tax would delay the economic recovery — until at least the end of the year.

"Towards the end of last year we saw the glimmering of economic recovery. The increase in sales tax will snuff that out and we are going to have to wait until at least the end of the year before another upturn. It looks like the economy is set to bump along the floor in the coming year.

"I don't think the extra one percent will adversely affect the ability of most people to spend. After all, we are looking at an extra 25 cents on a shopping bill of R25, but the lower income groups will definitely feel the extra tax.

"This will undoubtedly lead to higher wage demands. It remains to be seen to what extent these will be met, but probably some will have to be met — and this will lead to inflation. It is a retrogressive tax."

Mr Horwood was not available for comment.

(News by G V Ferreira of 85 Field Street).

HORWOOD

Trouble looms over new tax system

S. Times 320 29/1/84

By JEREMY BROOKS and AMRIT MANGA

MARCH 1 could mean industrial trouble if the new black tax system is introduced without adequate forewarning to workers, labour relations experts have warned.

They are increasingly worried over a growing attitude by employers who feel they have been left to do the "dirty work" by dispelling fears and suspicion about the new system.

At the same time industrial relations consultants say employers are as ignorant as the next man when it comes to the complexities of the new tax — and advice from Pretoria on how to handle the situation has not been forthcoming.

"Employers are almost catatonic with fear," says managing director Miss Alexandra Bungey.

Fear

"They are terrified of doing anything now, for fear of acting as a catalyst for a strike. At the same time if, as a fait accompli, they suddenly introduce the new payslips — a man's most personal possession — it could have the same effect."

Ironically the Department of Finance estimates that more than 80 percent of black workers will be paying less tax than they did before.

However married couples (where both parties are working), single men earning more than R400 and higher-paid workers may find themselves paying substantially more.

Mr Henk Botha, executive director of the South African Institute of Industrial Relations, said there was "too little information" for the employers to handle a "situation of extreme confusion and contradiction".

"Both the Pensions Act and the new tax are entirely dissimilar, and it would be erroneous to draw comparisons," he said.

"However there is a common factor. Both originate with the State."

"Like the Pensions Act, employers will be handling a situation they did nothing to create. And with the little information coming through from Pretoria, they are going to be hard-pressed handling the confusion when it arises."

Mr C E Kingon, director of tax research for the Department of Finance, said that claims that employers were not being fully briefed were "totally at odd with the facts".

"The matter is the essence of simplicity. We have addressed many meetings, and we will address many more in the weeks ahead. We will consider any approach by employers' organisations or employee bodies — as long as it's a large meeting."

Unions fear black reaction to equal taxation

By Barney Mthombothi

TRADE union leaders fear another fiasco similar to the 1981 pension strikes if the unitary tax system which comes into effect on March 1 is not properly explained to black workers.

And black workers are generally ignorant about how the new tax system will affect them, the Sunday Tribune found in a street poll this week.

The Black Taxation Act, through which black workers are taxed, is to be scrapped on March 1 and all taxpayers, regardless of race, are to be subject to the provisions of the Income Tax Act.

The Federation of South African Trade Unions (Fosatu) will meet in Johannesburg today to decide how to handle the issue.

Fosatu's Alec Erwin told the Tribune: "We're getting some feed-back and we foresee great difficulties. The State claims workers will benefit but that's not automatically clear."

The Trade Union Council says it is difficult enough to sell any form of taxation to full citizens who share in all privileges.

"How much more so is it going to be to put across this potentially explosive issue to a disadvantaged black community?"

Employers, still smarting from the wave of strikes which almost paralysed the country over the pension preservation debacle in 1981, are reluctant to communicate this to workers.

"I thought it was a rumour," said Mr Zeblon Mbele, a metal worker.

"Nobody has explained anything to me. I think the whole thing should be scrapped because we pay GST anyway, and it's going up again. This GST means I and all my 11 children pay taxes already."

Mr Enock Zwane of Umlazi said: "It's so confusing. You just hear people talking and you don't know what is true and what is not.

"But I think what they should be doing is to increase our wages. What is the use of deducting our money when we get so little."

And Mr Richard Khumalo said he would rather not talk about it.

Not equal

"They have never told me what they are doing with the money they are already deducting anyway."

Mr Joshua Shandu from KwaMashu said the principle of tax equality seemed a good idea: "But there is no equality in every sphere. Why should we pay equal taxes when we're not treated equally?"

A Johannesburg industrial consultant has prepared a 10-minute video film to help employers explain the new structure to their employees.

Alexandra Bungey told the Tribune the film was easily understandable, even to illiterate workers.

"Management is apprehensive about communicating with workers for fear of saying the wrong things. So it ends up communicating less and less."

She said the film, which is in Afrikaans, English and all the African languages, was "selling like hot cakes".

Nats on the warpath

'Shamed' party puts pressure on ex-mayor of Johannesburg to resign

A WRATHFUL National Party is determined to bury the political career of a former mayor of Johannesburg and top Nationalist Carel Venter — and his "embarrassing" confrontation with an attractive council employee about their relationship.

The contents of an affidavit about the working and personal relationship pretty Ira Wandrag, personal assistant to the director of the Centenary Festival Committee, had with Mr Venter, as chairman of that committee, reached the ears of the Prime Minister, Mr P W Botha, informed sources said.

This was late last year and top Nationalist sources have since admitted because of the "sensitivity" of the allegations in the affidavit, the leader of the NP in the Transvaal, Mr F W de Klerk, and the executive of the city's Nationalist caucus decided to keep it from the whole caucus.

Fallout from the top-

tenary Festival Association, Mr Heine Toerein and his assistant, Miss Wandrag.

"He was arranging meetings with the Johannesburg Chamber of Commerce, film companies and other organisations without informing me or inviting me to take part," Mr Toerein said this week.

Criticism of the work done by the association flared up in the last two weeks and Miss Wandrag's resworn affidavits found their way to the standing member of the NP in the Johannesburg City Council admitted Mr Venter was an "embarrassment" to the party.

Mr Jan Burger, MPC, the new leader of the party in the council, said Mr Venter had been asked to stay on in the NP and as a city councillor.

But other sources had indicted the party intended destroying their former leader so thoroughly that he would resign in disgrace.

Criticism of the NP's ori inal handling of the

Mawu lashes out at increase in GST

~~1404A~~ 320 Star 3/1/84

By Carolyn Dempster, Labour Reporter

The Metal and Allied Workers' Union has criticised the one percent increase in General Sales Tax coupled with the incorporation of blacks into the equalised tax system.

At a weekend meeting of Mawu's national executive committee it was resolved that members should add an additional one percent to any wage demand put before management this year in view of the GST rise.

"Despite the recession most of the major companies in South Africa have success in reporting tremendous profits for 1983," states the union.

"On the other hand, workers' real standard of living has dropped more and more with inflation, unemployment and the loss of agricultural land. Families on or below the breadline just cannot afford the one percent added on to GST."

Because black workers have no political voice and are not represented on the committees instituting the tax changes the only area where they can voice their dissent is at work, says Mawu.

The committee also discussed the introduction of the new harmonised tax structure on March 1 and noted:

- Although tax paid will be equalised, the benefit of the money will not go equally to all groups in South Africa.
- While some groups in South Africa have tax with representation, the majority do not. This is not equality.
- The departments responsible for unemployment insurance fund and other funds have proved unable to operate these funds adequately.

The tax changes will place enormous responsibility with the relevant department and Mawu expects this to prove as inadequate as other departments.

"Workers will, in practice, never get the benefit of rebates because of this, and because in any case most workers will not be able to fill in the assessment and other tax forms."

'2 000 illegal offices in Pretoria'

Pretoria Correspondent

Pretoria's accommodation problem is said to be aggravated by the illegal use of up to 2 000 houses as offices.

This is the view of Mr Robbie Schilz, chairman of the city council's town planning advisory committee which meets tomorrow to finalise a report and recommendations to the city council.

Mr Schilz said the houses contravening the Town Planning Scheme and the Housing Act were all in the older city suburbs and many fell under the Rent Control Act.

He said: "The Government with the taxpayer's money was forced to build multimillion-rand housing schemes such as Schubart Park to ease the accommodation problem.

"The use of houses as offices was unfair on institutional and other property developers in the city.

"It could create ghost areas occupied only from 8 am to 5 pm and vacant at nights and weekends."

The houses were not designed with neighbourhood security in mind.

Some tenants saved 25 to 50 percent on rent.

Workers urged to combat GST rise

3.2.84

Labour Correspondent

THE Metal and Allied Workers Union (Mawu) has condemned the Government's decision to raise General Sales Tax — and is to urge union members to demand that employers raise wages to compensate for the 1% rise.

The union has also expressed reservations about pending moves to tax black workers on the same basis as whites.

In a statement Mawu said its national executive had resolved at the weekend "that all Mawu members should be encouraged to put as the first part of any wage demand the 1% to make up for the GST increase".

GST rises from 6% to 7% today.

The executive had resolved that, because workers had no voice in the Government, where decisions on taxes were made, "they must speak where they do have a voice — at work".

The union argues that increased taxes should be raised from companies which, it says, made "tremendous profits" in 1983 despite the recession, rather than from workers who have "suffered more and more".

It said workers' "real standard of living has dropped more and more". Inflation, the need to support the unemployed, and loss of land and livestock had forced workers "to spread their money more thinly than ever".

"More families than before are falling below the breadline. Now the Government has administered another terrible blow to workers and their families by increasing GST by a further 1%," Mawu said.

On the move to change the tax structure for blacks, Mawu said that "although the tax paid will be equalised, the benefit of the money will not go equally to all groups".

"Some groups have tax with representation, the majority do not. This is not equality," it said.

It said the tax changes would also place "huge responsibilities" on the responsible department, and the union's executive feared workers, therefore, would not in practice receive the rebates to which they would be entitled.

Most workers would also not be able to fill in their tax assessments and other forms and would be at a disadvantage.

PARLIAMENT

Broadside against GST

ARGUS 2/2/84

(320)

Mr Ken Andrew

Parliamentary Staff

THE increase in GST and the Government's economic policy were lashed by all three opposition parties during the no-confidence debate.

Accusing the Government of "gross mismanagement of the economy", Mr Ken Andrew (PFP Gardens) said people were being squeezed dry to pay for the Government's ideological and economic mistakes.

The rand was now worth only 53c compared to five years ago.

Impact

The consumer's rand was now worth less than a third of what it was 10 years ago.

"The impact of this on thousands of retired people is devastating. Their self-sufficiency, their independence and their self-respect have been destroyed," he said.

Most of the speeches on the third day of the no-confidence debate centred on economic, military and financial issues.

Mr Harry Schwarz (PFP Yeoville) criticised the Minister of Finance, Mr Owen Horwood, for increasing GST after having told the National Party congress in September last year that "GST was set to stay at six percent".

It was clear the increase was announced because of Government over-spending, and this should have been foreseen.

"If we had to increase taxes, why GST, which hits the middle classes and the poor hardest of all?" he said.

"Why don't we look at tax which is distributed equitably, and why continue with tax on essentials?"

Mr Schwarz said there had been a decrease in jobs available in spite of a population increase.

"In these circumstances, is the financial problem of South Africa due to mismanagement and an incorrect set of priorities? Millions of rands are being spent on ideological projects while the real problems of South Africa are not being dealt with," he said.

Replying to Mr Schwarz's criticism, the Deputy-Minister of Finance, Mr Eli Louw, said seven percent GST was "extremely reasonable" and probably the lowest rate in the world.

Everybody had to contribute to GST because the State spent millions on social programmes.

Loopholes

It would give rise to administrative problems if essential goods were exempted from tax. It would be difficult to decide what "essentials" or "luxury" goods would be and it would create extra loopholes for tax evasion.

Mr S P Barnard (CP Langlaagte) lashed out at price increases and said workers were helpless to do anything about it. Consumers had pulled in their belts to the utmost and prices were continuing to rise.

Mr G S Bartlett (NRP Amanzimtoti) said everyone from ministers down had to pull in their belts if the country was to survive present economic conditions.

He called for more Government saving and efficiency — "the days of free-spending, wheeler-dealer Government are over."

Mr John Malcomess (PFP Port Elizabeth Central) said more money was being taken from taxpayers than ever before.

"The increase to seven percent in GST is but a forerunner of things to come. I would guess that before this session is over we will have at least one more increase in GST, and that before the end of next year GST will be in double figures," he said.

"That this tax is levied on basic foodstuffs shows a callous disregard for the plight of the unenfranchised poor."

Union says increase in GST 'blow' for workers

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Mercury

2/2/84

Mercury Reporter

THE 1 percent rise in general sales tax which came into effect yesterday had dealt a 'terrible blow' to workers and their families, says the Metal and Allied Workers' Union.

In a statement released yesterday, the union said there were thousands of families living on or below the 'breadline' and could not 'make ends meet'.

'There are so many other ways for the Government to obtain additional revenue rather than burdening the workers.

'But workers are not represented on committees which recommend changes in taxes yet people who can afford to pay higher taxes are represented both directly and indirectly,' said Mr B Fanaroff, a spokesman for the union.

At a meeting of the union's national executive committee recently it was decided that all of its members should be encouraged to put as the first part of any future wage demand to employers, the 1 percent to make up for the increase in GST.

Suffered

Mr Fanaroff pointed out that in spite of the recession most of the major companies in South Africa had reported 'tremendous' profits for past year.

'On the other hand workers have suffered with a drop in their standard of living as a result of rising food prices and increased travelling costs,' he said.

Following the increase of GST moves to help the consumer are being taken by several chain stores countrywide.

Checkers will be subsidising one basic food item a week and slashing the price below cost.

The managing director, Mr Gordon Utian, said this action had been taken because of the recent price rises and the GST increase.

'With drought, unemployment and the current recession, urgent action is necessary to help the people of South Africa,' he said.

'We are not interested in retail wars. People cannot live on bread and milk alone, they need vital proteins, and we are going to help them in a meaningful way.'

Mr Utian said the Minister of Finance had been contacted in an attempt to remove GST from basic foods — bread, milk, flour, sugar and maize meal.

'To date, he has merely acknowledged our message,' he said.

The chain will subsidise one item, changing from week to week, in an effort to provide the opportunity for a healthy and balanced diet.

Chickens, bread and margarine are the first foodstuffs on which Checkers are cutting the price below cost.

The items for the next Save-A-Rama will be announced each Wednesday.

Mr Bob Bezuidenhout, regional manager for Pick 'n Pay Natal, said the food chain was looking to the Government to abolish GST on the five basic food items in accordance with the lower income group.

'It is only this group which is affected by GST,' said Mr Bezuidenhout.

'Although we do sell milk at cost and we don't make profit on the basic items we do not have any price reduction scheme at the moment.'

Increases

Managing director of Spar Natal, Mr Brian Beavon, said the company was concerned about the increase in prices and GST.

'We do run weekly promotions where we sell up to 20 products either at cost or below on an on-going basis,' said Mr Beavon.

The products included all the food categories.

'In situations where we are faced with price increases we try to buy in against price increases and hold down prices to the public as long as possible.'

Mr Allan Fabig, a director of O K Bazaars, said a spectrum of key products had been chosen where they were presented to the public at 'rock bottom' prices.

'We have two basic foodstuffs such as bread and milk at below cost where we are watching the situation on a daily basis,' said Mr Fabig.

320 · FM 3/2/84

Volunteering for fairer taxes

Brian Kantor is an associate professor of Economics at the University of Cape Town.

The practice, if not the obligation, of employers to maintain the salaries of employees engaged in military service has implications that extend far beyond the relationship between the parties directly affected.

The extra expected cost and reduced benefits from employing young South African-born white men discourages demands for their services. Employment opportunities and wages and salaries are adversely affected by what is an implicit employment tax. By the same token, the demands for workers not so taxed, such as women and black men, are encouraged and their employment and income prospects accordingly improve.

These perhaps disagreeable facts of economic life have been recently recognised by the SA military authorities. Accordingly, non-South African-born men up to the age of 25 have been made subject, we have been told, to the same compensating disadvantage of liability for military service imposed upon their South African-born contemporaries. Their right to live and work in SA may be conditional upon liability for military service and the assumption of SA citizenship.

Most South Africans, particularly those who regard themselves as prejudiced by commitments for military service, will regard this step as only a fair one. However, they should recognise that it is not only the demand for different kinds of labour that is affected but also the supply. Compulsory military service, by reducing the expected real income of most involved, makes SA a less attractive place in which to live and work. Accordingly, the supply of labour — especially skilled labour — is reduced and economic growth prospects inhibited.

Smaller tax base

If the economy grows less rapidly, the tax base available to finance spending on weapons and personnel becomes a smaller one and the burdens of taxation for those not liable for military service becomes heavier. Again, the higher levels of taxation in themselves discourage involvement in the SA economy. The direction, if not the magnitude, of such effects is clear enough. Economic growth provides both guns and butter and rapid economic growth is probably essential for military success in the long term.

Fairness in the sense of compensating disadvantages in the provision of military service should thus not be the only consideration. Also, the recent reforms, while improving the relative position of young South African-born white men *vis-a-vis* their foreign-born contemporaries, do not change their disadvantages, compared with blacks or women, or older men generally.

The only way to avoid consideration of what is more or less fair in national service is to avoid conscription altogether and to rely entirely on volunteers. Surely a volunteer army, as a volunteer police force, must be regarded as an ideal system for organising defence and security. No force is required to man the forces. It seems to me that this principle is too readily lost sight of when military manpower reforms are introduced. The reason we do not have a volunteer defence force is not technical, but financial. The cost of volunteers would have to be borne by all taxpayers. The costs of conscription are, as indicated, concentrated upon a small minority of the population. As such, it represents a form of income redistribution. Like all such schemes, these policies have much less to do with fairness than the balance of political advantage. Most voters are not young men between the ages of 18 and 30.

The availability of conscripts also has technical implications. Conscription alters the relative costs of manpower and weaponry for the generals using it. Soldiers who are expensive to replace are inevitably used more sparingly, while what then becomes relatively less expensive weaponry, is used more abundantly. A comparison of the fighting methods of the Soviet and American armies will illustrate the point. There would be little disagreement about which would be the superior army to fight with, though there might be some doubt about which army one would rather fight against!

There is little hope that SA voters will abandon what is for most of them the net advantages of conscription to the defence force. There is, nevertheless, a way of reducing the costs of recruiting volunteers for the defence force in a way entirely consistent with the principles adopted to date.

—kantor comments—

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As indicated, the willingness to volunteer, among other influences, increases with military pay and decreases with the alternative income foregone. For many whites, whether born in SA or outside, it is obvious that military service at current pay scales does not appear very attractive. An all-white volunteer army would be very expensive indeed. Because the income prospects are, on average, lower for black South Africans, a military career may be regarded as attractive. Perhaps also because a period of completed service is regarded by many employers as a very valuable qualification. The SA army and police forces are by no means all white. The number of black volunteers is, however, limited by demand rather than supply at current pay scales.

Obvious concern

If military service by foreigners, white or black, was not regarded as an obligation of citizenship, but as a condition for it, the potential supply of volunteers for the SA Defence Force from near and far would be very much larger, and the costs of hiring correspondingly reduced.

Citizens who come to satisfy a qualifying period of military service would surely be very attractive immigrants. They would not only have defended their new country, but will have an obvious concern for its continued prosperity from which they and their families would benefit directly. They would surely make for a very conservative section of the electorate. The implication of such an immigration policy for SA's race and international relations would surely be profound.

4/2/84

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Receiver hits tax defaulters

By ROBIN PARKER

FOUR HUNDRED tax defaulters are being prosecuted monthly by the Cape Town Receiver of Revenue offices for failing to render returns for the 1982/83 tax year.

The Receiver of Revenue, Mr Frank Barden, said his office was concentrating on prosecutions of provisional taxpayers and companies, but would soon be moving on to salaried taxpayers who had not yet returned their forms.

He said of the 149 000 forms dispatched to salaried workers, 128 000 had been returned while 41 700 provisional taxpayers out of a total of 51 700 had rendered their completed returns.

Ironically, Mr Barden added, many of the salaried defaulters who would soon face R50 admissions of guilt or similar or higher fines before a magistrate, were in fact due a refund.

The response to date reflected a general willingness on the part of taxpayers to render returns, "but there will always be those people who have to be summonsed," Mr Barden noted.

Taxpayers who repeatedly flouted the provisions of the Act governing the completion of income tax forms faced much sterner action from the office, which was at liberty to increase tax by 200 percent on occasion.

Mr Barden added that his office was also in the final stages of preparing for mailing returns for the tax year to the end of February this year.

CLS 4 (Continued)

Balance Sheet of Lessee Ltd at 30.6.82

CAPITAL EMPLOYED

Long-term Liability

Long term portion of liabilities under financial lease agreements	364 000	

Current Liability

Current portion of liability under financial lease agreement	36 000	

EMPLOYMENT OF CAPITAL

Fixed Asset

Capitalised leased assets		
Plant and Machinery, at cost	500 000	
Less: Acc Deprn	40 000	460 000

D. Dispatch 4/2/84 3.20

Ciskei GST up in March

ZWELITSHA — General sales tax in Ciskei goes up to 7 per cent from March 1, according to the latest issue of the Government Gazette.

The announcement has been made by the Minister of Finance and Economic Development, Chief M. E. P. Malefane.

Chief Malefane said yesterday that reports had been received that some Ciskeian businessmen were already charging 7 per cent.

He warned them to stop immediately or they would be prosecuted. — DDR

7/2/84 (320) D. Dispatch

Tax amendment to benefit servants

EAST LONDON — A proposed amendment to the Income Tax Act, which comes into effect on March 1, will increase the amount farm labourers and domestic servants can earn before they are required to register as tax payers.

The current wage limit for these categories of workers is R480, in excess of which employers are required to register and render returns for the staff concerned.

Mr W. Rode, receiver of revenue for the Border, said yesterday that this figure is likely to be increased to R2 400 in the near future.

Mr Rode said, however, that this did not mean that workers earning less than this sum would not be eligible for deductions.

If a domestic worker is the first wife of a husband in employment, her earnings up to R1 600 are exempt from taxation. Thereafter, the balance is added to her husband's earnings and is taxable.

Mr M. Stein, a tax expert in Cape Town said yesterday that the new Act's requirement that employers should register employees who received income in excess of R2 400 would generate an unnecessary administrative problem for both employers and revenue staff.

"Even though these categories of people may be required to render returns, in some cases they are not eligible for taxation.

"The government should introduce some legislation whereby people whose employees aren't eligible for deductions are not criminals just because they fail to register those employees. It is creating unnecessary paperwork for everyone," Mr Stein said.

Mr Rode said that there would be very few people in this category.

"How many people pay their domestic servants more than R200 per month? In a year or two the situation may change but then we shall be able to raise the minimum wage level again," Mr Rode said. — DDR

Cape Times 7/2/84 320 Lab

Fosatu: Suspend new black taxation deal

By RIAAN DE VILLIERS
Labour Reporter

THE Federation of South African Trade Unions (Fosatu), representing more than 100 000 workers, has called on the authorities to suspend the equalization of black income tax which is due from March 1.

Similar to many employers, Fosatu fears the change-over in taxation of blacks could lead to labour unrest similiar to that in 1981 over proposed preservation of black pensions.

However, indications are the authorities are unlikely to postpone the scheme, in terms of which blacks will pay income tax on the same basis as other population groups.

In practice, most black workers will pay less tax than before. However, unrest is feared on the grounds that the scheme is being implemented too quickly and has not been adequately explained to workers, who are suspicious of any changes in their deductions.

Following an executive committee meeting a week ago, Fosatu sent a telex to the Department of Inland Revenue saying the immediate implementation of the scheme and the practical problems involved could have "serious consequences for the labour movement".

It urged the authorities to consider suspending the scheme to enable "further discussion and consultation to take place".

Fosatu also sent a copy of the message to the Federated Chamber of Industries, asking it to support its call.

As a result, top tax officials met Fosatu representatives in Johannesburg on Friday. Mr Joe Foster, general secretary of Fosatu, said yesterday that the officials were told the scheme was being pushed through too quickly and could spark off problems.

Workers were "very suspicious" of the new tax system and Fosatu believed unrest was possible, especially in Natal.

Officials agreed to refer the appeal to higher authorities, but said it was "unlikely" that the scheme would be postponed, Mr Foster said.

Mr C Schweppenhauser, Commisioner of Inland Revenue, yesterday confirmed that tax officials had met with Fosatu. He had not yet received an official report of the meeting but said Fosatu's appeal would be referred to the Minister of Finance, Mr Owen Horwood.

However, he added that Mr Horwood had announced the scheme last year already and the department had launched a "big publicity campaign" to make details of the scheme known.

Dr Johan van Zyl, director of the Federated Chamber of Industries, said the FCI was "sympathetic" to Fosatu's request but felt there was little to be done about the matter in practice.

He said the FCI had also met with tax officials and had asked that the scheme should be postponed to July 1.

Dr van Zyl said the situation was "very sensitive" and many employers feared labour unrest.

However, the officials had replied that a postponement was not possible as new tax tables would have to be worked out, he added.

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Delay tax plan, pleads Fosatu

By STEVEN FRIEDMAN
Labour Correspondent

THE country's biggest emerging union group, the Federation of SA Trade Unions, has asked the Government to delay including black workers in the same tax system as whites, warning that this could cause unrest.

Fosatu says some black workers are refusing to fill in tax forms — which they must now do.

It says workers were not consulted about the change and are therefore "extremely suspicious" of it.

And the Trade Union Council of SA has also slammed the Government's handling of the tax change because the black community was not consulted.

Last week, Fosatu met a senior Inland Revenue official, Mr Clive Kingon, to discuss the change, which comes into effect next month.

This followed a telex from Fosatu to the authorities, urging that the move be delayed.

Yesterday Fosatu's general secretary, Mr Joe Foster, said Mr Kingon agreed to inform his superiors about the request.

He said, however, that Mr Kingon had warned that a postponement was unlikely.

"He said any delay would have to be until the beginning of the 1985 tax year and that the Government was unlikely to agree," Mr Foster said.

"He also said employers were very keen to see the change implemented soon," Mr Foster added.

He said that one of the key causes of worker suspicion was that tax forms were being handed out by employers.

"And workers are suspicious of anything handed out by employers", Mr Foster added.

Fosatu also feared workers would not know how fill in their tax forms so as to claim the rebates to which they were entitled.

Mr Kingon was not available for comment yesterday.

Until now blacks have been subject to a different tax system to whites.

This has meant that lower-paid black workers have paid more tax than whites.

The new system will bring all wage earners under the same tax system and thus mean that many black workers will pay less tax.

Married black women and some higher-paid black workers will, however, pay more tax.

"They have been planning this for five years and only at the last minute do they talk to us — and then only after everything has been decided," Mr Foster said.

EVENING POST, WEDNESDAY, FEBRUARY 8, 1984

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80% of blacks will pay less under new PAYE tax system

By SHIRLEY PRESSLY

THE change in the system of black income tax, in which all black income will become part of the unitary pay-as-you-earn (PAYE) system, is expected to be relatively "painless" for about 80% of the black working population, who will actually pay less than they did under the Black Taxation Act.

Commerce and industry are gearing themselves for the change-over on March 1 from the Black Taxation Act to the Income Tax Act for all black employees on their payrolls.

The Assistant Receiver of Revenue in Port Elizabeth, Mr J A Kapp, said his department was kept busy dealing with inquiries from employers.

He said a great deal of interest and co-operation had been shown and most employers were taking the trouble to explain the change-over to their employees.

They were explaining to them just how much would be deducted from their salaries under the unitary PAYE system.

He said all employers of blacks under the Black Taxation Act had been informed.

If they had any inquiries they could contact the Receiver of Revenue and ask for the department which dealt with inquiries about black taxation.

Mr Kapp said additional staff had been engaged to deal with the increased workload.

He said he was also hoping to employ Xhosa-speaking employees who could help the black people in the region — who were mostly Xhosa-speaking — in their own language.

By the time the buff forms had to be returned — from March next year — there would be Xhosa-speaking employees to assist.

At this stage the department was dealing mostly with employers, who, in turn, passed on explanations to their employees.

"There will be extra work involved, but we're geared for it," said Mr Kapp.

He said people who employed private servants, domestic workers and farm labourers who earned less than R2 400 a year did not have to register

Blacks who earned less than R8 000 a year — this comprises joint income for a married man and his wife — did not have to fill in buff forms at the end of the tax year.

Mr Kapp explained that a black man who had more than one wife had to furnish details of the first wife's income to the Receiver of Revenue and they would be jointly taxed.

Other wives would be registered as single with children.

The first wife was classed as a married woman. The others were classed as single.

He said taxpayers should be able to produce birth certificates for their children and marriage certificates if asked.

Under the Black Taxation Act, tax was payable irrespective of marital status or the number of children on all income of more than R1 800 a year.

Under the unitary PAYE system children could be claimed for.

A married black taxpayer earning R600 a month with four children would pay no tax. Under the Black Taxation Act he paid R31,88 a month.

● Anyone with queries is invited to write to the Evening Post. The answers will be obtained from the Receiver of Revenue.

(320) Hansard Q. Col. 96 8/2/84

Tax

113. Mr R A F SWART 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 1982-83 financial year and (b) how many Blacks paid tax on income during this period?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) R245 272 028.

(b) 2 822 201.

RDM 8/2/84

Married black women will pay three times more tax — Sash

By STEVEN FRIEDMAN
Labour Correspondent

WHILE most black workers will be paying less tax from next month, married black women will be the main losers from moves to include blacks in the same tax system as whites.

This emerges from a paper on the new tax system by Mrs Sheena Duncan of the Black Sash, which indicates that lower-paid married black women may pay three times more tax under the new system.

Figures quoted in Mrs Duncan's paper were confirmed yesterday by Mr Clive Kingon of the Department of Inland Revenue.

However, he said some married women might have tax deducted from their pay which, because of rebates due, they did not need to pay, and urged them to request the authorities to direct their employer not to deduct tax from them.

In her paper, Mrs Duncan also warns that the tax move "is going to cause trouble and will prove yet another focus of anger for the black community".

It was "a good thing in itself" because it meant many lower-paid blacks would no longer be paying more tax than whites at the same income level.

But blacks were likely to react against it because they had no say over how tax money is spent. This meant most tax revenue went towards "maintaining the apartheid system".

The Government insisted that blacks pay for their own communities' services, such as electrification, upkeep of roads and sewerage.

This meant tax money raised from blacks went towards white services only and black tax-payers were thus "subsidising and supporting" white social services, she said.

She warned that the change comes only a month before the Budget, and employers, having explained the new tax rates to workers, would then "have to do it all again when, as seems inevitable, income taxes go up".

Quoting from guidelines by employer bodies advising members on how to "sell" the measure to workers, she charged that these suggested that black workers were "sheep" which could be "manipulated".

She says married black women will experience a "drastic and sudden" increase in taxes from next month.

Until now, married men and women have been paying R7,20 a month tax if they earn R350 a month or less.

Under the new system, the man will pay no tax, but his wife will pay R22,83 — more than a threefold increase.

Married women earning R200 per month have been paying 74c tax up to now, but will pay R6,42 from next month.

Delay unlikely on new tax system for blacks

Labour Correspondent

DESPITE warnings of possible unrest, the country's tax authorities are confident that the inclusion of blacks in the same tax system as whites next month will be implemented succesfully.

And there is little likelihood that the Government will agree to delay the new measure, as it has been requested to do by the Federation of SA Trade Unions (Fosatu).

This emerged yesterday from a telephone interview with Mr Clive Kingon, director of tax structure development at the Department of Inland Revenue. Mr Kingon met Fosatu leaders late last week to discuss their call for a delay.

Mr Kingon said yesterday that Fosatu was the only organisation, consulted by the department, which was calling for a delay.

He said an employer association, which he did not identify, had previously also called for a delay in implementing the new measure, but had since withdrawn this request.

"While some of the bodies we consulted may have reservations, all are prepared to go ahead with the new system. None feel strongly enough to suggest that we do not go ahead," he said.

Last November, the department met trade union federations and employer bodies and the reaction to the new measure was "generally positive," he said.

He confirmed a statement by Fosatu's general secretary, Mr Joe Foster, that some black workers were refusing to fill in their tax forms after receiving these from employers.

However, he added that he was aware of "only one or two" such cases and said this was "not a cause of great concern".

Asked whether the tax authorities feared worker unrest over the move, Mr Kingon said it was difficult to make predictions.

"However, the people we have been dealing with seem happy with the change and don't expect major problems," he said.

According to Mr Kingon, employers have told the Department that 80%-90% of their black workers will be paying less tax under the new system.

"Although there are some groups who will be paying more, the change will mean a substantial improvement for most black workers," he said.

Cape Times 8/2/84 (320)

Married black women the 'losers'

Own Correspondent

JOHANNESBURG. — While most black workers will be paying less tax from next month, married black women will be the main losers from moves to include blacks in the same tax system as whites.

This emerges from a paper on the new tax system by Mrs Sheena Duncan of the Black Sash, which indicates that lower-paid married black women may pay three times more tax under the new system.

Figures quoted in Mrs Duncan's paper were confirmed yesterday by Mr Clive Kingon of the Department of Inland Revenue.

However, he said some married women might have tax deducted from their pay which they did not need to pay, and urged them request the authorities to direct their employers not to deduct tax from them.

Couples with children would be exempted from tax unless they earned a "relatively high" salary.

With one child, they had to earn R6 817 a year between them before paying tax. With two, this rose to R7 651, with three to R8 484 and with four R9 317.

In her paper, Mrs Duncan also warns that the tax move "is going to cause trouble and will prove yet another focus of anger for the black community".

It was "a good thing in itself" because it meant many lower-paid blacks would no longer be paying more tax than whites at the same income level.

But blacks were likely to react against it because they had no say over how tax money is spent.

Quoting from guidelines by employer bodies advising members on how to "sell" the measure to workers, Mrs Duncan charged that these suggested that black workers were "sheep" which could be "manipulated".

Mrs Duncan says married black women will experience a "drastic and sudden" increase in taxes from next month.

Until now, married men and women have been paying R7,20 a month tax if they earn R350 a month or less. Under the new system, the man will pay no tax, but his wife will pay R22,83.

Married women earning R200 per month have been paying 74c tax up to now, but will pay R6,42 from next month.

Only 20 pc of black miners will pay tax

320

Star 9/2/84

By Carina le Grange

Only about 20 percent of black workers in the mining industry will pay tax under the new tax system, a senior Anglo American industrial relations officer said in Johannesburg last night.

Addressing the Business and Professional Women's Club, Mr Marshall Tswana spoke on the new black taxation system as conceived by the South African Government.

Under the old black tax system all workers paid tax regardless of their income. Under the new system the tax threshold would be a salary of R5 000 for married men with no children, he said.

Referring to threatened strikes among black workers — spoken of recently by other industrial and trade union experts — Mr Tswana said a significant number of strikes in South Africa took place for reasons of sympathy or solidarity.

STRIKE IN SOLIDARITY

This meant it should be kept in mind that those workers who would no longer pay tax might still strike in solidarity with those who had threatened to protest over the new black taxation issue, he said.

Mr Tswana — who was interrupted by questions several times during his address — also referred to problems such as the filling in of tax forms (formerly not neccessary) and the fact that 75 percent of the black labour force had an education of Standard 6 or lower.

He also referred to a speech by the Minister of Finance, Mr Owen Horwood, who said the uniform tax system would be one of "fairness", and later said the cry had already gone out from one trade union in Natal that there should be "no taxation without representation".

Mr Tswana stressed ways and means through which workers should be educated in the new taxation system, and referred specifically to the dissemination of information through the media and other channels which would minimise the possibility of an increase of industrial conflict.

"To do this, accurate and adequate information on the issue must be obtained from the Department of Inland Revenue, employers' organisations and accounting firms," he said.

RDM 9/2/84

Feeling against tax plan grows

320

By STEVEN FRIEDMAN
Labour Correspondent

UNION resistance to the Government's move to include black workers in the same tax system as whites gathered momentum dramatically yesterday as eight union groups with a membership of well over 250 000 workers issued a joint statement calling for the withdrawal of the new system.

The unions called for the tax change — which comes into effect on March 1 — to be delayed in the short-term and withdrawn in the medium term "until a just and equitable system" of taxing black workers was found.

They also urged employers to back the call for the new move's delay.

The statement follows an earlier call by the country's biggest emerging union group, the Federation of SA Trade Unions (Fosatu) for the new system's delay.

Fosatu also signed yesterday's statement, together with the second biggest emerging union group, the Council of Unions of SA.

Other unions which signed are the Commercial, Catering and Allied Workers Union, SA Allied Workers Union, Motor Assemblers and Components Workers Union, General Workers Union of SA, General and Allied Workers Union and Orange-Vaal General Workers Union.

The new tax system will scrap the Black Taxation Act, under which blacks were taxed in terms of a different system to whites, and subject blacks to the same tax system as whites.

Most black workers will pay less tax under the new system but some groups, such as married women and some higher-paid workers, will pay more.

In their statement, the unions say inclusion in the white tax system will have a "devastating effect" on workers.

They rejected the present tax system "as it perpetuates the inequities of the apartheid system of taxation without representation".

The unions said they also rejected it because it "discriminates against married women" and would place a further burden on migrants from foreign countries who already had to pay tax in their own countries.

The unions also charged that the State "is not geared to respond to the tremendous administrative network required to handle the implementation of the new system and the new tax rebate system".

● See Editorial comment

320 E. Post

10/2/84

Chamber issues tax checklist to employers

Business Editor

THE Midland Chamber of Industries has issued a checklist to help employers explain changes in the taxation of black workers.

The scrapping of the Taxation of Blacks Act and amendments to the Income Tax Act (No 58 of 1962) means that from March 1 all black workers (except farmworkers and domestic labourers earning less than R2 400 a year) will pay the same rates of tax as are paid at present by whites.

Mr Max Hoppe, secretary of the chamber's human resources committee, writing in the checklist, advises that: "In order to minimize any misunderstandings that may now arise, companies should inform their employees of the effect these changes will have on their take-home pay".

The course recommended by the MCI is that staff should be separated into the following categories: married males, married females, single taxpayers, and single taxpayers with dependents other than their own children.

"In nearly all cases married males will pay less under the PAYE system, whereas married females and single tax payers will pay more," points out Mr Hoppe.

Communications channels catering for each category of worker should be established and used to explain the system.

"Don't sell it. It is the employers' obligation to explain, not to support," advises Mr Hoppe.

Revised tax deductions should be calculated and each employee advised of the new amount. With the prospect of increased taxation in the offing, employers should explain this prospect or "lose credibility", warns Mr Hoppe.

BLACK TAXATION (320)

Urgent union call

F M 10/2/84

In a significant move, trade unions representing 300 000 workers have banded together to call on government to delay the implementation of the new equal taxation system for blacks and whites. The "harmonisation" of tax is due to come into effect on March 1.

The unions and union federations behind the call are: the Federation of SA Trade Unions; the Council of Unions of SA; the Orange-Vaal General Workers' Union; the General Workers' Union of SA; the SA Allied Workers' Union; the Motor Assembly Component Workers' Union of SA and the General and Allied Workers Union.

"We have seriously considered the implications of the new tax system," their joint statement says. "We urgently call on the State, in the short term, to delay the implementation of the system and in the medium term to seriously withdraw the implementation until a just and equitable method is found which will not have the devastating effect as the present system on working incomes."

The unions say they reject the new system for the following reasons:

- ☐ It perpetuates the inequities of the apartheid system of taxation without representation;
- ☐ It discriminates against married women;
- ☐ It places further burdens on migrant workers who may have to pay taxes in SA and also in their own countries; and
- ☐ It places intolerable burdens on workers originating from the homelands who have to pay additional levies in such area.

Addressing themselves to employers, the unions say: "We call on employers to lend their protest and delay implementation of this system. We know that the State is not geared to respond to the tremendous administration ... which will be required to handle implementation."

The unions say they agree that an integrated tax system which benefits all workers should be looked into on condition that it is a just and equitable system.

Company tax likely to rise — Barclays

Cape Times 11/2/84 (320)

Own Correspondent

JOHANNESBURG. — Further tax increases totalling about R700m can be expected in the March Budget, according to the chief economist of Barclays National Bank, Dr Johan Cloete.

He says a rise in company tax is the most likely candidate.

Dr Cloete also thinks higher excise duties on tobacco and liquor will be imposed by, the Minister of Finance, Mr Owen Horwood.

But he thinks personal income tax will not be raised and that there will not be another hike in General Sales Tax (GST).

Looking to the 1984-85 outlook Dr Cloete says: "Based upon a forecast, three percent real growth in gross domestic product and an expected inflation rate of around 10 percent government revenues in the next fiscal year can be expected to show an increase of about 12 percent over the current year's total — that is, before the latest increase in GST.

"The increase in GST from six percent to seven percent will yield at least an extra R700m for the Treasury's coffers in 1984-85.

"Gold has maintained an average price of $408 over the past nine months and on the assumption that a similar average price is realized in the coming year, tax revenues from gold could remain about the same level as for the current fiscal year.

"Income taxes, at present rates, however, should keep pace with the rate of inflation and any real economic growth in the forthcoming year.

"On this basis and including the increment in GST, total revenues for 1984-85 could increase to R22 723m, or 15,6 percent up on the expected figure for 1983-94."

Dr Cloete says, however, that Mr Horwood will face major increases in State spending.

"Part of government overspending in 1983-84 can be attributed to the drought which affected the economy in the current year and, as such, can be viewed as nonrecurrent expenditure.

"If the trend which has become apparent over the last 10 years continues, however, government spending is likely to increase by between 16 percent and 18 percent in the coming year — this in spite of budgetary attempts to keep the level of expenditure to more moderate levels, in keeping with stated government policy of reducing the rate of inflation.

"Actual government spending is thus likely to over-reach revenue by between R3 934m and R4 395m in the 1984-85 fiscal year."

But Dr Cloete expects that, as in previous years, the Budget estimate for spending will be less than the outturn.

The planned Budget deficit before borrowing is assumed to be around R3 245m.

New loans

Dr Cloete says that about R2 000m will be needed to be raised either through higher taxes or new loans.

Some R300m could be raised overseas and it should be possible for the Treasury to raise "at least an extra R1 000m in the domestic market without pushing up interest rates any higher than they are at present, and without crowding out private investment demand."

Dr Cloete thinks it would be wrong to borrow more than this and thus about R700m will be needed from higher taxes.

RDM 11/2/84

Companies brief workers on new tax

Mail Reporter

COMMERCE and industry realised the need to explain efficiently the new black taxation system to the their workers, spokesmen said yesterday.

All companies contacted for comment said their efforts appeared to have borne fruit and that they were not yet aware of any problems among employees.

Mrs Friede Dowie, secretary of the SA Federated Chambers of Industry's manpower committee, said information was sent out to members of the regional chambers and the national association.

Guidelines were compiled after a workshop held by the FCI offering solutions to problems that might arise.

Mr Vincent Brett, manpower secretary of the Association of Chambers of Commerce, said each of Assocom's major chambers were instructed to compile directives for their members.

Mr André Malherbe, labour adviser to the Johannesburg Chamber of Commerce, said the chamber sent out guidelines to members emphasising efficient communication and suggesting discussions in which employees could take part.

A spokesman for the Afrikaanse Handelsinstituut said their labour adviser was compiling information which would be sent to members.

Mr Reinald Hofmeyr, public relations head for Barlow Rand, said at some of their subsidiaries the taxation system was explained by video presentations and at others discussions were held with employees.

Employees were also assisted in filling out the preliminary tax forms.

Mr Neville Huxham, public relations manager for the Anglo American Corporation, said employees were assisted in filling in tax forms and the system was explained to them.

Mr P J Schoombie, group senior manager for General Mining Union Corporation, said all black employees were briefed as efficiently as possible.

And Mr Johan Moolman, managing director of Federale Volksbeleggings, said subsidiaries in the group had explained the new system either by video presentations or in discussions.

At the head office employees were divided into groups of 60 and a panel of tax experts were invited to discuss the system with them. Tax forms were filled in beforehand and handed to workers who had to check their forms after being briefed.

Rand Mines had a general programme to brief workers in mid-January, said Mr Greg Kukard, liaison officer.

And Mr Wells Ntuli, director of manpower at Anglo Vaal, said the company was briefing their large work force on the matter at the moment. Employees who had never paid income tax before and employees who will pay more tax now were being briefed individually.

UNIONS UNITE AGAINST TAX

320

City Press 12/2/84

By ZB MOLEFE

SOME of South Africa's strongest union groupings this week called on the Government to delay next month's implementation of the harmonised tax system.

The appeal — which comes amid fears of growing labour unrest — also calls on the Government to withdraw the tax system at a later stage until "a just and equitable method is found which will not have the devastating effect the present system has on worker incomes .

"We also call on employers to lend their protest to delaying the implemntation of the system," adds the call, which comes from the Council of SA Trade Unions (Cusa), the Federation of SA Trade Unions (Fosatu), the SA Allied Workers' Union (Saawu), the Oranje-Vaal General Workers' Union and the General Allied Workers' Union (Gawu).

The call comes when the Receiver of Revenue has warned of tough action against black people who will not sign tax forms.

These blacks will be taxed as single people without dependants.

The labour movements rejection of the harmonised system argues strongly on three crucial points:

The system perpetuates the inequities of the apartheid system of taxation without representation.

It discriminates against black married women.

It places intolerable burdens on migrant workers who may pay additional levies in the homelands.

"We know the State is not geared to repond to the tremendous administrative network required to handle the implementation and the rebates system yet," the labour call said.

There has been harsh criticism of the new tax system from other quarters.

"The mind boggles at the thought of all those personnel officers stressing to workers that their taxes are going to be spent on the development of black communities. This is precisely the cause of anger and distrust," said Black Sash representative Sheena Duncan.

But she pointed that the tax system was a good thing in itself, because blacks at the lower end of the income range would no longer pay more tax than whites receiving the same income.

Evelyn Seloro, general secretary of the Transvaal Textile Workers' Union, said: "We were 'kidnapped' into this harmonised tax."

She was echoeing the feeling of some unions who have embarked on series of meetings and seminars in the past two weeks hosted in their offices and factories country-wide to explain the intricacies.

Managements have also embarked on a last-minute campaign to explain the system to their workers.

One man, one tax . . . one vote? See Percy's Pitch

— Page 6

TAXATION

Fruit cake

FM 17/2/84 (320)

The result of a standardised tax system, with blacks being taxed on the same basis as whites, will be a 25% to 50% fall in black tax receipts.

Under the old (still extant) system, the Department of Co-Operation and Development collected taxes due by blacks in SA, the homelands and the independent states. In the 1982/3 fiscal year, for instance, black tax receipts totalled about R280m, of which R226m was collected in SA and R52m in the homelands and independent states. These receipts were then diverted to the homelands and independent states according to a formula.

Clive Kingon, a senior Inland Revenue official, estimates that under the proposed new system, these receipts could fall by as much as R150 million to as little as R70m. But he says because of "an arrangement with SA," the homelands and independent states would suffer no reduction in their tax revenues.

This means SA's taxpayers will have to make up the difference — although the figure is proportionately small. By comparison, other race groups paid R1,59 billion in personal income tax during the 1981/2 fiscal year (latest figures).

It also means that in general, blacks will benefit. But the signs are that there will be resistance to the new system. Employers and unions are aware of the suspicion with which black workers tend to treat arbitrary employer and authority initiatives, and are

(320) FM 17/2/84

asking for more time. Worker unrest following attempts to introduce the Preservation of Pensions Bill three years ago serves as an instructive example.

Given this, and the fact that it means a drop in revenue when government finances are already under severe pressure, Pretoria's insistence on a March deadline looks odder and odder. Its claim that a disinterested notion of parity is at the heart of the initiative, makes equally little sense — since it means imposing a unitary tax system on the citizens of (at face value) one republic, six homelands and four independent states.

Blacks stand to gain as a group, so it would seem that the tax is bound to be accepted gracefully in time. However, the time does not appear to now.

Xhosas must pay 'development tax'

(320) Feb. 1984

Own Correspondent

PORT ELIZABETH. — An unknown number of Xhosa-speakers will now be required to pay an additional amount if they travel to Ciskei.

Conditional on their getting travel documents, they must pay R2,50 a year for Ciskei development tax. And this will be backdated to 1979, which in effect adds R15 to the cost of a passport.

Ciskei stands to collect a staggering figure in excess of R1 500 000 from migrant labourers and frontier commuters alone as these travel documents become a necessity. The Surplus Peoples Project gives the figures for 1980 as 60 000 migrant workers and 40 000 frontier commuters.

Thus people domiciled and working in South Africa will now pay tax in South Africa — this is obligatory, according to a spokesman for the Receiver of Revenue's office — and Ciskei.

Ciskei decrees that only Ciskeians whose homes are in nine centres are required to pay development tax. These are Peddie, Alice, Middeldrift, Keiskammahoek, Mdantsane, Zwelitsha, Hewu, Ntabethemba and Zweledinga.

But the net spreads wider, as a Grahamstown man knows to his cost.

He has a child at school in Peddie. The child is over 16 and will require his own passport. But his father needs to have a passport to take him to and from school. His son need not pay development tax, but his father must do so "because he is benefiting from facilities provided by Ciskei Government and must support the government", said a spokesman for the Ciskei Consul-General in Port Elizabeth.

Father is of course paying school fees which amount to R16 a year. Thus initially he must pay R10 for two passports at R5 each, R8 for photographs (four photographs each) and his backdated development tax of R15 — a total of R33.

The spokesman said payment of the development tax would be required every year.

Although Ciskei gained independence only on December 4, 1981, the taxes were backdated to 1979 because the territory became a "new State" that year.

R150-m drop in tax from blacks expected under new system

(329) Star 17/2/82

The introduction of parity in income tax structures for blacks from next month will eliminate another discriminatory practice from the business environment.

But it will also sharply reduce the amount of money the taxman collects annually from the four million blacks in formal employment.

"It has been roughly estimated that about R150 million less will be collected from blacks under the new system," Professor T van Wyk, a tax expert from Unisa, told a seminar in Johannesburg.

Under the Black Taxation Act, administered by the Department of Co-operation and Development, black workers (except married women) have generally paid more tax proportionally than whites and have not been eligible for rebates.

In terms of the Income Tax Act, under which blacks and whites will be taxed equally from next month, an estimated nine out of 10 black workers will pay less in PAYE each month than at present, says Mr C E Kingon, who is in charge of income tax structures and research in the Department of Finance.

"Manifestly there will be a drop in income tax when blacks are taxed the same as whites," Mr Kingon added.

"Surveys done indicate that about 90 percent of blacks will pay less tax under the Income Tax Act.'

The final deduction system (under which those whose taxable income does not exceed R8 000 a year do not have to submit tax returns) meant that at most 250 000 blacks would furnish tax forms each year, Mr Kingon said.

But in spite of the positive aspects of the new tax arrangement there are fears among both employers and trade unions that labour unrest could accompany the new system next month.

With the spectre of the 1981 pensions strikes — that sprang from a lack of proper communication about the changes — still an uncomfortable memory, many employers are trying to forestall possible unrest by underlining the benefits of the new system to workers.

Trade union leaders interviewed believed political capital would be made by some on the basis of changes being introduced without any consultation with blacks — the unacceptability of taxation without representation.

Some unionists also fear the effect of the new tax system on those blacks who will have to pay in much more now — married women.

17/2/84

Blacks will press for a say in how new tax is spent

320

By Anthony Duigan

Black pressure for a full share in deciding how taxes were spent would increase with the introduction next month of a uniform tax system for blacks and whites, a leading black banker said yesterday.

Companies could face problems from their black workforce, which was suspicious of the new tax system and regarded employers as an extension of the Establishment, he added.

Mr Moses Maubane, managing director of the African Bank, was speaking at a seminar in Johannesburg organised by the Black Management Forum (a think-tank of black managers) on the new tax system.

"Through including blacks in the main tax system the Government is bringing a number of vital issues to a head," he said.

"To tax blacks on the same basis as all citizens raises the subject of their political status.

"It is naive to expect that blacks will forever be content with contributing their share to the fiscus without having a role to play in the scheme of things. Blacks at some point or other will demand a quid pro quo. This is inevitable."

The quid pro quo would take the form of demands for much greater spending on education, leading to parity between black and white schoolchildren, equality in respect of old-age pensions and an equal-work, equal-pay deal for blacks in the civil service, he added.

DEMAND

Blacks would demand proper power-sharing and involvement at all levels of political decision-making.

"Blacks do not share in the decision-making processes. Yet they share the responsibilities of providing the revenues that go into keeping the machinery of power in good working order," he said.

Employers were going to pay a price for the new tax deal and any shortcomings in the system would easily be blamed on the employers, who were regarded by black workers as an extension of the power structure, he added.

PRINCIPLE

Whatever the Government's motivations were for introducing uniform tax, the principle was correct, he added.

Mr Leon Louw, executive director of the Free Market Foundation, said the focus of discussion should be on whether people should pay tax at all, rather than on how it should be paid.

There was no income tax prior to 1914. If one had to accept tax then the focus should be on keeping it to a minimum and ensuring that people were taxed equally.

"If people are taxed equally then they should get equal benefits in the wealth redistribution game," he said. "This is the next and most urgent matter needing attention."

MONDAY, 20 FEBRUARY 1984

†Indicates translated version.

For written reply:

Secondary schools: rural areas

82. Prof N J J OLIVIER asked the Minister of Education and Training:

How many pupils were enrolled in 1984 in each of the secondary schools for Black pupils in the rural areas referred to in his reply to Question No 106 on 24 February 1983?

The MINISTER OF EDUCATION AND TRAINING:

The requested information will only be available when the Department's annual statistical survey becomes available for processing on the first Tuesday of March.

320 Hansard Q. 61. 254 20/2/84

Income tax

102. Mr H H SCHWARZ asked the Minister of Finance:

(a) What was the (i) number of individual taxpayers in each income category and (ii) tax assessed in each income category expressed as a percentage of total tax assessed in the 1982-83 tax year and (b) what percentage of each group of taxpayers is Black?

The MINISTER OF FINANCE:

(a) (i) and (ii) Reliable statistics for the 1982-83 tax year are not yet available. The following figures reflect the position in respect of the 1981-82 tax year as at 31 January 1984:

Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
LOSS	[illegible]	-
NIL	64 325	—
1— 1 000	67 944	0,01
1 001— 2 000	87 434	0,03
2 001— 3 000	126 336	0,19
3 001— 4 000	142 337	0,40
4 001— 5 000	146 396	0,63
5 001— 6 000	132 572	0,79
6 001— 7 000	113 836	0,92
7 001— 8 000	101 045	1,10
8 001— 9 000	90 144	1,31
9 001— 10 000	83 070	1,57
10 001— 12 000	155 932	4,12
12 001— 14 000	144 107	5,55
14 001— 16 000	130 585	6,93
16 001— 18 000	111 528	7,81
18 001— 20 000	88 545	7,83
20 001— 22 000	67 660	7,31
22 001— 24 000	49 567	6,39
24 001— 26 000	35 919	5,42
26 001— 28 000	25 601	4,45
28 001— 30 000	18 970	3,75
30 001— 40 000	44 254	11,57
40 001— 50 000	14 770	5,87
50 001— 80 000	12 743	7,87

Income category	Number of individual taxpayers in income category	Tax assessed in income category as percentage of total tax assessed
80 001—100 000	2 299	2,27
100 001—150 000	1 909	2,65
150 001—AND OVER	1 073	3,26
	2 074 879	100,00

(b) None. The statistics at my disposal only relate to tax levied under the Income Tax Act, 1962, which is not applicable to the income of Blacks.

Sales tax

103. Mr H H SCHWARZ asked the Minister of Finance:

(a) How many cases of irregularities in respect of sales tax have been discovered since 1 April 1983 and (b) what is the amount of the tax involved?

The MINISTER OF FINANCE:

(a) Of the 42 875 inspections carried out from 1 April to 31 December 1983, 7 464, or 17,41 per cent, resulted in the imposition of additional tax.

(b)

Tax	R21 579 088
Penalty	R10 453 304
Total	R32 032 392

Income tax

104. Mr H H SCHWARZ asked the Minister of Finance:

Whether any income tax was written off during the financial year 1982-83 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) 3 295.

(ii) 228.

(b) (i) R2 086 469,63.

(ii) R5 276 462,80.

Inland Revenue: staff establishment

105. Mr H H SCHWARZ asked the Minister of Finance:

(1) (a) What is the staff establishment of the office of the Commissioner: Inland Revenue and (b) how many vacancies are there in this office;

(2) (a) what is the staff establishment in respect of inspectors in the sales tax division of this office and (b) how many vacancies are there in this division?

The MINISTER OF FINANCE:

(1) (a) 6 383 posts.

(b) 957 posts.

(2) (a) 338 posts.

(b) 140 posts.

The above shows the position as at 2 February 1984.

Official visits

145. Dr F A H VAN STADEN asked the Minister of Agriculture:†

Whether he paid any official visits

abroad in 1983; if so, what (a) were the dates and was the (b) duration, (c) cost and (d) purpose of each visit?

The MINISTER OF AGRICULTURE:

Yes, one visit at the invitation of the South African Wool Board.

(a) and (b) 17 to 24 September 1983.

(c) R6 300,97 (Government expenditure).

(d) (i) Visits to the offices of the International Wool Secretariat in England, Germany and France.

(ii) Consultations in London with officials of the Deciduous Fruit Board and the Citrus Exchange, as well as consultations in Paris with the Department's overseas Agricultural Counsellors.

Airways: seats occupied

189. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

What was the average number of seats occupied on South African Airways flights between (a) Zurich and Vienna, (b) Vienna and Zurich, (c) Rome and Athens, (d) Athens and Rome, (e) Lisbon and Tel Aviv and (f) Tel Aviv and Lisbon during the lastest specified period of 12 months for which figures are available?

The MINISTER OF TRANSPORT AFFAIRS:

1 January 1983 to 31 December 1983:

(a) 28.

(b) 66.

Flights SA 272/273 operate over the route Johannesburg/Madrid/Zurich/Vienna and return. The most important sector on this route is between Johannesburg and Madrid and return where an average number of 144 and 164 passengers per flight were carried respectively during this period.

(c) 67.

(d) 95.

Flights SA 262/263 operate over the route Johannesburg/Lisbon/Rome Athens and return. The most important sector on this route is between Johannesburg and Lisbon and return where an average number of 168 and 174 passengers per flight were carried respectively during this period.

(e) 106.

(f) 105.

Flights SA 264/265 operate over the route Johannesburg/Lisbon Rome Tel Aviv and return. The most important sector on this route is between Johannesburg and Lisbon and return where an average number of 184 and 189 passengers per flight were carried respectively during this period.

Airways: seats occupied

190. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

What was the average number of seats occupied on South African Airways flights between (a) Frankfurt and Amsterdam, (b) Amsterdam and Frankfurt, (c) Frankfurt and Brussels and (d) Brussels and Frankfurt during the latest specified period of 12 months for which figures are available?

The MINISTER OF TRANSPORT AFFAIRS:

1 January 1983 to 31 December 1983:

(a) 57.

(b) 66.

Flights SA 252/253 operate over the route Johannesburg/Frankfurt/Amsterdam and return. The most important sector on this route is between Johannesburg and Frankfurt and return where an average of 154 and 143

Hansard Q. col. 263 320

Company tax

244. 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 (i)(aa) November and (bb) December 1982 and (ii) each month of 1983?

The MINISTER OF FINANCE:

	(a) Mining companies R	(b) Non-mining companies R
(i) (aa) November 1982	127 088 391	177 161 108
(bb) December 1982	52 346 025	331 952 067
(ii) January 1983	2 802 307	467 115 708
February 1983	704 278 543	234 032 704
March 1983	33 190 118	385 446 456
April 1983	718 495	235 729 517
May 1983	262 761 742	192 378 477
June 1983	42 384 087	334 094 211
July 1983	14 700 986	381 504 200
August 1983	763 327 515	230 853 434
September 1983	7 817 743	250 860 226
October 1983	3 184 059	282 179 057

The data for November and December 1983 are still being processed and are, therefore, unfortunately not yet available.

Taxpayers

246. Mr H H SCHWARZ asked the Minister of Finance:

How many taxpayers in each income category in respect of the 1982-83 tax year were (a) White, (b) Coloured and (c) Indian?

The MINISTER OF FINANCE:

Because meaningful statistics in respect of the 1982-83 tax year are not as yet available, the information is given for the 1981-82 tax year.

	(a)	(b)	(c)
Loss	13 605	123	250
Nil	48 142	10 620	5 563
R 1—R 1 000	50 059	11 428	6 457
R 1 001—R 2 000	51 107	27 005	9 322
R 2 001—R 3 000	59 888	49 636	16 812
R 3 001—R 4 000	79 522	42 916	19 899
R 4 001—R 5 000	92 293	34 845	19 258
R 5 001—R 6 000	89 802	27 113	15 657
R 6 001—R 7 000	79 912	20 966	12 958
R 7 001—R 8 000	74 670	16 075	10 300
R 8 001—R 9 000	70 681	11 696	7 767
R 9 001—R 10 000	68 274	8 989	5 807
R 10 001—R 12 000	134 848	12 534	8 550
R 12 001—R 14 000	131 799	7 361	4 947
R 14 001—R 16 000	123 256	4 216	3 113
R 16 001—R 18 000	106 870	2 501	2 157
R 18 001—R 20 000	85 609	1 480	1 456
R 20 001—R 22 000	65 815	814	1 031
R 22 001—R 24 000	48 415	443	709
R 24 001—R 26 000	35 126	263	530
R 26 001—R 28 000	24 987	151	463
R 28 001—R 30 000	18 456	109	405
R 30 001—R 40 000	43 142	181	931
R 40 001—R 50 000	14 426	55	289
R 50 001—R 80 000	12 516	31	196
R 80 001—R100 000	2 265	3	31
R100 001—R150 000	1 883	4	22
R150 001 and over	1 069	0	1

Gifted children

257. Mr H E J VAN RENSBURG asked the Minister of Internal Affairs:

(1) Whether any special courses are provided for gifted children at schools falling under his Department; if not, why not; if so, (a) what is the nature of such courses and (b) at how many schools are such course offered;

(2) whether any specialist courses providing for the education of gifted children are available for teachers training at universities and colleges falling under his Department; if not, why not; if so, (a) what courses and (b) at which (i) universities and (ii) colleges;

(3) whether financial assistance is provided by his Department for the specialist education of gifted children; if so, what was the (a) *per capita* expenditure on such children and (b) total amount allocated to such education in 1982 and 1983, respectively?

The MINISTER OF INTERNAL AFFAIRS:

(1), (2) and (3) No. The Department is awaiting the findings of a committee of the Human Sciences Research Council which is investigating the education of the gifted child. The Department is represented on the committee.

Blue Train

270. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

In respect of how many journeys was the Blue Train (a) fully booked and (b) (i) more and (ii) less than 90% fully booked in 1982 and 1983, respectively?

The MINISTER OF TRANSPORT AFFAIRS:

		1982	1983
(a)		63	50
(b)	(i)	91	85
	(ii)	102	136

Blue Train

271. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

(1) How many passengers travelled on the Blue Train in 1982 and 1983, respectively;

(2) whether all such passengers paid the full fare; if not, how many paid the full fare in each such year?

The MINISTER OF TRANSPORT AFFAIRS:

	1982	1983
(1)	20 272	21 296

(2) No.

1982	1983
20 191	21 064

New taxation for blacks will net State R345-m

3 20

S for 22/2/84

By Sue Leeman, Pretoria Bureau

Black taxpayers — including those in the independent homelands — are expected to pay about R345 million during the present financial year, compared to R5 289 million by whites, Indians and coloured people.

These figures were given yesterday by the Deputy Director of Tax Research at the Department of Inland Revenue, Mr Hendrik Smith. He was talking to a meeting organised by the Manpower and Management Foundation of Southern Africa in Pretoria.

Mr Smit said the contribution of about 80 percent of black workers is expected to drop from March 1 when they are taxed on the same scales as those of other races.

But figures released this week by Central Statistical Services in Pretoria indicate that the black workforce is burgeoning into an ever-larger source of revenue. Last year the number employed rose from 5 079 000 in January to 5 254 000 in November — and there were nearly half a million workless.

Mr Smit noted that in future all black workers — with the exception of domestics and farm labourers earning less than R2 400 a year — must fill in the regulation IRP2 form.

An employee who does not do so will be taxed as a single person, and anyone who gives incorrect details could be charged with fraud.

Employers should deduct tax in the normal way, issuing employees with the standard IRP5 forms at the end of each year.

Mr Smit said certain aspects had created special headaches for his department. These included:

- Polygamous and tribal marriages. These are recognised by the Income Tax Act, but the first woman a man marries is considered to be his wife for taxation purposes. A second wife is taxed as a single person.
- Joint taxation. Some working couples may find that as a unit they pay more than they had under the Black Taxation Act. The Goverment was aware of the problem, but there was no way of avoiding the situation.
- Legitimate and illegitimate offspring. All offspring from a man's marriages will qualify him for a rebate. This applies also to step-children and adopted youngsters, but not to children being cared for by their dead father's brothers, as in tribal custom.
- Dependants. The tax tables do not make privision for dependants, and if tax is overdeducted, the employee may apply for a refund after the end of the tax year. If the children of a second wife are dependent solely on her, she may make representation to the Receiver of Revenue, and employee tax will not be deducted from her earnings.
- Value of food and living quarters. These will not be taxed if an employee is required to "live in".
- Contract workers from neighbouring states. They will be taxed on money they earn in South Africa.
- Withdrawals from pension and provident funds. From March 1, withdrawals of up to R1 800 may be authorised by companies without obtaining a directive from the Receiver. The previous ceiling was R600.
- Medical expenses and insurance. Standard rebates are built into the tax tables and a refund may be applied for if an employee's actual claims are higher than the standard.

ARGUS 22/2/84 (320)

PARLIAMENT

Individual bears tax burden

This is an excerpt from a speech by Mr BRIAN GOODALL (PFP Edenvale) in the Part Appropriation Debate

WE have already had a tax increase this year with GST rising from 6 to 7 percent. It has been suggested that there will be further tax increases in this budget.

Where is our tax system taking us? As there is a need for constitutional reform in South Africa, there is just as pressing a need for tax reform.

Before raising this or that tax one needs to look at what is happening to the tax structure in South Africa.

The first point that emerges is that individual taxpayers are having to shoulder more and more of the tax burden.

At the beginning of this decade, income tax collected from individuals accounted for 15,2 percent of the total tax revenue collected, including customs and excise. For the tax year 1983/84, according to the estimates, this percentage had increased to 27 percent.

This was, of course, not the only burden placed on individuals. There was also the general sales tax. In 1980/81 that accounted for 13,5 percent of the total tax revenue. For 1983/84 it is estimated that this percentage will increase to 20,1 percent.

The picture is very clear. It has been the individual taxpayer who has had to shoulder more and more of the tax burden. In fact, whereas individual tax and GST accounted for 28,7 percent of tax collected in 1980/81, by 1983/84 it is estimated at 47,1 percent.

It should come as no surprise, therefore, that between 1980/81 and 1983/84 the amount of tax collected from individuals has risen by 153 percent, while the amount collected by GST over the same period has risen by 139 percent.

While individuals have to shoulder more and more of the tax burden, the same cannot be said for companies. Indeed, between 1978/79 and 1983/84 their share of the burden has fluctuated around 24 percent.

The second point which emerges if one looks at what has been happening as far as tax is concerned, is that there has been a massive erosion of the tax base.

If I was to ask Members of this House what is the company rate of tax, the answer would be 46,2 percent. This is a myth.

The average rate of tax paid by manufacturing concerns in 1981/82 was 24,8 percent. The corresponding figure for commercial concerns was 30 percent.

It is significant to note how many companies have been able to reduce their rate of tax. In 1977/78 manufacturing concerns paid 27,0 percent of their profits in tax. By 1981/82 they had been able to reduce it to 24,8 percent.

Commercial undertakings learnt equally fast. In 1977/78 commercial undertaking paid 39,4 percent of their profits in tax. By 1981/82 they had been able to reduce it to 30,0 percent.

Some concerns have been even more successful at reducing tax. In the Business Times of 22 January 1984, it is pointed out that one of SA's most profitable concerns has been able to reduce its effective tax rate to less than 1 percent.

At a time when pensioners, who are battling merely to exist, have to pay 7 percent tax on foodstuffs, one of South Africa's most profitable concerns is paying less than 1 percent on tax!

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Tax burden on individual getting heavier every year

By Brian Goodall, MP for Edenvale

We have already had a tax increase this year with GST rising from six to seven percent. It has been suggested that there will be further tax increases in the Budget (on March 28).

However, before we raise taxes, we must ask ourselves: Where is our present tax system taking us?

I believe that, just as there is a need for constitutional reform in South Africa, there is a pressing need for tax reform.

Before one decides whether to raise this or that tax, one needs to look at what is happening to the total tax structure in South Africa.

The first point that emerges is that individual taxpayers are having to shoulder more and more of the burden.

At the beginning of this decade, income tax collected from individuals accounted for 15,2 percent of the total tax revenue collected, including customs and excise. For the tax year 1983/84, according to the estimates, this percentage had increased to 27 percent.

But this was, of course, not the only burden placed on individuals. There was also General Sales Tax. In 1980/81 that accounted for 13,5 percent of the total tax revenue. For 1983/84 it is estimated that the percentage will increase to 20,1.

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The second point which emerges if one looks at what has been happening as far as tax is concerned is that there has been a massive erosion of the tax base.

If I were to ask members of this House what the company rate of tax is, the answer would be 46,2 percent. This is a myth.

A financial manager who allowed his company to pay that rate of tax would be jeopardising his career prospects. Indeed, he may not have any prospects left.

If one looks at what is happening in the real world, one notes that the average rate of tax paid by manufacturing concerns in 1981/82 was 24,8 percent. The corresponding figure for commercial concerns was 30 percent.

It is significant to note how many companies have been able to reduce their rate of tax. In 1977/78 manufacturing concerns paid 27 percent of their profits in tax. By 1981/82 they had been able to reduce it to 24,8 percent.

Commercial undertakings learnt equally fast. In 1977/78 commercial undertakings paid 39,4 percent of their profits in tax. By 1981/82 they had been able to reduce it to 30 percent.

Mr Brian Goodall, Member of Parliament for Edenvale and the Progressive Federal Party's chief spokesman on welfare and pensions, called for reform of the tax system when speaking in Parliament on Monday. Mr Goodall is also the PFP's deputy spokesman on consumer affairs and secretary of the party's parliamentary finance group. He also serves on the parliamentary committee on fringe benefits tax and is a member of the Select Committee on Public Accounts.

Some concerns have been even more successful at reducing tax. In the Business Times of January 22 1984 it is pointed out that one of South Africa's most profitable concerns has been able to reduce its effective tax rate to less than one percent.

I ask members of this House: Is this the type of tax structure we want in South Africa?

I ask myself if it is not time that the whole system of allowances was reviewed.

Let's look, for example, at these allowances. Let's look at investment allowances. The original intention was a good one, namely, to promote investment in machinery by the manufacturing sector. What is now happening is that manufacturing concerns which cannot make use of the tax concessions begin to sell their allowances to companies or a syndicate of individuals who can make use of these allowances for tax purposes. Thus one gets the anomaly of commercial concerns benefiting from machinery allowances granted to manufacturing concerns.

There is a fundamental problem with using the tax system to promote specific economic objectives.

Consider, for example, the question of housing in South Africa.

It is estimated that ... percent of all housing ... Africa is subsidised in s... A housing subsidy or lo... bond is a considerable be...

On a R40 000 bond th... who has to get a buildi... bond will pay R594 per m...

A person with a 4½... subsidised housing bon... R252 a month. He enj... free perk of R342 a mon...

Very nice for those w... it. But what about ... can't? They find thems... situation where they ... out of the housing mar... houses are being boug... who receive tax free... Cheap bonds lead to ... houses.

If it is the Governm... tion to encourage home ... don't allow just some to ... benefits at the expense o... believe that it would be... allow people to deduct t... portion of their bond ... from their tax.

The third point which ... is that our tax structu... ages consumption. Con... tor car and entertainme... diture. While pensioner... tling to eat, let alone to... others are receiving ma... free entertainment allow...

There is no justice in ... where one individual p... more tax than another ... cause he is paid in sal...

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...Y — Police in... serious crimes ...s to June 1983 ...evious year de...up prevention ...the annual re...mmissioner of ... Johann Coet...

...so shows that ...t of the 31 sab...orted during ...solved.

...ted increased .../82 to 8 573 in ...umber of rob... decreased by ... 193 to 15 342 ...

...heft and seri...eased in com...previous year. ...re burglaries ...

...68,42 percent ... investigated ...ssion of Com... 25,98 percent ...ries involving

were 1982 a... "Pu... sures" ... succes... added ... A tc... was ... Mandı...

Consultation key to averting unrest over the new tax system

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Star 23/2/84

A university lecturer offers guidelines to employers on handling a tricky situation, writes The Star's Labour Reporter, Carolyn Dempster.

The approach adopted by management is crucial if industrial unrest is to be avoided. This is the key point made by Mr Frank Horwitz in a detailed analysis of the labour implications of the new black taxation system, which comes into effect on March 1.

Mr Horwitz, lecturer in industrial relations at the Wits Graduate School of Business Administration, says that, as in the case of the Pensions Preservation Bill of 1981, workers and worker organisations who are directly affected by the legislation have not been consulted.

However, in the pensions issue, employers in many industries had some control over the decision on whether to refund pension contributions to workers. In many instances, potential industrial unrest was avoided by employers simply refunding contributions.

The same option is not open to employers with regard to taxation, which "makes the issue further removed from managerial control or discretion and implies a more direct conflict of interests between workers and the State," says Mr Horwitz.

Since the harmonisation of the tax structure will benefit the vast majority of black workers, the problem is one of a conflict of rights, he adds. Labour law enables workers to be consulted on decisions affecting their interests in terms of the employer-worker relationship, but not in terms of the worker-State relationship.

"Undoubtedly this could create a tremendous strain on the further progress of positive labour reforms and may undermine the credibility which these reforms have developed."

For companies which have formalised relationships with trade unions, as well as those which do not, the need to communicate timeously with workers and their representatives is critical.

Even a thorough briefing to individual workers on the new system of taxation, its purpose and personal implications is not adequate. Consultation is essential in the attempt to prevent misunderstanding and to reduce anger, Mr Horwitz.

He sets out specific guidelines for employers to follow in handling what is potentially an explosive industrial relations issue.

- It will be necessary to supply shop stewards or worker representatives with the details of the harmonised structure.
- Worker representatives should be asked to meet management to discuss the new system, before individual workers are informed.
- Worker representatives should be asked to discuss the outcome of the meeting and the main features of the system with workers, with time off work for these discussions to be held.
- In view of the mistrust of the new system and inequities in government social benefit allocation, facts only should be given, and management "should not try to sell or over-sell the new system."
- Line managers and supervisors should be informed of the sensitivity of the issue and personnel and industrial relations officers should be briefed on how to handle queries.
- Workers should be encouraged to seek help from shop stewards or management representatives.

Should industrial unrest occur on an issue of this nature it is "more likely to be a protest or demonstration against government actions than those of the company," says Mr Horwitz.

If management is tempted to act harshly under the circumstances, Mr Horwitz cautions against the use of coercive power tactics as this could well exacerbate the problem. Principles which pertain to effective work stoppage procedures should be applied even in the case of disputes with a "political" taint, he adds.

FM 24/2/84 (320)

BLACK TAX

Political dimension

While the reaction of black workers to the unified tax system is still awaited, black businessmen and managers are tending to see the issue in starkly political terms. And they are saying so. This was apparent at a seminar organised by the Black Management Forum at the Carlton Hotel in Johannesburg last week.

Moses Maubane, managing director of the African Bank, raised the question of whether it is right for blacks to pay tax at all when they have no say in the running of the country. This is the old "no taxation without representation" argument.

Of course, he acknowledged, "Even if we had a black government, we would still have to pay tax." But, Maubane added, to tax blacks on the same basis as whites raised the issue of their political status. "It is naive to expect that blacks will forever be content with contributing their share without having a role in the scheme of things. It is inevitable that they will demand to be treated in proportion to their contributions."

He sees black demands — prompted by the uniform tax system — taking shape.

Firstly, blacks would ask for equal subsidies in education and other social fields, including the public service. That would mean free and compulsory education, parity in educational facilities, equality in State pensions, equal pay for equal or comparable work in the civil service, and equal standards of public utilities and amenities, such as hospitals, at local, State or provincial levels.

In the second phase blacks would seek power-sharing and involvement at all levels of political decision-making.

"In effect, a process as outlined will mean the jettisoning of apartheid and its myriad ramifications," he said.

Overall, Maubane felt, "The step the government has taken with regard to the tax law is long overdue. Whether one agrees or disagrees with their motivations for so doing, at least one cannot deny the veracity of the principle underlying this step. Time will tell whether the country will, as a result, be reaping a whirlwind or increased racial harmony and stability."

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STEUART PENNINGTON

Coping with tax harmony

Steuart Pennington, MD of Pennington Woods Industrial Relations Consultancy Service, is a well-known consultant in his field.

As March 1 draws closer, opinions on how the "harmonisation of the paye system" will be received, are becoming increasingly divergent. Eight emerging union groups have called for the withdrawal, or at least the postponement of the new measure, "to facilitate consultation" — presumably between the unions and the authorities, but also between employers and employees.

The Department of Inland Revenue has directed its communications, for the most part, to employers. "We thought this was the easiest route to reach black employees," the department says. Some employers have responded by spending considerable time with their employees explaining the pros and cons of the system. Others have done very little other than to ensure that tax return forms are completed.

The prophets of doom are predicting that the 1981 pensions unrest will be repeated because the same mistakes are being made. The less pessimistic say the transition process will be reasonably quiet because the issue is not nearly as emotive. They point out that it provides for equality and that 80% of black employees will pay less tax under the new system. Single blacks with no children earning above R400 per month, and married black women, will probably pay more.

Nevertheless, a great deal of mistrust has already been aroused, and the challenge facing employers is twofold:

- ☐ Black employees must understand what the change-over means to their pay-packet; and
- ☐ Black employees will undoubtedly require assistance with the complicated system of rebates, deductions, claims and directives.

Research undertaken by the Centre for Applied Social Sciences (Cass) of Natal University showed there was a very low level of trust in white government. "If there are any benefits to be gained from government-introduced changes, these are often negated by difficulties experienced through queues, delays and endless documentation," the researchers noted.

The Department of Inland Revenue, taking over the black tax burden from the Department of Co-operation and Development, will, through no fault of its own, have enormous difficulty processing the many queries that the "harmonisation process" will generate.

As with so many problems of this nature, there is "buck-passing." As with the pensions unrest, management would be unwise to hold a government department responsible for communication with the shop floor. Inevitably, poor communications will be aggressively expressed in the management/worker relationship.

Cass states: "Clearly, by whatever chosen method (of communication), managements have a responsibility to convey to individual workers whether they will pay more or less tax after March 1. Only management is in possession of wage information, and management will have to deal with the 'pay packet reaction' once deductions commence."

Obviously, the first tax year will produce the greatest number of queries concerning deductions, rebates, claims and directives — all of which will require patience, a thorough understanding of black tax (particularly concerning dependents and the extended family), and some sort of on-the-spot advisory service.

The Department of Inland Revenue admits that it is going to have difficulty in finding the personnel to deal with queries, and acknowledges that a large portion of the responsibility rests with the employer. Failure by the employer will not push the department into playing a more direct role but rather will encourage the emergence of fly-by-night tax "consultants" who will serve to further complicate the situation and fuel whatever aggressions may be simmering. Employers would be wise to ensure that:

- ☐ All black employees understand the change in deductions in their pay packet;
- ☐ IRP 2 and IRP 3(a) forms are completed properly — the former concerns personal particulars while the latter involves a tax directive on dependants and the questions of rebates, deductions and correct paye;
- ☐ Workers understand when refunds are repaid and how they are claimed. They should, for instance, provide help in completing an IT 11 form if, for example, a marriage takes place during the tax year or a child is born;
- ☐ Employees who may have to pay more tax are individually briefed;
- ☐ Communications channels with workers or their organisations are instituted where they do not exist and encouraged where they do; and
- ☐ A general advice office is established in the workplace which could be visited by representatives from the Department of Inland Revenue (say once a month) depending on the size of organisation. Or it could be staffed by, for example, the company secretary.

An in-depth study of what the "harmonisation process" involves will lead the reader to acknowledge that there are many obvious as well as hidden problem areas which could unexpectedly be translated into open management/worker conflict. Those managements who recognise their role and responsibility will undoubtedly foster a smoother transitional process.

Star

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Saturday February 25 1984

ISSUE OF THE WEEK: BLACK TAX

In the eye of the hurricane

Suspicion of officialdom is making the switch-over in the coming week to parity in income tax a tense issue.
ANTHONY DUIGAN reports.

THE two sides in the now frantic debate over black-white income tax parity have not covered themselves with glory.

The Government ducked its responsibility for the issue and dropped the hot potato in the lap of private enterprise. Employers asked for tax parity more than eight years ago and waited for the last minute to find out how it would affect their workers.

Now 2,5 million black taxpayers carry the can. And it seems unlikely that employers will be able to avoid the hurricane that some trade unionists have predicted as a result of the tax arrangment.

But, as one commentator asked, how is it possible to turn an issue in which at least eight out of 10 people will benefit into a cause for dissatisfaction and unrest? (It is estimated that between 80 and 90 percent of black employees will actually pay less tax from next month than they do under the discriminatory Black Taxation Act which is to be repealed.)

Mr Moses Maubane, managing director of the African Bank, put his finger on it. Blacks are suspicious of the Government's intentions, even

WEEKEND READING

Pull out your entertainment and weekend leisure guide for What's On; TV and radio; comics and puzzles.

● **Page with**

if they are good — a regrettable but predictable response, he said at a recent seminar on taxation.

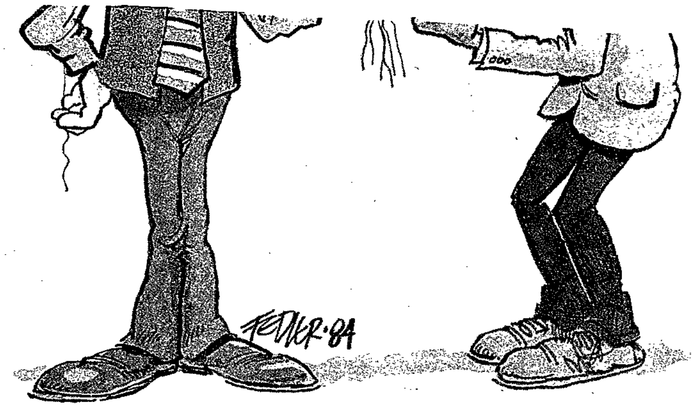
"It is hard for people to accept without question what the Government is now planning to give them when it has consistently denied them the same benefits through the years. Where is the catch, they wonder.

"The tax question is politicised. Being a political issue it will need political answers for its satisfactory resolution. To tax blacks on the same basis as all citizens raises the subject of their political status. Blacks do not share in the decision-making processes. Yet they share the responsibilities of providing the revenues that go into keeping the machinery of power in good working order.

"It is naive to expect that blacks will forever be content with contributing their share to the fiscus without having a role to play in the scheme of things."

Mr Maubane believes the new tax dispensation will give blacks another lever in the struggle for equality of subsidy

Continued on Page 2.
See also Page 6 of Review



● Due to a lack of space the regular Percy Banshik and Art Buchwald columns have been held over and will appear again next week.

STAR 25/02/84

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New black tax deal viewed with caution

ARGUS 29/2/84

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Labour Reporter

EMPLOYERS are geared up for the implementation of the new Black Taxation Act which comes into effect tomorrow while trade unionists are regarding the new legislation with caution.

Mr Frank Leighton, director of the Cape Employers' Association said "the vast majority of black personnel" employed by the association's members had "signed all the necessary documents".

However, many trade unionists have expressed misgivings over the new tax, and the powerful Federation of South African Trade Unions (Fosatu) has called on the authorities to suspend it.

Unrest

Fosatu has said it believes the new tax system was being implemented too quickly and could lead to labour unrest similar to that in 1981 over the proposed preservation of black pensions.

While most workers are likely to pay less tax, married black women may pay up to three times more under the new system.

Mr Johnny Copelyn, general secretary of the Fosatu-affiliated National Union of Textile Workers, which has a large membership of women in the garment industry in Natal, said the new system might cause wage strikes, particularly among women.

Mr Fred Ferreira, industrial relations manager of the Ford Motor Company, said he did not think the issue was comparable to the pension issue of 1981 which involved employee/employer money when people had a right to know what was happening to it.

"Good thing"

No one in the world could be persuaded that tax was a "good thing" and blacks had additional reasons for not liking it, he said.

Mr David Lewis, general secretary of the General Workers' Union, said the union was "completely opposed to any taxation without adequate representation."

Unions have also warned that any increase in taxation is likely to act as a pressure on wages, particularly if taxes increased.

The Boilermakers' Society, which pressed for a uniform taxation system, has warned the Government that any tax increases in the new budget would make black workers regard the new system as a "fraud".

RDM 1/3/84 (320)

Videos will explain new tax laws

THE Government is to make available video films to employer and employee organisations to clarify the system of equal taxation, which takes effect today.

The 10-minute tapes, in English, Xhosa, Zulu, North Sotho, South Sotho and Fanagalo, will be available at Receiver of Revenue offices in Pretoria, Johannesburg, Cape Town, Durban, Port Elizabeth, East London, Bloemfontein, Pietersburg and Vereeniging, the Commissioner for Inland Revenue said.

The Income Tax Act of 1962 also applies to six homelands: Gazankulu, Kangwane, Kwandebele, Kwazulu, Lebowa, and Qwa Qwa.

The films will be lent with a deposit of R25, which will be refunded when the cassette is returned. — Sapa.

Union may petition for delayed tax law

Labour Correspondent

THE SA Allied Workers Union (Saawu) is likely to circulate a petition among workers asking the Government to withdraw its move to include blacks in the same tax system as whites, a union spokesman said yesterday.

The change in the tax status of blacks comes into effect today.

It will reduce taxes for most black workers, but increase them for married women and for some higher-paid workers.

Saawu's national organiser, Mr Herbert Barnabas, yesterday said three of the union's branches — at Heidelberg, Estcourt and Kempton Park — had already adopted resolutions criticising the new tax move.

The issue would also be discussed at the first meeting of the new Johannesburg branch at the weekend.

It was expected a "solid resolution" on the issue would be prepared for Saawu's national conference at the end of the month.

Mr Barnabas said it was likely Saawu would react now by circulating a petition among workers calling for temporary withdrawal of the change.

In a statement yesterday, he also announced the union's Johannesburg branch would be holding a "mass meeting" on Saturday afternoon — its first since it was formed last October.

He said the branch now had a membership of 1 049.

Besides discussing the change to black taxation, the meeting would also assess the branch's progress and prepare for the Saawu national conference, Mr Barnabas said.

320 ~~ESA~~

Star 2/3/84

Meeting on black tax issue

The change in taxation of black workers will be discussed at a mass meeting of the Johannesburg branch of the South African Allied Workers' Union on Sunday.

The new provisions would be explained to members and it was expected that the branch would then adopt a stand on the issue, a Saawu spokesman said yesterday.

He said the meeting would be an opportunity for the branch, which is only five months old, to assess its progress in recruiting and organising workers.

The venue will be Khotso House, 42 De Villiers Street, Johannesburg and the meeting will start at 2 pm.

Staff increased to deal with black tax

320

E.P. 17/3/84

Weekend Post Reporter

THE inclusion of black people in the general income tax system has resulted in an increase in staff at the offices of the Receiver of Revenue in Port Elizabeth.

But the Receiver of Revenue, Mr H W J Jacobs, said it was not yet possible to determine the exact increase.

He added that the increase was a general one to cope mainly with black taxes but also with sales tax.

The department previously had 240 staff members for its assessing area of 31 districts from Mossel Bay to Port Elizabeth.

The transfer of taxation of Africans from the Department of Co-operation and Development to the Department of Inland Revenue, which already administered tax collection from whites, coloureds and Asians, took effect on Thursday.

A spokesman for the Department of Co-operation and Development said there were an estimated 58 000 African taxpayers in Port Elizabeth last year. They paid about R5,3 million in tax.

The Department of Finance did not know how many new taxpayers would fall under its jurisdiction or how much money they would add to the Consolidated Revenue Fund.

CAPE TIMES 6/3/84 (320)

Equal taxation for blacks 'should have been delayed'

By RIAAN DE VILLIERS

THE equalization of taxes paid by blacks should have been delayed until an adequate programme of consultation and communication had been conducted, the Centre for Applied Social Sciences of the University of Natal has found.

In a detailed study of the controversy surrounding equalization of taxes, the centre says a far more comprehensive media education programme should have been conducted and more discussions held with worker organizations.

It says a programme to allay worker suspicions and prevent further negative reactions is "essential" and calls for the following steps:

- A stepped-up communications exercise directed at black taxpayers through the press, TV and radio;
- A comprehensive pamphlet explaining the main principles of the changed tax system, directed at black taxpayers via employee organizations, employers, tertiary educational institutions and schools;
- The establishment of permanent or mobile tax advice bureaux in the main centres;
- Education teams equipped with an audio-visual programme on the new system available to address groups and visit factories.

The study has come in the wake of fears that the equalization of taxes paid by blacks — which came into effect this month — may trigger off worker unrest similiar to the pensions strikes in 1981.

The authorities have forged ahead with the programme despite calls by worker and employee organizations to delay the equalization.

Trade unions and employers say there are so signs of impending unrest.

Dr J C van Zyl, director of the Federated Chamber of Industries, said the situation was still "calm" and most employers no longer expected problems.

In its study, the centre gave a comparison of the present situation with the circumstances surrounding the pension strikes is "indeed merited".

A previous centre study of the causes of the pensions strikes showed that workers had a very low level of trust in "white government", and "white management" was viewed with only slightly more credibility.

Anxiety exhibited by management and reactions from worker organizations indicate that the fairness of the new tax system itself is not necessarily in question.

However, the introduction of the new tax system has served to arouse worker consciousness of a number of "political" grievances which are deeply rooted in the apartheid system, and has raised the issue of "no taxation without representation".

Tax: 'Women must organize'

CAPE TIMES 7/3/84 (.320)

Staff Reporter

WOMEN must organize themselves on a large scale if they wanted to succeed in changing the present joint taxation system, a meeting of the Cavendish Ladies Luncheon Club was told this week.

Mrs Kate Jowell, assistant director of the Graduate School of Business at the University of Cape Town, and a member of the standing commission of inquiry into taxation, said that up till now women had not organized themselves to the extent that their dissatisfaction with joint taxation had become a real issue for the tax authorities.

"Women haven't yet proved themselves a significant pressure group," she said.

"The authorities will only respond to concerted organized pressure. They are unlikely to change anything until it is proved that the price of maintaining the present system is greater than the price of change."

Mrs Jowell said the issue of joint taxation was rooted in the way in which men and women perceived their roles in society, and how the family was regarded in the present system.

"By deeming a wife's income to be part of her husband's, we are compromising her independence, her privacy and her equality," she said.

"But it is a very sensitive issue, and one which many women themselves have not yet resolved."

Mrs Jowell said that where such deep-seated values were concerned, it was wise to move slowly.

"Women are going to have to try to change things using patience, persuasion and tact," she said.

Implications of black tax changes should be fully explained

320 Star 7/3/84

By Michael Menof

During the last week in March 1983 Finance Minister Owen Horwood announced the Black Tax Act No 92 of 1969 would end on February 29 1984 and blacks would then be taxed under the Income Tax Act No 58 of 1962.

During the past 11 months employers have had advance warning but very little has been done about this change.

Blacks were taxed from January 1 1970 under the Black Taxation Act not unsimilar to the white tax Act save that the income of spouses is not aggregated and no rebates are available.

For the last 13 years employers have handled the Black Tax Act extremely well.

Blacks have been used to having tax deducted from their income. A quick comparison of rates of tax under the black and white tax act shows blacks will on the whole benefit from the change and should, depending on personal situations, pay lower tax.

Blacks should also not forget that the deduction formula, rebates and medical expenses should minimise their tax liabilities considerably.

The question now being asked is: Has anything been done to make it easier for the blacks to fully understand what the change-over will mean?

As part of the duties of personnel departments in maintaining a loyal and devoted staff, one would imagine it would have been imperative for them to prepare some literature to inform black staff about the change and exactly what these changes mean to them.

Documentation of what effect the new tax Act would have on take home pay could also be beneficial.

FORESIGHT ESSENTIAL

At the very least an orientation programme should already have been under way for black staff to have first hand knowledge of the change and how it will affect them.

If problems now arise this can only be due to lack of foresight by personnel departments.

I believe that we will initially face these problems:

●Employees will not have completed the IRP2 forms in time or the information supplied will not be completed. This could only mean wrong tax will be deducted at the highest possible rate — a single taxpayer with no rebates.

Employees could only blame themselves as when the correct information is supplied the tax will be adjusted resulting in a possible mistrust or blacks feeling they are being exploited.

●Employees will receive either more or less than their normal take home pay with the only explanation that the Act has now changed.

Employers must explain carefully what is going to or has happened.

Good will was shown over imple-

3) Tax is deducted on the gross salary/wage less contributions to any recognised pension and retirement annuity funds.

4) The employer does not have to confirm the employee's details as appearing on the IRP2 form.

5) The employer is not concerned with other remuneration received by the employee but only what he pays.

(6) The employer is not permitted to deduct less than the tax tables but can with the employee's permission deduct more.

7) The Receiver and employers can depart from the tax tables and vary the basis of deduction of employees' tax (by mutual arrangement). Three months' notice for any variation is required.

8) To alleviate hardships due to an employee's illness or other circumstances or to correct an error in the calculation of an employee's tax deduction the Receiver may direct an employer not to deduct an employee's tax or to deduct a lessor amount than specifieid in the tax tables.

9) The employer is held personally liable to the Receiver for the full amount of the employee's tax deducted from persons under his employ.

10) An employer is clearly defined in terms of the Income Tax Act.

11) The employer is required to register with the Income Tax authorities within 14 days of becoming an employer.

12) Where an employee's personal status changes he is required to complete a new IRP2 form.

13) As soon as an employee's remuneration exceeds R8 000 per annum in total he or she is required to register as a taxpayer with the local Receiver of Revenue.

The employee then receives his or her own tax number and also a new return of personal particulars on the IRP2 form must be prepared on which his or her personal income tax number appears.

14) The tax tables are well indexed to reflect monthly, weekly and daily remuneration with the annual equivalent. There are special tables for married women and for part-time employees.

15) Employees' tax certificates are issued when employees leave an employer or at the end of each year. These are the IRP5 certificates.

16) If the employee fails to furnish a return of personal particulars to his employer or to obtain a tax directive from the Receiver, the employer must deduct tax according to the rate applicable to a single person without children.

17) Where an employee has a part-time position, employee's tax is deducted at the rate of 12 percent of such part-time remuneration.

All the above matters should have

STAR

7/3/84

520

...races equally. Blacks now have the chance to gain further equality by having a single income tax Act applied to all.

The introduction of the PAYE system for blacks in terms of Act No 58 of 1962 (the present white Act) will:

1) Make tax payments more convenient.
2) Be less burdensome to taxpayers.
3) Ensure a steady flow of revenue to the fiscus.

In broad outline the system entails:

1) Employers deducting employees tax daily, weekly and monthly according to the IRP10 tables supplied by the fiscus.
2) The tax deducted is calculated from codes which are based on employees completing their personal information on the IRP2 tax form or by means of a tax directive IRP3 form obtained from the Receiver of Revenue.

to staff. Where an employer has failed to explain the situation this can easily be overcome as to all intents and purposes the present system is merely being consolidated to run as one system from March 1.

I expect the real problem to develop 12 months hence, when those taxpayers earning above R8 000 per annum will have to complete an IT12 tax form.

This somewhat frightens most taxpayers due to:

- Ignorance.
- Not completing the IT12 tax form in sufficient detail.
- Delays by the taxpayer which can only incur wrath and cause penalties.

The Fiscus will in all probability issue explanatory booklets and personnel managers could at least do a little more work by obtaining the service of the in-house accountant or secretary to assist.

Saawu delays strike action

Sowetan 8/3/84

820.

A DECISION on a strike by 18 000 workers affiliated to four branches of the South African Workers' Union (Saawu) has been postponed until the annual conference of Saawu at the end of the month.

"The Johannesburg branch of Saawu met this week and agreed with decisions that have been taken by the Escort, Heidelberg and Kempton Park regions that they wait until the conference before deciding whether to strike over the new tax system.

Mr Barnabas said Saawu had held a string of meetings from February 10 to March 3 in the Heidelberg, Escort, Kempton Park and Johannesburg regions about the new taxation system, which has caused a lot of resentment amongst Saawu members.

"Our members in Escort, Heidelberg, Kempton Park and the Johannesburg regions spoke in one voice and wanted to go on strike if employers dared cut their salaries in terms of the new tax system.

"The taxation will hit the migrant workers and married females," said Mr Barnabas.

PFP wants relief for home bond interest

Perks abuse sparks tax reform call

320 Star 9/3/84

By Michael Chester

Sweeping income-tax reforms allowing rebates for all home owners are to be urged on the Government in the wake of the March 28 Budget which is widely expected to contain several tax shocks.

24 HOURS The team that wraps up the news

Pressure on Mr Owen Horwood, Minister of Finance, to introduce radical changes to the whole tax structure is likely to become intense from the Progressive Federal Party benches in the debate scheduled to follow the Budget disclosures.

The controversy is expected to be sparked by estimates that 60 to 70 percent of houses for whites are now subsidised by perks and about two-thirds of all new cars coming off the production lines are destined for corporate and fleet transport pools, many earmarked as perks for employees.

Mr Brian Goodall, MP for Edenvale and secretary of the PFP parliamentary finance committee, intends to propose a package deal that would allow all home owners to deduct the interest rate portion of monthly bond payments from taxation in exchange for drastic cuts in fringe benefits paid to staffers by employers.

Gross abuse

"The whole idea is to broaden the tax base and provide a fairer spread of the burden," he said today. "Tax revenue over the past four years has soared by 153 percent, far outpacing inflation, and entirely new solutions must be found."

He claims to have unearthed evidence of gross abuse of tax avoidance — by perks offered to individuals and allowances granted to industrial and commercial firms for investment and training programmes.

Mr Goodall plans to propose a flattening of the marginal tax curve which, at present, pushes individuals into the maximum 50 percent taxation at R40 000 a year for married workers and R28 000 for single persons.

Out of control

He blames the steepness of the marginal tax ladder for "a tremendous rush into fringe benefits that has finally got out of control.

"The present tax structure is riddled with inequities — and the burden falls most heavily on the lower and middle income groups who are subsidising people who least need the tax escape.

"Fringe benefits that subsidise housing have become so common in both the private and public sector that they have caused enormous distortions in house prices. A new tax deal for all home buyers would help to stabilise the market.

"The only solution, in fairness to all taxpayers, is to scrap all the house subsidies and replace them with a system of tax deductions for interest on bond payments — available to everyone.

"Housing is not alone in the pattern of distortions caused by perks. Fringe benefits that provide free motor cars and fat entertainment allowances also need to be examined.

"Consider also the number of pensioners battling to find food for their tables while lavish business lunches go on with tax-free allowances."

● See Page 7, World section.

No change in tax for earnings under R666 monthly

N.M. 9/3/84

320

Financial Editor

PAYE tax deductions for those earning less than R666 a month will not rise this year, but those earning more than this could face tax increases in the Budgeton March 28.

This is the gist of a letter the Minister of Finance, Mr Owen Horwood, has written to the Natal Chamber of Industries, which asked for a postponment of the introduction of the new system.

Tax deductions, from March 1, for those earning up to R8 000 a year (R666 a month) will be made according to the new tables and will not be changed during the year, according to a letter.

But Mr Horwood said he could not give a similar assurance to those earning more than R666 a month.

Increase

All taxpayers now pay the same taxes under the 'harmonisation' scheme introduced from March 1. There are no racial differences.

Mr Horwood said assumptions that the tax change would be followed by an increase in taxes in the Budget were 'based almost entirely on speculation in economic circles and in the Press.'

He could not discuss future taxation prior to the budget but as far as those earning lower incomes (below R8 000 a year) were concerned an increase ran quite 'contrary to the provisions of Section 61 of the Income Tax Act.

'This specifically limits the amount of tax payable by a natural person for the 1984/5 tax year where his income does not exceed R8 000.

'This provision reduced the tax payable by many persons in the income group R0 to R8 000 and had the effect of raising the various thresholds at which tax liability commences.'

'Many thousands of industrial workers will benefit from this provision, especially those with lower incomes. Employers can safely inform those employees who fall within this group that their tax deductions for 1984/5 will be made in accordance with the tables which came into effect on March 1.'

Mr Horwood said his information was that most black industrial workers fell into this group.

Rates

As to those earning more than R8 000 a year, I can only say that tax rates will be announced when I introduce my Budget and I would suggest that rash assumptions not be made at this stage.'

Mr Horwood assured the Chamber that everything possible was being done by Inland Revenue to convey the new tax system to black people. This included talks on the SABC's second television channnel.

He pointed out that any postponement would have meant disappointment for those taxpayers expecting to pay less tax.

Millions lost through loopholes

By Michael Chester

The Minister of Finance has been alerted to widespread abuses in business circles of investment allowances that were said to be allowing millions of rands to escape the tax net.

The alarm was sounded by Mr Brian Goodall, MP for Edenvale and a senior Progressive Federal Party spokesman on finance affairs.

He has urged sweeping revisions of company tax rules in a proposal to redesign the entire tax system. This would be a step to a wider tax base which would give a fairer spread of tax burdens among individuals as well as businesses.

Mr Goodall said that, while company tax was now pitched at 46,2 percent, the actual tax paid on profits by the commercial sector had sunk to 30 percent and manufacturers were paying less than 25 percent.

"Of course, the shortfall cannot all be blamed on tax fiddles," he told 24 Hours.

"Much of the investment allowance total has been well spent in genuine and needed expansion. But there is increasing evidence that the system is full of loopholes that are being stretched wider and wider by ingenious financial ploys.

"A manufacturer can virtually 'sell' investment allowances to outsiders at a bigger profit than ever.

"A favourite trick is to agree to pass on the allowance to a leasing firm or even a syndicate — and lease plant and equipment rather than buy it outright.

"The prize goes to whichever business stands to gain most from tax deductibility — linked to the size of profits. Then the spoils are shared.

"The lessor wins the investment allowance in the role of supplier. And in return he agrees to fix an extremely low interest rate on the lease deal.

"It has become so profitable a tax dodge that special syndicates are sometimes formed to handle the whole transaction.

"The Government has outlined plans to reshape the pattern of business concessions in 1985 and 1986 — but they not go far enough or fast enough if the entire tax structure stands a chance of returning to sanity."

MOSCOW — With a stern warning to the United States over the Gulf conflict, Moscow has underlined the danger of a superpower clash in the region while leaving open Soviet options.

A statement issued by Tass news agency broke what diplomats regard as a remarkable silence from Moscow over the past two weeks as events in the Iran-Iraq war have brought closer the possibility of US intervention.

"They have been playing it cautiously," said an Asian diplomat, assessing Soviet strategy over the Gulf. "They are waiting for Washington to make the first mistake."

The Soviet statement accused Washington of "dramatically escalating tension and provoking a conflict situation" by having its warships and

Perks now taking up one third of executive salaries

320 Star 9/3/83

By Michael Chester

24 HOURS
The team that wraps up the news

Almost one third of the business executive's average pay package is now camouflaged in a huge spread of fringe benefits, a survey into salary trends prepared by a management services firm has shown.

The portion clearly spelt out as basic salary has shrunk to only 60 percent and the size of cash bonuses and allowances — on the increase as perks but also in full view of inland revenue officers — now stands at about 10 percent.

But an average of 30 percent of the pay packages in the executive suit now runs for cover from the taxman in the form of perks intended to escape the full clout of maximum marginal income tax rates.

"Since executives now find that any pay increase above R40 000 a year will automatically be halved by the tax ladder, the most ingenious new forms of fringe benefits are being contrived," says Miss Jane Ashburner, manager of the remuneration division of the P-E Consulting Group.

"Not so long ago, perks were almost exclusively the preserve of senior management — fairly simple items such as house subsidies, cars, entertainment allowances and perhaps share option schemes.

"But managements have become more and more willing to filter fringe benefits lower and lower down the pecking order — sometimes as far as artisans who know they can drive a hard bargain because of skill shortages."

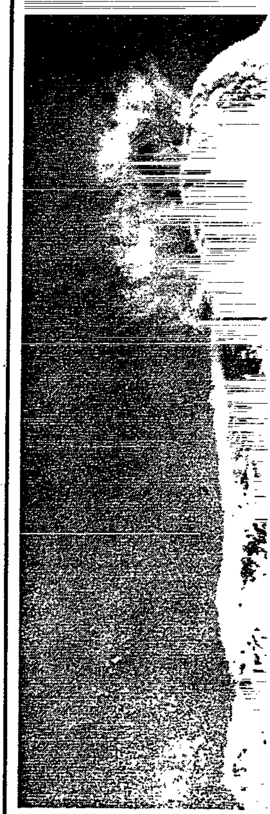
Miss Ashburner believes the causes have been twofold:

- The impact of what is called fiscal drag — the way that wage and salary increases, battling to keep pace with inflation, force workers faster up the marginal tax ladder, which takes bigger chunks out of basic pay.
- The shortage of management talents and skilled labour that forces companies to offer more and more attractive pay packages.

"Talented executives can now sit down with a company and work out a complex pay plan under what has become known as 'the cafeteria system'.

"Rather than open up the conversation with talk about basic salary, it's now fashionable to start at the far end and work out how much the job is really worth," Miss Ashburner said

Housing loans a major perk for civil servants



Executive salaries

By Michael Chester

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"Talented executives can now sit down with a company and work out a complex pay plan under what has become known as 'the cafeteria system'.

"Rather than open up the conversation with talk about basic salary, it's now fashionable to start at the far end and work out how much the job is really worth," Miss Ashburner said.

"In a typical example, a high flier can be valued at R150 000 a year, let's say. The odds are he will negotiate only two-thirds to appear as basic salary — and ask the company tax consultant to take him on a tour of the perks cafeteria.

"Here he can pick and choose to suit himself. For example, a bachelor may decide to have a fancy imported sports car and a periodic overseas holiday or cruise put into the parcel with other goodies."

A married executive with a family might elect to have private school fees and university fees paid by the company and be more inclined to work out a tax-free deal with retirement annuities and "a big fat cherry on the top of the firm's normal pension scheme", Miss Ashburner said.

"The combinations of goodies in the perks cafeteria are virtually endless — more like supermarket shopping.

"It all began in the 1970s when the maximum marginal tax rate shot up as high as 72 percent. The top rate is now down to 50 percent, but because of inflation more and more employees are pushed over it sooner and sooner.

"Perks have become very, very sophisticated — and the taxman will find it almost impossible to stamp them out until the tax structure is altered and we rev up the pace and quality of training programmes to cure the skill shortages," she said.

Housing loans a major perk for civil servants

By Russell Gault

Perks in the Public Service provide security for the worker — rather than cash in the bank.

There are no convoys of Mercedes and BMWs cruising out of Government complexes at the end of the working day.

But there are other benefits ...

First there is job security. Seldom has a Government department made employees redundant. Incompetence or lethargy do not normally warrant dismissal as easily as would occur in the private sector.

The president of the Public Servants's Association of South Africa (PSASA), Dr Colin Cameron, said that while security of employment tended to mean less these days, it still provided a psychological comfort to many workers.

"The public service is often ground down as an employer because of the wage structure. But remuneration has improved substantially in recent years. Besides, there are a lot of other advantages."

Inquiries by 24 Hours revealed some of these advantages, including housing loans averaging from three to four percent for an amount up to R50 000, with ruling interest rates applying above that figure.

SUBSIDY LIMIT RAISED?

The Public Service Association is making representations to the Government to have the R50 000 subsidy limit raised substantially.

There is no indication available as to the number of public servants with cheap loans. But of 900 000 whites employed by the State, massive amounts must have been borrowed — all at the expense of the taxpayer who has to foot the bill between the interest paid by the civil servant and the real interest rate paid by the State.

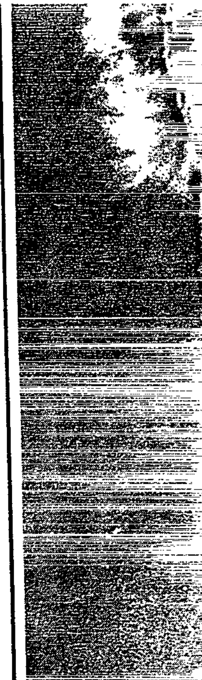
An annual report issued last year for a small Government department showed an amount of R30 million allocated for "housing". Nearly all of it was for housing bonds.

Another area in which civil servants are well catered for is bonuses. After a year's service every employee gets a 13th cheque.

The State medical scheme is claimed by the PSASA to be among the best in South Africa with up to 100 percent subsidies on major claims and with monthly salary deductions among the lowest.

The State pension scheme is regarded as the best in the country with civil servants getting a pension on retirement equal to their final annual salary. Contributions range up to seven percent.

State-provided cars are rare but a few top civil servants are entitled to a vehicle for personal use.



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SUPPORT

700 strike over new tax system

N. Mercury 12/3/84

320

African Affairs Reporter

MORE than 700 workers of Union Flour Mills, Mobeni, decided at a meeting yesterday not to return to work today until the new black taxation system had been fully explained to them.

The employees went on strike last Friday after expressing dissatisfaction with the explanation by an official from the Receiver of Revenue. Workers claimed that the official had said the taxes would go to the KwaZulu Government.

A spokesman for the workers said they would not return to work until Chief Gatsha Buthelezi of KwaZulu had come to confirm what the official said.

The workers claimed they were being overtaxed. They said they paid GST, KwaZulu tax and now they were to be taxed on their earnings.

The employees refused to sign the new tax forms when they were introduced for the first time, but when they got their weekly wages last Friday, they discovered that deductions had been made according to the new taxation system.

Mr N J Cranshaw, the firm's managing director, could not be contacted last night.

Workers face sack threat

3/3/80 N. Mercury

Mercury Reporter

WORKERS at Union Flour Mills (Pty) Ltd, who downed tools yesterday in protest against the new black taxation, have been given an ultimatum to return to work at 6 a m today or face dismissal, according to a spokesman for the workers.

But, late yesterday they were still undecided whether to return or wait until Chief Gatsha Buthelezi or a representative of the KwaZulu Government addressed them at the factory, which was one of their demands.

The spokesman, who asked not to be identified as he was an employee at the factory, said the workers were protesting against the new taxation, which came into effect from March 1 because they felt it was not warranted.

'We are already paying R5 a worker each year as KwaZulu special tax in addition to a further R20 a year for each child at school towards school building.'

First black tax strike hits Durban

By STEVEN FRIEDMAN
Labour Correspondent

WORKERS at a Durban plant, Union Flour Mills, have staged the first strike by black workers over their inclusion in the same tax system as whites.

Yesterday the strikers were told to return to work this morning or be fired.

The strike was sparked when a Government official told workers that the tax money they paid under the new system would be paid to the KwaZulu Government.

Our Durban correspondent reports that management at Union Flour Mills — where the 700 workers have been on strike since Friday over the new tax system — confirmed that workers were told to return or be fired.

And a tax official in Durban also confirmed yesterday that he had told workers their tax money would be paid to KwaZulu.

Workers, many of whom belong to the SA Allied Workers Union, say they already paid various taxes to the KwaZulu authorities and now want to meet KwaZulu's Chief Minister Chief Gatsha Buthelezi on the issue.

● The National Union of Clothing Workers (NUCW), which represents black workers, has added its voice to calls by emerging unions for the new tax system to be withdrawn temporarily.

Business Day/TAXATION

320 RDM 14/3/84

Trusts attractive for tax avoidance

BUSINESSMEN are turning increasingly to forming trusts rather than private companies in an attempt to cut their tax bills, say tax experts.

"The present tax system is forcing South Africans into trusts," says one specialist, Mr Costa Divaris.

"If individuals form private companies, they are subject to 46,2% company tax in addition to dividend tax."

This would then bring the tax rate to over 64%. Also, loans from a company are now taxed, as is a portion of profit after the sale of a company.

However, as beneficiaries of a trust, or as individuals, South Africans are only taxed at a maximum rate of 50%.

"When the authorities changed the tax rates, the possible consequences were not recognised", says a company lawyer.

Furthermore, private companies are not able to re-direct funds by paying large salaries to directors to enable them to enjoy the tax advantages.

If a salary paid to a director is considered too high for his function, the authorities may disallow a portion of it.

There are distinct disadvantages in the trend towards trusts, say some specialists, as trusts are not as controlled as private companies.

From the individual's point of view, they constitute a loss of flexibility.

Another drawback is that limited liability may be forfeited.

The solution, says Mr Divaris, is for directors' salaries to be allowed, no matter how high, and taxed at the company rate.

Firms could then switch back to private companies, he says.

To throw the sophisticated body of company law out the window now would be a great pity, says another specialist.

The Commissioner for Inland Revenue, Mr Carl Schweppenhauser, says the increase in trusts because of their tax advantages has been brought to his attention.

While he is unable to comment on whether the authorities envisage any specific action, he says he does not believe in hindering businesses in the formation of institutions of their preference. — Reuter.

400 sacked strikers hired again

Mercury 15/3/84

Mercury Reporter

MORE than 400 workers at Union Flour Mills in Durban, who were dismissed for striking illegally in protest against the new black taxation, have been reinstated, Mr Peter Wrighton, a director of the company, announced yesterday.

The entire workforce was dismissed on Tuesday after ignoring an ultimatum by the management to end their three-day strike and return to work.

Mr Wrighton, who is also deputy managing director of the parent company — Premier Group — told the Mercury yesterday that the company decided to take back the workers following a signed undertaking by the workers' representative that they would abide by certain conditions.

In terms of an agreement reached between the management and representatives of the Baking and Allied Workers' Union yesterday no wages would be paid for the period the workers were on strike.

No guarantee

'Tax will be deducted at the single rate where the company has not been provided with the relevant information. Workers will in future agree to work overtime when reasonably requested by managment to do so and this will be embodied as an addendum to the recognition agreement.

'Workers will in future follow the grievance procedures laid down in such recognition agreement and will not resort to illegal strike action to settle disputes.

'The company's management will communicate this agreement directly to the workforce.'

Mr Wrighton said in turn the company had undertaken to take back workers without loss of privileges and would try to get a representative from the KwaZulu Government

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'Workers will in future follow the grievance procedures laid down in such recognition agreement and will not resort to illegal strike action to settle disputes.

'The company's management will communicate this agreement directly to the workforce.'

Mr Wrighton said in turn the company had undertaken to take back workers without loss of privileges and would try to get a representative from the KwaZulu Government to address the workers but the company could not guarantee this.

He said the workers were dismissed for striking illegally over the deductions made by the company under the new taxation proposals — 'an issue which was outside the company's ability to settle'.

Refused

Earlier, workers said they wanted an explanation from KwaZulu because they were already paying tax to the KwaZulu Government.

Each worker paid R5 a year as KwaZulu Special Tax — the receipt for which was stamped in their passbooks.

They also claimed each parent who had a child at school had to pay R20 a child annually for school buildings in addition to the normal yearly school fees.

As the Union Flour Mill workers refused to fill the IRP2 forms for PAYE tax deduction, the company was forced to base deductions from workers' pay as for single persons — a move which meant married persons who would have normally qualified for less taxation were paying more.

This was confirmed by Mr Wrighton.

An employee who is married with four children and earning R83 a week had R5 deducted from his pay towards tax. Calculated over the year he would have paid R240 in tax.

Increased taxes will help farmers

320 Star 16/3/84

Pretoria Correspondent

Increased taxes are necessary to support farmers who have incurred losses and debts in the drought and face backruptcy.

This emerged at the annual meeting between the South African Co-ordinating Consumer Council and the South African Agricltural Union (SAAU), this week.

At the meeting the SAAU pointed out that many farmers no longer had produce to sell, and faced enormous debts and interest obligations.

Both the union and council agreed that it was better to have a tax increase to subsidise these farmers than to have a product price increase, which hardly ever reached farmers.

Farmers only received 48 percent of the consumer price, and increases were often absorbed in distribution costs, packaging and other marketing aspects, said a spokesman for the SAAU.

It was imperative that farmers were prevented from going into liquidation at present, as they would receive less than the value of their property, said the spokesman.

If this happened now it could cause panic in money lending institutions, and thereby risk the credibility of other farmers who might need credit to plant in the coming season.

The union was hoping for a more normal "ball game" next year or the year after, said the spokesman.

There was also the possibility that the consumer faced further maize price increases if the government removed its import subsidy.

In the past it was policy for government to subsidise maize imports to keep the consumer price down. This subsidy was the value between the high import costs and the low consumer price, said the spokeman.

However, if this subsidy was removed then the consumer would have to bear the full price of the imported maize. This could be as much as R100 million to R200 million, he said.

16/3/84

out that, however efficient the SFFA may be in obtaining oil supplies, its record, so far as this is known, is decidedly spotty when it comes to getting involved in deals that lead to unfavourable publicity.

Not only was it the organisation that purchased the stolen oil from the *Salem* (albeit in all innocence), but it is also one of the prime defendants in the mysterious case before the Transvaal Supreme Court in which largely overseas interests are suing Sasol, the SFFA and others.

Although the Minister is not involved in the case, he is being represented in court by lawyers appointed by the State attorneys, who are empowered to "intervene" if the interests of the Department of Mineral and Energy Affairs require it.

The identities of the plaintiffs are known, but the interests they represent remain a mystery. Maurice Sellier, in whose name the case is being brought, is said to be a British barrister — but his name does not appear on the British bar list. Nor is Trade and Technology Holdings (Ltd), a company involved in the case, listed by the British companies' office.

Lawyers point out that the Sasol/SFFA case is not the only one involving huge sums of money being heard in absolute secrecy by SA courts. The case in which Johannesburg businessman Taki Xenopolous is suing free-spending Italian expatriate Marino Chiavelli for some R70m is being heard in the same secrecy.

The opposition does not object to secrecy necessary to protect SA's fuel supplies. But, in the light of the *Salem* case and of talk surrounding the court cases, there is inevitably the suspicion that secrecy is cloaking inefficiency — or worse.

INDUSTRIAL RELATIONS

Natal tax strike

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Industrial relations in Natal are steadily worsening. Durban is experiencing its first strike related to the new Black Tax Act; striking bus drivers have crippled the city's transport services; and further labour unrest is looming in the textile, clothing and leather industries.

Since the beginning of the year, there have been almost a dozen strikes in the Durban/Pinetown/Hammarsdale complex. The textile industry appears to be the hardest hit and employers fear they are in for a tough year.

Industry's main worry at the moment is that the strike over the new Black Tax Act, at Union Flour Mills (UFM) in Mobeni, could precipitate a rash of similar strikes. Managements are worried about the similarities between the strike and the pension disturbances of 1979. Employers complain that government has not done enough to prepare the ground for the changes and has left the burden of explaining the new tax laws to them.

Taking the optimistic view, the Natal

(FM's Archive) (320) (152) FM 16/3/84

Chamber of Industries says it is hoping that the UFM strike will be a "one-off" which will be contained and speedily resolved.

(11A)

A company spokesman tells the *FM* that the stoppage occurred after personnel officials from head office travelled to Durban to explain the new Act to employees. Workers refused to sign IRP2 tax forms, saying they had already paid enough tax. As a result, the company was forced to tax them all at the rate for single people. When the workers saw the size of the deductions in last week's pay packets, they came out on strike. A deadline was set for them to return to work, and those who failed to do so were dismissed.

The chronology of the strike certainly suggests there was a failure of communication somewhere along the line. Nonetheless, some employers claim black politics and inter-union strife are keeping tension high in Natal labour circles. Moreover, as the substance of the disputes often does not concern employers directly (as in the case of the Tax Act), they feel powerless to offer meaningful mediation. "Why else would we have a problem here?" asks a UFM official. "We've had no problems at any of our other plants."

One explanation could be the plant's troubled labour history. Some time ago, it signed a recognition agreement with the South African Allied Workers' Union, but the relationship has not been a happy one. There have been four work stoppages at the factory in the past eight months.

The theory that black militancy and inter-union rivalries are making themselves felt on the shop floor at the expense of industry is gaining ground. The strike by Durban bus drivers is certainly rooted in union discord. The Transport and General Workers' Union is seeking to replace an anti-union works committee.

Current speculation has it that, as SA reaches accords with its neighbours, "other forces are bound to internalise the struggle" — meaning that internal political forces will come into play, including strike activity for political ends. The stand-off between unions which actively support the United Democratic Front and those linked to the Federation of SA Trade Unions (Fosatu) — which Natal employers see as avoiding political involvement — is also suspected of playing a part.

With Natal at the interface of black politics, and with issues like the Black Tax Act and the recession providing large scope for the build-up of grievances, employers are preparing for further unrest.

NEW HOUSE ELECTIONS
Party posers

(11A) FM 16/3/84

Nomination day for elections to the coloured House of Representatives and the Indian House of Delegates in terms of the new constitution is expected to be Monday, July 16. At least one cross-ethnic surprise could be in the offing.

Labour's Hendrickse ... looking at the Indian house

Freddie Peters, national secretary of the coloured Labour Party, says the election campaigns will begin in earnest after that. "For the moment we are concentrating on voter registration," he says. The elections are scheduled for August 22; the coloured people will elect 80 candidates, and the Indians 40.

The Department of Internal Affairs has drawn up rules to govern voter registration and the compiling of voters' rolls. Officials were due to outline the procedures to representatives of political parties and community leaders at a seminar in Pretoria this week.

Details of how the delimitation of constituencies is being conducted were also expected to be outlined. The Electoral Act of 1979 is being amended through the Electoral Act Amendment Bill, now before Parliament, to bring electoral law into line with the new constitution.

Nevertheless, voters who were registered under the Coloured Persons Representatives Act of 1964, or under the Electoral Act for Indians of 1977, will be eligible.

As 669 913 coloured people and 365 782 Indians are registered in terms of the old Acts government should, to a substantial degree, be able to frustrate a "don't register" campaign by the anti-constitution United Democratic Front.

The real contest will remain one between those who advocate boycotting the new constitution and politicians who wish to use it to extract further reform measures from the government. On that score, victory or defeat will be decided by the size of the poll.

An intriguing political prospect arises from Labour Party hints that it might contest the election for the Indian chamber, using Indian candidates, in addition to the coloured house.

At the moment this remains no more than a vague prospect although Labour leaders have expressed interest in the idea. *Prima facie* such a move would be a contravention of the Prohibition of Improper Political Interference Act — but it would be difficult for government to enforce the Act against those it wants in the new deal.

But if the Labour Party can contest both the Indian and coloured elections, what is to stop the Progressive Federal Party from entering the lists — possibly by fielding coloured and Indian candidates who, if not actually members of the PFP, can declare themselves to be in alliance with it and bound by its principles?

That is a prospect that government would find considerably less palatable than that of Labour Party members of the Indian house.

THE UNITED STATES
Oil mergers

The shark-feeding frenzy that has America's big oil firms devouring each other continued unchecked last week. The only limitation on the struggle has been Wall Street's capacity to provide cash for the participants to buy each other out. Now Washington is getting alarmed.

In what was the third multi-billion dollar merger proposal in less than a month for America's reshuffling oil industry, Mobil Corp. last week made a $5,7 billion bid for Superior Oil. Unlike the other recent mega mergers, Mobil conducted its negotiations

Ides of March arrives for tax avoiders as Horwood shuts loopholes

CT Times 16/3/84

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By JOHN MULCAHY

JOHANNESBURG. — The Ides of March has arrived ~~for tax~~ avoiders, with the scrapping from yesterday of loopholes which enabled companies and individuals to sell their tax bases.

The loopholes, which have degenerated into a huge tax-base party, have come into widespread abuse.

In an announcement in Parliament on Wednesday night the Minister of Finance, Mr Owen Horwood, put an immediate stop to tax-deductible losses on leases of industrial machinery, plant or aircraft contracted from yesterday.

Many businessmen have conceded that the avenue was being abused, although increasing use was being made of the system, which allowed companies with no tax base to buy tax base from other parties.

Although there are no accurate statistics yet available, the average tax rate for public liability companies is known to be considerably lower than the official company tax rate of 46 percent.

Allowances

This is applicable to companies with no assessed losses, negligible capital expenditure and little justifiable reason for claiming allowances.

Many businessmen who have not agreed with the principle of the loophole, have nevertheless made use of it.

Mr Horwood said he had referred in his Budget speech last year to the high cost to the Exchequer and the exposure of abuse, of initial and investment allowances in the industrial sector.

The move has positive implications for individual taxpayers, who have been forced to bear an inequitable share of the tax load because of the loophole.

Mr Viv Bartlett, acting managing director of Barclays National Industrial Bank (Barnib), said yesterday: "The way the tax savings took place, the effect was to transfer the country's tax burden increasingly from companies to individuals.

Barnib, which specializes in financing industrial development, estimates that capital investment programmes totalling R2,5 billion last year, and another R1,5 billion in the pipeline, will still qualify for the special incentives, which are available until June 1985.

Mr Bartlett, said there was little doubt that without the tax-saving incentives several big industrial projects, which created employment and would have long-term advantages for the country, would not have been possible.

"We have for some time advised our clients that the authorities would have to clamp down on the widespread use of these tax devices, which were totally legal but not necessarily in the national interest."

"The changes in the tax rules mean that certain trading and industrial companies will no longer be able to avoid paying tax by helping manufacturing companies to finance expansion projects via tax-based leases."

Specialist

Tax specialist Mr Costa Divaris told Reuters that along with other ways of using allowances, tax collection had been skewed so that companies had low effective rates and individuals were shouldering an unfair burden.

But he said the move should have been made years ago.

"It was kept on because of the insistence of powerful members of the economy which financed their capital projects this way."

Mr Divaris said taxed-based leases benefited all parties involved.

"The lessee gets a keen rate on his money, the lessor gets the tax write-off and a commission and the bank involved finds it easy to arrange the deal.

"Everybody benefits except the (indidivual) taxpayer."

Tax strikers win their jobs back

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THE new Black Tax Act met with an angry response from workers at a Durban flour mill this week — the entire work-force of 420 people went on a four-day strike.

Management sacked them all on Wednesday and closed the mill "until further notice". But on Thursday, the workers were all reinstated without any loss of privileges — but without pay for days not worked.

CP Correspondent: DURBAN

The Union Flour Mill Workers — members of the Baking and Allied Workers' Union — found last Friday that increased deductions had been made from their wages in terms of the new tax law.

Because they had refused to fill in forms registering them in terms of the new system, management was compelled by law to tax them as "single" persons — a higher rate than they paid previously.

The workers immediately went on strike and called for KwaZulu Chief Minister Gatsha Buthelezi to explain why they should pay tax in both South Africa and KwaZulu.

A spokesman for Union Flour — a subsidiary of the giant Premier Group — said they had spent a lot of money on an education programme last month to explain the new system to workers.

"But it seems to have failed," he said.

He added that management found itself caught between the Government and the workers, because workers had made it clear that their grievance was not with their bosses but with the State.

"It was with great regret that we dismissed the workers," he said. "But we're pleased that we worked out an agreement making their reinstatement possible."

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What will they make of what they see?

By FIONA HALSE, senior lecturer in Business Finance at the University of Natal, Pietermaritzburg

MARCH 1 has come and gone, and black employees now fall under the same Income Tax Act as whites. Fears that workers' adverse reaction to the change would result in industrial relations disruption on the scale of the 1980/81 pensions debacle appear unfounded to date. But the issue is not over.

At first glance, it seems as if the Government's move to equalise the tax base should be a step welcomed by both management and employees. Theoretically, it should remove one of the bases for industrial strife and lay the way for further equalisation of opportunities and pay.

And the move certainly has been welcomed in principle by a cross-section of the community. Managing director of Africanbank, Moses Maubane, for example, feels the step is long overdue and welcomes its exciting long-term implications. In the shorter term, 85 percent to 95 percent of blacks will in fact pay less tax under the new system.

Why then the strong opposition from a number of trade unions who have called for a postponement of the March 1 deadline? Why the trepidation on the part of management that they are in for a difficult time?

There are two crucial aspects of this change which are colouring the issue. The first is the timing and the second is the political implications.

A recent study highlighted the suspicion and distrust which surrounds black employees' attitudes to white authority. The pension debacle clearly illustrated that even when these authorities introduced changes which would benefit the employees themselves, a climate of uncertainty and bad communication caused resistance and backlash. The report drew strong parallels between the proposed pension changes and the current tax changes — most significant is that they both affect the emotive "take-home pay packet".

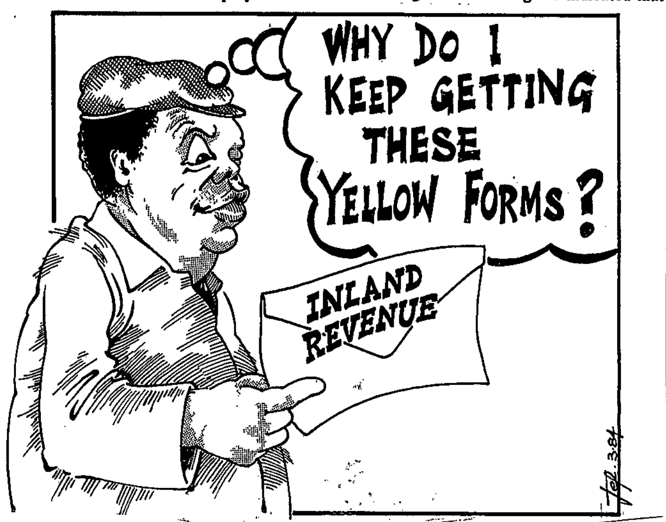
There is a strong feeling at management level in most companies that they at least learnt some of these lessons, in a costly way, a few years back. They feel that the Government, judging by the way that it has handled the issue of black tax, has not.

The Department of Inland Revenue has made it clear from the outset that it was laying the responsibility for the handling of the transition squarely on the shoulders of employers. It made very little effort (and that too late) to assist with detailed explanation of the complicated forms which must now be completed. And there are fears that the department will not have sufficient staff to handle the flood of queries which are likely to be unleashed on all the grey areas such as the status of second and third wives, common law marriages, homelands citizenship, to cite a few.

Thus, despite protestations from all sides that the full ramifications of the system must be fully understood before its implementation, the department has pushed ahead with the March deadline. The timing appears even more inappropriate when looked at from the Government's point of view.

First, all explanations of the new dispensation have been based on current tax tables. Everyone knows that this month's Budget will change a number of figures and clauses, thus boosting the potential for misunderstanding and mistrust.

Second, the fiscus itself is expected to lose between 25 and 35 percent of previous black tax receipts following the change. One set of figures indicated that



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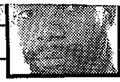

Report by BARNEY MTHOMBOTHI

BLACK workers will scrutinise their wage slips carefully in the weeks ahead and what they make of what they see will be of interest to both employers and the Government.

The Black Taxation Act, under which black workers were taxed, was scrapped at the beginning of the month and all taxpayers, regardless of race, are now subject to the provisions of the Income Tax Act.

What is worrying both employers and the Government is how workers will react to or interpret the difference the change makes to their take-home pay.

More than 400 workers were fired last week after downing tools the previous Friday in protest at deductions from their wages in terms of the new Act. They were later reinstated.

All sectors of opinion agree the inclusion of blacks in a unitary tax system is laudable and, from all accounts, up to 80 percent of the black labour force will pay less tax than before.

But little information on the subject — from the Government, which makes the laws, and employers, who make the tax deductions — has reached the workers.

As one worker said: "It's so confusing. You just hear people talking and you don't know what is true and what is not."

The Government says it is not publicising the new tax structure in the black community. Former Receiver of Inland Revenue, Mickey van der Walt, told a meeting of union and employer reprepresentatives last year the Government was leaving it to employers.

But most employers, with the wave of strikes which almost paralysed the country three years ago still fresh in their minds, are reluctant to broach the subject.

"Managements are apprehensive about communicating with their own workers for fear of saying the wrong things. So they end up communicating less and less," an industrial consultant said.

The trade union movement has also refused to play ball. Eight union groups, with a membership of more than 250 000, issued a joint statement last month calling for the withdrawal of the new system.

The unions called for the tax change to be delayed in the short term and withdrawn in the medium term "until a just and equitable system" of taxing black workers was found.

The Trade Union Council of South Africa, not known for its militancy, has expressed disquiet at the Government's unwillingness to explain the implications of the system to black workers.

Tucsa said in its *Labour Mirror* it was difficult enough to sell any form of taxation to full citizens who shared all society's privileges. How much more difficult was it going to be to put across this potentially explosive issue to a disadvantaged black community, it asked.

"If the Government is again opting to let beerhall agitators and political rabblerousers to be the sole interpreters of its financial legislation in the black communities, it has only itself to blame if we have another fiasco similar to the 1980/81 pensions issue."

The new system will benefit black workers but what it illustrates is the lack of trust by workers in the words of the Government and employers.

A recent study by the University of Natal into the pension strikes of 1981, which still holds in the present instance, found two causal factors: the workers' lack of trust in the white institutions governing their lives, and a general lack of consultation and communication.

It found that management was considered to have slightly more credibility than the "white government" and was seen as part of the hostile white establishment.

The oft-quoted refrain that black workers, by paying equal tax with their white countrymen in the new system, will in fact lead to their paying less tax than before, has ironically fuelled this mistrust.

Black workers have been told they were paying less tax all along.

Black people in reality have been more harshly taxed than whites, coloureds and Indians. This is contrary to the popular belief that blacks pay no tax at all and that the full burden of paying for the country's infrastructure, including a huge defence budget — always a thorny issue among blacks — falls upon the 4,5 million white population.

Lower income

It remains true that the total amount collected from white taxpayers exceeds that collected from blacks but that's only because the income of blacks is much lower than that of whites.

A survey by the Tribune 10 years ago showed a white man with nine children earning R480 a month paid no tax while a black with nine children earning the same salary paid R30,86 a month in tax.

Until 1978 all black men paid poll tax and the Black Taxation Act did not permit allowances for dependants, medical aid or old age.

And the homelands are also demanding their share of the cake — KwaZulu for instance gets R5 tax from each person registered as Zulu. This explains why the striking workers last week demanded to be addressed by a representative of the KwaZulu Government.

And people in the rural areas have to submit to various types of tribal levies.

Black taxpayers have therefore been left with a feeling of having been taken for a ride and any new system needs to be carefully explained to them.

But will the Government do that?

It is not foolish. It knows the pitfalls of explaining such an issue, let alone consultation before implementation as the unions are demanding. The question of consultation goes against the whole grain of Government policy vis-a-vis black people. How do you explain the morality of taxing people you've declared non-citizens of a country you govern?

The worry is that a unitary tax structure offers a powerful propaganda weapon for

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opponents of apartheid. Not only will they use the "no taxation without representation" argument — on its own a very powerful one — but they will be able to point out that, while paying tax on the same scale as whites, blacks will receive considerably fewer benefits. Housing, transport, electricity, roads, sewerage ... these are issues that will appeal to an ordinary man who may otherwise have no interest in politics and he will start seriously comparing the white suburb to his own.

The Government has not even suggested that once the unitary system is in operation black education, State pensions and health expenditures will be increased to the same level as for whites.

Commenting on the politicising effect of the new system on black workers, Moses Maubane, managing director of the African Bank, recently told a seminar: "To tax blacks on the same basis as all citizens raises the subject of their political status.

"It is naive to expect that blacks will forever be content with contributing their share to the fiscus without having a role to play in the scheme of things. Blacks at some point or another will demand a quid pro quo. This is inevitable."

Since granting union rights to blacks about five years ago, the Government's fear has been that trade unions will use their right to organise on the shop floor to champion the political aspirations of their members. But it has been decisions and events on the political front that have tended to destabilise or politicise the labour movement.

The death of Neil Aggett in police custoday, for instance, made unions aware of the possibility of unity and the power that goes with it. The recent white referendum on the new constitution spilled over to the labour front when workers, through the fellowship of belonging to trade unions, realised their bosses were not the distant observers of politics they had always claimed to be.

While it still remains to be seen what effect the unitary system will have on the shop floor, its politicising effect on workers cannot be doubted. The contradictions within society will become even more evident to them.

...oolproof formula.

Minister of Finance Owen Horwood has the most difficult prediction to make. He has to decide what he thinks will be the average price of gold for the coming fiscal year so that his sums will work out in the budget he is presenting a week on Wednesday. While the Government usually takes a conservative figure, it is becoming a more difficult job each year to find even that.

The question is: why is predicting the gold price so seemingly impossible these days? Apart from the fact that many of the basic laws of economics of yesteryear have been blown out of the window in the past two or three years (things that should happen when the graph does this or that simply don't happen any more) there are more complicated issues affecting gold.

Gold used to be part of the supply and demand stable, a good hard investment, which for many decades stood at a modest $35 an ounce.

Then came the oil crisis, the monetary crisis and various pocket wars which frightened investors out of hard currency into gold as a hedge against disaster.

That in itself complicated the issue. The wild fluctuations as disaster piled upon disaster and then was resolved made the life of a gold analyst a dizzy unpredictable bout of swings and roundabouts.

But the scene has changed yet again and only within the last year or so.

No longer do pocket wars particularly frighten the hardened international investor and governments — at least not as much as they used to.

There is no oil crisis. And those gold buffs who were rubbing their hands in glee in anticipation of the global debt crisis blowing wide open and rocketing the price of gold, have had their hopes shattered — for the time being.

Enter the ugly sisters: high interest rates and a booming dollar. These two factors in themselves have made it much more of an attractive proposition for those investors with their millions to make more millions by play ing with money instead of gold.

With high interest rates they can get a better return on their money by investing in dollars and similar bank guaranteed paper than they can by putting their money into gold at this stage. The risk factor is just too great.

Enter two more villains of the piece: the futures market, particularly the American one, and the programmed inhuman, unsym-

market has had quite a remarkable effect on the short-term price of gold in the past year as investors have bought or taken profits on paper. And profits on a very narrow margin of increase.

We have seen in recent weeks the price fluctuate from "lows" in the $380s to "highs" just above $400. It doesn't sound much of a profit if you've only got a few dollars invested. But when that investment runs into millions a climb of $10 can make you a fortune.

Of course there are still those who want the real thing: the governments. Two of the biggest holders of gold stocks in the world, Iran and France, have had to delve into their stock in the past 12 months — Iran to pay for arms in its war against Iraq and France to give military assistance to Iraq.

But the one solid fact surrounding the gold price at the moment is that while the dollar is as strong as it is the need for the investor to fall back on gold is not there.

However, all these complications do not detract from the fact that gold remains South Africa's single biggest foreign exchange earner by far in comparison to the entire basket of other goods we export.

This means that the more the gold mines can produce and sell overseas the more the Government will get in tax revenue from the mines to be able to pay the enormous bills the Treasury is faced with.

In other words if it wasn't for gold we would be bankrupt.

There are many debt ridden countries, such as Brazil and Mexico, who don't seem to worry about being in the red. The figures are mind-boggling. But that is no reason for South Africa to think that it can do the same. That would be disastrous.

When you sort the wood from the trees, you'll see that at this stage in the gold game, only if there is an international catastrophe will we benefit. Everyone would then rush to gold and the price would soar.

Those disasters could come if, for instance, Brazil or Mexico upset the international monetary system by reneging on their debts or if there was a major super power military confrontation (or the distinct prospect of one).

Finance Minister Horwood is on record as saying he feels the first will be the saving grace for gold ... at some stage one of these countries is bound to drown in its debts and drag the credibility of the dollar, which has financed the debts in the past, down with it.

But when that will be is guesswork ...

GENERAL AFFAIRS **by RODNEY PRYNNE**

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IN FOCUS THIS WEEK: THE NEW TAX FOR BLACKS AND WHY THERE IS DISTRUS

OUT OF THE BLACK AND INTO THE RED!

That's the way it could be for the higher paid workers under the new syste

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under the old system, the Department of Co-operation and Development collected taxes last year of around R220 million and diverted them to homelands and independent states according to a formula.

A senior Inland Revenue official estimates that these receipts could fall to as low as R70 million. But because of certain agreements between South Africa and the black states, this shortfall will be met by South Africa. This means additional headaches for Minister Horwood as he struggles to make up all the other Government department deficits. By all accounts, then, the timing of the move appears unjustified.

The second issue which the tax change is likely to force over the coming few months is the ever-present one of redistribution of tax receipts, to give the black sector a significantly larger input in areas like health, education and community development. It certainly does not take a political agitator to realise the validity of the "no taxation without representation" argument in the current context.

These two major concerns are thus underpinning the unease with which the business community has had the tax change thrust on it. Those with weekly paid workers will already have faced the first test, and in the case of low wage earners, the response may well have been positive.

Under the new system, the lower paid employees will wind up paying less tax, but higher-earning singles and married women will be significantly harder hit, as the following example shows:

- A black worker earning R3 000 a year will pay no tax at all. Until now, there was an automatic assessment of R23 a year.
- At the R8 000 a year level, a black married woman will have to pay more than double — the present figure of R486 a year will go up to R1 042.
- A single worker earning R4 800 a year, who now pays R151 a year, will have to fork out R212 a year.

The other problematic aspect of the new system will surface only at the end of the first tax year, when those who have been paid overtime, for example, will be required to pay back some of the money they received during the year. And the interpretation of rebate allowances under the tribal system involving more than one official wife are enough to make even tax lawyers swoon.

The current state of affairs is thus one of limbo. It no longer looks as if there will be simultaneous industrial action across a wide front similar to the disruption of 1980/81. But employers do not believe they have heard the end of the issue, despite their obvious improvement in handling such Government-imposed legislative changes affecting their employees.

AN OCCASIONAL COLUMN

... AND FOR MY NEXT TRICK

SOUTH Africa's economic welfare is firmly hitched to the price of gold, both economically and emotionally. Children as good as gold were unobtrusive and well-behaved. But recently gold has turned violently naughty — taking us through huge swings between optimism and gloom. FINANCE EDITOR MIKE PEIRSON provides an insight into what has taken the goodness out of gold.

FIVE years ago if you'd asked the average person what the gold price was they would have looked at you with a puzzled expression. No-one doubted its value — so there was no need to know about it.

Today, with the mass media giving us almost daily coverage of the fluctuations of the valuable commodity, a great percentage of people would have a reasonable idea whether it was up or down.

But predicting the way it will move next? There's no simple guide to that — not even a difficult one.

The best brains in the country and most confident chartists are unable to come up pathetic computer which has been a boon to the speculators.

No longer have they had to rely on their own unsteady judgment. A well-programmed silicon chip can throw up buy and sell commands. And for those dabbling in paper gold on the futures market the computer has been looked upon with that kind of awe.

The investor in this market has no respect for real, physical gold. It's all on paper in relation to future supplies and a projected price.

There is no doubt the New York futures

in the south had cost the organisers more than R28 000.

By yesterday funds had start of the ill-fated Wilbur Ellis Da Gama Durban-to-East London ocean race.

'Malpractices' in works department

African Affairs Correspondent

ULUNDI—Some petrol attendants worked hand in hand with watchmen in the Department of Works in order to steal petrol, a member of the KwaZulu Legislative Assembly alleged yesterday.

Chief C Kaula of Umzumbe made these assertions during the debate on the policy speech of the Minister of Works, Chief C Simon Gumede.

Chief Kaula said these attendants had duplicate keys for the petrol bowsers and made arrangements for people to collect petrol after hours.

He said some drivers of bulldozers in the department constructed roads privately and excavated sites unofficially.

Chief Gumede said, in reply, that he had asked Chief Kaula to give him specific details of these malpractices but he had never done so.

The member for Enseleni, Mr Simon Conco, said the incident of malpractises in the department had dropped since Chief Gumede had taken over as minister.

He said the establishment of control liaison committees had frightened many employees away from committing irregularities.

Robbers lock elderly couple in cupboard

Crime Reporter

AN ELDERLY Durban man and his wife were locked in a cupboard and robbed of jewellery and R300 in cash when burglars broke into their house.

Police said the couple, Mr Ingebrigt Ringdale, 77, and his wife, Liv, 64, had been in their Cato Road home on Thursday night when two black men climbed through an open window.

The men threatened them with a gun and demanded money. They handed over R300 before being pushed into a built-in cupboard.

After about two hours Mr Ringsdale and his wife forced the and They discovered that jewellery was also missing.

Police are investigating.

Suspended jail term for sergeant thief

Court Reporter

A 27-year-old Citizen Force sergeant in the Natal Mounted Rifles was sentenced to two years imprisonment suspended for five years by Mr J J Augustyn in the Durban Regional Court yesterday for stealing R3 500 from mess funds.

Before Mr Augustyn was Colin Peter Hardouin.

He had pleaded guilty to taking the money while acting as mess treasurer for the unit between November 1982 and February this year.

He had had financial problems.

He admitted previous convictions for theft.

Passing sentence Mr Augustyn said he had abused a position of trust.

He ordered that Hardouin be placed under the supervision of a probation officer for two years.

Foul!

BERNE—The referees' committee of the European soccer rulers UEFA, intends to take action against players who leave the field after scoring a goal to celebrate in front of supporters. It says offenders could face a caution. — (Sapa-AP)

year.

The Chamber of Commerce, Consumer Council and Housewives League said the the tax increase was highly inflationary.

Crisis

The Afrikaans Handelsinstituut said GST should be a low-interest, broad-based form of taxation which should never be adapted at will. It warned that the increase could have the Government facing a confidence crisis.

The general manager of the Durban Chamber of Commerce, Mr Ken Hobson, predicted a general increase in prices from July — including those foodstuffs that are to be exempted from the tax.

He said increased transport costs, arising from increased fuel and maintenance costs, would increase the price of goods generally.

Exempting certain foodstuffs from the tax would help to a certain extent, he said, but would hit mainly young people establishing themselves.

Mrs Joy Hurwitz, national president of the Housewives League, said: 'This is a slap in the face to consumers. South Africa must be on the verge of bankruptcy for it impossible for consumers to save. The already impoverished middle class would become poorer at a faster rate.

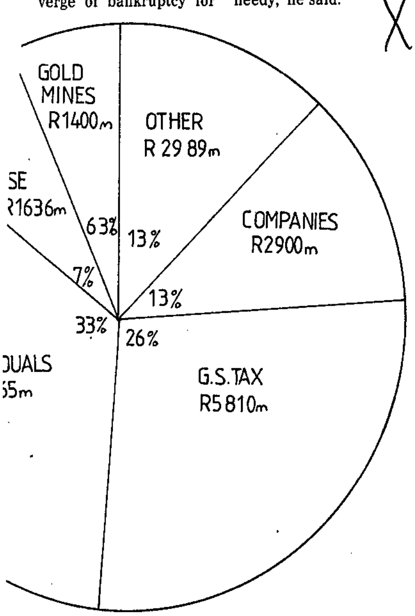
Mr Gordon Utian, Checkers managing director, welcomed the removal of GST from basic foods. 'It comes as a tremendous relief and will help the people who most need it,' he said, urging the Government to reduce GST as soon as the economy improved.

Chief Gatsha Buthlezi commended Mr Horwood for removing the tax on certain foods but thought lower-paid workers would still suffer most.

Mr Ashwin Mohanlall, president of the Durban Indian Benevolent Society and welfare spokesman on the South African Indian Council, said the increase would create further inroads into the pay packets of hundreds of thousands of workers.

If all foodstuff and medicines were exempted from GST, then it may have had a conciliatory effect, he said.

'The R10 a month increase granted to Indian pensioners, with effect from October 1, will not bring any meaningful relief and this amount should be increased to compensate the poor and needy,' he said.



ws where Mr Horwood gets his income. Gen- be expected to yield 26 percent of the total 0 million tax in the current year.

The Parliamentary Committee on Standing Rules and Order was also still considering how financial affairs would be handled in the new parliamentary system.

Decision

Further recommendations would still have to be made to the Cabinet before a final decision could be taken.

'As far as I am concerned, I want to make it clear that because of the already high level of expenditure and the tight income position this year, which I have tried to improve, there will unfortunately not be any question of a significant increase in expenditure for own affairs,' said Mr Horwood.

Various Bills had been prepared to finance the three chambers but decisions in principle by the Government were still necessary before the Bills could be completed. It had therefore been impossible to assess the cost of introducing the new system.

Only the direct costs of enlarging Parliament could be worked out with any accuracy but it was not necessary to anticipate these matters too far in advance.

Study of two rivers

Pietermaritzburg Bureau

SCIENTISTS and engineers from the Department of Environment Affairs concluded a two week tour of the upper Mooi and Umgeni River catchment areas yesterday to assess the effects of various land-use systems on present and future water resources.

The group was involved in an intensive study to identify conflicts in water use by agriculture, forestry, industry and urban development and to assess possible effects on water resources in the areas.

A Directorate of Forestry spokesman here said apart from the recent drought years, stream flow had been reduced through increasing irrigation, industry and urban development.

12/05/ P4 (320)

... be in very bad way'

Financial Editor

GOVERNMENT income and expenditure must be in a 'very bad way' if general sales tax had to be increased only six weeks after the Budget, Durban Chamber of Commerce's president Mr Sandy Morrison said.

He viewed the increase with a sense of shock.

'The increase is so close to the Budget to make nonsense of it. The Government has apparently lost control of expenditure and lost control of the ability to fight inflation.

'The tax increase will have an adverse effect on commerce and industry. People are not saving and they are now less likely to save because they will have less disposable income.'

The Natal Chamber of Industries said while tax increases could never be really welcome, the GST increase had an important qualification.

The chamber has for a long time proposed the exemption of basic foodstuffs from GST because of the impact on the lower income groups and is pleased that the administrative difficulties of achieving this have been removed.

Spending

The increase from 7 to 10 percent is obviously necessary to compensate for the narrowing of the GST tax base which has made the tax far more acceptable, the chamber says.

The next six weeks are likely to see a consumer spending boom as people endeavour to miss the effects of the 43 percent hike in the general sales tax which comes into effect on July 1.

Mr John McCarthy, an executive director of the McCarthy Group, said car sales could be very good in June as people would be expected to buy before the tax hike. The tax saving on a R20 000 ca[r] would be R600.

July would be dull — but the industry shoul[d] return to the usual leve[l] within a few weeks.

Mr McCarthy said th[at] some cars might be i[n] short supply if the publi[c] had a heavy rush o[n] stocks.

Car sales seemed t[o] steady fairly rapidly — i[n] about a month — after [the] tax hike.

Shopkeepers will have to devise some system of distinguishing taxable and tax-free goods. The add-on system has been imposed from July 1 which means that tax is computed at the tills.

Yesterday's shock announcement of the rise in the rate from 7 to 10 percent was lessened by the wide range of food which will not have to pay any GST at all.

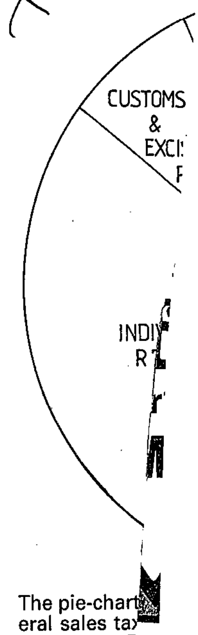
Budget estimates for sales tax were R5 010 m — a 30 percent increase on the year before — but the minister expects that the July 1 change will bring in only R800 m more.

'A wave of buying up will come'

Mercury Correspondent

PORT ELIZABETH—Mr N Verméulen, director of the National Association of Automobile Manufacturers of S A (Naamsa), said last night the GST increase would cause 'a wave of pre-emptive buying of consumer durable goods, particularly new vehicles.'

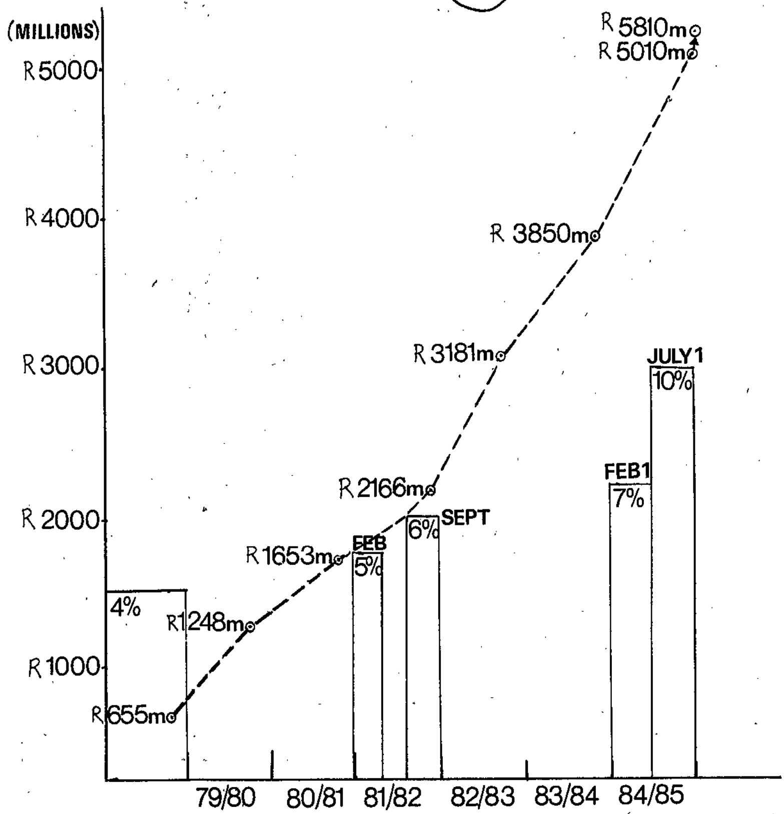
'Naamsa trusts that the additional revenue to be raised in this manner will enable the Minister to make certain much needed concessions to the productive sectors of the economy especially the motor vehicle manufacturing industry, which requires urgent relief from the administrative complexities and impact of the ad valorem customs and excise duties imposed in terms of the



The pie-chart ... eral sales ta...

12/05/84

N. Mercury 12/5/84 (320)



Starting at 4 percent, the 1978 general sales tax has climbed steadily to July 1's 10 percent. The graph shows how much revenue has been gained from this tax each year with an estimated R5 800 million expected in the current tax year.

Economy revival will be delayed

Loraine Tulleken
Political Reporter

SHOCK, tempered by some relief, has followed the announcement of the 10 percent general sales tax from July 1.

All sectors have welcomed the news that some food will be totally exempt from tax, but the effective 43 percent jump in GST, barely six weeks after Minister of Finance Owen Horwood presented his Budget, has been been roundly condemned.

There is also general concern that the different scales will aid tax evasion when the Government is already losing vast sums because of collection difficulties.

While the Chamber of Industries saw the increase as necessary, it predicted that the long-awaited revival of the economy would be postponed until next

the Government to take such action at this time.

'Since 1978, the league has asked for basic foods to be exempted from GST, but the impact of the additional three cents in the rand on everything else will increase our cost of living when most consumers cannot afford it.'

She urged the Goverment to drop sales tax on all food and increase the tax on luxury items.

Mr Jan Cronje, Consumer Council director, said the increase would make

New deal finance plans sought

Political Correspondent

CAPE TOWN—The Government still does not know how it is going to finance the new constitutional dispensation now only four months away.

But Finance Minister Owen Horwood has warned there will not be any significant increase in expenditure for 'own' affairs.

He told Parliament yesterday that the Government was still considering detail and principle recommendations for the new system.

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Dock Horwood salary, cry shocked MPs

Parliamentary Correspondent

CAPE TOWN—In one of the most fiery debates in Parliament this year, MPs of all three opposition parties yesterday reacted with shock and outrage at the Government's plan to increase GST by 3 percent from July 1.

Minister of Finance Owen Horwood was personally attacked for his handling of the country's finances since 1974. As a token of strong censure, the Opposition proposed that his salary be reduced.

Opposition MPs predicted that the Government would increase taxes again later in the year as State expenditure exceeded the Budget.

When Mr Horwood made the announcement during a debate on his Budget vote, there were shocked cries of 'Good Lord', 'What did you say?' and 'It's a scandal' from opposition MPs.

The PFP's chief finance spokesman, Mr Harry Schwarz, said the announcement induced a sense of 'shock and disbelief'.

At times during the debate Mr Horwood and Mr Schwarz exchanged angry words across the floor of the old Senate chamber where the proceedings took place.

'Bluffed'

There were also opposition allegations that the Government had lost control of the economy, was governing on a basis of ad hoc crisis management, and had bluffed the country when the main Budget was presented in March.

Mr Schwarz said the increase in GST would cause the public to ask if the Government knew what it was doing.

Another opposition spokesman, Mr John Malcomess, said the increase could lead to a hike of up to 2 c a litre in the price of petrol.

Mr Schwarz said that in the main Budget speech in March Mr Horwood had said MPs would be relieved to know GST was not going up, but less than six weeks later he had raised it substantially.

Yesterday's announcement and Mr Horwood's reasons for it vindicated opposition claims in March that the Budget lacked credibitity, he said.

Between now and July 1 when GST would go up, people might commit themselves to purchases on credit to avoid increased tax and Mr Horwood would be party to people piling up substantial debts.

The planned GST hike proved that figures he presented in his March Budget were 'no good', Mr Schwarz said.

The Conservative Party's finance spokesman, Mr Jan van Zyl, also expressed shock at the proposed GST increase.

He said GST was increased from 6 percent to 7 percent in February. The latest hike meant that so far this year, GST would have risen by 66 percent.

The New Republic Party's finance spokesman, Mr George Bartlett, associated his party with the expression of shock by other opposition MPs.

'Excessive'

Although the planned exemption from GST of certain basic foodstuffs was welcome, the 3 percent increase would nevertheless eat into the purchasing power of economically hard-pressed South Africans, he said.

Mr Horwood should not have allowed the economy to have reached the state where this type of action was necessary.

Government spending was excessive and planning was ad hoc. There was no stability or continuity in budget planning and the Government was not searching for the causes of the country's economic decline.

Unless the economy achieved an annual growth rate of 5 percent in the years until 2 000, South Africa would have lost the race against time and could face the prospect of the same economic chaos that had struck countries in the East and in South America, Mr Bartlett said.

In reply to the debate, Mr Horwood angrily defended the Government's action which he said was the 'most considered' that could have been taken.

'Government n

12/05/84

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Chief briefs UK on new constitution

Loraine Tulleken
Political Reporter

CHIEF Gatsha Buthelezi, back from a visit to Britain as guest of the British Government, said yesterday that he had had wide-ranging discussions with Mr Malcolm Rifkind, Minister of State in the Foreign Office, on the implications for blacks of South Africa's new constitution and tricameral parliament.

Mr Rifkind had shown an understanding of the situation and promised to inform British Prime Minister Margaret Thatcher on these and other views which had arisen out of the discussions.

Chief Buthelezi said he had warned that, in spite of the euphoria of the Nkomati Accord, Mr P W Botha was merely entrenching apartheid and ignoring the political aspirations of 70 percent of the population.

Mr Rifkind had said that although the ANC was allowed to run an office in London, the organisation had no direct contact with the British Government because of its policy of violence.

Our Johannesburg correspondent reports Chief Buthelezi as saying on his return yesterday that Mrs Thatcher had only followed the lead of African heads of state in inviting Mr Botha to visit London.

He told a Press conference: 'Most heads of state in Europe take their lead from the African heads of state.

'Once Mr Botha had met President Machel, and it was endorsed by the front-line states, I do not see how heads of state in Europe could refuse to meet him.'

Chief Buthelezi had been warmly received by representatives of a number of African states and had met a number of British leaders and businessmen.

Among them were Dr David Owen, leader of the Social Democratic Party, Mr Donald Anderson, Labour Party spokesman on foreign affairs, and Mr Tiny Rowland, chairman of Lonrho.

Mr Rowland was very positive and had indicated that he would be happy to accept an invitation to visit KwaZulu to survey the possibilities of investment, Chief Buthelezi said.

Family ends yacht search

Mercury Reporter

THE family-organised search for the yacht, Rubicon, which disappeared off the treacherous Wild Coast more than two weeks ago, has been called off.

Search co-ordinator Dr Eugene Leeb-du Toit said that at least 500 000 km² of ocean had been covered during the private hunt, launched after an extensive six-day Air Force search had failed to trace the vessel or five crew members.

The private search between Richards Bay in the north and Mossel Bay been exhausted, but it was hoped that shipping would maintain a lookout for signs of the crew and the vessel.

Dr Leeb-du Toit said yesterday that the families of the missing crew were satisfied that everything possible had been done to find Siggie Eichholz, Tony Holst, Trevor Christopher, Steve Sykes and Sally Fletcher.

'We had to give them every chance we could,' he added.

Rubicon disappeared on April 26 during a violent storm off the Wild Coast shortly after the

Scrap GST on food — unions

Cape Times 19/3/84

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By RIAAN DE VILLLIERS
Labour Reporter

A POWERFUL group of independent trade unions representing almost 300 000 workers has demanded that the government scrap General Sales Tax on all foodstuffs and basic necessities.

In an open letter to the Minister of Finance, the unions state that they have been given a mandate to write the letter by their members, and warn that the members expect them to "report back to them failing a satisfactory reply".

The letter has been sent on behalf of 25 emergent unions expected to join forces in a big, new federation by the end of the year.

It is an unusual move and foreshadows the increasingly active role the new union alliance may play in the future.

The letter points out that the recent decision to increase GST was made without public discussion and seemingly "with no regard to its effects on ordinary people".

Listing reasons for "utterly rejecting" the increase, the letter says it represents a big cut in the income of the working class and the poor.

"The working class have to spend a large part of their income on food and basic necessities, and for every R10 they now have to spend, 70 cents will be taken for tax. This is intolerable," the letter states.

It argues that the government can "easily raise its taxes from those who can afford to pay", such as companies and those who earn big salaries.

Unemployed

It says the increase has come at the "worst possible time" for the working class and the poor. Many workers are unemployed and the drought has meant that working people have had to depend on wages earned in the cities to stay alive.

Instead of spending money to help the unemployed and people in the country areas, the government had put pressure on employers last year to keep wage increases down.

As a result, the standard of living of workers had been forced down even before the GST increase.

Rejecting reasons given by the goverment for the increase, the letter says it has spent money on help to farmers, but has done "nothing which will improve the conditions of life of ordinary peoiple".

"As regards the war in Angola, we believe that the majority of South Africa's people want no part of it," it adds.

Referring to the new system of income tax for blacks which came into operation this month, the letter says workers will be "fully justified" in asking why they should pay these taxes when they have no say in the government which is spending them.

Reply

Also, these taxes weigh more heavily on the working clas than on "those who can easily afford them", it says.

The letter has been sent on behalf of nine affiliates of the Federation of South African Trade Unions (Fosatu), 11 affiliates of the Council of Unions of South Africa (Cusa), and five other leading emergent unions.

RDM 19/3/84 (320)

Unions urge Govt to scrap GST on food

Mail Correspondent

CAPE TOWN. — A powerful group of independent trade unions representing about 300 000 workers have demanded that the Government scrap General Sales Tax on all foodstuffs and basic necessities.

In an open letter to the Minister of Finance, they say their members have given them a mandate to write the letter — and they warn they should report to the members "failing a satisfactory reply".

The letter has been sent on behalf of 25 emergent unions expected to join forces in a big new federation by the end of the year.

It points out that the recent decision to increase GST was made without public discussion and seemingly "with no regard to its effects on ordinary people".

Listing reasons for "utterly rejecting" the increase, the letter says it represents a big cut in the income of the working class and the poor.

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"As regards the war in Angola, we believe that the majority of South Africa's people want no part of it," it adds.

Referring to the new system of income tax for blacks, which came into operation this month, the letter says workers will be "fully justified" in asking why they should pay these taxes when they have no say in government.

It asks the Government to give the matter "serious and immediate consideration" and asks for a reply at its "earliest convenience".

The letter has been sent on behalf of nine affiliates of the Federation of South African Trade Unions (Fosatu), 11 affiliates of the Council of Unions of South Africa (Cusa) and five other leading emergent unions.

Unions want GST on food to be scrapped

(320) 21/3/84 Star

By Carolyn Dempster
Labour Reporter

An open letter demanding that general sales tax for all foodstuffs and basic necessities be scrapped has been sent to the Minister of Finance by six prominent union groups.

The demand has the support of a collective union membership of more than 350 000 workers throughout the country.

The decision to send the letter was taken jointly by the Federation of SA Trade Unions, the General Workers Union, the Council of Unions of South Africa, the Commercial Catering and Allied Workers Union of SA, the Food and Canning Workers Union and the Cape Town Municipal Workers Union.

The unions jointly reject outright the increase in GST from six to seven percent, which was implemented in February this year.

"The decision to increase GST was made without any public discussion and, it seems, with no regard for its effects on ordinary people. As organisations representing workers, we demand that GST be scrapped altogether for all foodstuffs and basic necessities," the letter says.

The unions' reasons are:

- The increase represents a substantial cut in income for the working class and poor people, who have to spend the most of their income on food and basic necessities.
- The tax comes at the worst possible time for the majority of workers. Unemployment is high, and because of the drought many people have to rely on an urban income to stay alive.
- The reasons given by the Government are unacceptable. Farmers are helped, but no thought is given to the ordinary person.
- Following the introduction of the new tax system for blacks on March 1, "workers will be justified in asking why they should pay taxes when they have no say in the Government which is spending them — especially when the taxes weigh more heavily on the working class".

The letter says the recent increases in rail fares, and the prices of bread, sugar and milk, contributed considerably to the burden on black workers.

"These increases render all the more urgent our demand that you reconsider the imposition of GST. We ask your Government to give it your immediate and serious consideration."

Tax warning

Sanlam head calls for long-term economic strategy in Budget

Financial Editor

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ARGUS 21/3/86

DR FRED du Plessis, chairman of insurance giant Sanlam, has called on the Government not to increase taxes in the Budget, now only a week away.

He also called for the introduction of a long-term strategic plan for the development of the economy.

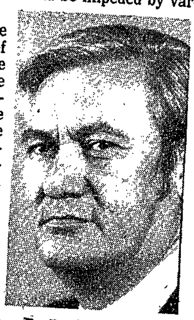
He told the annual meeting of Sanlam in Bellville today that South Africa's economic situation could tempt the Government to increase taxes.

But this would be a retrograde step in the tax reform strategy followed in recent years. Such a channelling of funds away from the private sector to the public sector was also economically unsound and undesirable.

Further blow

An increase in taxes would also aggravate the weak financial position of the average citizen. As a result, consumer support, which was so essential for economic revival, would be dealt a further blow.

He said South Africa was poised for a new economic upswing, but this would be impeded by various problems.



Dr Fred du Plessis

These included the unsatisfactory state of the foreign-exchange reserves, the high rate of inflation, the weak financial position of the average citizen, the dwindling personal-savings effort and the government's difficulty in balancing its budget.

But the rapidly increasing population and its attendant employment problem, as well as the necessity to be economically strong in the face of an unsympathetic or even hostile world made it of paramount importance that a high economic growth rate was maintained.

The authorities would need great ingenuity and would also have to co-operate closely with the private sector to cope with the stumbling blocks cluttering the path to success.

A comprehensive long-term strategic plan could make an important contribution to the solution of the country's unique problems.

"We dare not continue acting on an ad hoc uncoordinated basis without taking our particular opportunities and threats into account.

"If the right measures were adopted we could make the mid-80s exceptionally good growth years for all of us."

Import controls

The recent relaxation of import controls had been carried too far. It had made it more attractive for foreigners to export their goods to South Africa than to invest in industries here. Uncontrolled imports also posed a serious threat to local industries.

South African industries had to contend with a high cost structure and a small local market, and found it difficult to compete with foreign undertakings.

Dr du Plessis defended the tendency for companies in South Africa to become part of large groups.

He said the South African economy was an exceptionally open one, but small by international standards. This meant South African companies had to be financially strong enough to compete with the large companies of leading countries.

Competition

This competition would be impossible if the small domestic market were fragmented among numerous manufacturers, as they would not have the scale benefits for production, finance, administration and distribution that were required for a successful entrance into international markets.

A limited number of large companies in a specific industry usually produced keener and more effective competition than when the only competitors were numerous small companies.

Prices had risen most sharply in those areas where "perfect" competition existed.

Such areas included the prices of motor vehicles — a sector in which South Africa had more manufacturers and models than any comparable country — and the building costs of dwellings — also a sector in which there seemed to be brisk competition.

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S Star 2/3/84

Assocom takes another look at sales tax impact

By Michael Chester

Sweeping revisions of the general sales tax (GST) system may be undertaken after a nationwide study launched by big business — with Government co-operation — into the growing impact of the tax on family budgets.

The Association of Chambers of Commerce (Assocom) has recruited an influential team of experts to prepare a new set of proposals on how to relieve the tax burden on lower income families.

A possibility is that a higher GST may be introduced on less essential and luxury items, in a sliding scale of rates, as a quid pro quo for tax cuts on staple foods and vital household needs.

But Assocom emphasises that the team has no preconceived recommendations on any reshaping of the GST rules and will await a full assessment from its researchers before it seeks talks at government level.

The significance to outside observers stems from evidence of a basic re-think in Assocom's first reaction to the introduction of general sales tax in 1974 — that the administrative cost of any exemptions would outweigh the benefits.

Assocom has been motivated to investigate the merits and demerits of exemptions by the relentless climb of GST from four percent to a current seven percent — boosting government revenue to about R4,7 billion a year.

The debate has been sharpened by forecasts that Mr Owen Horwood, Minister of Finance, will announce more shocks for individual and corporate taxpayers in next week's Budget.

Observers have also been encouraged to predict major Assocom policy changes by the names heading the study group and their potential influence on government thinking:

- The chair goes to Mr Melville Pels, a former national president of Assocom, chairman of its high-ranking distribuion committee and legal director of one of the largest supermarket chains.
- Mr Mickey van der Walt, former Commissioner for Inland Revenue, moves into the team — with an assurance from the Government that the current regime of the Department of Inland Revenue will give its cooperation.
- The influential Bureau for Economic Research at Stellenbosch University, where Prime Minister Mr P W Botha is chancellor, has been commissioned to join the research team.

"It's too early to guess at the sort of recommendations we will put forward," Mr Pels told 24 Hours. "We want to analyse sales tax systems on an international, as well as a domestic, level.

"There is clearly an urgent need to assess all possible new avenues. It's an extremely tricky problem with all sorts of variables that need to be considered, not least the social implications.

"It may take as long as three months to formulate our ideas about a new approach — but it should be worthwhile in the end."

OCK EXCHANGE

Kantor sees no rise in tax rate

ARGUS 22/3/84 320

Financial Editor

ECONOMIC activity in South African is increasing, next week's budget will be a popular one and inflation is below expectations.

These were some of the points made by Professor Brian Kantor of the School of Economics at the University of Cape Town, in an address to the university's Graduate School of Business Association.

He said the Minister of Finance, Mr Owen Horwood, had consistently surprised forecasters by planning to spend less in his Budgets than they expected him to do.

Thus his Budgets were intentionally popular ones in the sense that tax increases were less than expected.

He believed Mr Horwood would achieve the same effect this year.

24,5 PERCENT

Mr Horwood had steadily reduced the percentage of the gross domestic product spent by the Government. He expected this trend to continue this year, with government expenditure limited to 24,5 percent of the estimated GDP of around R100-billion.

This would permit spending of R24,5-billion, which would be 10 percent above actual spending and 16 percent above that budgeted for in 1983-84.

Assuming a borrowing requirement of R3-billion, the Government would need revenues of R21,5-billion. This would require a revenue growth of only R800-million.

This should not require any increases in tax rates.

.. taxes (other than those on beer and tobacco, which were not linked with inflation) were increased, it would mean that Mr Horwood had failed to hold down Government spending.

Professor Kantor urged the Government in the interests of economic growth to limit spending.

"High tax rates harm economic growth by undermining incentives to work, to save and invest and to bear risks. The way to keep down taxes is to hold down Government expenditure."

SALES HIGHER

Statistics showed quite clearly that the economy was now performing considerably better than a year ago.

Figures compiled by the Standard Bank showed that compared with a year ago recent business activity in general, retail sales, wholesale sales, car sales and manufacturing production were higher than a year ago.

Mining production had at last begun to recover, and indicators of rail traffic, electricity, building plans passed and completed, imports, exports and financial market indicators showed substantial growth.

Even registered unemployment was down.

Inflation had shown a substantial decline especially if measured by the producer price index.

Year-on-year producer prices in January were only 7 percent higher than a year before — a rate of increase probably half the rate forecast in budgets a year ago.

The consumer price index was 10 percent higher than a year ago and the difference was accountesd for mainly by interest rates on mortgages, which formed an important part of household expenditures and were not included in the producer price index.

The one disturbing development had been the recent decline in the value of the rand as a weaker rand inevitably brought inflation in its wake.

SA income tax rates hot on heels of Britain's

o/c Argus 24/3/86

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By DEREK TOMMEY
Financial Editor

OLD myths die hard and many people — especially those Britons who emigrated to this country 10 or more years ago — still believe they are living in a low-tax country compared with elsewhere in the world.

In particular, the belief is still strong that taxes in this country where the emphasis is on free enterprise, self-reliance and non-interference by government, are significantly lower than in a country such as Britain, which is famous — or notorious — for embracing the concept of cradle-to-the-grave welfare for its populace.

However, an analysis of British income tax rates in last week's budget there shows that the gap between the two countries' rates is narrowing rapidly. In fact, if you are a house-buyer in Britain, or both spouses are working, the tax rates are lower than they are here.

Gap narrows

As can be seen from the accompanying table, on a straight comparison Britons in the lower income groups pay about 50 percent more in income tax than in this country.

On the other hand the gap narrows the higher you move up the income scale so that for people in South African earning R30 000 a year the gap is only R300.

This is mainly the result of the steepness of the South African income tax curve which treats lightly people in the lower income groups.

However, where the big difference arises between the rates in the two countries is when the British taxpayer is also a house buyer.

In Britain interest payments on mortgage bonds are tax deductible, and this can make a substantial difference to the amount of income tax actually paid.

Wihout success

Column C in the table shows the effect to which a £15 000 (R26 250) mortgage bond can reduce tax payments and column D the effect on tax payments of a £30 000 (R52 500) bond.

This is a concession which estate agents in South Africa have been urging the Government to grant, but so far without success.

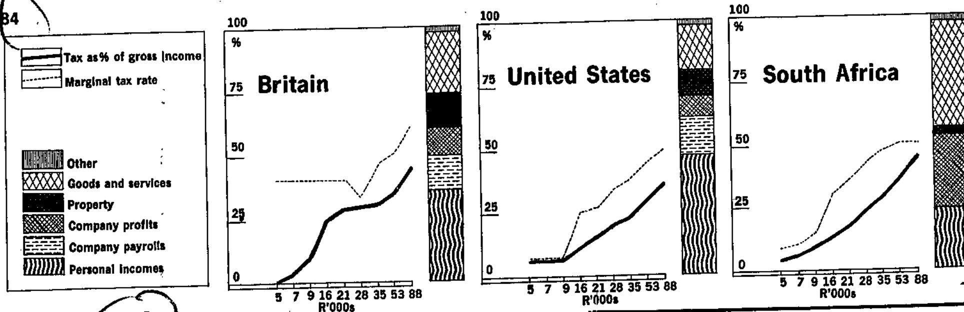
Another area where the taxpayer in Britain is better off than in South Africa is in the size of the working woman's allowance which goes up to a maximum of R3 500, which is substantially larger than the similar allowance here of R1 600.

How rates compare

Income	SA tax	British taxes*		
	A	B	C	D
Rands	Rands	Rands	Rands	Rands
4 800	47	—	—	—
6 000	197	143	—	—
9 600	654	1 224	338	—
12 000	1 085	1 943	1 058	172
14 400	1 629	2 663	1 778	892
18 000	2 652	3 743	2 858	1 971
24 000	4 673	5 543	4 658	3 772
30 000	7 053	7 343	6 458	5 572
36 000	9 777	12 991	8 258	7 371
42 000	12 707	16 415	15 086	12 229

A = Tax paid by married couple. No deductions.
B = British tax rate without mortgage allowance.
C = Allowance for £15 000 (R26 250) mortgage.
D = Allowance for £30 000 (R52 500) mortgage.
* Based on £1 = R1,75.

1984



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S-Times 25/3/84

South Africans taxed on taxes

By Barry Sergeant

SOUTH AFRICA's tax base — the source of revenue for the Treasury — differs drastically from those of Western countries.

Although South Africa boasts freedom from complicated sources of indirect taxes, such as value added tax, the tax exists here in all but name. The biggest cash cows for the Government are petrol, beer, spirits and cigarettes.

The remarkable feature of taxes on these and related products is that sales tax is computed after excise duties have been slapped on — and tax is paid on tax.

The mark-ups on a litre of petrol — in their various guises — add more than 100% to its cost.

One of the main sources of government revenue in the West is national insurance contributions (Nics) taken off company payrolls. Most of the money raised by Nics is ploughed back into the economy in welfare benefits — mainly medical and pensions.

South Africa does not have Nics, or anything like it.

The SA Government raises proportionately more revenue from company tax than any major nation in the West. It could raise much more if the numerous tax allowances were honed down.

Personal income tax rates in South Africa compare with the highest in the world. The average tax rate is the percentage of tax paid on income at each level of income; the marginal tax rate is the percentage of tax paid on each extra rand earned.

The higher the marginal rate, the less attractive the incentive to work harder and earn more money.

The graph shows rates for married taxpayers after basic deductions. A graph for individuals in South Africa would show a harsher toll. But if income is derived from husband and wife, they pay proportionately more than they would as individuals.

The most profitable sectors in South Africa since the onset of the recession have been the banks and financial institutions. But their contribution to the Treasury has been small by comparison with trading and manufacturing companies.

Pension funds are non-taxable; life offices have a subsidised tax rate; and the banks exploit tax allowances designed for the non-banking sector.

Money trouble ahead

Uneasiness about SA's 'unfair' tax structure

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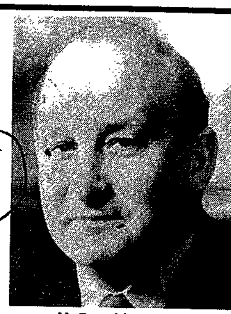

Mr Donald Gordon

Mr Owen Horwood

By David Braun, Political Reporter

The probability that the Minister of Finance, Mr Owen Horwood, will have no choice but to raise certain taxes in his Budget tomorrow has raised serious doubts about South Africa's entire tax structure.

Economists and businessmen warn that in the current recession, the worst in many years, individuals and many companies are in no position to contribute any more to the Government's coffers.

But there is also consensus that, faced with heavy demands on State expenditure, not least for the drought, the maize import bill and the new constitution, Mr Horwood will be unable to balance his Budget without borrowing money and asking South Africans to dig deeper into their pockets.

The problem is that, owing to certain loopholes in the tax laws, some companies are paying far less tax than others. What is under fire is the inequitable way in which the tax structure is being applied.

Individual taxpayers have in recent years been caught up in "fiscal drag" or "bracket creep". Because of the progressive tax scales, in which the more income earned the higher the rate of tax levied on the extra earnings, taxpayers find that their real increases in taxes payable soar well above the inflation rate.

Mr Brian Goodall, Progressive Federal Party member of Parliament for Edenvale and secretary of the PFP parliamentary financial caucus, recently estimated that average 1984 pay rises of 12 percent would alone cause the total personal income tax bill to grow by up to 20 percent, or around R1 000 million, as more workers were forced into steeper marginal tax levels.

Dr Johan Cloete, chief economist at Barclays Bank, says that five years ago individuals were contributing about half of all tax revenues in South Africa. Today, their contribution is about 60 percent.

The recent rise in GST and the effects of fiscal drag will reduce real disposable income of the man in the street by about two percent this year, he adds.

If taxes are raised on top of this, consumers will stagger under an even heavier load and it will make any economic recovery before 1985 very difficult.

Mr Donald Gordon, chairman of Liberty Life, says a rise in personal income taxes will deflate consumption expenditure and deepen and prolong the recession.

Dr Fred du Plessis, chairman of Sanlam, says an increase in taxes will aggravate the weak financial position of the average citizen. As a result, consumer support, which is so essential for economic revival, will be dealt a further blow.

The same businessmen have urged the Government not to be tempted to raise company tax, now running at 42 percent plus 10 percent loan levy.

NO MONEY TO PAY TAX

Experts generally argue that with plunging earnings the companies have no money to pay more tax.

Mr Gordon warns that an increase in company tax would adversely affect foreign investment. The trend overseas is to reduce company taxation, but to spread the tax load more equally among all companies.

In South Africa the gremlin in the tax system is what has been described by leading tax consultant Mr Costa Divaris as the discriminatory practice of allowances.

Many companies have been able to reduce their tax bills by taking advantage of allowances designed to encourage investment in buildings and plant and machinery.

Mr Goodall estimates that while company tax is now pitched at 46,2 percent (including the loan levy), the actual tax paid on profits by the commercial sector has sunk to 30 percent while manufacturers are paying less than 25 percent.

Dr Cloete says the scope of concessions given to companies has got out of hand.

"The Minister has to raise the effective tax rate of companies, which is currently at an average 26 percent, against the official rate of 42 percent. If the effective rate were raised by only a few percent there would be less need for additional taxes," he says.

Mr Gordon calls on the Government to broaden the corporate tax base so that more companies can pay a fair share of taxes.

He says the problem is that the authorities have allowed the corporate tax base to be eroded too far. Many big companies are taking full advantage of concessions while a few willing horses who are not permitted to take advantage of such concessions are taking up more of the load and creating the situation where the tax load is very inequitably spread.

"And the loophole which was only recently stopped by the Minister where companies were allowed to purchase tax losses from other companies has cost the Fiscus an enormous amount in the past year.

"We should look at the example of Britain, where the Government there has announced that it will eventually cut corporate taxes to 35 percent but will at the same time do away with a lot of allowances. That is very courageous and right. We should be looking at similar strategies rather than putting taxes up and this will be very beneficial to the economy in the medium term."

Mr Divaris says that the Minister is likely to raise company taxes on Wednesday. This, he feels, will be highly discriminatory because those companies who enjoy the various allowances will get even more value from their privileges, he says. Those who are already penalised will be at an even greater disadvantage. So any increase in taxes under the current system will be totally wrong.

"If the Government takes away all the allowances and allows everyone to pay tax on an equal basis it will not be so hard-pressed. The Government suffers now because it has lost so much of its tax base," he says.

ARGUS 28/3/84

Tax on housing subsidies 'disastrous'

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Property Editor

WHILE housing subsidies might be criticised in the market place, there are other ways of looking at them.

One leading estate agent, Mr Eskel Jawitz, vice-chairman of the Institute of Estate Agents, has little doubt that the repercussions of taxed concessions in the homes field, would be "disastrous".

"Housing subsidies are a fringe benefit designed to retain staff by reducing their taxable income," he says.

"They are part of the growing awareness that business cannot divorce itself from its social responsibility to ensure that employees live in acceptable, clean and well built houses, giving them security in their jobs and consequently improving their productivity."

Mr Tony Kromberg has been appointed a director of Corobrik Western Cape.

Miss Sandra de Montille has been appointed projects consultant at property economists Herbert Penny.

It is argued, too, that any tax move could only result in an immediate spate of wage demands, resulting in a further fuelling of inflation.

"Civil servant salaries would have to increase enormously to counteract the denial in value if subsidies were taxed," says Mr Jawitz.

"The service could even suffer critical staff shortages in much needed areas, as employees might find it necessary to move to the higher salaries of the private sector."

In the current high level of interest rates and inflation, home owners might well need the benefit of the subsidy to maintain their homes and standard of living, without which they could be forced to relocate to more affordable areas, thereby disrupting family life and incurring transfer costs and duties.

GLUT ON MARKET

"Mass relocation to cheaper homes, instead of the norm — which is to relocate to better conditions — could lead to a glut of higher priced homes on the market, and perhaps even falling prices," said Mr Jawitz.

Emphasising that a housing subsidy tax would result only in disincentive to improving productivity and would add further to inflation, he claims.

"Is it fair to tax people retrospectively? After all, when an employee enters into a contract with his employer, one of the conditions is a housing subsidy.

PRECEDENT

"Suddenly it is taxed. Would it not be better to leave all existing contracts as they are and tax only new ones?

"There is, after all, a precedent for this in that whenever the Government changes legislation regarding insurance policies, for instance, existing contracts are left untouched."

Mr Jawitz suggests perhaps a further increase in GST would be preferable to the "disastrous consequences of taxed housing subsidies."

High tax is vital — Zac de Beer

(320) Star 28/3/84

By Susan Pleming

South Africans had to realise that high taxation was essential if the country's education and defence requirements were to be met, said LTA chairman Dr Zac de Beer yesterday.

Dr de Beer was addressing members of the Associated Scientific and Technical Societies of South Africa in Johannesburg.

Dr de Beer criticised the present education system and said he would like to see more education outside the public sector.

"There are still serious ideological problems obstructing development of education among our masses; there is also an inadequate flow of funds for education.

"Additional Government revenue is required. Thus we must contemplate continuing high taxation for a long time," he said.

Many of South Africa's problems stemmed from the fact that the most fortunate people had high consumption patterns, said Dr de Beer.

"Too many South Africans tend to be overhoused, over-fed, under-exercised and overcarred. In our present circumstances, and in the forseeable future, work and thrift are essential."

Dr de Beer predicted that short-term economic prospects for South Africa would be gloomy.

"We should react appropriately — cut consumption, reduce inflation and save," he said.

In the long term South Africans should look at the wide wealth gap, which could be closed "either by levelling down or levelling up".

'Moderate' rise in certain taxes

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Political Staff ARGUS 28/3/84

CERTAIN tax rates have to be increased in the interests of the country, otherwise the Government would be "asking for trouble", the Minister of Finance, Mr Owen Horwood, told Parliament today.

Later editions of The Argus will contain fuller details of the Budget. The Government's full tax proposals and expenditure programme will be published in a final Budget Special edition that will be on sale at major street selling points and agents throughout the Peninsula and northern areas.

But the increases would be relatively moderate, thereby preventing far more drastic, disruptive and painful adjustments in the future.

Making his 10th annual Budget speech to Parliament, he said: "As every responsible person knows, there is a time to cut tax rates and a time to increase them.

"On this occasion the interests of the country demand an increase in tax revenue."

Mr Horwood said he was presenting his Budget against a backdrop of what he labelled "exceptional challenges" which had made the drawing-up of the Budget exceedingly difficult and its contents crucially important.

The South African economy was marked by three extraneous developments during the current financial year which had affected it adversely — the marked decline in the gold price; the sluggish recovery in the world demand for South Africa's main exports other than gold, and the worsening drought.

In spite of these factors, the economy had performed remarkably well, displaying a modest but meaningful recovery in the second half of 1983.

EXPORT-LED

The upswing had started out in the usual fashion as an export-led one, but when the gold price dropped the recovery had been sustained by increases in Government spending and private consumption.

Because this was less-solidly based, it followed that a definite increase in the gold price was needed or in the value of non-gold exports before the recovery could gain further momentum, he said.

Progress had been made in the battle against inflation, but there now appeared to be a good case for reviving the components of the consumer price index to exclude taxes, as this would bring the present inflation rate of 10 percent down to a single figure.

RAND HELD UP

On the balance of payments, Mr Horwood said the remarkable improvement last year, in spite of the gold price and the drought, left a surplus of R275-million compared to the record deficit of R3 210-million in 1982.

The rand had held up well in the foreign exchange market during 1983, depreciating against an exceptionally strong dollar by 11,6 percent but only by 4,3 percent in terms of a weighted basket of foreign currencies.

Policy intentions spelt out in last year's Budget had been overtaken by extraneous developments, which was why both Government spending and the deficit before borrowing exceeded original Budget estimates.

TRANSFORMED

This transformed a disinflationary Budget into a moderately expansionary one.

Real gross domestic expenditure declined for five consecutive quarters between the second quarter of 1982 and the middle of 1983, before recovering moderately during the second half of last year.

Private consumption a head had declined in recent years, but consumers had resisted the need to reduce their spending by saving less and borrowing more.

"South Africa has no foreign dept problem," Mr Horwood said. But the country had successfully raised loans in recent months, which served to maintain the country's presence in the capital markets of the world and to prove credit-worthiness where it mattered.

Housewives want tax on 'perks'

ARGUS 29/3/84

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A PERKS tax and legislation to eliminate "legal loopholes" which enabled companies to pay less taxation are among the many demands being made by the Housewives' League as part of its increasing emphasis as South Africa's largest independent consumer organisation.

Mrs Joy Hurwitz, president of the league, told a meeting in Cape Town this week that it was wrong to expect taxpayers to continue to pay, as part of the price of many basic goods and services, for lavish entertainment and luxurious living enjoyed by some businessmen and employees of both private and State undertakings.

"I can't wait for a perks tax," she said.

"There is no such thing as a free meal when business entertaining is involved. The ordinary taxpayers pay for it."

Tax collection

Mrs Hurwitz said the league would also continue to press for foodstuffs to be exempted from GST, and was also closely watching how effectively all GST tax was being collected.

"Foodstuffs can be exempted from GST, as has been proved in Britain and in the USA. If we can't have all foods exempted, then at the very least some basic items such as bread and milk should not be taxed.

"If all the tax due from GST had been collected, the Government might have been able to avoid putting it up recently."

Investigated

Other issues being investigated and being discussed by the league with either the Government or with business and other organisations concerned include the high costs of medicines and even insecticides and fertilisers.

Mrs Hurwitz urged all members of the league to help all consumers by shopping positively — to always ask for discounts for cash in shops which either offer credit or which accept credit cards, to check prices in independent butcheries and in small shops as well as in supermarkets, and to buy only when they were satisfied that they were getting the best price for the quality they wanted.

In reply to a questioner she acknowledged that comparative shopping took extra time and in some cases involved extra transport costs, but said: "We owe it to all consumers, especially to the vast numbers of the really poor, to fight for better prices all round.

Round corner

"Sometimes you don't even have to travel much farther — you could get better prices from the shop around the corner and from independent butchers."

Mrs Hurwitz also pointed out that the league's monthly newsletter would in future include comparative price surveys and that non-members of the league could subscribe to it.

● Details are available from: The Housewives' League of South Africa, PO Box 52572, Saxonwold, 2132 ☎ 011 788 6801 or the chairman of the Cape Town branch, Mrs Sheila Baillie ☎ 021 71 7826.

For written reply: Hansard

320 **Tax paid: 1983** Q. 61. 800

29/4/84

545. Mr J J B VAN ZYL asked the Minister of Finance:†

What amount of tax was paid to the Receiver of Revenue by (a) the gold mines, (b) other mines, (c) companies other than mining companies and (d) individuals (i) by means of the PAYE system and (ii) in any other specified way in (aa) December 1982 and (bb) each month of 1983?

The MINISTER OF FINANCE:

From the available statistics it is impossible to distinguish between PAYE and other payments. The total amounts paid during the relevant periods were as follows:

	(a) Gold Mines	(b) Other Mines	(c) Companies other than mining	(d) Individuals
	R	R	R	R
(aa)				
December 1982	17 412 598	34 933 427	331 952 067	410 378 075
(bb)				
January 1983	87 234	2 889 541	467 115 708	405 467 987
February 1983	653 107 783	51 170 760	234 032 704	486 815 421
March 1983	458 811	32 731 307	385 446 456	649 808 088
April 1983	—	718 495	235 729 517	304 563 548
May 1983	261 913 892	847 850	192 378 477	364 837 527
June 1983	12 024	42 372 063	334 094 211	395 322 274
July 1983	—	14 700 986	381 504 200	363 659 641
August 1983	762 773 772	553 743	230 853 434	585 431 237
September 1983	447 416	7 370 327	250 860 226	631 221 745
October 1983	—	3 184 059	282 179 057	387 394 790
November 1983	166 828 587	10 488 612	117 673 017	433 550 201
December 1983	70 513	56 938 026	225 588 896	494 153 369

320 **Tax assessed: 1982-83** 29/3/84
Hansard Q. col. 802

554. Mr T ARONSON asked the Minister of Finance:

What is the total amount of income tax assessed for the 1982-83 tax year in respect of (a) companies and (b) individuals?

The MINISTER OF FINANCE:

As at 31 January 1984 the total amount of normal tax assessed for the 1982-83 tax year was—

(a) R2 166 800 159.

(b) R3 256 710 765.

ter of Finance:

(a) What were the total taxable earnings for Whites, Coloureds and Indians, respectively, in each of the latest specified five years for which figures are available and (b) what was the percentage increase or decrease for each population group over the previous year?

The MINISTER OF FINANCE:

~~128~~

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	Whites	Coloureds	Asians
(a)	R'000	R'000	R'000
1978	11 353 902	694 335	457 457
1979	12 386 755	811 027	523 878
1980	13 811 654	944 524	598 907
1981	15 297 383	1 112 487	688 852
1982	20 111 851	1 474 916	978 677
(b)	%	%	%
1978	4,11	11,04	9,17
1979	9,10	16,81	14,52
1980	11,50	16,46	14,32
1981	10,76	17,78	15,02
1982	31,47	32,58	42,07

RDM 30/3/84

Cusa slams black pensions

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Labour Correspondent

THE Council of Unions of SA, which represents more than 100 000 black workers, has sharply attacked this week's Budget and the fact that black pensioners have again been granted a smaller increase than other race groups.

In a statement yesterday, Cusa said company taxes could have been increased "comfortably" by another 5%, and "once again the Budget appears to satisfy the needs of only one class in South Africa".

It noted that black workers were now paying the same taxes as whites and said despite this "the Minister of Finance has persisted in discriminatory practices by providing different benefits for pensioners".

Cusa said workers were "hard-pressed to make ends meet" and it was "a pity that the Minister did not see fit to cut defence expenditure and Government bureaucracy and so have a trimmer Budget".

The Budget, it said, was almost 17% larger than last year's. The Minister "has not seen fit to cut Government-created inflation, but expects workers to bear the brunt".

Cusa added that it hoped there would be no further increases in the price of basic foodstuffs, transport and general sales tax this year.

"Such increases would place an intolerable burden on workers," it said.

The president of the Transvaal Indian Congress Dr Essop Jassat said the Budget "hid the adverse effects of previous rises in general sales tax and other price rises which increase the racial burden of taxation".

He said the disproportionate share of taxes paid by blacks went to maintaining apartheid policies.

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30/3/84

The Natal Mercury, Frid

Unions welcome Horwood hint of food tax relief

Mercury Reporter

THE Budget announcement by the Minister of Finance, Mr Owen Horwood, that the lifting of general sales tax on foodstuffs will be investigated, was yesterday welcomed by trade union leaders and welfare workers as a step in the right direction.

The announcement comes in the wake of sustained pressure from organised labour on the Government to exempt food and other basic necessities from GST.

Recently a group of independent trade unions representing 300 000 workers demanded the lifting of GST on foodstuffs in an open letter to Mr Horwood.

Mr Ashwin Mohanlall, president of the Durban Indian Benevolent Society, said yesterday that GST on all foodstuff should be immediately abolished.

Noted

This was the best way to help the poor.

A spokesman for the General Workers' Union expressed the union's disappointment that Mr Horwood had not lifted GST on basic commodities. But the union noted that this was being considered.

'We wish to reiterate that the workers represented by the GWU, as also the other independent unions, believe they bear the brunt of the hardship caused by both sales tax and massive and continuing price rises,' he said. Workers would await the outcome of the probe with interest.

Mr Arthur Grobbelaar, general secretary of the Trade Union Council of South Africa (Tucsa), has welcomed the investigation into lifting GST on foodstuffs.

He said that the Government could have done more for pensioners and the increases were 'clearly inadequate'.

However, other features of the Budget — especially increased defence expenditure — were sharply criticised.

Problems

The huge increase in defence spending was condemned by the United Democratic Front which, it said, showed the Government was still 'pursuing its policy of militarisation in the face of massive poverty'.

Mr Patrick Lekota, the UDF's national publicity secretary, said in a statement that the increased military expenditure had come as no surprise following the Nkomati Accord.

'Whereas the Prime Minister spoke of peace and good neighbourliness, he did not address the internal problems that have put South Africa on a war footing,' he said.

He said the Budget showed the 'high price South Africans had to pay for the maintenance of apartheid'.

This could only fuel the fires of discontent and anger of the dispossessed, voteless and exploited majority.

● See Editorial Opinion

Pension rise 'not enough'

Mercury Reporter

THE increase of R14 in monthly social pensions for whites is disappointing especially as they only apply from October 1, according to former MP Mr Geoff Oldfield, a veteran campaigner for pensioners' rights.

But he added that any increase was welcomed

Minister of Finance Mr Owen Horwood announced on Wednesday that monthly social pensions for whites were to be increased by R14 to R166, by R10 to R103 for coloureds and Indians and by R8 to R65 for blacks.

Commenting on pension differences between the race groups, Mr Oldfield said: 'We will probably find that from next year, with the implementation of the new Constitution, coloureds and Indians will be looking to narrowing this gap.'

RDM 30/3/84

GST may be taken off some foods

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Pretoria Bureau

THE Cabinet is certain to submit to the long-standing and overwhelming demand for exempting basic foods from General Sales Tax, according to Pretoria sources.

In his Budget speech in the Assembly this week the Minister of Finance, Mr Owen Horwood said he had instructed the Standing Commission on Taxation to investigate the desirability of a number of basic foods; or all foods, being excluded from GST, or being taxed at a lower rate.

Sources consider that GST exemptions are certain to be approved and that they would be introduced to synchronise with an announcement later this year of another increase in GST from its current level of 7%.

The Association of Chambers of Commerce is also investigating the possibility of essentials being exempt from the tax.

Mr Horwood has also instructed the commission to estimate the loss of revenue involved in any exemptions. Economists warned that because of the "virtual ipossibility" of the Government restricting its increased spending in the new financial year to 11,7%, a GST hike later this year looked certain.

The fact that the Minister was now considering the removal of the tax from some commodities was a clear indication, sources stated, that the Minister intended a substantial increase in the tax on a differentiated basis later this year.

Key unions to demand employer aid on GST

RDM 31/3/84

By STEVEN FRIEDMAN
Labour Correspondent

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TWENTY-FOUR unions representing more than 300 000 workers yesterday warned that, unless the Government granted some "relief" from General Sales Tax, they would demand that employers compensate workers directly for the recent GST increase and rises in the prices of "basic necessities".

The unions said they would demand that this "compensation" be added to any wage increase negotiated with employers. They charged that a statement by the Minister of Finance, Mr Owen Horwood, that said he was considering exempting basic foods from gst was "vague".

The unions belong to the six major emerging union groups which recently decided to step up efforts to form a powerful new union federation.

They issued the warning in a statement released after a meeting of the feasibility committee in Durban set up to plan the new federation.

The meeting was the second to be held since the six groups decided to step up unity efforts.

In the statement, they described this week's talks as "detailed and constructive" and said they were aimed at producing a working document on a new federation.

Unions and groups at the meeting were the Federation of SA Trade Unions, Council of Unions of SA, Commercial, Catering and Allied Workers Union, Food and Canning Workers Union, General Workers Union and Cape Town Municipal Workers Association.

Their decision to press ahead with unity efforts followed a meeting earlier this month at which three unions were told they could attend the unity talks as observers only unless they agreed to stop operating as general unions, recruiting workers in all industries.

The three refused to accept this and left the meeting. In their statement yesterday, the unions said they had repeated their position that unions who were "ready" to join a new federation were welcome to rejoin the talks.

On General Sales Tax, the statement said the meeting had "noted" Mr Horwood's statement that he was considering scrapping GST on basic food.

"This vague statement does not at all satisfy the demand of our members and of many other organisations which support urgently lifting GST on food and basic necessities," the unions said.

"We have decided that, should the Minister not agree to grant some relief on GST, we will demand in our wage negotiations during the year that in addition to any increase in wages the employers should compensate workers directly for GST on food and basic necessities," they added.

Unions want employers to compensate for GST

(320) Star 31/3/84

By Carolyn Dempster, Labour Reporter

Should the Minister of Finance decide not to grant some relief on General Sales Tax, unions representing more than 300 000 workers will demand compensation from employers in wage negotiations.

This was announced in Durban yesterday by the feasibility committee on the formation of a new trade union federation.

The committee represents the interests of the General Workers' Union, the Federation of South African Trade Unions, the Food and Canning Workers' Union, the Commercial, Catering and Allied Workers' Union, the Council of Unions of South Africa and the Cape Town Municipal Workers' Association.

The decision was taken at the second meeting of the feasibility committee, which is currently finalising a working document for all union participants in the unity talks.

The committee noted that the Minister of Finance, Mr Owen Horwood, announced during his budget address that he was considering lifting GST on basic foodstuffs.

"This vague statement does not at all satisfy the demands of our members and of many other organisations which support an urgent lifting of GST on food and basic necessities," said the committee.

"As trade unions we have decided that should the Minister not agree to grant some relief on GST, we will demand in our wage negotiations during the year that, in addition to any increase in wages, employers should compensate the workers directly for GST on food and basic necessities."

The committee reiterated its position that unions which were ready to join a new federation were welcome. The formation of a new federation by end of 1984 has now become a likelihood.

14 The Cape Times, Saturday, March 31, 1984

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Call for exemptions should GST be raised

By JOHN MULCAHY
Own Correspondent

JOHANNESBURG. — If the General Sales Tax (GST) rate is raised much more the question of exemptions will have to be seriously considered, in spite of the administrative difficulties, the Commissioner for Inland Revenue, Mr Carl Schweppenhauser said yesterday.

Addressing an Assocom seminar on the Budget, Mr Schweppenhauser said the withdrawal of the last-in first-out concession should be seen as a "freezing of provisions".

In other words, while no new lifo applications would be granted, the existing provisions would be frozen.

"In the first year the opening stock value will be the lifo value and the closing level the fifo value, but the company will be allowed to deduct from that closing value the reserve at the beginning of the year."

Lifo provision

A tax expert from accountants Fisher, Hoffman, Stride & Co, Mr Solly Gerber, said the question of the lifo provision was still unclear, and it would not be possible to accurately assess the implications before the draft of the new Income Tax Bill was published.

According to sources in commerce, the estimate of R30m that Mr Owen Horwood presented in his Budget as the likely revenue from the withdrawal of the lifo concession, the wear and tear provisions and the new system for estimating the second provisional tax payment, had raised hopes that the full provision would not have to be brought back against current earnings.

The sources added that another question was the treatment of the deferred tax provision. Two years ago, when the tax rate was raised to 46,2 percent from 44 percent, the Institute of Accountants put out a paper advising that the additional deferred provision arising from the higher rate should be treated "above the line".

Principles

In a comment on fringe benefits Mr Scweppenhauser said the three areas to be addressed were entertainment, motor cars and housing.

He said three principles would be considered in applying the proposed tax on fringe benefits.

The first was that there would be no distinction between public and private sector employees, and everyone, including Cabinet Ministers and other politicians, would be treated equally in terms of the proposals.

The second principle was that the basis of the valuation of benefits was cost to the employer. "This is the general philisophical approach."

The third point, said Mr Schweppenhauser, was that while all benefits should be taxed, it had been realistically accepted that small benefits, the collection of which were not cost-effective, "should be left out of the picture".

Facts disprove tax complaints by companies

(320) Star 3/4/84

By Russell Gault
of the 24 Hours team

Companies may pay less in tax this year despite Mr Owen Horwood's alleged get-tough-on-business Budget.

In 1983, the Minister's preliminary budget estimate called for more than R4 billion from companies but the actual take was about R3,225 billion.

This year his preliminary estimate is for R2,9 billion.

In contrast individual taxpayers will pay R7,265 billion.

The man in the street is also paying a higher rate of tax than many of South Africa's major businesses.

Latest annual figures show that many of South Africa's big businesses are paying less than 15 percent tax — far below the maximum 46,2 percent rate for companies which was increased in the Budget to 50 percent.

The average individual tax rate for whites is between 12 and 20 percent.

But, despite anguished complaints from the business community that the latest Budget is hitting commerce hard, the facts are startlingly different, according to inquiries by 24 Hours.

Between 1977 and 1982 company taxes remained fairly constant at around 24 percent.

In contrast tax collected from individuals soared by 153 percent in the same period.

A study of the Johannesburg Stock Exchange Handbook reveals few firms paying anywhere near the maximum tax rate. A random check showed only OK Bazaars paying the maximum — in fact, slightly more, 46,9 percent.

Some companies, which registered significant profits, paid no tax while others managed tax credits.

KWV Investments paid 0,09 percent tax on profits of R6 618 000.

Goldfields of South Africa Ltd paid 7,3 percent on profits of R191 million.

Volkskas Property Trust made R1 574 000 and paid one percent tax.

Gencor Investment Corporation Ltd had profits of R31 059 000 and paid 3,2 percent tax.

The chief economist for Barclays Bank, Dr [illegible], said: "It's quite clear that the tax burden is carried unequally by the individual. The business world has little to complain about."

● See Page 11, World section.

South Africans among highest taxed people in the world — NRP

ARGUS 3/4/84

(320)

Parliamentary Staff

SOUTH Africans were becoming some of the highest taxed people in the world, the Assembly was told on the first day of the Budget debate.

This was one of many arguments during wide-ranging opposition attacks on the Government's handling of the country's economy.

The Minister of Finance, Mr Owen Horwood, came under fire for failing to exercise adequate control over Government expenditure and failing to come to grips with inflation.

All the opposition parties indicated that they would oppose the second reading of the Appropriation Bill.

Government spakers defended the Budget on the grounds that it was designed to meet the country's need under difficult economic circumstances which had been made worse by the drought and other problems.

ASSEMBLY SUMMARY
Compiled by Frans Esterhuyse and San Vivier, Parliamentary Staff.

EXPLOSION

Mr Harry Schwarz (PFP Yeoville), chief Opposition spokesman on finance, said the greatest challenge facing South Africa was probably the population explosion and the need to create more jobs for people.

History showed that the potential for instability and conflict was greater where educated and trained people were unemployed than when people were not educated at all.

It was necessary, therefore, that education and training had to go hand-in-hand with the creation of jobs to satisfy the aspirations of skilled and unskilled alike.

"The spectre of the ravenous millions of the year 2000 should be enough to galvanise into action any Government not blind to reality," Mr Schwarz said.

Mr George Bartlett (NRP Amanzimtoti) said the minister could hardly dispute the fact that the average South African was less well off today than he was 10 years ago.

Although many people had prospered, there were many others who were far worse off than they were 10 years ago. These people included pensioners who lived off their investments.

Mr Bartlett said the Government had not come to grips with the problems of population growth, rising expectations and evolving political aspirations.

The ever-expanding Government expenditure was placing a growing burden on the productive sectors of the economy.

THREATENED

"To finance this expenditure South Africans are becoming some of the highest taxed people in the world. And in his efforts to finance his Budget deficit the minister's sallies into the money market have contributed to bank intrest rates reaching alarming proportions," Mr Bartlett said.

Mr S P Barnard (CP Langlaagte) said great problems faced South Africa's workers and farmers.

Interest rates were so high that the very existence of agriculture was threatened.

Mr Barnard asked the minister what provision had been made in the present Budget for financing coloured and Indian affairs.

If no provision had been made, would another Budget be introduced when the new parliament was formed in September. If so, where would the money come from?

Defending the Budget, the Deputy-Minister of Finance, Mr Eli Louw, said the Opposition and their "fellow fat cats" were flourishing on a system which had brought stability and prosperity to South Africa. It was this system which the Opposition was now criticising.

Mr Louw said that while Opposition speakers were criticising the Budget, they were enable to say where in their opinion the Government should have reduced its expenditure.

A LOW POINT

Mr K D Swanepoel (NP Gezina) conceded that the country's economy had reached a low point, but asked to what extent the public was responsible for rising costs.

He suggested that the public's willingness to pay exorbitant prices for goods could be a factor in further increases.

Individual taxpayer is hardest hit, says leading economist

(320 Star 3/4/84

Business leaders have been claiming that the Budget was unfair and onerous.

The Association of Chambers of Commerce (Assocom) criticised the "heavy extra burden placed on companies" and a television panel discussion saw a leading industrialist, Mr Tony Bloom, and a prominent stockbroker lament the moves.

The television discussion and Assocom did not mention that the maximum tax rate for companies — up from 46,2 percent to 50 percent — was something of a fantasy and that few companies were coming even close to paying it.

The chief economist for Barclays Bank, Dr Johan Cloete, said business tended to forget that the individual always shouldered the burden.

"It doesn't matter whether it is higher import duties or higher taxes for companies — they are all passed on.

"It is the small man who is the ultimate loser. He can't pass his costs on. The facts also show that the individual's taxes are increasing faster than those of the business sector."

Dr Cloete thought there was a basic problem with the proit-oriented economy because businessmen sought to maximise profits in the short term rather than plan for reasonable profits over a longer term.

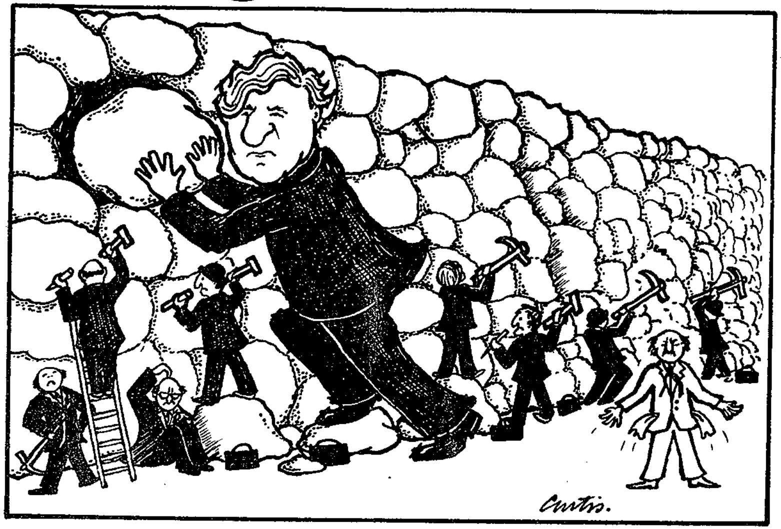
Companies have been lamenting the "heavy burden" placed on them by the increased tax imposed in the recent Budget. But are their complaints justified? Investigation shows that, no matter which taxes are increased, it is the individual taxpayer who has to dig into his pocket eventually.

24 HOURS

RUSSELL GAULT

Politicians were equally to blame because they pushed policies also aimed at the short term.

He said that GST alone had cost consumers two percent in real disposable income.



Dr Cloete said he believed current average company tax bills were around 26 percent — other economists have variously suggested between 22 percent and 28 percent — and many firms were contributing little to the tax take.

This is dramatically borne out by the Johannesburg Stock Exchange Handbook for February last. It shows profits and the percentage tax paid (in brackets):

Anglo American Corporation R737-m (16,4)
Anglovaal R159-m (30,1)
Argus R20,965-m (15)
Barlow Rand R708-m (38)
Barclays Bank R200-m (35)
Caxton Ltd R2,652-m (25)
Concor Ltd R6,674-m (13,5)
Cullinan Holdings .... R3,6-m (Nil)
..................(Tax credit of R327 000)
Edgars R24,939-m (44)
Federale Volksbeleggings .. R66,5-m (31,8)
Gencor Investment Corporation R31-m (3,2)
General Mining Union Corporation R378-m (12,4)
Goldfields of SA Ltd R191-m (7,3)
Hill Samuel Group R4,5-m (14,5)
Highveld Steel and Vanadium R95-m (24,2)
Johannesburg Consolidated Investment R123,9-m (10,5)
John Orr Holdings R2,9-m (3,8)
KWV Investments R6,6-m (0,09)
OK Bazaars R49-m (46,9)
Premier Group Holdings R87,5-m (30,2)
Property Group of SA .. R5,1-m (Nil)
..................(Tax credit of R68 000)
Rembrandt Controlling Investments R218-m (17,8)
Rembrandt Group R217-m (17,9)
Sanland Property Trust .... R6,9-m (Nil)
Sappi R67,6-m (0,23)
Southern Sun Holdings. R49-m (24,4)
Tiger Oats R123-m (29,2)
Tongaat Group R60,7-m (25)
Trade and Industry Acceptance R12,1-m (6,2)
Trencor R8,2-m (12,5)
Union and London Investment Trust R1,6-m (1,6)
Volkskas Property Trust. R1,5-m (1)
Wankie Colliery .... R2-m (Nil)
Waverly Gold Mines... R294-m (13,9)
Welgedacht Exploration R7,6-m (0,01)
Welkom Gold Mining R35,5-m (0,03)

Loopholes belie Horwood's get-tough-on-business Budget

By Bill Levitt

Major corporations will continue to be able to claim hundreds of millions of rands in tax rebates despite Mr Owen Horwood's apparent get-tough-on-business Budget.

Although some tax loopholes have been closed, many remain which enable large companies to get back from the public purse — in some cases — R2 for every rand they spend.

And many major corporations will go on paying less than 15 percent annually even though Mr Horwood raised company taxes to 50 percent from 46,2 percent.

That is the conclusion of tax expert Mr Costa Divaris: "It shouldn't surprise anyone that the Government's not getting enough money from big companies," Mr Divaris said.

"With loopholes like they have, it's easy to make millions in profits at taxpayers' expense."

He said people earning more than R20 000 annually and small companies that do not qualify for special tax concessions will bear the full brunt.

The Government estimated that it will take in R2 900 million from the corporate sector in 1984-85 — 10 percent lower than it received this year. Another R1 786 million was expected from the gold mines.

The man in the street will contribute R7 265 million — up 26 percent from last year.

That figure does not include additional revenue from indirect tax on such items as cigarettes, beer, motor cars and fuel products.

Mr Divaris said the tax system would have to undergo a major revision if the Government committed itself to getting its fair share from the corporate sector.

Under the present system companies can get back R1,15 for every rand it pumps into investments and initial costs; mining firms get back all money put into capital expenditures; exporters can get back R2 for every rand they put into advertising, preparing tenders and commissions.

That is just the tip of the iceberg, Mr Divaris said. There are a myriad of tax benefits for the construction industry, farmers, the insurance group, the airlines and the hotel industry.

CAPE TIMES 3/4/8x (320)

Bartlett warns on abuse of tax laws

HOUSE OF ASSEMBLY. — South Africans' extravagant expenditure and the proliferation of fringe benefits were beyond the means of the country as a whole, Mr George Bartlett (NRP Amanzimtoti) warned yesterday.

Speaking during the budget's second reading debate he said some people were "getting away with murder" in abusing the tax laws and this was throwing the tax laws into disrepute.

There was no better example of the lack of control over the collecting of taxes than the tremendous growth of so-called tax free fringe benefits.

"The fact is that as legislation presently stands, most such benefits are in fact taxable," he said.

"The minister has just not been able to police this form of benefit effectively. The net result has been a great proliferation of so-called fringe benefits."

These had been estimated to be costing the Exchequer R700 million a year in lost taxes.

It was absolutely essential that taxes be collected on as broad a base and in as equitable a manner as possible in order for the public to retain any respect for the taxation laws.

Tax burden — for some

"It has encouraged extravagant expenditure way beyond the normal means of the individual concerned and certainly beyond the means of the country as a whole."

The public as a whole had suffered because some had to carry more than their fair share of the tax burden.

Mr Bartlett took the Minister of Finance, Mr Owen Horwood, to task for failing to curb government spending and said as a result South Africans were becoming some of the highest taxed people in the world.

"And in his efforts to finance his budget deficit, the minister's sallies into the money market have contributed to bank interest rates reaching alarming proportions, stifling sorely needed investment in the productive sectors of the economy.

"Where these funds have been unavailable to the minister he has had to resort to Reserve Bank funds, which is without doubt a major cause of inflation."

It was clear from the minister's budget speech that the government had still not got on top of the basic economic problems of the country — lack of real productivity and profitability, and real growth. — Sapa

GST system being 'extended' — Louw

Cape Times 4/4/84 320

Political Staff

HOUSE OF ASSEMBLY. — More sales tax shocks for consumers could be on the cards soon.

The Deputy Minister of Finance, Mr Eli Louw, said emphatically during the Budget debate that the government was 'busy extending' the General Sales Tax (GST) system.

His statement has fuelled speculation that another increase in GST will be announced this year, possibly in September.

In his Budget speech last week, the Minister of Finance, Mr Owen Horwood, said further tax increases would be neccessary if the "carefully-compiled estimates of expenditure turn out to be too conservative and the equally carefully-complied estimates of revenue less bouyant than expected".

Yesterday Mr Brian Goodall (PFP Edenvale), said the amount of tax collected from GST had increased by 301 percent during the last five financial years, and sales tax itself had increased by 208 percent over this period.

During the current financial year in the case of general sales tax, "the government is expecting to collect an additional R1 160-million. This is an increase of 30 percent".

Mr Goodall said he could only conclude that "it was the deliberate fiscal policy of this government that individual taxpayers should shoulder a greater and greater share of the burden of financing the government".

Mr Louw said: "To take the pressure off direct tax and to move it to indirect tax, we have worked for years and eventually brought in the GST system of tax and we are busy extending the system."

This had lead to the reduction of marginal tax rates from 72 percent to 50 percent.

"This is the long-term tendency which has been built into each of the budgets," Mr Louw said.

In his Budget speech, Mr Horwood said he believed that the strenuous efforts being made to contain government expenditure would succeed.

"But if they do not, I shall have no alternative but to bring about the necessary further tax adjustments."

An increase in the GST is one of the few measures Mr Horwood can take without obtaining parliamentary approval, should he fail to keep government spending within Budget limits.

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Cape Times 4/4/84

Middle class 'condemned' to declining standard of living

Parliament and Politics

Political Staff

HOUSE OF ASSEMBLY. — The failure by the Minister of Finance, Mr Owen Horwood, to take into account the impact of inflation on individual tax rates in his latest Budget meant middle-class South Africans were being condemned to a declining standard of living, one of the Progressive Federal Party's Finance spokesmen, Mr Brian Goodall, said yesterday.

Speaking in the Budget debate in Parliament, Mr Goodall said tax statistics led him to conclude that it was deliberate government policy to place an increasing share of the tax burden on the backs of individuals.

Even if one received a salary increase to meet inflation, the real value of after-tax income would be seen to have dropped substantially over a few years.

The Consumer Price Index rose by an average of 76 percent between 1979 and 1983.

In the same period tax collected from individuals rose by 196 percent, and income from GST increased by 208 percent. Company tax increased by only 76 percent.

The amount of tax to be collected from individuals in the coming year was estimated at R7 265-million — an increase of R1 515-million over the figure for 1983/84. Last year the rise was 34 percent. The government also expected an additional R1 160-million in GST this year.

In contrast, the amount anticipated from companies would be R325-million less in 1984/85 than 1983/84.

Mr Goodall said statistics which summed up what was happening included:

- Between 1979/80 and 1984/85 the amount of tax collected from companies would have increased by 53 percent. Between 1978/79 and 1982/83, company profits more than doubled.
- The amount of income tax collected from individuals would have risen by 274 percent.
- The amount of tax collected via GST would have increased by 301 percent.
- Remuneration of employees in rand terms had increased by only 102 percent between 1979 and 1983. The tax collected from them had risen at a faster rate.
- In 1979/80, individual tax and GST — which was paid mainly by individuals — accounted for 31,3 percent of the total revenue collected by the State. By 1983/84 this percentage had risen to 47,1 percent. Based on the government's own estimates, this percentage would increase to 57,8 percent for the coming tax year.
- A total of only 10 percent of all taxpayers accounted for 52 percent of all tax paid by individuals.

Mr Goodall said the tax system was "unfair and undesirable" because it made individuals begin to doubt if it was worthwhile to work hard, and diverted energy from productive pursuits to unproductive activities.

There was danger that the initiative of the small group of taxpayers who accounted for the bulk of individual tax collected would be killed, resulting in a strangling of the economy — which might in fact be happening already, he said.

Personal savings had declined to an all-time low from 11,3 percent of personal disposable income in 1980 to 3 percent last year. Consumer credit had also escalated.

"As we enter 1984, the outlook for consumers is bleak. Individuals are deeply in debt. Salary increases are likely to be moderate. Personal saving has dropped to an historical low," he said.

The prospects of faster economic growth as a result of increased consumer expenditure appeared slight and would continue to have a major impact on the manufacturing sector, whose output had dropped from R8 248-million in 1981 to R7 497-million last year.

Fixed investment by the manufacturing sector declined from R2 310-million in 1981 to R1 549-million last year — a drop of 33 percent.

In spite of generous concessions on investment and initial allowances, fixed investment declined and the allowances were considerable.

For the 1980/81 tax year it was estimated that tax foregone as a result of these two allowances alone was R822-million.

"If one looks at what was actually happening to fixed investment in the past few years, one wonders whether the benefits received were greater than the R822-million tax foregone each year.

"One wonders if industry would not have been better served if steps were taken to lessen the impact of inflation on individual tax rates. All the concessions in the world will be of no value if the demand for goods produced is being reduced by fiscal drag," Mr Goodall said.

He said he would like to see a move towards reduced company tax, but with companies actually paying the official rate of company tax.

NATIONAL ARGUS 4/4/84

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No expected tax rise in the Cape

Provincial Reporter

NO further tax increases are expected when the Administrator of the Cape, Mr Gene Louw presents his 1984-85 budget to the Cape Provincial Council.

Mr Gene Louw

The budget will be presented on Wednesday, May 16.

Motor licence fees were increased by 33,3 percent last year, with the last increase on April 1, 1976. Hospital fees also went up about 50 percent this week, with the previous adjustment on February 1, 1982.

The only other probable increase in fees would affect education. Examination, boarding and similar fees are increased from time to time and these increases do not need Provincial Council approval, as does direct taxation. But certainly these will rise within the next few months.

Man in the street

Most other fees and levies imposed by the province like fines and forfeitures, audit fees and road receipts do not directly affect the man in the street.

For example, tuition fees at all provincial training colleges were doubled on January 1, in the first increase in 10 years.

The biggest single source of taxation revenue for the province is motor vehicle licence fees, while hospital fees provide the largest slice of departmental revenue. Both sources have been tapped in the past 12 months for additional funds.

The new hospital fees, which came into operation on Sunday, should give the province an additional R12,5-million this year, or R15-million in a full 12-month period.

This is a drop in the bucket compared to the province's expenditure on hospital services, which runs to about R642-million, of which little more than five percent, or R33-million, is recovered in fees.

About 85 percent of hospital patients cannot afford the fees and are charged a nominal amount, while other fees are reduced in relation to a patient's income.

Mr Piet Loubser, MEC in charge of hospital services, said it would remain hospital policy that no one should suffer hardship as a result of an inability to pay fees.

The third major source of provincial revenue is betting and totalisator tax, already running at 33,3 percent. The Administrator has already said that to increase this figure would adversely affect horse-racing and "you don't kill the goose the lays the golden egg".

Exhausted sources

In effect, Mr Louw has exhausted the major possible sources of increased revenue, without finding the additional R26,7-million he will need when he presents the 1984-85 budget next month. This amount is the estimated accumulative deficit on March 31.

With dramatic cuts in Treasury subsidies, and grants to the Provincial Administrations, Mr Louw will inevitably have to run the province deeper in the red in 1984-85.

How drastic the cuts in expenditure will be and the estimated deficit at the end of the 1984-85 financial year will be revealed when Mr Louw speaks to the Provincial Council on May 16.

These cuts will inevitably affect road-building and repair, new projects of all kinds, and the development of coastal and inland resorts.

Instead, Mr Louw will give priority to the replacement of equipment at hospitals to maintain the modern standard of the Cape's medical care.

Mr Louw has already warned: "I expect the most difficult year since I took office (in 1979)."

...st in ...ins tells ...y ordeal

...Bureau

A man lost in the Tsitsi... ...hree days spent anxious ... and trying to build a ...copter passed overhead ...ithout seeing him.

...oing to be lost there for... Viljoen, 34, who, with a ...thomas, 19, was the sub... ...earch after they got lost ...ng to walk over the Tsit... ...e sea.

...e helicopter from No 16 ...abeth finally spotted Mr ... waved red T-shirt and ... the bush they were "to... ...pressed", Mr Viljoen said

... easy when we set out. I ... the mountain before and ...eems open and clear. But ... bush we found it virtually ...

...S BIRTHDAY"

...ing we had to push our ... scramble after them, go... big slide. Then the water... ... to come out of nowhere

...imes for me was on Sun... that Andries and I were ... my wife's birthday and I ...aking her out to supper. I ... home worried about me. ... to have a shaking fit. ... there seemed to be no

... time I really thought to ... die here', but I certainly ...n I have for a long time."

...dd: The British ...ave mixed feelings

Zola Budd

... by ... he ... ve ... un... ...e- ... he ... a ... ...it- ... might lift British wom... ...modated. I am in full agreement with Jane ...

Central sports fund — HSRC call gets big boost from new report

Staff Reporter

NEW impetus has been given to the formation of a central sports fund, controlled by a South African Sports Council, to finance all sports facilities.

This recommendation is made in a report published today by the Institute for Leisure Time Studies at Potchefstroom University. The director of the institute, Professor J L Scholtz, headed the recent Human Sciences Research Council (HSRC) ...

"Sharing, especially of regional and national facilities on a non-racial basis, is an alternative which can no longer be postponed.

"Local authorities must look this reality in the eye and plan ahead how to deal with it; it is an essential but sensitive area that must be entered," the report says.

City biggest

Strong reaction to tax rate disparity

By Russell Gault

320 Star 5/4/84

An analysis by 24 Hours of the different tax burdens carried by companies and individuals has caused considerable reaction.

The thrust of reports in The Star on Tuesday was to show the disparity between all companies and the man-in-the-street.

In defence of the low rate paid by many companies, it has been suggested that it is unfair to lump ordinary firms with investment companies when comparing profits and tax rates. Insurance companies, banks and investment companies have a different tax structure.

It has been claimed that investment companies' income in the form of dividends has been taxed at source, a point omitted from the reports on Tuesday.

But only the dividends of insurance companies, unit trusts and some others are taxed at 12,5 percent. Public and private companies are not taxed on dividends.

Investment adviser Mr Joe Pamensky says investment companies tend to distribute dividends from subsidiaries, and it might be unfair to suggest their tax bill should be higher.

On the other hand, investment companies hoping to build up capital infrastructure by investing a proportion of dividends would attract an additional tax liability.

Johannesburg tax consultant Mr Mike Menoff said the inclusion of investment companies was valid in the context of the reports.

"They are part and parcel of the company scene, and their profits and tax rates are important when looking at company and individual tax.

"It's not feasible to exclude investment companies from this sort of discussion," he said. "It would give a distorted picture."

He said companies had many tax deduction avenues, including plant and machinery allowances, export and training allowances, and donations.

In addition, where a company had significant assessed losses from previous years, this could result in no tax payable.

"Investment companies and trust companies have had a notoriously low tax rate, whereas manufacturers tended to pay between 10 and 30 percent of the going company rate."

Mr Brian Goodall, PFP MP for Edenvale, said investment companies which paid little or no tax were a blight on the tax system. "They are deliberately structured as investment companies for a variety of reasons, but that doesn't mean they should be entitled to be free of tax obligations.

"They can argue that tax may have been paid at source, but remember that dividends are tax free. They can use that money to create more profits through other investments. In one case, an investment firm with R32 million profits whittled its taxable income to only R1 million. It's all legal, but there are so many avenues for firms like this.

"The ordinary taxpayer who earns dividends of say R15 000 has to add two thirds of that amount to his normal income, and then he is taxed at the highest rate."

BLACK TAXES

(3/20) 6/4/84 FM

Taxing new rules

Although taxing blacks in the same way as whites is fairer overall, some employers and their workers may be faced with big headaches in the future, says Ron Warren, technical director for QPac, which helped the Receiver of Revenue modify the tax system.

Warren says that, since non-independent "national states" like KwaZulu have the right to collect taxes, companies that move around a lot, like construction firms, will have to ensure that their black employees get the right tax certificates.

"Some employees may end up with several tax certificates and it is going to be quite a burden for the employers, who will have to develop special procedures," says Warren.

If a KwaZulu resident works and pays taxes in Lebowa, for example, his employer will have to file a return in Lebowa, as well as give the employee a tax certificate. The employee will then have to provide the certificate to the KwaZulu administration when he files his income tax return.

Other problems may develop as a result of polygamy: "The law clearly states that, for tax purposes, the first wife is considered the legal spouse, while the other wives are regarded as single," he says. "Some wives may be classified as dependants if they are raising young children, but a claim can only be made at the end of the year because dependants are not taken into account for PAYE purposes."

Warren is concerned that the increased paperwork may lead to the appearance of a new black rip-off scheme — street corner "tax experts" who would offer to fill in tax returns for a fee.

Unmarried blacks may also be tempted to try to get around the present system under which they are taxed substantially more than those who are married.

"Since the state recognises tribal marriages as legal, it will be virtually impossible to determine if a man is telling the truth, because the marriage may not be registered," says Warren.

On the other hand, married couples may now pay six times more in taxes than they did under the old black taxation system. But, so far, there have been few complaints, adds Warren.

Farm-tax system to be probed

Cape Times 10/4/84 (320)

Political Staff

HOUSE OF ASSEMBLY. — Farmers who have been making unrealistic purchases in agricultural equipment during "good" years merely to win tax write-offs are in for a shock.

This follows a warning yesterday by the Minister of Finance, Mr Owen Horwood, that the possible misuse of the agricultural tax system would be investigated and corrective measures taken if necessary.

Replying to the Budget debate, Mr Horwood said "it would certainly be improvident for any farmer to spend money on implements which he does not really need merely to reduce his liability for tax by a maximum of 50 percent of the amount expended".

Last week Mr Errol Moorcroft (PFP Albany) charged that the agricultural tax system fostered a "get-rich-quick" attitude that encouraged farmers to buy agricultural machinery they did not need to win reductions in their tax bills.

Mr Horwood warned that the tax concession allowing farmers to deduct the full purchase price of implements in the year of purchase was intended primarily to assist farmers improve their cash-flow position.

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Capital gains tax could upset market

W/C ARGUS 14/4/84 320

CHANGES in taxes and tax rates can have a greater impact on the worth of an investment than a change in the economic climate — as South African investors are likely to find out in the next 12 months.

By DEREK TOMMEY
Financial Editor

INVESTMENT

For example, the Government's ruling in the last Budget that all companies must revert to the Fifo (first in first out) from the Lifo (last in first out) method of calculating stock values is going to put a much better gloss on industrial share prices this year.

The change means that many companies will be reporting substantially higher profits. How much higher remains to be seen; but if Lifo had not been around in 1982, Totoya would have reported an operating profit of R50,1-million instead of only R23,7-million.

Last year the Lifo adjustment was not so great, amounting to R8,8-million, which reduced Toyota's operating profit to R73,8-million.

Reduced income

At Utico Holdings, which is in tobacco and snack foodstuffs, the use of Lifo last year reduced the income attributable to ordinary shareholders from R5,9-million to R2,8-million and in 1982 from R6,9-million to R3,5-million.

Clearly profits are going to increase sharply, and so too will the price earnings ratio of their shares — which in theory will make them better investments.

Yet in practice the financial position of these companies will be worse. Because their profits are higher their tax rates will be higher. And also they are likely to come under pressure from shareholders to increase dividends in line with the higher profits.

Quite clearly, their cash flow will suffer. They will be unable to plough back as much money as they did in the past, wich could slow down their growth. In fact to meet their commitments they might have to borrow more or make a rights issue, which will increase their costs.

Yet looking at the "bottom line" they will be apparently doing much better — so much for the bottom line!

This situation poses a problem for the share market. It will be interesting to see how it reacts to the higher profits.

Will it bid up share prices in line with the higher price-earnings ratios? Or will it link share prices to the presumably unchanged dividends? Or will it push prices down because of the listed companies' poorer financial position?

It could be some time before the market makes up its mind over this matter.

However, an impost which could really upset the market would be a capital gains tax.

At present South Africa does not possess one but the Minister of Finance, Mr Owen Horwood, announced in his Budget speech last month that the standing committee on taxation was looking into the matter.

Hard assets

Clearly a hard-pressed Department of Finance must look longingly at the big profits made in land, buildings, "hard assets" and the share market in recent years.

"For if it got even a small portion of these profits its plight would be greatly eased. Obviously a capital gains tax must look extremely attractive to it.

However, there are many things wrong with a capital gains tax and especially the fact that it inhibits new investment.

When governments introduce capital gains taxes they tend to apply them mainly to share market transactions. This is because capital gains made from share transactions are more easily measured than, say, capital gains from holding houses and farmland.

Hence capital gains taxes usually fall most heavily on the share market investor — the provider of venture capital.

Usually the result of this has been that the investor stops putting his money in the share market and instead moves it into other avenues where capital gains tax falls less heavily or is even avoidable.

So the supply of venture capital dries up and the economy tends to wilt.

This appears to be the experience of the United States.

In the past six years that country has experienced a wave of new entrepreneurship which has resulted in substantial new job creation.

Between 1977 and 1982 companies too small to make the Fortune 1 000 provided 8,6-million new jobs, the New York Times reported recently. In marked contrast, employment in the Fortune 1 000 companies contracted by 1,5-million in the same period.

Since the late 1970s small business has become the sole provider of new jobs in the United States, says the paper. It also links the growth of new businesess with the cut in capital gains tax in that country in 1978 which triggered an unprecedented rise in venture capital.

Dried up

Venture money in the United States virtually dried up after the capital gains tax was increased in 1969 and did not flow again until the rate was lowered in 1978, the paper says.

It also warns that if the United States Government were to start tinkering with tax policy now some venture capitalists think that the new age of entrepreneurship could be snuffed out.

Here in South Africa were are badly in need of new venture capital. The rapid rise in the country's population is resulting in it facing a serious unemployment problem. Only if new industries are rapidly established will the country have any hope of solving this problem.

It therefore seems that this is not the right time to introduce a capital gains tax.

Most people are willing to accept the risks, the hard work and commitment that is needed to establishing a new business only if they can hope to make at least a small fortune.

Dashing this hope of riches with a capital gains tax could therefore see a slackening even in the present low level of new entrepreneurship.

So it seems that when the authorities deliberate over the introduction of a capital gains tax they will have to weigh up which they want most — an increase in tax revenues now, or increased employment and greater prosperity in the future.

Higher tax knocks Rand Mines earnings

CAPE TIMES 17/4/84 (320)

By BRENDAN RYAN

JOHANNESBURG. — Rand Mines' marginal gold producers Durban Roodepoort Deep and ERPM saw their financial positions worsen in the March quarter in spite of slightly better operating performances.

Working losses at both mines have risen but claims for State assistance have been reduced by the new attenuated scheme which is now in force.

Both mines have also continued their forward gold sales programmes with contracts for some gold sales now concluded for the first quarter of 1985 at an average realizable value of R18 132/kg for ERPM and R18 143/kg for Durban Deep.

Overall the four gold producers in the Rand Mines group increased pre-tax profits by eight percent to R80,813m but there was a 55 percent jump in tax to R37,5m from R24,2m, which meant earnings dropped 14,5 percent to R43,3m from R50,7m.

Reasons for the sharply higher tax are the lower capital expenditure levels of the mines and the increases in gold mining and company taxes which meant the group's profitable mines, Harmony and Blyvooruitzicht, had to make extra provisions.

Capital expenditure by the four mines dropped to R23,3m in the March quarter from R33,7m in the December quarter.

East Rand Proprietary Mines (ERPM) was unable to improve on its production level of the shorter December quarter and tonnage milled was unchanged at 691 000 (690 000) which, with maintained grade of 3,89 g/t meant gold production was similar at 2 687.1 kg (2 684,5 kg).

The mine sold 249 kg of gold forward in the quarter at an average realizable value of R15 547/kg but its average gold price received of R15 129/kg is still below the R15 252/kg earned by Harmony which did not hedge gold sales for the quarter.

The mine's loss per ton milled increased to R7,82 (R5,14) and its working loss increased to R5,405m (R3,545m).

State assistance

ERPM's claim for State assistance dropped to R5,555m (R7,035m) and profit after tax fell to R1,719m (R4,995m).

The capex bill was cut to R5,756m (R10,549m) which meant ERPM managed to reduce its negative cash flow slightly to 72,7c a share from 100c a share in the December quarter.

The mine is going ahead with a R157m plan to expand production from its Far East Vertical Shaft system. The project depends on the gold price and the outcome of the negotiations between the Chamber of Mines and the government on the new form of the State Assistance scheme.

The chairman, Mr Dammy Watt, said in his annual report the mine's capex was estimated at R30,3m for 1984 but this forecast has already been revised to R28,756m, the March quarter figures reveal.

Unit costs

Unit costs jumped 6,5 percent to R66,68/ton milled (R62,57/ton) but the December quarter had a non-recurring credit to working costs of R1,4m from rebates and insurance claims. Allowing for this brings the increase in unit working costs down to three percent which is the average rate of increase for the group's mines.

Durban Roodepoort Deep more than doubled its working loss to R1,361m (R523 1000) and its taxed profit dropped to R1,76m (R3,881m).

Capex dropped to R2,772m (R3,935m) but the mine's negative cash flow jumped to R1,012m (R54 000) equivalent to 43,5c a share (2,3c).

The mine expects to spend R14,7m in capex this year on infrastructure and work aimed at generating ore reserves.

Exploration

Mine management would also like to spend some R5m on a drilling exploration programme to look at the area south of the mine's existing lease area. Mineral rights are being negotiated here over a down-dip extension of the mine's orebody.

Given the present gold price and the operating needs of the mine this money will not readily be available.

Harmony has included an extra R1,38m in its tax provision for the March quarter to cover its increased tax liability for 1984.

The mine's tax rose to R15,113m (R10,08m) because of this and the effects of a drop in capital expenditure to R10,602m (R13,251m).

Distributable earnings rose to 52,4c a share (46,5c).

Blyvooruitzicht's tax bill soared to R22,38m (R14,077m) but the mine managed to increase distributable earnings to 45,7c a share from the December quarter's 42c a share.

Fringe benefits: Equal tax treatment vital — Hasselkus

CAPE TIMES 19/4/84

320

By PAUL DOLD
Financial Editor

WHILE the taxation of fringe benefits in the latest proposals is fair, the way in which the bill deals with the various kinds of benefits should be closely examined, the managing director of BMW South Africa, Dr Walter Hasselkus, said in Cape Town yesterday.

"There are certain fringe benefits which one tends to find in the private rather than the public sector and there are some benefits which are enjoyed more often by public sector employees.

Examined

"If the proposed taxes are to be critically examined, perhaps one should consider whether the bill in its entirety gives equal treatment to all categories of fringe benefits."

Dr Hasselkus noted that the proposed tax on housing benefits — a common fringe benefit in the government sector, is being phased in over a period of years cushioning the impact on home-owners.

"The question arises why the same measure of consideration cannot be shown to the user of a company car. By applying only a part of the proposed tax on cars initially, then increasing it gradually over a number of years, the legislature would be applying to the private sector the same standards as to the public servants who are enjoying the benefits of subsidized mortgages."

Benefit values

Examining the benefit values on cars in the bill he said the figures were reasonable although a case could be made for achieving greater equality betweeen the lowest and highest rates. From a tax point of view there did not have to be such a marked differentiation between less and more expensive cars.

The cardinal issue facing the Receiver of Revenue was whether a person received extra income in the form of subsidized transport, not whether he drove a modest or luxury car.

"In this respect the previous set of tax proposals, which allowed for only a few price categories, was more acceptable. It allowed both employer and employee greater flexibility.

Dr Walter Hasselkus, managing director of BMW South Africa.

"It has to be remembered that as a senior business manager or government official moves up in the hierarchy of his organization, the nature of the higher function demands appropriate compensation.

"This has nothing to do with petty status consciousness: It is an economic fact of life that a high achiever demands an appropriate reward, especially in a country with a shortage of skilled managers.

"The moment a person moves up the corporate ladder, his higher cash income means that he pays more in tax anyway."

He forecast that the fringe benefit taxation would not affect the structure of company car hierarchy in South Africa.

In the case of a R20 000 car R228 had to be added to the monthly taxable income of the person enjoying the benefit. Taking into account financing, depreciation GST and fuel (company paid fuel is exempt from the proposed tax) the figure of R228 was not unreasonable.

A senior executive car of R30 000 would add R350 to the user's taxable income. Assuming the user had a marginal rate of 50 percent his monthly income tax would be R61 higher than his colleague with a R20 000 car.

Tosa tackles a black tax 'time-bomb'

320 Stw 21/4/89

By Roddy Campbell

Equal taxation for blacks was potentially an explosive issue. That it has passed off with very few ripples of resentment is partly due to improved communications between employers and workers.

A glimpse of how industry tackled this possible time-bomb is provided by a Vereeniging company.

Tosa, South Africa's major steel tubemaker, has a workforce of well over 2 000, mostly hourly-paid.

The time office, controlled by Mrs A Jansen, with an integrated staff of 16, is aware that no piece of paper is studied so thoroughly as a pay-slip. So the pay-office is a sensitive IR nerve centres.

The conventional briefing group system did not seem appropriate for this hot potato so the pay-office developed its own communications: laborious and costly but there was not a single ripple of discontent.

Mrs Jansen, with one of the black time office clerks and a personnel officer, met all employees in small groups, during company time. They had arranged to reconstruct the IRP 2 forms through a special computer programme, so that they were able to explain to each worker the practical implications. With every group of 10, they spent an hour.

"If you count the manhours involved as well as the computer costs, it was very expensive, but worth it," commented Tosa's administrative manager, Mr Steve Venter.

Mrs Jansen reported she received not a single "political" question of the sort concerned with tax without representation.

"In the few cases where the employee was actually going to pay more tax, it was sometimes suggested he should be paid more in compensation. We countered by asking if the majority, whose tax was actually being reduced, should receive less pay.

"This seemed to make sense because it was then accepted that the new taxation procedure was a government measure, not a company one."

This company's programme was representative of the effort which industry — bearing in mind the repercussions of the pension preservation attempts in 1980 — took to avoid a clash.

The time office in any large organisation can be the prime target for discontent. It may be the point at which anything up to 100 different types of deductions, from union dues to garnashee orders and insurance stop-orders — are effected. These services, offer plenty of opportunity for mistakes and discontent.

The office's function of tracking and correcting time rackets is also a sensitive one.

The traditional time card, which lent itself to worker rackets estimated to cost industry millions of rands annually in direct time loss and a corresponding loss of productivity, are gradually being phased out.

The introduction of plastic access control cards which are computer-linked to the time office show promise of eradicating not only the fiddles but also some of the tension which is caused by pay-slip errors. They make it impossible to clock in a friend and that favourite racket — clocking in and disappearing until it is clocking out time is also eliminated.

This is encouraging, because the time office is a hyper-sensitive point in the IR structure.

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Working wives lose thousands in extra tax

W/E Argus Bus 21/4/84

By DEREK TOMMEY
Financial Editor

FOR a woman marriage was once a matter of loving, honouring and obeying. Now the emphasis is more on loving, honouring and paying.

The state of wedded bliss could cost her a great deal of money.

An analysis of current tax rates shows that most women who want to continue working are substantially penalised if they get married. Their tax bill could rise by an amount equal to about a quarter of their income.

The financial loss could quickly run into five figures and ultimately mount up to extraordinary heights.

The analysis was conducted by Mr Gavin Urquhart, a tax consultant with Coopers and Lybrand in Johannesburg. It is published in the official journal of the Institute of Chartered Accountants.

Income split

Mr Urquhart's figures show that a married couple have to pay more tax than they would if they were single if their joint income exceeds R16 000 and their income split is 80:20.

However, if the income split is 75:25 the cut-off point is R13 000, and if the split is 50:50 they pay more tax as a married couple whenever their joint income exceeds R10 000.

The added tax paid by a woman on marriage can be quite substantial even for workers in the lower income groups.

Where both husband and wife each earn R8 000, their tax bill will be R607 higher than if each had remained single.

Moving up the income scale a husband with an income of R12 000 and a wife with one of R10 000 will find their tax bill rising R1 091. If the husband earns R24 000 a year and the wife R12 000 a year, the tax bill jumps by almost R3 000.

And in the top income groups a wife could find her marriage costing her more than R5 500 a year in extra tax.

The tax situation of married women has caused considerable concern in several quarters.

Earlier this year the Southern African Women's Foundation called on the fiscal authorities to revise their method of income tax collection. It urged separate but equal taxation for all, and a move away from tax on income to tax on expenditure.

Pressure group

The foundation said it wanted everybody — man or woman — to be taxed individually and separately, and that a married woman should pay income tax in the same manner as everyone else in the country.

Mrs Kate Jowell, assistant director of the Graduate School of Business, recently called on women to organise themselves into a pressure group.

Mrs Jowell said the issue of joint taxation was rooted in the way in which men and women perceived their roles in society, and how the family was regarded in the present system.

"By deeming a wife's income to be part of her husband's, we are compromising her independence, her privacy and her equality."

The authorities would respond only to concerted organised pressure.

See table on Page 18.

P.T.O.

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adjusted and the speed at which receipts flow gives to some extent a compensatory flexibility.

Of course, nobody really likes paying taxes, no matter what form they take. But as leftish economist Joan Robinson has written: "Social life will always present mankind with a choice of evils." Clearly, under present circumstances, a switch in emphasis from income tax to gst is not only a lesser evil, it has a powerful potential for good. Besides, as we've got gst, we might as well use it to greater advantage.

The precise effect that a 15% gst and, say, a 20% reduction in income and company tax will have on growth is difficult to compute. Econometric models are not much help, because they rely on a variety of other assumptions, for instance, the price of gold or growth in the US economy. Both are open to wide guesses.

The economic spin-off in terms of revitalisation and enhanced business confidence, and the time scale involved, cannot be forecast accurately in statistical form. But although some values defy precise monetary measurement, they are not less important than the measurable.

WHAT EUROPEANS PAY
Current Vat rates in EEC countries

Country	Year introduced	Rate %
Belgium	1971	19
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Luxembourg	1970	12
Netherlands	1969	19
Great Britain	1973	15
West Germany	1968	14

FOREIGN AFFAIRS

A visit to the world

(30FM)

P W Botha travels to Europe next month for a 14-day visit. Optimists may want to see the trip as a prelude to peace and settlement in Angola/Namibia. That may be asking too much.

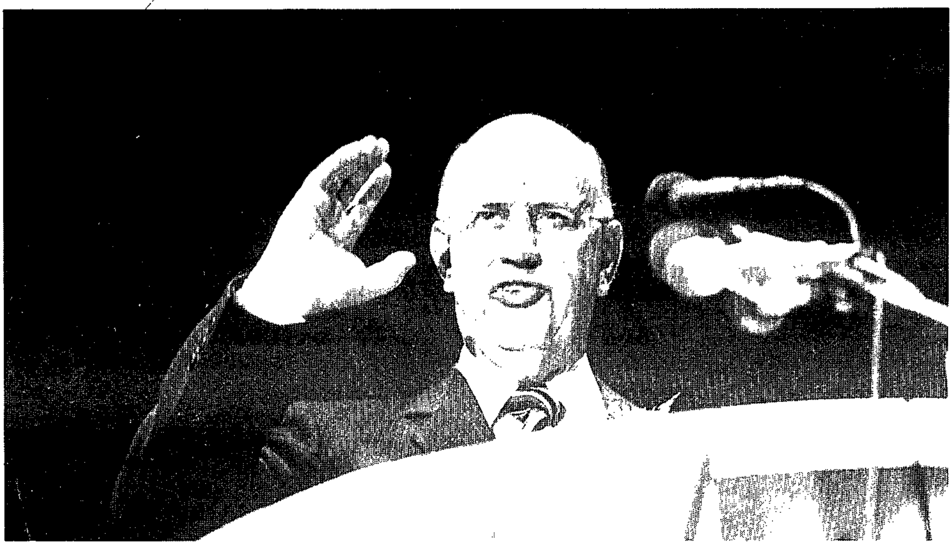
Prime Minister Botha's European tour is certain to raise expectations of further strong advances in the Southern Africa peace offensive.

It would be tempting, for example, to draw parallels between Botha's forthcoming visit — his first since becoming PM — and Foreign Minister Pik Botha's two-week tour last December when he met representatives of eight European governments.

With hindsight, there may be grounds to argue that Pik Botha's trip helped to trigger a sequence of events which not very long ago appeared impossible. First there was an offer to disengage SA troops from southern Angola, accompanied by the establishment of a US-observed Joint Monitoring Commission (JMC) with Angolan military authorities. Then followed a series of bilateral meetings with the Mozambique government, culminating in the Nkomati Accord.

Very little official information has been released about the PM's trip, except that his party, including the foreign minister and selected journalists, leaves SA towards the end of May, to return mid-June. The itinerary includes "a number of European destinations" including Bonn and Lisbon. There is even speculation that Botha will have an audience with the Pope. London and Paris will neither confirm nor deny that they are making arrangements to receive the tour party.

Lack of information, and even the dissemination of some disinformation, may well result in some extraordinary constructions being placed on the purpose of the trip. In this regard opinion seems to be divided. Some believe the Bothas are travelling to Europe to collect their reward for the "de-Marxification" of Mozambique and for persisting, despite Swapo's continuing rearguard violence, with efforts to restore



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TAX AND GROWTH

Time to push gst to 15%

15% GST

One of the worst things that Finance Minister Owen Horwood can do now is allow his policy of tax reform to falter. He has increased the tax burden by failing to lick inflation adequately, curbing investment allowances and belatedly increasing taxes on "perks." Without compensatory adjustments, he will be delaying unnecessarily a return to sound and prolonged economic growth and the creation of more jobs.

What is needed is an almost doubling of general sales tax (gst) to 15% or more. At the same time, he needs to reduce income tax by raising tax thresholds, and cut company tax so that the level of Exchequer receipts remains roughly the same as it is likely to be now.

If he does that, he will make it easier for the Reserve Bank to curb the excessive level of demand in the economy by reining in the growth in the money supply. Prices would then be more stable and savings would be encouraged. That, in turn, would place the economy in a better position to respond as demand for exports gathers pace.

The consequence of not acting swiftly will be to prolong the recession. And no one in his right mind would want that to happen. After all, as even that arch sceptic of market economics, John Kenneth Galbraith, acknowledges, "wealth is not without its advantages, and the case to the contrary, although it has often been made, has never proved widely persuasive."

If you happen to live in Johannesburg between Houghton and Rivonia, pause now and take a deep breath. A more realistic gst won't necessarily boost inflation, even in the short-term, nor place a crippling burden on voteless blacks, even if food is not excluded, as a superficial view of the tax suggests. Practical politics, however, dictate that food should be excluded if gst be more than doubled.

Productive capacity

What it will do is make the economy more efficient by providing an incentive to the enterprising to increase their productive activity. Simply put, they will have to pay less income tax, which in recent years has risen steeply, largely because of what is known as "fiscal drag" or "bracket creep." This occurs because, each year, inflation pushes them into higher tax brackets without their receiving commensurate increases in real income. It will also take some of the heat off the joint-taxation-of-marrieds controversy.

Nor will the removal of investment and

If tax reform is to mean something, then it is time to use general sales tax for greater economic good.

other allowances have as great an impact on the tax paid by companies if there is a mitigating rise in gst and decline in the corporate tax rate.

Gst, like value-added tax (VAT) in Europe, taxes consumption rather than income. So it discourages spending and encourages frugality. Nor does it distort to the same extent as does income tax and company tax the price allocation mechanism of the market place. As economists would describe it, gst imposes the same proportional tax on consumption for everyone, regardless of income and is therefore more neutral towards the use of productive resources than income tax and company tax.

It is precisely for this reason that socialists, who are out to soak the rich, dislike gst. They claim it violates a democratic principle that those who earn a higher income should pay a higher proportion of it in tax. In economic terms, it is "regressive," since lower income-earners spend a larger proportion of their income on consumables relative to higher income-earners. In contrast, income tax is "progressive" and therefore tends to redistribute income as well as raise revenue for the state.

What is surprising, however, is that despite the great surge in socialist thinking in Europe since the Second World War, VAT is obligatory in terms of EEC rules and varies among members, from 12% in Luxembourg to 35% in Ireland. In Britain, it is 15%, West Germany 14% and France 18,6%.

The fact is, of course, that gst is, in reality, much less regressive than theory at first suggests. For lower income-earners derive a net benefit from the fiscal stimulus to growth it gives as well as generally lower costs from a more efficient and competitive economy.

Regressiveness modified

The regressiveness of the tax can also be modified, as happens in Europe, by exemptions — such as food and clothing — and by social welfare programmes. But these tend to detract from its advantages. And, like social welfare programmes, themselves tend to make economic adjustment to changing circumstances correspondingly more difficult, partly by stunting enterprise.

Another Western tax principle is that citizens should not be taxed unless they have also effective political expression. It is something that government would have to take into consideration here. But it must be kept in mind, too, that reforms of recent years enable blacks increasingly to participate in the commercial and industrial activity of the nation. The more they do so, the more they can justifiably be expected to contribute to the common purse and the stronger their claim for representation.

An increase in the level of gst, it is often said, will lead to an increase in the general level of prices, assuming that all traders raise their prices by the exact amount of the tax increase. However, if the tax burden is reduced in other areas, then this need not necessarily be so. Moreover, it is unlikely that a rise in the general level of prices could be sustained if the authorities held the money supply under control.

Some would argue, too, that there are times in the economic life of a nation when it is more important to increase wealth than to redistribute it. When inflation is high and business activity low, wealth creation must take priority. And that is the time for government to place greater emphasis on the use of gst to help raise its revenue.

Gst is much harder to evade than income tax, a lesson the Europeans, labouring to pay for excessive social benefits, have learned the hard way. So even though it is generally accepted that gst is an expensive tax to administer, the net collection cost is probably much less than it appears at first

HOW THEY DIFFER

The main difference between a general sales tax (gst) and value-added tax (VAT) is in the method of collection. If the tax rates are equal, the total revenue and economic consequences are the same. In both cases, the final consumer bears the whole tax.

Neither gst nor VAT are new ideas. They have been discussed in the West since the First World War and began being introduced in Europe in the Fifties as an alternative to cascading turnover taxes.

These cascading taxes were characterised by the payment of taxes at each level of production. Hence it was natural for the Europeans to favour VAT, levied at each stage at which value is added, over gst, which is levied directly on the end-user.

The introduction of a similar tax at federal level in the US has long been, and is still, under discussion. Michigan was the first state to levy a form of state VAT between 1953 and 1967, after which it formed the Single Business Tax.

(320) Fm 20/4/84

be adjusted and the speed at which receipts flow gives to some extent a compensatory flexibility.

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Cape Times 30/4/84

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Tax exposé seen as 'serious'

Own Correspondent

JOHANNESBURG. — The Receiver of Revenue here, Mr A Chemaly, views the disclosure of multi-millionaire Mr Marino Chiavelli's "tax bonanza", made in the Sunday press at the weekend, in a serious light.

But he declined yesterday to say whether or not he would order an investigation into how the highly confidential information was leaked to the press.

Mr Chemaly also declined to comment in general terms regarding disclosures that the Italian oil tycoon had paid only R196.75 in taxes over a period of two years.

Mr Chiavelli's accountant and tax adviser, Mr Melvyn Schweidan, said he could not comment on the financial affairs

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of his client in terms of the "rules of professional conduct".

Mr Chiavelli himself could not be contacted for comment on allegations that he paid only this startlingly small amount in taxes in the light of a declared income of more than R240 000 a year when he applied for permanent residence status in 1980.

According to the reports, Mr Chiavelli was taxed during 1981 only on R1 881 received in interest from various Nedbank accounts. He received a rebate of R195 but was taxed R196.75 during the next year on an income of R4 488.12

The disclosures follow allegations made in memoranda to the Leader of the Opposition, Dr Van Zyl Slabbert, and disclosed by him in Parliament last week, that some oil dealers were making millions on oil procurement without paying tax.

Questioned about the tax disclosures, Mr Chemaly said: "I don't want to be quoted in the press. All I can say is that I view the matter as serious."

● Opposition finance spokesman Mr Harry Schwarz said last night that he had little doubt the Commissioner for Inland Revenue would investigate the question of income tax paid by Mr Chiavelli.

Mr Schwarz pointed out, however, that even if the commissioner did decide Mr Chiavelli should have paid more tax, the matter would not be made public as it was an accepted principle that taxation was a matter between the individual and the Receiver.

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MONDAY, APRIL 30, 1984

AM 4, 2/5/84 (720)

Hint of a new 'consumer tax'

Municipal Reporter

OUDTSHOORN. — A new "consumer tax" from a levy on businesses as extra income for financing local authorities has been hinted by a senior Department of Finance official, Mr G P Croeser.

At the congress of the Cape Province Municipal Association Mr Croeser outlined some of the principles of the recommendations of the Croeser working group on local authorities.

No details of the recommendations were given at the congress.

Discussing the recommendations in broad outline, Mr Croeser said consideration was being given to a tax to be levied on businesses. The tax could be passed on to consumers.

He said one of the concerns of the working group was to identify new sources of income, particularly in view of the impending new dispensation for local authorities.

The association would have to consider whether or not consumers and businesses which contributed to a scheme for financing local authorities should have a say in government.

The MEC for local government, Mr H Kriel, said the devolution of power and the creation of new local authorities as envisaged in the new dispensation meant new sources of finance would have to be found.

"If local government is not properly funded there will be chaos," he warned.

Government attacked over public buildings

Municipal Reporter

OUDTSHOORN. — The Government has come under fire from the Cape Province Municipal Association for putting up public buildings without consulting town and city councils.

It has also also attacked for failing to give enough attention to their impact on pedestrians and traffic.

In a letter before the congress of the CPMA, the Port Elizabeth City Council says: "Elsewhere in developing countries cities are enhanced by major public buildings but, with a few exceptions, this does not seem to be the case in South Africa."

The council says that while standards of construction and material are high, it is concerned over the location of new public buildings.

"Past developments were real investments in the city infrastructure, but today little or no thought is given to the urban planning aspect and location of important government buildings.

"Only when the decision is made to proceed with a new building is the project discussed with municipal and traffic planners who are expected to make the scheme work.

"State developments should be attractive national investments in the country's cities and should generate confidence in their future growth."

(b)	Blacks	7	—
(bb) From 1984.01.01 to 1984.04.27			
	Coloureds	1	—
	Blacks	22	6
(b)	Blacks	7	—

320 Hansard Q. Col. 1095 2/5/84

Sales tax

840. Mr B B GOODALL asked the Minister of Finance:

What amount in general sales tax was derived from (a) individuals, (b) companies, (c) the (i) building and construction, (ii) retail, (iii) wholesale, (iv) manufacturing and (v) services sectors and (d) any other specified sources in the (i) 1982-83 and (ii) 1983-84 financial year?

The MINISTER OF FINANCE:

Reply:

Statistics which distinguish between payments of sales tax by individuals and companies are not maintained. For statistical purposes collections of sales tax are analysed under nine main groups. The analysis for the relevant financial years was as follows:—

Main Group	Financial Year 1982-83	Financial Year 1983-84 (Only collections during the period 1 April to 31 December 1983 have as yet been analysed)
	R	R
(1) Agriculture and Fisheries	12 241 843	9 761 184
(2) Mining and Quarrying	14 940 933	14 307 415
(3) Manufacturing	545 122 645	458 200 980
(4) Wholesale sales and services	569 110 284[1]	470 091 575[2]
(5) Retail sales and services	1 723 914 735[3]	1 564 183 495[4]
(6) Personal services (See note (5) below)	18 184 077	17 258 070
(7) Catering and Accommodation services	126 301 824	106 915 519
(8) Business services	172 240 799	197 593 673
(9) Unclassified (See note (6) below)	1 296 207	1 396 143
Total	3 183 453 347	2 839 708 054

Notes:

(1) Includes an amount of R116 065 589 in respect of construction and building materials.

(2) Includes an amount of R63 506 379 in respect of construction and building materials.

(3) Includes an amount of R70 976 079 in respect of building materials.

(4) Includes an amount of R70 850 744 in respect of building materials.

(5) Personal services comprise dry cleaners, beauty salons, etc, as well as medical practitioners, dentists, paramedical services, private hospitals and clinics in respect of the sale of goods.

(6) Business services cover renting and financial leases in respect of movable goods.

Hansard Q. Col. 1097 2/5/84

Corporal punishment

841. Mr P H P GASTROW asked the Minister of Justice:

(1) How many males (a) under the age of 18 years, (b) between the ages of 18 and 21 years and (c) aged 21 years and over in each race group were sentenced to corporal punishment in 1983;

(2) how many strokes were inflicted in respect of each category of persons?

The MINISTER OF JUSTICE:

(1) The required information is unfortunately not readily available. The following information is however supplied for the period 1 July 1982 to 30 June 1983:

(i) During the period mentioned 40 004 persons were sentenced to corporal punishment, without a combination of other sentences of whom—

(a) 1 824 were Whites;

(b) 13 300 were Coloureds;

(c) 588 were Asians; and

(d) 24 292 were Blacks.

(ii) In addition 654 persons were sentenced to corporal punishment, coupled with imprisonment which was not suspended, of whom—

(a) 9 were Whites;

(b) 178 were Coloureds;

(c) 8 were Asians; and

(d) 459 were Blacks.

(iii) Furthermore 795 persons were sentenced to corporal punishment coupled with imprisonment which was suspended, of whom—

(a) 50 were Whites;

(b) 189 were Coloureds; and

(c) 556 were Blacks.

(2) The required information is unfortunately not readily available.

Hansard Q. Col. 1098 2/5/84

Adoption

845. Mr A B WIDMAN asked the Minister of Health and Welfare:

How many White children were placed in adoption in terms of the Children's Act in 1983?

The MINISTER OF HEALTH AND WELFARE:

2 618.

Hansard Q. Col. 1098 2/5/84

Lebowa Development Corporation

850. Dr W J SNYMAN asked the Minister of Co-operation and Development:†

(1) (a) What amount was written off as bad debt by the Lebowa Development Corporation in each of the latest specified four financial years for which figures are available, (b) how many industrialists were recruited abroad by this corporation in each of these years and (c) how many industrial undertakings were established in Lebowa by means of foreign capital in each such financial year;

(2) whether the Lebowa Development Corporation made any financial grants in the above-mentioned financial years; if so, (a) to whom, (b) when and (c) what was the amount of each grant?

(i) Komga.
(aa) 48 (1982).

(ii) October 1983.

(iii) (aa) 12.
(bb) 2.

(i) Thahasselang.
(aa) 10 (1982).

(ii) October 1983.

(iii) (aa) 20.
(bb) 8.

(i) Phalole.
(aa) 70 (1982).

(ii) October 1983.

(iii) (aa) 21.
(bb) 15.

(i) Lere.
(aa) 50 (1982).

(ii) October 1982.

(iii) (aa) 29.
(bb) 13.

1984 None.

(b) *Centres subsidized by the Department (State-Aided Centres)*

(i) *1982*

Strubens Valley Nursery.
Versteeg Potplant Nursery.
Tarentaalrand.
Fenner.

1983

Kalklaagte.
Barlow's Tractor Division.
Hyster (ERCEP).
Roche (ERCEP).
Kliprivier Premier Papers.
Revlon (ERCEP).
SKF SA (ERCEP).
Squibb Laboratories (ERCEP).

1984

Ennis.

Hansard

Military service

~~320~~ Q.61. 1108 3/5/84

820. Mr P A MYBURGH asked the Minister of Defence:

How many persons were in 1983 (a) charged with and (b) convicted of (i) failing to report for military service, (ii) failing to serve after having reported and (iii) refusing to serve on conscientious grounds?

The MINISTER OF DEFENCE:

	Military courts (a)	Military courts (b)	Civilian courts (a)	Civilian courts (b)
(i)	32	32	45	37
(ii)	101	101	1	0

(iii) None. A person cannot be charged for refusing to render service on conscientious grounds as this is not an offence.

Hansard

Tax

320 Q.61. 1108 3/5/84

859. Dr W J SNYMAN asked the Minister of Finance:†

What amount was collected in the form of (a) personal tax from (i) Whites, (ii) Coloured persons and (iii) Asians, (b) company tax from companies under the control of (i) Whites, (ii) Coloured persons and (iii) Asians and (c) general sales tax in the latest specified tax year for which figures are available?

The MINISTER OF FINANCE:

(a) As at 31 March 1984 assessments for normal tax in respect of the year of assessment which ended on 28 February 1982 had been issued to individuals for the following amounts:—

(i) Whites........ R3 152 803 000

(ii) Coloured persons R77 335 000

(iii) Asians........ R74 478 000

(b) (i), (ii) and (iii). The information asked for is not available.

(c) The nett receipts of sales tax during the financial year which ended on 31 March 1983, amounted to R3 183 453 346,53.

The final figure for the financial year ended 31 March 1984 is not yet known.

Petrol: additives

869. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(1) Whether after-refinery alcohol-type additives may be added to petrol refined and on sale to the general public in the Republic; if so, (a) what specified substances may be added, (b) what is the maximum percentage of such additives that may be added and (c) what was the average percentage of such additives added to petrol on sale in the Republic during the latest specified period for which figures are available;

(2) what was the average number of unadulterated litres of petrol obtained, after refinement, from a barrel of crude oil imported into the Republic as at the latest specified date for which figures are available?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) Yes.

(a) Ethanol, higher alcohols and other oxygenated compounds.

(b) SABS specification No 299–1972 (Amendment No 2: 3 March 1982) stipulates that the total amount of ethanol, higher alcohols and other oxygenated compounds allowed to be mixed with petrol may not exceed 15 per cent (per volume).

(c) In 1983 on average 11 per cent (per volume) was added.

(2) In 1982 on average 47 litres of petrol were obtained from a barrel of crude oil.

FRIDAY, 4 MAY 1984

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†Indicates translated version.

For oral reply:

Cape Town: television transmitter

*1. Mr K M ANDREW asked the Minister of Foreign Affairs:

(1) Whether, with reference to his reply to Question No 22 on 28 March 1984, a transmitter installed or adjusted to enable television set owners in the Cape Town Gardens area to receive TV 2 programmes would also enable television set owners in any other areas to receive these programmes; if not, why not; if so, in which other areas;

(2) (a) what would be the total costs involved in the installation or adjustment of such a transmitter and (b) how many additional television set owners would be able to receive TV 2 programmes?

†The MINISTER OF MANPOWER (for the Minister of Foreign Affairs):

In terms of article 3 of the Broadcasting Act, No 73 of 1976, as amended, the affairs of the South African Broadcasting Corporation are managed and controlled by the Board of Corporation.

BLACK TAXATION

Problems persist

(320) FM 4/5/84

The industrial unrest which some commentators predicted would greet the introduction of the new unitary tax system has not materialised. To date, there has been only one documented tax-related strike — the short-lived work stoppage at Durban's Union Flour Mills in January.

That does not mean all is well. Research conducted for Indicator SA by the Natal University shows that the issue is still alive in the minds of black workers and could still cause problems.

Moreover, the survey, conducted by Indicator's Loretta van Schalkwyk, indicates that blacks are badly informed on the technicalities of the new tax and highly suspicious of government's motives. They hold employers accountable for explaining the tax and advising them on procedures.

The principal finding was "that the possibility of strikes and disturbances around the new taxation system cannot be ruled out, especially viewed in context with the increasing prices of staple consumer items, transport and gst."

In its entirety, Van Schalkwyk's report makes disturbing reading.

Of the 200 workers approached, only 64 knew enough about the tax issue to be interviewed at all. Of those, only 13% had a reasonable grasp of the implications. "This suggests," says Van Schalkwyk, "that well under 10% of black workers have a clear concept of what the new tax dispensation means."

(320) FM 4/5/84

Even more worrying was that 50% saw the new tax as a "bad thing" and the same proportion felt it would lead to personal hardship and disturbances. Only 17% saw it benefiting blacks.

In addition, 67% indicated that they were suspicious of government's motives. An example of the distrust? "I don't think it is especially good for blacks," said one respondent. "I think it is introduced to harm everybody just so that the government is able to buy weapons for defence."

The results, Van Schalkwyk argues, indicate a need for training programmes and company-based advice and information centres to which employees can turn for assistance.

(320) Fm 4/5/84

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SOCIAL SECURITY

Need for the dole?

(300)

A call for the establishment of a dole in SA — to be called a "social wage" — was made by a working group at the recent Carnegie Conference on Poverty. The group concluded that the administration of unemployment insurance, pension and other social security schemes had broken down in the homelands.

The working group, consisting of academics, labour experts and unionists, urged the creation of a unitary non-contributory social security scheme. Although the idea might be dismissed as a utopian dream, it is likely to be taken up by emerging trade unions and political groups.

The group said the scheme should incorporate unemployment, sick, maternity and disability benefits, as well as pensions. With the possible exception of maternity benefits, it felt that no limit should be imposed on the period for which benefits were paid.

It also said "no benefits should fall below a general income level, this being similar to the system in the UK. At the same time, however, this should not prevent workers from bargaining with employers for additions and improvements over and above this level.

"Finally, workers should, in fact, be in control of the fund's administration and workings."

It did, however, accept that "these are long-term considerations and rest on the presumption that there would be a significant restructuring in the economic system's redistribution mechanisms."

Regardless of the merits of the idea, which could pose new problems for government and management if it is seriously adopted as a programme by unions, the group's assessment of the state of existing social security schemes, particularly the Unemployment Insurance Fund (UIF), in the homelands is significant.

Charles Meth and Sorveig Piper of the University of Natal argued that there are serious drawbacks to the new UIF schemes established in the homelands. They said

FM 4/5/84 301 300 291 Saldru

these schemes excluded the SA government's contribution of R7m, and the amount handed over to the homelands was relatively small as the workers from the homelands tended to be in the lower paid-brackets.

This meant the largest proportion of the unemployed are drawing benefits from a limited financial pool.

The Carnegie Conference was also told about the administrative inefficiencies of the funds. In some cases there were "enormous delays in the receipts of benefits, sometimes, in the case of unemployment benefits, lasting longer than six months. There were also irregularities in payments where workers received differing amounts — which raised the question of possible corruption. Workers, particularly in rural areas, also face problems in collecting benefits because of the long distances between their homes and pay-out points."

Workers also did not have any access to information about the functioning of the funds because the proceedings of benefit committees and the UIF are held in private.

The group also pointed out that an "enormous" number of people are excluded from unemployment insurance, including some 2m agricultural and 800 000 domestic workers, as well as large numbers of seasonal workers.

Only 3,5m of the 9,5m economically active population contribute to the UIF. Many accept that much of the existing social security "safety net" is inefficiently administered and too narrowly based. Admitting that much, however, is different from accepting the necessity or feasibility of an all-embracing dole system in a country with a limited tax-base.

ZBIGNIEW BRZEZINSKI

Soviets in decline

Zbigniew Brzezinski was National Security Adviser to President Jimmy Carter. He is now a professor of political science at Columbia University in New York. Brzezinski is in SA as a guest of the SA Foundation. In this interview with the *FM*, he declined to discuss matters relating to southern Africa.

***FM:* Would you agree that the Kremlin's global influence is on the wane?**

Brzezinski: I think that there is no doubt the ideological and political influence of the Soviet union is in decline even as its military power grows. As long as the United States offsets Soviet military power, it prevents the Soviet Union from using it for political intimidation or for more direct forms of expansion. The global influence of the Soviet Union is going to recede. The Soviet internal system is in a very poor condition. The leadership is stalemated and geriatric. Worldwide the Soviet historical experience is increasingly perceived as a failure.

Do you see any problems for the Soviets in Eastern Europe over the next few years?

It's an intractable problem that the Soviet Union faces in Eastern Europe. You find the organic grafting on Eastern European societies of the Soviet model, but you also find the phenomenon of body rejection. The Soviet model is derived from peculiarities of Russian history which are simply not relevant to the political configuration of East Europe.

The only way the Soviet Union will be able to maintain its power in Eastern Europe is by coercion. I expect that coercion will continue, but that it will involve higher costs and more strains. If the Soviet Union is wise, it will permit, in effect, the gradual Finlandisation of Eastern Europe, for that would be to its own advantage. It would create a more stable system, and one in which Eastern Europe could be the transmission belt for evolutionary changes in the Soviet system itself which would make that system both more humane and more efficient.

What about Afghanistan?

I think the Russians will persist. They have paid a very high price (for the invasion) in the Third World and particularly in the Islamic world. I think that the Soviets are not going to compromise and that they will continue to try to subdue the Afghans, because it is critical to the enhancement of their capability to exercise pressure towards the Indian Ocean, the Persian Gulf, and the arc of crisis in general. Analogies with Vietnam are misplaced, just as they are misplaced in the case of Central America.

What of the Americans in Central America?

I think that the policy could end up in disaster — but not because of any alleged analogy to Vietnam. If the policy were to create massive hostility throughout Latin America and at the same time be ineffectual on the ground in Central America, then there could be a disaster. My own view is that there will not be a disaster. I hope that the US has the foresight to deal with the problem politically and militarily; but it also has the capacity to deal with it by military means alone. If the US is wise, it will solve the situation through a combination of military and political means. If we are not wise, we will (still) have the wherewithal and the geopolitical advantages to solve the situation militarily.

Is there a structural crisis in the making of American foreign policy?

I think that eventually the predominance of the White House in foreign policy is necessary to create order out of the existing chaos. Since World War II we have had either dominant Secretaries of State with presidents who are relatively not interested in foreign policy, or dominant National Security Advisers with presidents who are interested in foreign policy. What is unique about the present situation is that neither the Secretary of State nor the National Security Adviser is dominant. Yet the president himself is not overwhelmingly engaged in the making of foreign policy. That situation produces a considerable degree of fragmentation in making policy.

My own view is that eventually the position of the National Security Adviser will be institutionalised and elevated to be the chief co-ordinator of the principal departments engaged in foreign policy: namely the Department of State, the Department of Defense, and the Central Intelligence Agency. Effective co-ordination can only be achieved from the vantage point of the White House.

How effective was President Carter's emphasis on the diplomacy of human rights?

First of all, the very idea of human rights is deeply rooted in the American experience. The public engagement on behalf of human rights is inherent to America. Secondly, we live in an age in which the desire for human rights has become the principle motive force of political conduct and of political action all over the world. Thirdly, the Carter administration had a number of significant successes in the promotion of human rights. Fourth, such a policy was definitely uneven in its effectiveness. We had more influence over small countries (which were) dependent on us than on bigger countries hostile to us. Therefore there were bound to be inconsistencies.

New tax on businesses?

CAPE TIMES 10/5/84 320

Staff Reporter

THREE new kinds of tax on businesses, proposed to finance local authorities under the new constitutional dispensation, were outlined by Mr G P Croeser, Chief of Public Finance, to 430 delegates at the Conference of the Institution of Municipal Engineers in Cape Town Civic Centre yesterday.

He delivered a paper on "Financial arrangements for local government in the new constitution — a central government perspective", in which he said the government had already accepted, "in principle", the three new sources of revenue. They are:

- An "establishment levy" on the turnover of all trading, manufacturing and professional activities. This would replace present trade licence fees.
- A "services levy" on salaries and wages, to be paid by all employers. This would replace the present employers' transport levies.
- A levy on productive assets, "to neutralize any possible negative effect the proposed employment levy might have on employment opportunities".

Mr Croeser said all these should be extremely productive, without involving high administrative costs, as a self-auditing system would be proposed in which the businessman had to provide only three figures to the local authority.

"It has also been proposed," he said, "that these levies should be collected on a regional basis in an economically-bound area ... and redistributed to the various local authorities."

This would ensure that "newer local-authority areas" would benefit from central business district revenue.

- In his address, Cape Town's City Engineer, Mr Jan Brand, argued for a regional approach to the provision of urban services.

"Economies of various kinds, for example in transport planning, water treatment and air-pollution policy, can then be made," he said.

Sales tax soars — and the shopping rush is on

By HENRY LUDSKI, Weekend Argus Reporter

W/C ARGUS 11/5/84 320

THE increase in GST to 10 percent could start a shopping spree, especially for high-priced goods, as consumers, conscious of savings, rush to beat the July 1 deadline, retailers predicted today.

"Some people are already doing it. It's incredible," said Mr Colin Abel, managing director of a city furniture store.

"There is no doubt about it. People are going to rush to save every cent they can.

"The news spread so fast yesterday that many people, obviously not aware that D-Day was only July 1, rushed in to make small savings".

Decision widely criticised

Yesterday's announcement by the Minister of Finance, Mr Owen Horwood, of the GST increase has been widely criticised as consumers do not regard the exemptions on basic foods as sufficiently far-reaching.

While pre-tax increase "savings" on household commodities would not be significant unless bought in bulk, the greatest rush was expected to be for higher-priced items.

Mr Owen Horwood

Retailers said that even though savings on certain items would be insignificant, many people thinking of buying goods would now do so before July 1.

GST on an article costing R1 000 will increase by R30 to R100 from July 1.

Retailers expect an "unprecedented rush" now because of the increase and because consumers are more money-conscious.

Mr Faried Hali, regional manager of an electronics store, said: "We were very busy at all our branches this morning."

He said a usually quiet Saturday had turned into one of their busiest days, with customers rushing to buy video and television sets.

Mr Stratis Zitianellis, the owner of an Observatory supermarket, saw "big problems."

"We will be forced to re-label items differently. More time will be spent in queues as cashiers will have to sort all goods into different tax groups."

Sluggish economy blamed

The sluggish economy and the inability of tax rates to produce sufficient revenue to cover Government expenditure are blamed for the increase.

Professor John Simpson, head of the Graduate School of Business, said the GST increases marked a realisation by the Government that its expenditure this year would be greater than expected.

However, the economy was unlikely to grow more than one percent and tax revenue from gold was falling.

The new constitution was also likely to require unexpected Government spending.

Professor Simpson said the selectivity of the GST increase reflected a need to woo the coloured and Indian electorates ahead of the elections this year.

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Opposition reacts with 'sense of shock and disbelief'

Parliamentary Staff

CHIEF Opposition spokesman on finance Mr Harry Schwarz said today Mr Owen Horwood's announcement of an increase in general sales tax (GST) had induced "a sense of shock and disbelief".

Speaking after the Minister of Finance, Mr Schwarz said the question that would be raised in the public mind was: "Does this Government know what it is doing ?"

Mr Schwarz (PFP Yeoville) said that only six weeks ago, when the Minister introduced the Budget, he had said it would come as a relief that there was no increase in GST.

Mr Harry Schwarz

The Budget had been taken through a long process of debating. Now the Minister was saying, in effect, that what he had told the Assembly six weeks ago was not correct.

Mr Schwarz said the reasons given by the Minister for increasing GST were not acceptable. Nothing dramatic had happened to the gold price and it was generally known that this price and the value of the rand had dropped.

The Minister's reasons demonstrated that criticism of the credibility of his Budget — to which the Minister took exception — was "absolutely right".

Mr Schwarz asked what would happen between now and July 1 when the higher GST was due to come into effect.

Would people get themselves into debt in order to buy goods before the increase?

Referring to the announcement that certain basic foods would be exempted from GST, Mr Schwarz said the Opposition had appealed to the Government to do this when GST was first introduced.

"Why didn't you do it years ago when the Opposition asked you to do it ? "

Mr Schwarz said he had "a horrible suspicion" that the Government was giving with one hand but would take from the public with the other hand.

"We will watch what happens to the bread price," he said.

Mr George Bartlett (NRP Amanzimtoti) said the Minister had to be condemned for allowing the economy to deteriorate to such an extent that the big increase in GST was necessary.

The shock announcement only six weeks after the budget, resulted in a lack of certainty, stability and continuity about tax.

Mr George Bartlett

He welcomed the removal of GST from basic foods which, he said, would go a long way to assist the low-income groups to survive.

Mr Jan van Zyl (CP Sunnyside) described the announcement as "a disaster".

Since the end of January, GST had increased by 66 percent, which was "unheard of in world history".

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Inhibiting laws to be repealed

BISHO — Laws hindering small businesses are to be abolished.

This was said by President Lennox Sebe during his policy speech yesterday.

He said that at the time of Ciskei independence the country inherited all the laws and regulations of South Africa.

In many respects these laws hindered and harassed black small-business people.

"We intend to abolish, as soon as possible, as many of them as possible. We will set our business people free, free to develop and increase their own wealth and thus the wealth of the country."

President Sebe said that very shortly they would begin to remove all those laws and regulations that they had inherited and which they had found unnecessary and distasteful and which were blocking the emergence of a dynamic private sector.

He announced that the Small Business Deregulation Bill would be introduced during this session.

He urged Ciskeians to come to do business in Ciskei.

President Sebe reported that the activities of the Ciskeian Small Business Corporation continued to expand and that a counsellor had recently been appointed by the corporation specifically to advise commercial farmers as well as to assist them in making business enterprises of their farming operations.

A multiple small business workshop in Mdantsane consisting of 48 workshops would be opened soon.

A large building programme was being implemented by the corporation and emphasis was being placed on workshops in the rural areas. At present there were 121 small industrial workshops in Ciskei, creating job opportunities for a large number of Ciskeians.

The women's sewing groups continued to flourish and employment had been created for more than 150 groups — DDR.

Tourism potenti

BISHO — Plans were afoot to develop and promote tourism into a revenue-generating industry, President Lennox Sebe told the National Assembly yesterday.

A travel bureau had been established at Bisho in association with Thomas Cook, Rennies Travel, and through this linkage it would be possible to promote Ciskei tourist attractions through some 1 500 offices throughout the world.

President Sebe said Ciskei was often described as the Cinderella of Southern Africa lacking wealth and prosperity, but richly endowed with a great variety of beautiful landscapes.

Good progress had already been made with successful establishment of the Tsolwana game ranch and the Amatola casino here.

Further developments were in the pipeline such as the redevelopment and upgrading of

Sebe announces land reform sch

BISHO — Ciskei was about to embark upon the most innovative land reform programme in black Africa which would combine tradition and modern private ownership.

This was announced by President Lennox Sebe in a wide ranging policy speech in the National Assembly yesterday.

The government would recognise, for the first time in post-colonial Africa, the power of each tribal authority to grant its people three basic legal and economic rights.

These were the right to real security of tenure, the right to consolidation and sub-division and the right to freedom of exchange.

President Sebe said that, invariably, reforms proposed in the past were opposed because they called for control over land to be centralised in the hands of the government. Ciskei now proposed a fundamentally new and different approach.

The idea was not to remove any rights, but to grant every tribal authority autonomy over its own land tenure affairs. Individuals were to be given proper legal security in respect of their existing rights of allotment and grazing.

He said tribal authorities would in future be able to decide for themselves whether, in addition to, or instead of, allocating land by tribal custom, they wish to sell or lease land commercially.

They would also be able to decide for themselves what conditions of title, if any, they wished to impose on the exchange of tribal lands.

"This will give them unprecedented opportunity to generate an income for tribal authorities themselves and will also provide an automatic incentive to allocate land to the most resourceful and efficient land users," he said.

"For the first time in over a century people will have an opportunity to use our land optimally."

He said the reason that such a breakthrough did not occur before was because of two "disastrous myths" that blacks were bad farmers and that they were opposed to private land tenure.

"Nothing has obstructed our progress more than these myths which are promoted by whites and exploited by communists."

Historical records dating from the early 1800s showed that the true African land tradition, before it was undermined by white colonial powers, was one in which land ownership was of paramount social and economic importance.

There was secure private tenure and share-cropping, black farmers were as successful as their white counterparts and they often took more prizes at agricultural shows in the Border region than whites.

To call the present land-holding pattern "traditional communal tenure" was to demonstrate a complete misunderstanding of tribal law. The only


President Sebe

reserved for grazing ... stock owners who wishe... were allocated grazing ... private grazing allotm... made because grazing la... resource.

President Sebe said ... resources like houses, c... were privately owned ... were no restraints on ...

What was now prop... own legal tradition," ... tion, that it was to take ... monetary system for ...

Changes were also pr... outside the tribal ar... under quitrent or limit... subject to severe restri... which was the restrict... change and leasing.

He said the govern... controls so as to bring ... land.

The balance of the l... government was direct... programme of division ... tual sale or letting to ... developers.

The effect of this far... tion programme would ... blacks, a privileged la... previously reserved for ...

He said a public su... there was overwhelmi... these reforms. If the t... tage of their increased ... status, goodwill and ...

The people and the ... to the most effective ... and wealth creation. In ... changes would lay the ... a productive economy

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GST HIKE

The union response

Finance Minister Owen Horwood's announcement last week that, barring a few basic products, gst is to be raised to 10% from July 1 has provoked a cry of outrage from trade unions.

A strongly worded statement released by the feasibility committee currently involved in unity talks — aimed at forming a powerful federation which will represent 300 000 workers — makes this clear. The committee charges that the Minister's decision reflects government contempt for working people. It warns that the gst hike will strongly influence union wage demands and intimates that industrial action will be "inevitable" if significant increases are not won.

The statement comes at a time when uncertainty is rife about which foodstuffs will be exempt from the tax. Government has indicated that raw fish and meat, vegetables and fruit, unsifted flour, milk, bread, butter, margarine and eggs will be exempt. But some are arguing that certain processed foods, such as canned sardines, should also be free of gst.

The feasibility committee condemns the list of foodstuffs from which gst will be exempt as "totally inadequate" and says most workers will be obliged to pay more for most foodstuffs they consume. "At the very least, it should also be eliminated from canned and certain processed foodstuffs and other basics such as rice, tea, coffee, sugar and powdered milk," it says.

Gst increases on a range of household necessities — paraffin, candles, soap and household utensils, as well as clothing — are termed "unacceptable."

age has not yet been finalized.

(bb) Evidence relating to the incident is still being processed by a Board of Inquiry. The cause of the derailment will, therefore, only be known on receipt of the Board's final report.

(2) (a) and (b) No. The matter is still being investigated.

Mr G B D McINTOSH: Mr Speaker, arising out of the reply given by the hon the Minister, could he tell the House whether those coaches and dining saloon, as they careered downhill on the main railway line between Johannesburg and Durban, nearly caused a collision involving the Trans-Natal Express?

The MINISTER: Mr Speaker, what actually happened there was that the dining saloon became unhooked and careered downhill causing a mess. I cannot help it though. It is not my fault that the dining saloon was so badly damaged. [Interjections.]

Mr H H SCHWARZ: Mr Speaker, further arising out of the reply given by the hon the Minister, and in the light of what he said, would he not rather restrict his personal activities to shunting rather than to managing the trains? [Interjections.]

Sorghum beer industry

*7. Dr M S BARNARD asked the Minister of Co-operation and Development:

Whether, with reference to his reply to Question No 10 on 10 June 1983, a final report on the sorghum beer industry has been submitted by the committee investigating the privatization of the sorghum beer interests of the Development Boards; if not, (a) why not and (b) when is it anticipated that it will be submitted; if so, (i) when was it submitted and (ii) what were the findings?

†The DEPUTY MINISTER OF CO-OPERATION:

No.

(a) Certain aspects pertaining to the valuation of assets are still under investigation and a report on this matter is expected to be completed as early as possible in the second half of this year.

(b) In the course of the latter half of this year.

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320 Q.61. Tax 1208

*8. Dr W J SNYMAN asked the Minister of Co-operation and Development:†

What amount was collected from Blacks in the form of personal tax in the latest specified tax year or period of 12 months for which figures are available?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

Tax collected from Black persons in terms of the Black Taxation Act, 1969, in the Republic of South Africa during the 1983/84 financial year amounted to R319 900 000.

Contract: Reference No 2.2.0.2

*9. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

Whether his Department and/or any agency of his Department entered into a contract, Reference No 2.2.0.2, with a supplier whose name has been furnished to the Minister's Department for the purpose of his reply; if so, (a) who signed the contract on behalf of the purchaser, (b) what was the total (i) face value of the contract, and (ii) amount actually paid out in respect of this contract, in millions of United States dollars and (c) who authorized the payment or payments which were made in respect of this contract?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS:

This question refers to aspects of a case

which has been referred to the Advocate-General for investigation. At this stage the statements on this matter made by the hon the Prime Minister and myself in Parliament and to the media suffice.

Towing of drydock caisson

*10. Mr B W B PAGE asked the Minister of Transport Affairs:

(1) Whether a South African Transport Services tug undertook the towing of a drydock caisson from East London to Cape Town for repairs recently; if so, (a) when, (b) (i) what is the name of the tug and (ii) where is it normally stationed and (c) what was the (i) nature of the repairs required and (ii) total cost involved;

(2) whether any investigation was made into the viability of carrying out these repairs in East London Harbour; if not, why not; if so, with what results;

(3) whether the tug in question was brought to East London for the purpose of towing the caisson to Cape Town;

(4) whether the tug was equipped for undertaking a tow of this nature; if not,

(5) whether the tug had to undergo certain modifications in respect of its towing bridle prior to leaving East London for Cape Town; if so, what modifications;

(6) whether the tow-cable parted on the way to Cape Town; if so, (a) when, (b) where, (c) why and (d) with what results;

(7) whether the tug remained in Cape Town Harbour while the caisson was being repaired; if so, (a) why, (b) for how long and (c) at what cost per day;

(8) whether consideration was given to utilizing the services of independent deep-sea tug operators for the purpose of towing the caisson to Cape Town; if not, why not; if so, with what results?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes.

(a) 14 March 1984.

(b) (i) F H Boltman.

(ii) Richards Bay.

(c) (i) General repairs.

(ii) Approximately R286 000. This amount includes towage and dry dock charges.

(2) Yes. The caisson required dry docking, but this could not have been undertaken economically at East London.

(3) Yes.

(4) Yes.

(5) Falls away.

(6) No. However, due to sheering of the caisson the chain legs of the bridle parted 11 miles from East London. The tug and caisson returned to East London where another bridle was fitted.

(7) Yes.

(a) As shipping is light at present, and in order to keep costs to a minimum, it was decided to lay up the tug at Cape Town to await the completion of repairs to the caisson. Except for the Chief Marine Engineer Officer, the crew was returned to Richards Bay.

(b) From 22 March 1984 to 4 May 1984.

(c) R68,40, i.e. the salary and

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Increase gives city retailer 'cold shivers'

THERE HAS been mixed reaction to the news of the general sales tax increase and exemption from GST of certain basic foods.

"It gives me cold shivers," Mr Colin Abel, managing director of Victrix, a leading retailer of domestic appliances said.

"I think it will knock the bottom out of an already falling market."

The increase in GST last year from six percent to seven percent did not have much effect on sales. But the new increase is almost 50 percent and this must affect consumer spending.

DIFFICULT TO CHECK

Mr Chris Hurst, finance director of Pick'n Pay, welcomed the decision to exempt certain basic foods from the syustem.

It means cashiers would have to differentiate between taxable and non-taxable articles.

But he thought the Government might have difficulty in policing the new system. The different tax rates would make it difficult to check up on small traders.

OVERSEAS PRACTICE

Mr Marius van Blerck, a Cape Town tax consultant, said the Government was merely following the practice overseas. He would not be surprised if GST eventually climbed to 15 percent and luxury goods were subject to a super-sales tax.

Dr O D J Stuart, deputy director of the Bureau for Economic Research at the University of Stellenbosch, said the increase to 10 percent was a surprise. An increase had been expected, but only up to eight percent.

(Turn to Page 2, col 5)

Mixed reaction to Govt's latest tax ch

Argus 11/5/84

(Continued from Page 1.)

He said it would lead to an increase in the consumer price index and to further inflationary pressures.

The increased tax, at a time when the consumer already had to pay high interest rates, must affect his spending.

"This is a shock . . ." was the reaction of Mr Colin Adcock, chairman of the National Association of Automobile Manufacturers (Namsa), when told of the GST increase.

"It means the tax content in the price of cars is beginning to rush upwards."

He gave as an example a two-litre automatic four-door sedan selling at a retail price of R14 400.

"UNFAIR BLOW"

Under the phase five duty system the tax was R900. Under the "ad valorum" tax of one and a half percent — introduced in the recent Budget on all cars — and now the 10 percent GST, that two litre vehicle would carry taxes of R2 050.

"It is a damned unfair blow to the motor industry. It continues to get hit," said Mr Adcock.

"We will make an approach to the Government to try to get the ad valorum duty removed, because it was absorbed by the motor industry.

"Normally we would have sought a general price increase on July 1 to counter the effects of inflationary increase, but with this tax increase I don't know how we can.

"RUSH OF BUYING"

"The effects of this increase could be severe. At this stage I have no indication how it will affect parts of the industry but there is sure to be a rush of buying up to the end of June."

He added: "But it is amazing how the South African public just keeps on buying — even in the face of massive interest rates. I think people are price punch-drunk."

The GST increase will trigger off wage demands which will lead to an upward spiral in costs, Mr C E McCarthy, deputy director of the Cape Chamber of Industries, said.

If the Government's aim was to curb inflation by bringing down spending, higher interest rates would have been more effective.

"A SHOCK"

The director of the Cape Town Chamber of Commerce, Mr Brian MacLeod, said the size of the increase came as a shock.

If the Government was "desperately in need of so much more money very quickly", so soon after the Budget, it seemed the public had been misled in March.

If this were the case, the Government was "taking money from the pockets of the poor old taxpayer in order to spend it itself".

On the other hand, the reason for the increase might be a wish to take urgent action to curb inflation by cutting spending.

"FIRST PRIORITY"

Pointing out that Assocom forecast a rise in the inflation rate to 12 percent this year, from the present 10,5 percent, he said fighting this "should be our first priority".

If the Government was planning to "sterilise" money by taking it from the public in the form of GST, and use it later to aid the recovery when the time was ripe, "we should go along with it".

Mr McCarthy said the rise was "very disagreeable news". Any rise in GST would trigger off wage demands and start a cost spiral which would drive up the rate of inflation.

It would also further delay economic recovery.

HIT OUT

The Council of Unions of South Africa has hit out at the GST increase.

In a statement, CUSA says it is concerned "that instead of increasing company tax, the Minister has now taxed the workers of South Africa".

"It appears however that the Minister has taken cognisance of a joint letter sent to him by the black trade union movement in March this year," Cusa adds.

The letter contained an appeal from union groupings within the emergent trade union movement which represents mostly black workers for a lifting of GST on basic foods.

LESS-PRIVILEGED

"The Minister replied that he wished to shield the less-privileged citizens. This he does not appear to have done" added the CUSA statement.

"We will be forced to negotiate for higher wages because of the spiralling GST and food prices."

The Federation of South African Trade Unions, one of the union groupings involved in addressing the appeal to the Minister of Finance, said they had not had a chance to look at the GST increases but would issue a comment later.

The president of the Associated Chambers of Commerce (Assocom), Mr Bill Yeowart has attacked the financial management of the Government.

"DEEPLY REGRETS"

In a statement he said Assocom "deeply regrets that State finances have been permitted to deteriorate to the point such drastic action has become necessary".

"It is clear that not more than six weeks after the main Budget, spending targets in that Budget cannot be met without further increases in taxation.

"Yet it appears to Assocom that the economic factors operating in the economy have not changed from what they were prior to the Budget.

"Assocom notes that basic food items are to be exempted and that the add-on system will become compulsory but also regrets that these decisions have been taken without adequate prior consultation with the private sector.

RESEARCH

"The authorities were aware that Assocom was engaged in extensive research to formulate recommendations to the standing Advisory Council on taxation to whom these matters had been referred in the main Budget on March 28.

"The latest decision regarding GST will require an extensive revision of the forecasts for the South African economic outlook in the year ahead."

In Johannesburg, Barclays economist Dr Johan Cloete welcomed the fact that general sales tax on basic foods was being removed, saying it had weighed heavily on lower-income groups.

"It's a step in the right direction."

"OTHER RISES"

Professor Roger Gidlow of the University of the Witwatersrand said, however, that the Government's decision to raise GST less than two months after the budget suggested that other

CITY

eaction to Govt's latest tax changes

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"OTHER RISES"

Professor Roger Gidlow of the University of the Witwatersrand said, however, that the Government's decision to raise GST less than two months after the budget suggested that other rises might not be far away.

"In future there could be an even greater emphasis on indirect taxation as a method of raising revenue.

"Now that basic foods are being exempted it will be easier politically to raise GST again."

MORE MONEY

Both Dr Cloete and Professor Gidlow thought the increase would tend to lower long-term interest rates, by putting more money in Government coffers and therefore lessening the Government's need to borrow.

Dr Cloete thought one unfavourable implication was that taking the extra tax earnings — Mr Horwood estimates them at around R800-million this fiscal year — out of the economy would make the country's already poor growth prospects even worse.

Professor Gidlow said the move "gives one the impression the Government won't be able to control the growth in its expenditure".

If the Government had to raise money, he added, increasing GST was about the best way to do it.

"It's easy to collect and, unlike income tax, does not harm the productive base of the economy."

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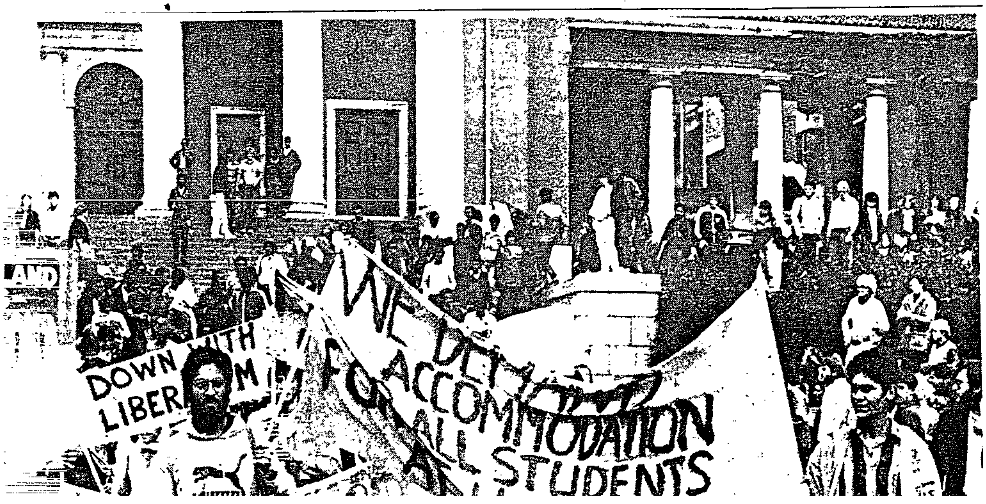


Poor cushioned by dropping GST on basic foods

RDM 12/5/84 (320)

New 1984 taxes total R2 500m

By HOWARD PREECE

THE increase in General Sales Tax from 7% to 10% from July 1 announced yesterday brings the total amount of new taxation imposed so far this year to about R2 400-million.

This already makes it one of the toughest tax years ever for the country.

But Mr Owen Horwood, the Minister of Finance, has cushioned the poor from some of the additional burdens by deciding to exempt basic foodstuffs from GST altogether.

Items to be freed from GST after July 1 include bread, maize meal, unsifted wheat meal, raw meat, raw fish, fresh vegetables and fruits, fresh milk, butter, margarine and eggs.

Even so Mr Harry Schwarz, the Progressive Federal Party spokesman on finance told MPS the overall GST rise was "shocking and unbelievable."

And the Association of Chambers of Commerce said it deeply regretted state finances had been permitted to deteriorate to the point where such drastic action as the big hike in GST had become necessary.

The rise is expected to raise about R800m for the Government over the 1984-85 tax year.

Economists believe the immediate net effect of the GST changes will be to add to about 1% to the overall cost of living — but the increase could be more than for most whites and less for the average black consumer.

In the 12 months to the end of March the official Consumer Price Index rose by 10,2%.

Taking a longer view, however, the large new tax hike should have a deflationary effect on the economy.

That is, it will curb the amount of money available for spending and reduce the upward pressure on prices — but it will also postpone any real economic recovery and cause further unemployment.

There will, of course, be something of a short-term "mini boom" until the end of June while consumers rush to buy certain goods ahead of the GST rise.

Mr Horwood told Parliament yesterday that a "significant fall" in the gold price since his budget in March and the "worsening of the drought in certain areas" had necessitated" a most careful reapraisal of our economic and financial situation and the policy implications involved."

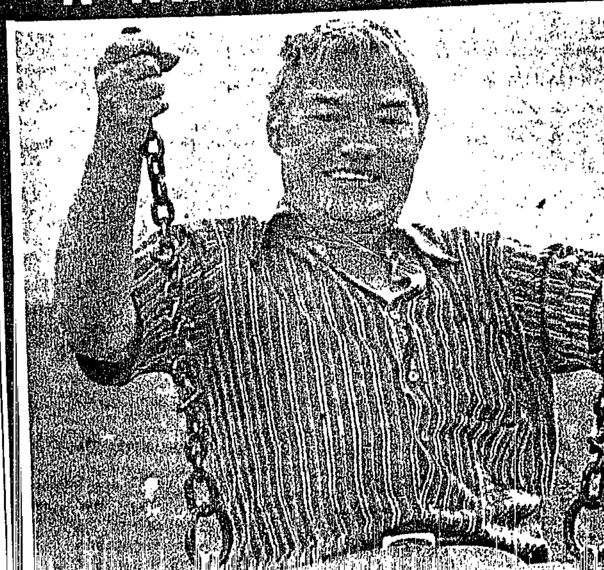
Coupled with an increase in imports and gross domestic expenditure, these developments had turned the surplus on the current account of the balance of payments into a sizeable deficit — hence, he said, the need for the GST increase.

Mr Horwood told MPs: "The steps I have [illegible] ensure the (Govern-

How GST

[illegible]

A WINNER ALL THE W



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Mr Horwood told MPs: "The steps I have announced should ensure the (Government) deficit before borrowing will be below R3 000-million, or 3% of the gross domestic product — and, therefore, that the Treasury's borrowing requirements stay within sound limits."

"This will in turn assist the monetary authorities in further slowing down the rate of increase of the money supply and total spending without upward pressure on interest rates.

"In all these ways the GST adjustment should serve to reduce the downward pressure on the exchange rate of the rand and the upward pressure on prices and costs", Mr Horwood said.

GST was raised at the beginning of February this year from 6% to 7% — a move estimated to raise some R700m for the Treasury during 1984-85.

In the budget various tax increases totalling around R900m were imposed with company tax up from 46,2% to 50% the main feature. Now comes another R800m imposition.

Most economists believe that the crucial problem is Mr Horwood's inability to get the Cabinet to take a brutally tough approach to state spending.

The gold and drought problems are certainly seen as real — but not to have changed fundamentally over the past six weeks.

It is possible, though, that Mr Horwood takes a more pessimistic view about gold now than he did at budget time.

However, excess spending is still the key issue and there are widespread estimates that the civil service pay increase, for example, was actually at least 20% overall rather than the official 12%.

In his March budget Mr Horwood provided for an increase in Government expenditure of "only" 11,7% for 1984-85.

He warned that if this were exceeded more tax increases would almost certainly be necessary.

Virtually every leading economist doubted whether spending could, in fact, be held down to the target level.

In Parliament on April 9, however, Mr Horwood said: "I reject out of hand this questioning of the budget credibility as a piece of cheap political mischief-making."

Last night opposition MPs and some economists saw Mr Horwood's own credibility as being heavily on the line.

How GST will affect you now

FOR THE BECKWITHS

By DAVID CAPEL

THE average white family will be put back about R9 a month for food and other essentials with the 10% rise in General Sales Tax.

Mr Ken Beckwith, of Alberton, said his family spent R300 a month on food and other essentials a month, excluding GST. This did not include foodstuffs which will no longer be affected by GST, including raw meat, fish, bre ad and milk.

When 7% GST was added on, the bill rose to R321. With the additional 3% GST added on after July 1, the monthly total would be R330.

He said the lifting of GST on certain food items would play a significant part in balancing his account.

FOR THE DLAMINIS

By RAYMOND MASHAO

AN AVERAGE black family would still pay more for food and other essentials despite the lifting of GST on some basic foodstuffs.

Though some black families yesterday welcomed the phasing out of the 7% GST on some food, the majority feared the new 10% GST on other food and essentials would gradually affect them in the same way as the current 7%.

Mrs Nombuyiselo Dlamini, a Meadowlands mother of one, said she spent about R116 on basic foodstuff every month, and that she would spend close to R98 a month when the 7% GST was phased out.

In total her monthly household bill is at present R146, when other essential items, like toiletries and winter clothes are taken into account. This would drop to R133 after the new sales tax was introduced.

Namibia talks hit new snags

By TONY WEAVER
Mail Africa Bureau

LUSAKA. — The Namibian independence

A WINNER

The Mail is tops, so far as Mr Peter The... the Rand Daily Mail Jackpot and his ... Jackpot.

By CLARE HARPER

A CLERK for the Johannesburg Road Transportation Board had the biggest smile of his life on his face yesterday afternoon...

Jackp...

Mr Peter The... an administrative ...

would be a major problem for them.

Mr Gordon Whood, managing director of OK Bazaars, branded the increase "a disaster". He said the March budget was milder than expected and "there was a commitment that government spending would be curbed in an effort to combat inflation".

"Yet two months later, the Minister of Finance introduces the tragic increase with the admission that he needs more money from the SA consumer. In the private sector such planning and forecasting would put you out of business."

Speaking from Boston, United States, Mr Gordon Utian, managing director of Checkers said: "It is a tremendous relief that GST is excluded from basics, although the list is too short. This increase will mean approximately R800-million more out of South Africans' pockets. This will hurt. Why were we not told about this in the Budget only two months ago?"

Mr Chris Hurst, financial director of Pick 'n Pay, said: "We have been asking for foodstuffs to be exempted from GST for the last three years. Now the Minister of Finance can raise GST without an unfair burden on the poor."

Mr Manual Sachar, chairman of Grand Bazaars, said: "I am pleased that they did not put it up on basic foods. It would be difficult to adjust to it by changing the cash registers, but we will find a way. It must be for the good of the country because there was no other way out."

'Deterioration' of state finances

● The president of the Associated Chambers of Commerce (Assocom), Mr Bill Yeowart, said :"While Assocom acknowledges the underlying economic reasons for the sharp increase in GST, the association deeply regrets that state finances have been permitted to deteriorate to the point at which such drastic action has become necessary."

● "I think it a very responsible move to raise GST, because the economy is having severe problems," said Mr Rob Lee, chief economist at Old Mutual. "It will also reduce the upward pressure on interest rates, because the government will have to borrow less and the overall economy will slow down."

The increase in GST would have a destabilizing impact on the retail market in the short run, Mr Lee said. Consumers would rush to hoard up stocks of essential supplies before the increase was imposed.

floor of the old Senate chamber where the proceedings took place.

Mr Schwarz said the increase in GST would cause the public to ask if the government knew what it was doing.

Another Opposition spokesman, Mr John Malcomess, said the increase could lead to a rise of up to 2c a litre in the price of petrol.

Mr Schwarz said that in the main budget speech in March, Mr Horwood said MPs would be relieved to know GST was not going up, but less than six weeks later he had raised it substantially.

Yesterday's announcement and Mr Horwood's reasons for it vindicated Opposition claims in March that the budget lacked credibility, he said.

Between now and July 1, when GST would go up, people might commit themselves to purchases on credit to avoid increased tax and Mr Horwood would be party to people piling up substantial debts.

The planned GST hike proved that the figures he presented in his March budget were "no good", Mr Schwarz said.

The economy was in a

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Horwood bluffed public — PFP

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Political Staff

HOUSE OF ASSEMBLY. — In one of the most fiery debates in Parliament this year, MPs of all three opposition parties yesterday reacted with shock to the government's plan to increase GST by 43 percent from seven to 10 percent from July 1.

The Minister of Finance, Mr Owen Horwood, was personally attacked for his handling of the country's finances since 1974. As a token of strong censure, the Opposition proposed that his salary be reduced.

And Opposition MPs predicted the government would increase taxes again later in the year as state expenditure exceeded the budget.

There were also Opposition allegations that the government had lost control of the economy, was governing on a basis of ad hoc crisis management, and had bluffed the country when the main budget was presented in March.

When Mr Horwood made the announcement during a debate on his budget vote, there were shocked cries of "Good Lord", "What did you say?", and "It's a scandal", from Opposition MPs.

'Disbelief'

The Progressive Federal Party's chief finance spokesman, Mr Harry Schwarz, said the announcement induced a sense of "shock and disbelief".

At times during the debate Mr Horwood and Mr Schwarz exchanged

'A disaster', 'a slap in face'

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CAPE TIMES 12/5/84

By EBRAHIM MOOSA

THERE WAS angry reaction from housewives and consumer bodies to yesterday's shock announcement of an increase in general sales tax, despite the exemption of certain basic foodstuffs.

The increase was described as "a disaster" and "a slap in the face" for the consumer, but lifting GST from fresh foods was generally welcomed.

The foods on which sales tax will no longer be payable are: Bread, maize meal, unsifted wheatmeal, raw meat, raw fish, fresh vegetables and fruits, fresh milk, butter, margarine and raw eggs.

The tax on all canned and frozen foods will therefore rise from the present seven percent to ten percent on July 1, when the increase comes into effect.

Although the poorer sections of the community will enjoy some relief, many poor people do not have fridges and depend on canned goods.

Mrs Joy Hurwitz, national president of the Housewives' League, described the increase as a slap in the face for the consumer. "South Africa must be on the verge of bankruptcy for the government to take such action at this time.

"The cost of living will be astronomical. With increases in all other goods, I cannot see the Consumer Price Index (CPI) going up less than one per cent," she said.

Mr Jan Cronje, director of the Consumer Council, said: "The increase in GST will have an adverse effect on the consumer's standard of living. This step makes it impossible for the average consumer to save and it will influence the inflation rate."

Exemptions a 'major problem'

Supermarket chiefs generally welcomed the exemption of fresh foods from the new increase but

Mr Van Niekerk's and Dr Kaunda's presence just before 10pm

Then the Swapo delegation headed by Mr Sam Nujoma, emerged, and Mr Gurirab announced that the Swanu "patriots" in the Swapo delegation were withdrawing from the Swapo delegation.

The three key figures who have broken from Mr Moses Katjiuongua's Swanu to join Swapo are Mrs Norah Chase, Swanu general secretary, Mr Kuzeeka Kangueehi, vice president, and Mr Gerson Veii, former president.

The talks, which resumed briefly last night before adjourning three hours late for a banquet at State House, continue this morning.

A

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had made the indecent suggestion.

"I became very scared and embarrassed and cried," she said.

Application

Asked by Mr William Booth, for Mr McCullough, why she had not left the office when the suggestions were made, she said she had still wanted to know whether her application had succeeded.

The hearing was adjourned to July 11. Mr McCullough was warned to appear.

Mr R A Duraan was the magistrate. Mr P Steyn appeared for the State.

Cape Times 12/5/84

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Warning of 'unrest' in wake of GST rise

By RIAAN DE VILLIERS
Labour Reporter

A MAJOR independent trade union co-ordinating body yesterday warned conditions "ripe for unrest" were inevitable if workers were forced to continue paying for the "maintenance of the apartheid regime".

Commenting on the shock increase in general sales tax, the Council of Unions of South Africa (Cusa) also warned it would negotiate for "even higher wages" because of spiralling GST and food prices.

Mr Arthur Grobbelaar, secretary of the Trade Union Council of South Africa (Tucsa), welcomed the lifting of GST on basic foodstuffs — but declared the gain would not offset increased taxation on other commodities.

'Issue'

The GST adjustments have come after 25 emergent unions intending to unite in a new federation later this year demanded in a letter to Mr Owen Horwood, Minister of Finance, before the Budget that GST on basic foodstuffs be scrapped.

A spokesman for the grouping said the unions involved would comment when the details of the announcement had been studied.

Cusa — also involved in the unity talks — said it had warned in March that the minister would increase GST some time this year, which had now happened.

"We are concerned that, instead of increasing company tax, the minister has taxed the workers of South Africa," it said.

It appeared Mr Horwood had taken cognizance of the joint letter and lifted GST on basic foodstuffs.

"We have to take issue with the minister, however, that he has not shielded the less privileged citizens as he claimed he would," it added.

Mr Grobbelaar described the announcement as "absolutely horrific" and said it would once again place a "very unfair" burden on the poorer sections of society — which could least afford increased taxation.

"I unfortunately predicted the increase at the time of the Budget and the only thing I'm surprised about is that it has come so quickly."

'Inequitable'

"Although we welcome the lifting of GST on basic foodstuffs, I don't think the gain in that regard is going to offset increased taxation on every other commodity.

"GST has always been an inequitable form of taxation because the poor pay disproportionately larger amounts in relation to their income than the more affluent sections."

He said he did not believe prices of basic foodstuffs would drop by 7 percent in July.

"On the few occasions the authorities have decreased prices in the past, the savings had not been passed on to the general public. The prices stay constant and someone else pockets it. I am quite sure this will happen again."

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From page 1

mess and the government had an obligation to clear it up before handing it on to the new Parliament.

The PFP had appealed for years for basic foodstuffs to be exempted from GST, but the government had only now taken the party's advice and even before waiting for the recommendations of a special committee appointed to investigate the matter.

The Conservativ Party's finance spokesman, Mr Jan van Zyl, also expressed shock at the proposed GST increase. This latest increase meant that so far this year GST would have risen by 66 percent.

In a statement later, Mr Van Zyl said the government appeared to have lost control of the ... plodded along on an ad hoc basis.

The New Republic Party's finance spokesman, Mr George Bartlett, associated his party with the expression of shock by other opposition MPs.

Although the planned exemption from GST of certain basic foodstuffs was welcome, the 43 percent increase would, nevertheless, eat into the purchasing power of economically hard-pressed South Africans.

Mr Horwood should not have allowed the economy to have reached the state where this type of action was necessary.

In reply to the debate, Mr Horwood angrily defended the government's action which he said was the "most considered" that could ...

Doubts on control of State spending

Higher GST could delay business upturn

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CAPE TIMES 12/3/84

By ALEX PETERSEN, Deputy Financial Editor

THE RISE in general sales tax from seven to 10 percent is likely to have a debilitating effect on the economy, causing a further damper on the long-awaited upturn in the economic climate, business leaders and economists said yesterday.

They also expressed serious doubts about the ability of the government to contain State expenditure and control inflation.

The president of the Cape Chamber of Industries (CCI), Mr Chris Newton, said last night that the upturn expected towards the end of 1984 "is bound to recede further into the future".

Volkskas group economist, Mr A J Jacobs, said that the chief problem reflected in the increase was that of government spending.

"The real issue is the overshooting of government expenditure. Mr Horwood is passing the buck to the consumer. It is very hard to ask the consumer to tighten his belt, when the government cannot do the same."

He said that the increase was an admission by Mr Horwood that expenditure would exceed Budget by the amount between R800m and 1 000m — the amount that the increased GST would bring into State coffers.

"Mr Horwood must expect that expenditure will exceed Budget quite considerably. That's quite an admission".

A further worrying factor, said Mr Jacobs, was the move could trigger further tarrif increases from Escom and Sats. When their budgets were presented it had been made clear that higher tarrifs were inevitable if they could not maintain volumes.

"We could get locked in to a vicious circle," Mr Jacobs commented.

While removing GST from essential foodstuffs was seen as a forward move by business leaders, CCI president Mr Chris Newton suggested that the fact that the list was limited to unprocessed foods could create serious problems of imbalance.

"This is likely to create serious problems for many Cape industries engaged in the production of processsed foods on which the lower income groups are heavily dependent."

"The rise in the the tax of these essential foodstuffs and the drop in tax of the items listed is likely to cause a marked degree of imbalance between the two."

"There is room for considerable doubt in regard to the precise definition of the articles mentioned."

Mr Newton said that was an urgent need for government to scrutinize the cost efficiency of every element of state activity and expenditure.

The March Budget was one which had affected businesss far more than previous Budgets, and the increase of GST could have a markedly adverse effect the economic climate.

Industrial relations may also come under pressure as a result of the GST increase. The chairman of the Cape Clothing Manufacturers Association, Mr Simon Jocum said that in addition to cutting back demand for clothing and other goods, the extra tax would help offset wage increases given to workers, putting a double-edged pressure on industry.

GROUP NO 15
Transvaal 2
Moodie and Golino (251)
Moodie and Golino (252)
Bopape (65)
Graaff (60)
Parnell and Mahin (62)
GROUP NO 16
(286)
(52)

The Star

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GST — trick or treat?

THERE is bad news and good news in the Minister of Finance's announcement yesterday of a 3 percent jump in general sales tax from July 1. At 10 percent the tax is double the rate of two years ago. Mr Horwood picked on a solution to reap in an extra R800 million a year to help defend the national accounts from the battering delivered by the recession — while following widespread advice to scrap the tax completely on several basic food items.

First reactions are that the bland Budget — against general expectations — in March was a confidence trick: economic factors have barely changed in the six weeks since then, yet already the Government cannot meet its spending targets. The gamble on gold has failed and, as Assocom president Mr Bill Yeoart has commented, it is lamentable that State finances have been allowed to deteriorate to the point where such drastic action is necessary.

Though the increase in GST has caused dismay for consumers who will have to change their shopping habits and cut down on non-essentials, the move is accompanied by significant relief for the vast poorer section of the population. It is a formula that follows much of the thinking of the special study group appointed by the Association of Chambers of Commerce on how to ease the burden on the less affluent.

Overall, of course, it adds to the burden on all consumers. But it may finally persuade them to cut back on the reckless spending that has continued despite all recession signals which has landed thousands with enormous debt headaches — and frustrated ambitions to pull down inflation.

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CAH Tms 12/5/84

Reasons for rise in GST

Political Staff

HOUSE OF ASSEMBLY. — Far-reaching changes in the economy and new developments such as the drop in the gold price since his budget were the reasons for the three percent increase in GST, Mr Owen Horwood, Minister of Finance, said yesterday.

However, if circumstances improved and South Africa benefited from an unexpected and substantial rise in gold, he would reduce GST again.

He considered that the move, which would entirely exempt basic foodstuffs from GST, would not be inflationary.

Lower-income groups would benefit from the food exemption because they spent a larger part of their income on foodstuffs than the upper-income groups.

He said the new 10 percent GST was still one of the lowest in the world.

Mr Horwood also announced that with a few exceptions, the "add-on" system of GST would be compulsory from July 1 as well.

The increased GST would mean a net increased income of about R800 million this fiscal year and should keep the deficit before borrowing within sound limits.

Exempted from GST would be bread, maize meal, unsifted wheat meal, raw meat, raw fish, fresh vegetables and fruits, fresh milk, butter, margarine and raw eggs.

Unfavourable

He trusted that traders would ensure that consumers benefited from the exemption.

Opening the debate on his department in Parliament yesterday, Mr Horwood recalled that he had emphasized when he delivered the main budget in March the difficulty of budgeting in the framework of the prevailing "unfavourable conditions".

Since then, the gold price had fallen to about 370 dollars an ounce and could fall further. The drought, instead of improving, had worsened in some summer-rainfall areas.

A surplus on the balance of payments had turned into a deficit and the effective exchange rate of the rand had depreciated by about 11 percent in terms of a weighted basket of currencies since September, predominantly due to the exceptional escalation of the dollar which showed no signs of abating.

He had warned in the budget that if estimates of expenditure had been too conservative he could see no way of avoiding further tax increases in the year ahead.

Surplus

"In the more than six weeks that have elapsed since my budget speech, the far-reaching changes in the underlying economic situation together with certain other new developments have led me to the conclusion that further remedial fiscal action is called for and that it should not be delayed beyond the time necessary for its effective implementation," said Mr Horwood.

"A budget surplus of R125 million and more for likely further drought relief will undoubtedly be fully utilized for this purpose."

Among the considerations in increasing GST was the impossibility of accurately estimating future drought relief and natural disasters. It had also been impossible at the time of the budget to foresee that the producer price of maize would go as high as R215 a ton and the consumer price as high as R220 a ton — an increase of more than 20 percent. This would entail subsidies of more than R100 million.

The rising import prices of maize meant that the Exchequer had to finance an increasing "loss" on these imports, probably in the order of R100 million.

The uncertainty about next season's wheat price also made it impossible to forecast the subsidy on bread for a full year.

Interest

There were also many other substantial subsidies which for various reasons were extremely difficult to determine in advance. Among these were commuter train and bus subsidies and interest rate subsidies to farmers and for housing.

Mr Horwood said that in the absence of unforeseen domestic or international developments, he would expect the measure to contribute to an easing of both short- and long-term interest rates during the rest of the year.

This would naturally reduce the plight of drought-stricken farmers and the interest burden on the Treasury and would also assist in bringing about the required recovery in fixed investment in plant, equipment and machinery.

Mr Horwod said he expected allegations that the increase in GST would be inflationary but this was not so. He expected the consumer price index to rise by less than one percent.

"The proposed raising of additional revenue through GST forms an essential part of the present anti-inflationary policy. It will curb the expansion of real disposable income and therefore consumer spending."

It would reduce the deficit before borrowing and therefore the Treasury's need to approach the capital market for additional funds.

'Increase could lead to unrest'

Labour Reporter

THE Council of Unions of South Africa (Cusa) has warned that it will now negotiate for "even higher wages" in the wake of "spiralling General Sales Tax and food prices".

In a statement yesterday Cusa said they had warned in March that the Minister would increase GST sometime this year.

"This prediction has come true," the statement said. "We are concerned that instead of increasing company tax the Minister has taxed the workers of South Africa."

The statement said, however, that it appeared that Mr Horwood had taken cognisance of a letter sent to him by the entire black trade union movement in March calling for the lifting of GST on basic foodstuffs.'

"We have to take issue with the Minister however that he has not shielded less-priveleged citizens as he claimed.

"South Africa has to end its military build-up to balance the budget."

The "horrific" increase in GST could lead to industrial unrest later this year, the general secretary of the Trade Union Council of South Africa, Mr Arthur Grobbelaar, warned.

"Trade unions will come under tremendous pressure from their members to go for some form of compensation.

"In the current adverse economic climate this would be resisted and unrest will become a real threat — something we cannot afford."

Mr Grobbelaar said the tax increase would "hit the poorer sections of the population right between the eyes".

It was important to remember, he said, that blacks had needs outside of basic foods. It was estimated that the average black family spent about 25% of their incomes on basic foods.

"The other 75% of their expenditure will now be subject to a disastrous 10% tax."

GST, Mr Grobbelaar added, had always been an "iniquitous" tax on the poor. "And this has not changed because of exempting basic foods," Mr Grobbelaar said.

Other trade unionists supported Mr Grobbelaar view. A general decline in living standards was inevitable, they said.

Food retailers have mixed feelings on tax changes

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By LINDA ENSOR

A SENSE of relief was the predominant response by spokesman for supermarket chains to the exemption of basic foodstuffs from GST, though this was qualifed by concern over the increase on GST for other commodities.

Mr Richard Cohen, a director of Pick 'n Pay Hypermarket, said that from the inception of the GST system, the chairman of the organisation, Mr Raymond Ackerman, and the company itself, had exerted pressure for basic foodstuffs to be exempted.

"Insofar as the Government has conceded this we are over the moon," said Mr Cohen. "It will be an obvious relief to the lower income groups."

He expressed concern, however, that the exclusion of basic foodstuffs from GST might give the Government a licence to increase GST in future and that Control Boards and other such bodies might push for increases in the prices of those commodities exempted.

As far as consumers of general goods were concerned, Mr Cohen predicted that the increased GST would be an added inducement for them to switch to acquiring basic necessities.

The managing director of Checkers, Mr Gordon Utian, said it was a relief that the Minister had removed GST from certain basic foods.

This would help people who most need it, even though the list of exempted foods was short.

"But the increase of 3% in GST does take approximately R800-million more out of South Africans' pockets and will hurt hard".

Mr Utian added that when the economy improved, his company would urge the Government to reduce GST.

Mr Gordon Hood, Managing Director of OK Bazaars shared these views on the removal of GST on basic foodstuffs but regarded the increase of GST for all other commodities as a "disaster".

"The removal of GST from basic foodstuffs is very commendable and long overdue," was the reaction of Mr Dave Botha, General Manager of Benny Goldberg's liquor stores.

He felt that the extra 3% on other commodities would be largely offset by the exemption of basic foodstuffs.

Regarding the effects on the liquor trade, Mr Botha said that overall he did not believe it would have a negative effect on liqour sales.

Mr John Hooper, managing director of the Solly Kramers liquor chain, was far more shocked and far less optimistic about the effects of the measures.

"We are very unhappy about this especially when it is seen against the background of four separate price hikes in liquor in the past few months," he said, expressing the belief that the liquor trade would be adversely affected.

"A fair proportion of liquor buying is classified as luxury buying and this will be put under pressure," he added.

He felt that the present static or declining sales trend would intensify as a result.

Industry wants sugar on list

Mail Correspondent

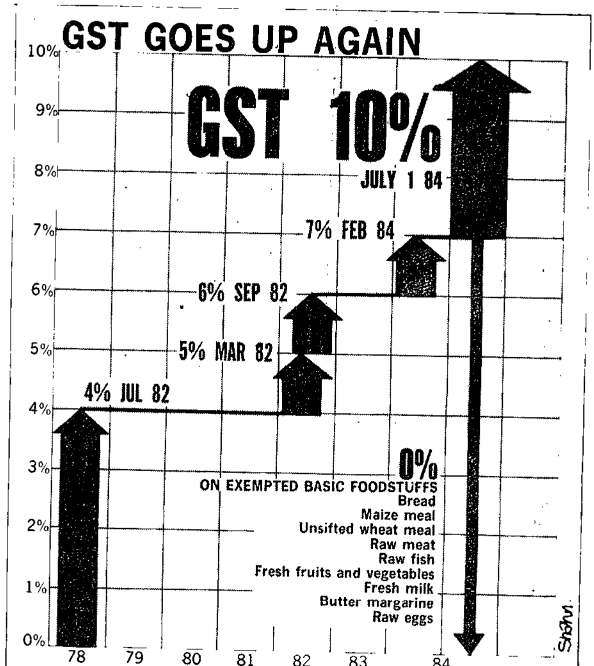
DURBAN. — Sugar has been left out of the list of foods exempted from general sales tax from July 1, but the industry 'believes' it will be put on the list.

Mr Ian Smeaton, chairman of the SA Sugar Association, said that sugar was a staple food which played an important role as an energy source, particularly in the diet of the lower income groups.

Energy sources such as protein and fresh fruit were often outside the spending ability of poor people, while sugar was one of the most efficient forms of energy available to man.

Mr Smeaton said the departments of finance and industry would be approached to rectify the 'omission' of sugar from the tax-free list.

And, if necessary, the industry would make submissions to the Standing Committee on Taxation Policy for sugar to be exempted.



GST increase will create problem at tills

Mail Correspondent

DURBAN. — Small food outlets using mechanical cash registers are set for problems in July when the new general sales tax system comes into force.

One aspect of the announcement on GST made yesterday by the Minister of Finance, Mr Owen Horwood, was that the add-on system would become compulsory from July 1.

The problem lies in the final cashing up, where mechanical tills are unable to differentiate between items excluded from tax payments and those where tax is included.

Yesterday a spokesman for GOM Business Machines in Durban said operators using mechanical tills had two alternatives.

"They can either buy computerised cash registers or total up a client's purchases in two groups — the one made up of items where tax is excluded and the other where tax is included," he said.

In the past, operators have had the choice of either adding in the tax on the items on the shelves (add-in system) or adding it on the total of items bought at the point of sale (add-on system).

Spokesmen for large supermarkets and stores said they expected little problem with adding on tax at the point of sale because computerised cash registers could be programmed not to include items exempt from GST when totalling up.

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12/04/84

Increase in GST provokes angry Assocom reaction

Mail Reporters

SEVERAL organisations and economists yesterday sharply criticised the Government over its decision to increase general sales tax to 10% from July 1.

The Association of Chambers of Commerce criticised the Government for allowing State finances to deteriorate to the extent where it had become necessary to drastically increase GST.

In a statement yesterday, the president of Assocom, Mr Bill Yeowart, said: "It is clear that not more than six weeks after the Budget the spending targets in that Budget cannot be met without further increases in taxation."

Assocom believed the factors operating in the economy had not changed from what they were prior to the Budget.

Mr Yeowart said it was to be regretted that the decision to exempt basic items from GST, and to enforce the add-on system, were taken without adequate consultation with the private sector.

He said the latest decision on GST would demand an extensive revision of the forecasts for the country's economic outlook in the year ahead.

The director of the Consumer Council, Mr Jan Cronje, said living standards would fall because of the 3% hike to 10% in GST.

The higher tax would make it impossible for the average consumer to save — and the inflation rate would come under new pressure.

He said the only ray of hope was the lifting of GST on basic foodstuffs.

"The higher tax will give greater impetus to the continuing impoverishment of the middle class. The less privileged, however, will gain because they spend the greater portion of their incomes on basic foodstuffs," he said.

The executive director of the Federated Chamber of Industries, Dr J C van Zyl, said by taking an estimated additional R800-million out of the pockets of consumers, the shock GST announcment had to be seen as a necessary move to curb excess demand.

By exempting some food items the inflationary impact of the GST rise would be moderated and some food prices, especially to the lower income groups, might actually fall.

It now appeared a revival of the economy would be postponed to next year, he said.

The Afrikaans Handelsinstituut warned that the increase in GST could have the Government facing a confidence crisis.

The national president of the Housewives' League, Mrs Joy Hurwitz, described GST increase as "a slap in the face to the consumer", while Mrs Sally Motlana, national president of the Black Housewives' League, said it would hit the poor "very hard".

Mrs Hurwitz said the League had asked the Government to exempt basic foods from GST since 1978.

"At last the Government has listened, but the impact of the additional 3c in the rand on everything else will increase our cost of living at a time when most consumers cannot afford it.

"With such a massive increase, surely all food could have been exempted and a higher tax placed on luxuries. With all these additional millions the Government must give top priority to the collection of all taxes," Mrs Hurwitz said.

Mrs Motlana, while welcoming the exemption on basic foodstuffs, criticised the increase on other commodities. The increase should have been introduced gradually, if at all.

She said the poor would be hit hard because they would have to pay more for other commodities, such as clothes, which were also essential to life.

The chief economist of the Economic Research Bureau at the University of Stellenbosch, Dr O D J Stuart, said the tax hike, taking into account the exemptions, would probably lead to a one to 2% increase in the consumer price index.

He said the chances now of bring the inflation rate down to single figures had virtually disappeared.

He claimed the increased administration costs associated with the collection of the tax would also be inflationary.

Consumer spending would be "hit for a six", and the slump in retail spending could delay the hoped for economic recovery, Dr Stuart said.

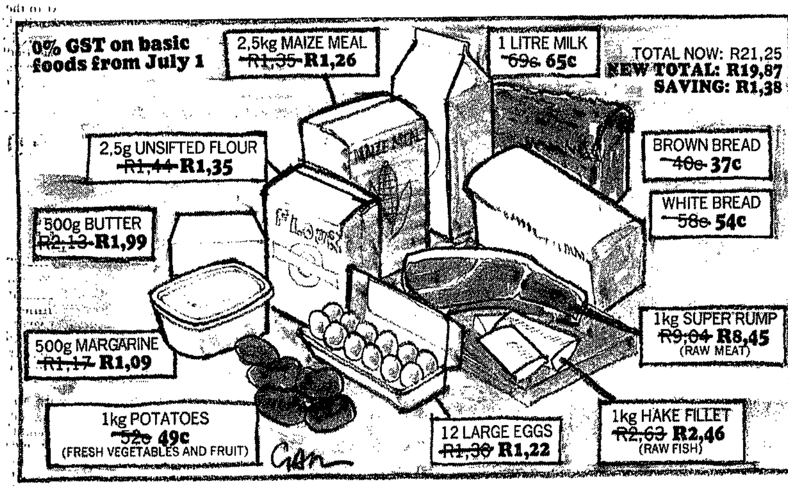
Volkskas economist, Mr Amda Jacobs, said the increase came as no surprise. It was considered certain that sooner or later this year the Minister would be looking for more money.

"The reality of the situation is that the mini boom we have been basking in is now at an end," he said.

The higher consumer prices, now inevitable, would hit the man in the street hard, and big adjustments in living standards were now called for.

● Mr N Vermeulen, The director of the National Association of Automobile Manufacturers of SA (Naamsa), Mr N Vermeulen, said the increase would cause "a wave of pre-emptive buying of consumer durable goods, particularly new vehicles".

● The Automobile Association said the latest GST increase should have been avoided. "The AA has in the past urged the Government to create ways and means whereby the tax collected accrues to the central revenue fund in order to avoid further increases. This second increase in less than six months is most distressing."



Cut Horwood's pay, MPs urges

By CHRIS FREIMOND
Political Correspondent

CAPE TOWN. — In one of the most fiery debates in Parliament this year, Members of Parliament of all three opposition parties yesterday reacted with shock and outrage at the Government's plan to increase GST by 3% from July 1.

The Minister of Finance, Mr Owen Horwood, was personally attacked for his handling of the country's finances since 1974. As a token of strong censure the Opposition proposed that his salary be reduced.

And Opposition MPs predicted that the Government would increases taxes again later in the year as State expenditure exceeded the budget.

... the announcement during a debate on his budget vote, there were shocked cries of "Good Lord", "What did you say?", and "It's a scandal", from Opposition MPs.

The PFP's chief finance spokesman, Mr Harry Schwarz, said the announcement induced a sense of "shock and disbelief".

There were also Opposition allegations that the Government had lost control of the economy, was governing on a basis of ad hoc crisis management, and had bluffed the country when the main budget was presented in March.

Mr Schwarz said the increase in GST would cause the public to ask if the Government knew what it was doing.

Another Opposition spokesman, Mr John Malcomess, said the increase could lead to a hike of up to 2c a litre in the price of petrol.

Yesterday's announcement and Mr Horwood's reasons for it vindicated Opposition claims in March that the budget lacked credibitity, Mr Schwarz said.

The PFP had appealed for years for basic foodstuffs to be exempted from GST, but the Government had only now taken the party's advice and even before waiting for the recommendations of a special committee appointed to investigate the matter.

The Conservative Party's finance spokesman, Mr Jan van Zyl, also expressed shock at the proposed GST increase.

He said GST was increased from 6% to 7% in February. The latest hike meant that so far this year, GST would have risen by 66%.

The New Republic Party's finance spokesman, Mr George Bartlett, associated his party with the expression of shock by other opposition MPs.

The Government was not searching for the causes of the country's economic decline.

Unless the economy achieved an annual growth rate of 5% in the years until 2 000, South Africa could face the prospect of the same economic chaos that had struck coutries in the East and in South America, Mr Bartlett said.

In reply to the debate, Mr Horwood angrily defended the Government's action which he said was the "most considered" that could have been taken.

CT Times 14/5/84

Meat firm drops price

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Staff Reporter

A NATIONAL meat producer yesterday announced that it will drop the price of a popular meat line by seven percent following the government's decision last week to exempt basic foodstuffs from general sales tax as from July 1.

The company, Kanhym-Karoo, which has 12 Peninsula outlets, will sell its Karoo boerewors at the reduced rate from today.

Both the SA Federated Chamber of Industries executive director, Dr J C van Zyl, and the president of the Afrikaanse Handelsinstituut, Mr Hennie de Klerk, have cautiously welcomed the exemption of basic foodstuffs but have expressed concern that by increasing GST to 10 percent, the government would postpone the country's economic recovery.

Excess demand

Dr Van Zyl said the estimated further R800 million which would be generated was necessary to curb excess demand and to finance rapidly-growing government expenditure.

Mr De Klerk expressed disappointment at the increase and said the control of inflation would be hampered by the fact that most goods would still carry GST.

Ciskei may be tax haven

ARGUS 15/5/84

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From BARBARA HART
Argus Bureau

EAST LONDON. — Ciskei may be turned into a tax haven.

Ciskei's President Lennox Sebe today announced a wide-ranging economic reform programme, which could include the abolition of company tax as a step towards creating a tax haven.

Delivering his policy speech in the National Assembly in Bisho, Chief Sebe said the reforms would "tell investors of the world that in Ciskei you will be welcomed and you will find the free market atmosphere in which you can prosper".

The reforms include:

- Possible abolition of company tax.
- Property ownership under full title.
- Abolition of laws restricting small-business development.
- Establishment of an agricultural bank and an agricultural corporation.

Chief Sebe said the Swart Commission of Inquiry into the economic development of Ciskei had recommended in February that the question of Ciskei becoming a tax haven should be studied and the Executive Council would soon consider it.

LAND REFORM

Chief Sebe also announced a land reform programme which would allow people to hold title and to buy and sell property.

Tribal authorities would be given autonomy over land tenure affairs and could decide whether they wished to sell or lease land in addition to allocating it.

Chief Sebe said laws that hindered and harassed the development of small businesses would be abolished.

Announcing the establishment of the Ciskei Agricultural Bank and an agricultural corporation, Chief Sebe said it was his Government's policy that agriculture should be a cornerstone for economic development.

'Terrible blunder' by Horwood over GST

ARGUS 15/5/84

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Staff Reporter

SCRAP General Sales Tax on all foods, the Government was told today as confusion and anger continued to rise over the shock announcement of the latest GST increase.

The Minister of Finance, Mr Owen Horwood, was accused of making a "terrible blunder" with the original list of exempted foods he gave Parliament last week.

And the Opposition Finance spokesman, Mr Harry Schwarz, said it was "crazy" and "ridiculous" that the Government still could not tell consumers and businessmen precisely which foodstuffs would be exempted.

Meanwhile, the Commissioner for Inland Revenue, Mr C F Schweppenhauser, said in Cape Town that the Government would consult private enterprise before finally deciding GST increase details.

"ANOMALIES"

Details of goods affected by the increased tax, or exempted from it, will be contained in a Sales Tax Amendment Bill to be published by the end of May or early in June, he said.

Mrs Joy Hurwitz, national chairman of the Housewives' League, said in Johannesburg that Mr Horwood had "made a terrible blunder with the initial list of exemptions outlined in Parliament" as it was "riddled with ludicrous anomalies and nobody can make sense of it".

She said the Government should scrap GST on all foods. This would be "the only practical and equitable solution to bring a halt to all the present confusion and frustration".

She said: "The average consumer is furious at the nonsensical gaps which apparently promise lower prices for luxury items such as crayfish but higher prices for basic items like pilchards, cheese, domestic coal, paraffin and dozens more items absolutely essential to thousands of families."

SHOWN THE WAY

The league urged Mr Horwood "to take swift action ahead of any formal announcement in the Government Gazette on exemptions" when GST soars to a record 10 percent on July 1.

"Britain and the United States have shown the way by excluding taxation on all food. Unless the Minister follows suit the GST increase as it stands is going to be catastrophic for the

(Turn to Page 3, col 1)

ARGUS 15/5/84

320

Call to scrap all food tax

(Continued from Page 1.)

living standards of lower income groups.

"How on earth can the Minister justify the same GST rate on mealie meal and canned fish as on luxury imported sports cars, fancy perfumes and baubles and bangles?"

"There is a whole list of basic and utterly essential commodities that needs to be added to the exemptions if thousands of families are going to survive the battle with double-digit inflation," said Mrs Hurwitz.

Mr Schwarz said large and small businesses would have to know as soon as possible how they should run their tills, and other people who needed to know well in advance about which items would be taxed or exempted were housewives, feeding schemes, health authorities and a wide range of businesses.

"RIDICULOUS"

It was "crazy" and "ridiculous" that the Government could not say precisely what it intended.

The reason for the confusion was the haste with which the announcement had been made by the Minister. It was obvious the Budget had not been worked out properly when it was presented to Parliament six weeks ago.

The best way out of the blunder now would be for a committee to be constituted to investigate and advise the Commissioner for Inland Revenue which foods should be exempt.

When he announced the GST increase last week Mr Horwood said certain foodstuffs necessary for nutrition would be exempted.

He said that while a closer definition of the various items might be necessary, items which would be exempted included bread, maize meal, unsifted wheat meal, raw meat, raw fish, fresh vegetables and fruits, fresh milk, butter, margarine and raw eggs.

A group of independent trade unions said today that the exemptions were "totally inadequate". Workers would be forced to "recoup these losses through wage negotiations".

A statement by the 25 unions, representing 300 000 workers, said: "At the very least, GST should have been eliminated on canned and certain processed foods and other basic food such as rice, tea, coffee, sugar and powdered milk."

'Terrible blunder' by Horwood over GST

ARGUS 15/5/84

320

Staff Reporter

SCRAP General Sales Tax on all foods, the Government was told today as confusion and anger continued to rise over the shock announcement of the latest GST increase.

The Minister of Finance, Mr Owen Horwood, was accused of making a "terrible blunder" with the original list of exempted foods he gave Parliament last week.

And the Opposition Finance spokesman, Mr Harry Schwarz, said it was "crazy" and "ridiculous" that the Government still could not tell consumers and businessmen precisely which foodstuffs would be exempted.

Meanwhile, the Commissioner for Inland Revenue, Mr C F Schweppenhauser, said in Cape Town that the Government would consult private enterprise before finally deciding GST increase details.

"ANOMALIES"

Details of goods affected by the increased tax, or exempted from it, will be contained in a Sales Tax Amendment Bill to be published by the end of May or early in June, he said.

Mrs Joy Hurwitz, national chairman of the Housewives' League, said in Johannesburg that Mr Horwood had "made a terrible blunder with the initial list of exemptions outlined in Parliament" as it was "riddled with ludicrous anomalies and nobody can make sense of it".

She said the Government should scrap GST on all foods. This would be "the only practical and equitable solution to bring a halt to all the present confusion and frustration".

She said: "The average consumer is furious at the nonsensical gaps which apparently promise lower prices for luxury items such as crayfish but higher prices for basic items like pilchards, cheese, domestic coal, paraffin and dozens more items absolutely essential to thousands of families."

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Increase in GST likely to cost province millions

ARGUS 15/5/84

320

By BRIAN STUART
Provincial Reporter

THE dramatic increase in GST is expected to cost the Cape Provincial Administration millions of rands in the year ahead, creating a new strain on the province's finances.

The Administrator, Mr Gene Louw, obviously drew up his Cape budget of R1 771-million for 1984-85 before the shock announcement last Friday that GST will increase to 10 percent from July 1.

The Provincial Administration also pays GST and the increase will cost the province millions more for stores, new hospital equipment and vehicles.

Subsidies

While there could be a saving to hospital services with the exemption of GST on some foodstuffs such as raw meat, eggs, margarine and grains, this will be small compared with the additional costs on other items of hospital expenditure.

Dramatic cuts in State subsidies to the Cape are also expected to be announced by Mr Louw when he makes his budget speech in the Cape Provincial Council tomorrow afternoon.

At the recent Cape Province Municipal Association conference Mr Louw said State subsidies to the Cape could be cut "on a scale far bigger than ever before".

The exact amount of these cuts will be announced by Mr Louw tomorrow, but they could be as much as twice the size of previous cuts.

New term for Louw

Political Correspondent

MR Gene Louw, Administrator of the Cape Province, has been appointed for a further term of office, the Minister of Constitutional Development and Planning, Mr J C Heunis, announced today.

Mr Louw's present term expires on August 31.

Increased GST on medicines extra burden for sick — PFP

ARGUS 15/5/84. 320

Parliamentary Staff

THE increase in general sales tax (GST) would be an extra burden for sick people in the form of higher medicine prices, the Assembly has been told.

Dr Marius Barnard (PFP Parktown) said he did not think it was right that sick people should be a source of tax revenue for the Government.

Dr Marius Barnard

COMPETITION

The high cost of medicines and health services was a major theme in yesterday's debate on the Health and Welfare budget vote.

Dr Barnard said there was a need for a new health care system in South Africa similar to that in Japan, where competition among doctors and group practices was allowed.

Japan had achieved better results in health care than the United States, for example, which spent three times as much a person on medical services.

This showed that modern medicine could produce cheap health, but modern politics did not allow it to do so.

The Japanese concentrated on keeping workers healthy rather than treating them only after they became ill.

ONLY ONE

Dr J J Vilonel (NP nominated) said the cost of medicines was only one item in total medical costs. This aspect of cost should not be over-emphasised, but should be considered as part of a larger problem.

Medical costs also included hospital treatment, the training of doctors and the prevention of disease.

The Minister of Health and Welfare, Dr Nak van der Merwe, said it was the Government's intention to work towards a system under which medicines could become cheaper through a system of free competition. This could save patients millions of rands.

FAMILY PLANNING

Speakers in yesterday's debate also called for additional State action to encourage family planning.

Mr Aubrey Thompson (NRP South Coast) said ways had to be found to curb South Africa's population growth, which was one of the highest in the world.

Family planning should be made available at every level, he said.

Mr Horace van Rensburg (PFP Bryanston) said Africa's population had almost doubled in the past 25 years. Meanwhile, food production was not increasing and vast areas of grazing were being destroyed every year.

More money should be spent on publicity about family planning.

Mr van Rensburg also suggested that more people, especially men, should be encouraged to undergo sterilisation.

RDM 15/5/84 (320)

HOW THE NEW SALES TAX WORKS

R1-R10		R11-R20		R21-R30		R31-R40		R41-R50	
Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R
1	0,10	11	1,10	21	2,10	31	3,10	41	4,10
2	0,20	12	1,20	22	2,20	32	3,20	42	4,20
3	0,30	13	1,30	23	2,30	33	3,30	43	4,30
4	0,40	14	1,40	24	2,40	34	3,40	44	4,40
5	0,50	15	1,50	25	2,50	35	3,50	45	4,50
6	0,60	16	1,60	26	2,60	36	3,60	46	4,60
7	0,70	17	1,70	27	2,70	37	3,70	47	4,70
8	0,80	18	1,80	28	2,80	38	3,80	48	4,80
9	0,90	19	1,90	29	2,90	39	3,90	49	4,90
10	1,00	20	2,00	30	3,00	40	4,00	50	5,00

R51-R60		R61-R70		R71-R80		R81-R90		R91-R100	
Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R	Verkope Sales R	Belasting Tax R
51	5,10	61	6,10	71	7,10	81	8,10	91	9,10
52	5,20	62	6,20	72	7,20	82	8,20	92	9,20
53	5,30	63	6,30	73	7,30	83	8,30	93	9,30
54	5,40	64	6,40	74	7,40	84	8,40	94	9,40
55	5,50	65	6,50	75	7,50	85	8,50	95	9,50
56	5,60	66	6,60	76	7,60	86	8,60	96	9,60
57	5,70	67	6,70	77	7,70	87	8,70	97	9,70
58	5,80	68	6,80	78	7,80	88	8,80	98	9,80
59	5,90	69	6,90	79	7,90	89	8,90	99	9,90
60	6,00	70	7,00	80	8,00	90	9,00	100	10,00

Security officials at the University of after firemen extinguished the blaze

Mayor's rough ride in balloon

By JEANETTE MINNIE

JOHANNESBURG'S mayor, Mr Eddy Magid, was thrown around in a basket yesterday.

The basket was attached to the "Johannesburg 100" Centenary hot-air balloon, tethered about four or five metres above the ground, after a rough launch from the lawns of the Braamfontein Civic Centre in gusty wind conditions yesterday.

And, although Mr Magid's brief spell in the air must have been uncomfortable, the crowd of onlookers, who had just emerged from a mayoral cocktail party, enjoyed the spectacle of the centenary balloon swaying violently from side to side under the onslaught of the wind.

Mr Magid was not alone in his predicament. He was accompanied by the chairman of the Johannesburg's new-look Centenary Festival Association (CFA), Mr David Lewis.

The launch formed part of a ceremony in which Mr Magid handed over the balloon to the CFA, which will use it to promote the activities of Johannesburg's 1986 centenary.

However, smiling observers yesterday said they did not think that the stormy launch of the balloon "reflected in any way on the new spirit of co-operation between the city council and the CFA" which the handing over of the balloon was supposed to symbolise.

Organisers hope that more than 100 balloons will be attracted to the 1986 Centenary International balloon event.

The "Johannesburg 100" balloon will take part in the South African National Championships in Bethlehem in July as well as in the Albuquerque Balloon Festival in New Mexico in August this year.

The American meeting is one of the top events on the international ballooning calendar and usually attracts up to 600 balloons.

Also to participate in this event will be the "SAA 50" balloon of the South African Airways.

The "Johannesburg 100" balloon, which cost R23 000, was designed by Balloonmeister Allan Dellbridge of the Balloon Sports Club of South Africa and was built by Terry Adams of Flamboyant Balloons.

Confessed killer to be sentenced

By JOHN MOJAPELO

A PRETORIA father of three, who pleaded guilty to a charge of murdering his wife by shooting her through the head, attempted suicide after visiting her grave on the anniversary of her death, the Pretoria Supreme Court was told yesterday.

Mr Hercules Wasserman, 34, of Strydfontein, pleaded guilty before Mr Acting Justice D O Vermooten to a charge of murdering his wife, Mrs Salomina Wasserman, on March 18 last year. Mrs Wasserman died on her way to hospital after she had been shot in the back of her head with a 7,65 mm pistol.

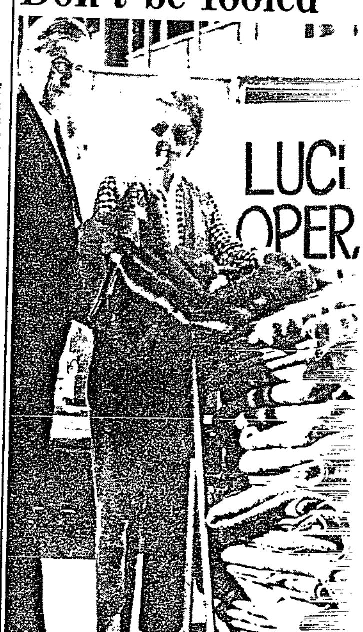
The shooting took place at the Joos Bekker Caravan Park where the Wassermans were living. The fatal shooting took place in the communal bathrooms of the camp after the Wassermans had had an argument.

Mr Wasserman pleaded guilty to the charge of murder.

The accused's brother, Commandant Johan Wasserman of the South African Air Force, told the court that Mr Wasserman had attempted suicide at his wife's grave on the anniversary of her death.

Mr Wasserman, who will be sentenced to-day, is out on bail.

Don't be fooled



Mr Monty Lasovsky, Lucem Holdings' MD, an Martha Washington Club's Mrs Helen Mur- with some of the 50 blankets Lucem has d-

FM
May 1984

320

GST HIKE

The union response

Finance Minister Owen Horwood's announcement last week that, barring a few basic products, gst is to be raised to 10% from July 1 has provoked a cry of outrage from trade unions.

A strongly worded statement released by the feasibility committee currently involved in unity talks — aimed at forming a powerful federation which will represent 300 000 workers — makes this clear. The committee charges that the Minister's decision reflects government contempt for working people. It warns that the gst hike will strongly influence union wage demands and intimates that industrial action will be "inevitable" if significant increases are not won.

The statement comes at a time when uncertainty is rife about which foodstuffs will be exempt from the tax. Government has indicated that raw fish and meat, vegetables and fruit, unsifted flour, milk, bread, butter, margarine and eggs will be exempt. But some are arguing that certain processed foods, such as canned sardines, should also be free of gst.

The feasibility committee condemns the list of foodstuffs from which gst will be exempt as "totally inadequate" and says most workers will be obliged to pay more for most foodstuffs they consume. "At the very least, it should also be eliminated from canned and certain processed foodstuffs and other basics such as rice, tea, coffee, sugar and powdered milk," it says.

Gst increases on a range of household necessities — paraffin, candles, soap and household utensils, as well as clothing — are termed "unacceptable."

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City motor trade booms in rush to beat 10% GST

Staff Reporter

THE rush for cars is on in Cape Town as buyers climb in to avoid paying hundreds of rands — and in some cases thousands — when GST goes up.

Everyone in the motor trade, from those in the second-hand market to those dealing with six-figure jobs, appears to be experiencing a boom, with an even greater rush expecated when the tax deadline approaches at the end of next month.

Mr David Wayne, manager of Market Cars, said that although the GST increase was announced only on Friday, there had already been a general upturn in demand for second-hand cars.

LIKE CHRISTMAS

"We are expecting a big rush, like the last weeks before Christmas. We had the same thing last time when GST went up by one percent, but this time it's three percent," he said.

On a second-hand car costing R5 000 a buyer would pay R150 more, and would be reluctant to pay the extra cash.

He said he expected three months' business to be squeezed into six weeks, and there could be a slump once GST was increased, before the market returned to normal.

FLASH IN PAN?

Mr Jack Kerby, franchise director of Porter Sigma, said that an improvement in sales was noticed on Saturday and yesterday following the announcement on Friday that GST would go up in July.

"Whether this was a flash in the pan, we must wait and see," he added.

On an average R10 000 family sedan the new GST would add R300 to the price. This was the difference between buying a good car radio or a sun roof, he added.

Mr Piet Slabbert, managing director of Motors WP Porsche, said that since the GST announcement more pending deals had been concluded.

In one case this involved a car costing R102 000. If the buyer had delayed until July this would have added more than R3 000 to the price.

Although this might be "peanuts" to such buyers, to people in that income bracket "tax" was a dirty word, he added.

40 electrocuted

DELHI. — Forty passengers were electrocuted when luggage on top of a bus touched power cables near Allahabad. — Sapa-Reuter.

Bazaar, an American magazine, says
modelling. From left: Paulina, Nancy De
Severance. The magazine made its

GST rise: unions warn of wage push

Star 16/5/84

(320)

By Carolyn Dempster, Labour Reporter

South Africa's two most powerful trade union groupings, representing 750 000 organised workers countrywide, have slammed the general sales tax increase to 10 percent as "totally unacceptable" and say they will be forced to push for higher wages this year.

One of the movements, an emergent trade union grouping representing 300 000 workers in 25 unions throughout the country, stated today that the list of basic foodstuffs exempted from GST was inadequate.

As a result, workers would have to recoup the losses through wage negotiations with employers, and failing that, through "collective action", they stated.

Unions party to the new federation include the Federation of South African Trade Unions, the Council of Unions of South Africa, the General Workers Union, the Commercial, Catering and Allied Workers' Union, the Food and Canning Workers Union and the Cape Town Municipal Workers' Association.

In March, these unions submitted an open letter to the Minister of Finance, Mr Owen Horwood, rejecting the GST rise to seven percent and demanding that GST be scrapped for all foodstuffs and basic necessities.

"At the very least, GST should have been eliminated on canned and certain processed foods, and also on other basic foodstuffs such as rice, tea, coffee, sugar and powdered milk," the unions said.

Mr Arthur Grobbelaar, general secretary of the Trade Union Council of South Africa, with 450 000 members in 50 trade unions, said the increase was "nothing short of horrific".

The list of basic foodstuffs exempted from GST was "unpalatable and not at all impressive."

The Hor ewives' League of South Africa has urged Mr Horwood to extend the list of foodstuffs exempted from GST.

In an urgent telex yesterday to the Minister yesterday, Mrs Joy Hurwitz, national president of the league, asked that mealie meal, mealie samp, loose cheese (cheddar and gouda), tinned pilchards, sugar, powdered milk, domestic coal, paraffin and candles be included in the list of "exempted" foodstuffs.

"In spite of the lifting of GST on the some foods, the impact of such a high increase on all other foods, commodities and services will have a substantial effect on the cost of living for the majority of consumers," she said in the telex.

The Consumer Council has called for immediate clarification as to which foodstuffs will be exempted from GST when the new increases are introduced on June 1.

Controversy

The council said considerable controversy had been generated over which foodstuffs should be included in the list of staples, and the matter required attention at the highest level.

Mr Jan Cronje, director of the council, said it was unreasonable to expect the Minister of Finance or Receiver of Revenue to determine which products should be placed on the list, but this information should be provided by other Government departments such as Health and Statistics.

Dispatch 16/5/84 (320)

Unions describe GST exemptions as inadequate

CAPE TOWN — Representatives of a number of South African trade unions described the list of foodstuffs exempt from GST as "totally inadequate" yesterday.

Unions participating in feasibility talks towards the formation of a new federation of independent unions issued a statement saying: "At the very least GST should also have been eliminated on canned and certain processed food and other basic foodstuffs such as rice, tea , coffee, sugar and powered milk.

"The majority of workers do not have access to refrigeration and are obliged to spend a substantial proportion of their income on these foodstuffs.

For this reason they gain little from the elimination of GST on fresh meat and produce, the statement said. The general increase in GST would mean workers would be obliged to pay more for most of the foodstuffs they consumed.

""GST has been increased on a range of other household necessities such as paraffin, candles, soap, clothing and household utensils."

The statement warned that the increased tax burden upon workers was unacceptable and would influence the unions' attitude toward wage negotiations.

"Workers will have no choice but to recoup these losses in wage negotiations, and failing that, through collective action." the statement said.

The unions and co-ordinating bodies involved are the Federation of South African Trade Unions , the Council of Unions of South Africa , the General Workers' Union, the Cape Town Municipal Workers' Association, the Commercial, Catering and Allied Workers of South Africa and the Food and Canning Workers' Union.

Mr Gerry Henderson, a director of Kupugani, expressed concern that the "very poor people" were going to have to pay more for their food unless the published list was going to be changed to include a wider range. — DDC

LABOUR NEWS RDM 16/5/84 (320)

Wage demand warning follows GST increase

By PHILLIP VAN NIEKERK

THE committee which is piloting the formation of a new super federation of most of the country's prominent black trade unions has warned of higher wage demands and labour unrest in the wake of the proposed increase in General Sales Tax.

The feasibility committee, speaking for unions representing more than 300 000 workers, said in a statement yesterday that the decision of the Minister of Finance Mr Owen Horwood "strongly reflects the Government's contempt for working people".

The statement said the list of foodstuffs from which GST was to be removed was "totally inadequate".

"At the very least GST should also have been eliminated on canned foods, certain processed foods, and other basic foodstuffs such as rice, tea, coffee, sugar and powdered milk.

"The majority of workers have no access to refrigeration and thus spend a large proportion of their salaries on these foodstuffs. They are not able to store fresh fruit, vegetables, meat, fish and dairy products and so gain little from the elimination of GST on these commodities."

The statement said that, in addition, GST had increased on a wide range of other household necessities, including paraffin, candles, soap, clothing and household utensils.

"This is absolutely unacceptable and will certainly strongly influence our attitude in wage negotiations.

"With no representation in the Government, workers will have no choice but to recapture these losses in wage negotiations and, failing that, through collective action. This is the inevitable outcome of the Minister's decision."

Union groupings represented on the feasibility committee include the Federation of South African Trade Unions (Fosatu), the Council of Unions of South Africa (Cusa), the General Workers' Union, the Food and Canning Workers' Union and the Commercial, Catering and Allied Workers' Union (Ccawusa).

● Striking workers at the Blaikie Johnstone plant at Mobeni, Durban, have cited the increase in GST as one of the reasons for taking action in support of wage increase demands.

However, a spokesman for the company said the workers, who had now returned to their jobs after going on strike on Monday, had not mentioned GST during negotiations.

Union men warn Govt over tax

Sowetan 16/5/84

(320)

TRADE unionists have warned the Government of labour unrest following the increase in General Sales Tax by 10 percent.

The Minister of Finance, Mr Owen Horwood, announced last week that GST will go up by 10 percent as from July 1.

Unionists said 500 workers at Blaikie Johnstone in Durban's Mobeni industrial area yesterday entered their second day of a strike citing the coming 10 percent GST increase as one of the reasons for their pay increase demands.

The workers wanted an immediate rise because they feared that if they did not get higher wages now they would starve and fall deeper into debt.

The chief executive officer of the company in Natal, Mr J H Swan, said management met workers twice yesterday and asked them to return.

In a statement, the unions, including the Council of Union of South Africa (Cusa), Commercial Catering and Allied Workers' Union (Gcawusa) and the General Workers' Union expressed concern that by increasing GST the Government was taxing the workers of South Africa.

The Minister had not shielded the "less privileged citizens" by increasing tax.

"South Africa has to end its military build up to balance the budget. To enforce workers to pay for the maintenance of the apartheid regime can only create conditions for unrest," the statement said.

Cape Times 16/5/84 320

GST: Unions warn Horwood

By RIAAN DE VILLIERS
Labour Reporter

TWENTY-FIVE trade unions representing almost 300 000 workers have warned that the shock GST adjustments announced last week by the Minister of Finance, Mr Owen Horwood, may result in industrial unrest.

In a statement issued in Cape Town yesterday, the unions said the list of foodstuffs on which GST would be lifted was "totally inadequate", and rejected the increase in GST on other household goods.

'No choice'

The statement said the minister's decision reflected "government contempt for working people".

Workers would have no choice but to recoup losses resulting from the adjustments in wage negotiations, and, failing that, through collective action.

"This will be the inevitable outcome of the minister's decision," they added.

The unions are those represented on the feasibility committee planning the formation of a new trade union federation later this year. They represent almost the entire emergent trade union movement, consisting mostly of black workers.

Unions involved are affiliates of the Federation of South African Trade Unions (Fosatu), affiliates of the Council of Unions of South Africa (Cusa), the General Workers' Union, the Cape Town Municipal Workers' Association, the Commercial, Catering and Allied Workers' Union and the Food and Canning Workers' Union.

The unions wrote to Mr Horwood shortly before the Budget earlier this year, demanding that GST on foodstuffs be scrapped.

They warned they were "expected to report back to workers on the outcome".

After the announcement last week, spokesmen said the group would study the adjustments in detail before commenting.

Yesterday's statement said the list of foodstuffs on which GST would be eliminated was "totally inadequate."

GST should also have been eliminated on canned and certain processed food and other basic foodstuffs such as rice, tea, coffee, sugar and powdered milk.

The majority of workers did not have access to refrigeration and were obliged to spend a "substantial proportion" of their income on these foodstuffs.

They were not able to store fresh fruit, vegetables, meat, fish or dairy products and so gained little from the elimination of GST on these commodities.

Pay more

"By virtue of the general increase in GST to 10 percent, workers are now obliged to pay more for most of the foodstuffs they consume," it said.

It pointed out that GST had been increased on a range of other household necessities, including paraffin, candles, soap, clothing and household utensils.

"This is absolutely unacceptable and will certainly strongly influence our attitude in wage negotiations," it added.

● Leading article, page 14
● Savings on GST exemption, page 15

SWA doc

From JOHN BATTERSBY

LONDON. — The BBC has contested a surprise claim by the South African Embassy here that a BBC television team, which secretly made a documentary on SWA/Namibia last year, were recalled by the "top management" of the BBC before they were deported.

The claim was made as the opening shot in a new war of words between South Africa House and the BBC following the screening on Monday night of a one-hour documentary on the disputed territory which was highly critical of South Africa's role.

The film was ... lions of British ... the BBC's Chann... prime viewing ... first in the B... Third Eye seri... Third World.

Yesterday the S... can Embassy di... documentary, ... mibia — Africa's ... ny", as "one-s... slanted propag... South Africa" ... embassy spoke... clined to commen... the specific ... made in the film

The film, which ... ed by Mrs Nora ... cational director ... mibian Council o...

Workmen repair damaged lampposts in ...
Wynberg, crashed on to a nearby elec...
snapped off at the base, were da...

Worker fired over T-shirt

Staff Reporter

THE dismissal of a worker at Cradock Hospital for wearing a "Free Mandela" T-shirt was yesterday described

47 board official sue Cape paper

Cape Times 16/5/84 243 340 201 206

By EBRAHIM MOOSA

FORTY-SEVEN individ-

could not, however, ... firm the number of ...

CAPE TIMES 16/5/84 320

Savings on GST exemption

By EBRAHIM MOOSA

HOUSEWIVES, particularly in the lower-income group, will make substantial savings when the exemption on certain basic foodstuffs from sales tax comes into effect from July 1.

However, prices of other essential foodstuffs not exempt from GST are expected to be drastically increased and overall consumer spending to be severely limited.

Bread, maize meal, unsifted wheat meal, raw meat, raw fish, fresh vegetables and fruits, fresh milk, butter, margarine and raw eggs will be sold from July 1 at their controlled or competitive market prices without GST.

Sales tax on all other items will rise from seven to 10 percent, as announced by the Minister of Finance, Mr Owen Horwood, last Friday.

"Certain basic foodstuffs which are necessary for nutrition will be exempted altogether from the tax," Mr Horwood said.

A comparison of basic foodstuffs exempted from GST at sample prices indicate the savings housewives are expected to make from July 1.

Item	Sample retail price (7% GST)	Sample retail price (No GST)
Bread	white 58c	54c
	brown 39,5c	37c
Maize meal (kg)	50c	47c
Raw meat (kg)	chicken R2,87	R2,68
	stewing beef R3,72 to R4,36	R3,48 to R4,08
	loin chops R6,93	R6,48
Milk (ℓ)	70c	66c
Butter (500 g)	R2,13	R1,99
Margarine (500 g)	R1,28	R1,19
Raw eggs (doz)	R1,21	R1,13
Fresh fish (kg)	stockfish R2,24	R2,09
Potatoes (kg)	63c	58c

These are the only items which show a decrease in price. All other basic foodstuffs increase markedly after the new 10 percent GST is added.

This comparison of sample prices shows the increase.

Item	Sample retail price (7% GST)	Sample retail price (10% GST)
Canned beef	R1,17	R1,20
Sugar (kg)	73c	75c
Jam (500 g)	R1,49	R1,53
Baked beans (420 g)	45c	49½
Rice (kg)	R1,47	R1,51
Cooking oil (750 ml)	R1,60	R1,64
Tea (250 g)	R1,49	R1,53

All retailers are to follow the add-on method of calculating GST on products sold, which requires all items to be priced excluding GST. Sales tax should be indicated separately "so that the public knows how much to pay for the commodity", Mr Carl Schweppenhauser, Commissioner at the Deparment of Inland Revenue, said yesterday.

The department was negotiating with commercial organizations on the implementation of the new GST regulations, he said. Petrol, however, would not be sold on the add-on method, but would be sold on the current add-in method, where the GST was included in the price, he said.

Mr Stanley Nongogo, assistant manager at Pick 'n Pay in Sir Lowry Road, said the sale of processed foods would be affected by the increased GST: "Why will customers buy tinned and frozen foods if they can get it fresh and cheaper?" he asked.

Housewives and consumer bodies reacted strongly after the increase was announced last Friday. Many called it a "disaster" and expressed shock at the increase.

While the exemption of basic foodstuffs from tax was welcomed by all quarters, many people felt more food categories could have been exempted.

Housewives' plea

Staff Reporter

THE Housewives' League of South Africa yesterday asked the Minister of Finance, Mr Owen Horwood, to exempt more commodities from the increase in GST to 10 percent from July 1.

These are: mealie rice, mealie samp, loose cheese, tinned pilchards, sugar, powdered milk, domestic coal, paraffin, candles and petrol.

...the items to be exempt from GST."

MIDWEEK

By Michael Acott

C/Times 320 16/5/84

Adding GST on cost of new deal

FEW issues have stirred up as much of a hornet's nest this parliamentary session as the pending jump in general sales tax.

The Minister of Finance, Mr Owen Horwood, and the chief Opposition finance spokesman, Mr Harry Schwarz, chatted earnestly, but apparently amicably, before Mr Horwood announced last week that GST would go up to 10 percent in July.

Within minutes they were involved in angry exchanges which continued for the rest of the day. They attacked each other personally and politically as the row developed about the reasons for the increase and its implications for South Africa.

Other opposition parties joined in the expressions of shock and disbelief. And Nationalists, usually well briefed on announcements like this, seemed taken by surprise.

Main thrust

It is a row which will continue for the remainder of this last Westminster-constitution session, with important implications for the new constitution which comes into effect in September.

The main thrust of Mr Schwarz's attack on Mr Horwood's March budget was that it lacked credibility. Neither the Progressive Federal Party nor many of the economists who commented on the budget believed Mr Horwood had accurately assessed the money the government would need for the year to come.

Apart from the suspicion that government departments generally were likely to evade Mr Horwood's promised efforts to keep them to their budgets, the PFP said there was no allowance for the new constitution only months away.

When Mr Horwood announced last week that GST would go up from seven percent to 10 percent, the PFP reaction went from disbelief to "I told you so".

Only six weeks previously, Mr Horwood had said he did not propose any further increase in GST, which went up from six percent to seven percent in February.

Mr Schwarz told Mr Horwood, who had taken strong exception to the attack on the budget's credibility, that this criticism had now been proved right. And he attacked Mr Horwood for saying the government did not yet know what implementation of the new deal would cost.

The suspicion now is that the government has discovered the new constitution will cost more than it had thought.

This will be one of the main issues for the rest of this session. The government will be accused of laxity in working out the financing of a system whose implementation is almost upon us.

It will also be accused of imposing a "panic measure" like the GST rise because of its mismanagement of the economy. And the increases might not yet be over — if government expenditure exceeds Mr Horwood's estimates, a further rise in GST this year is not excluded.

Restraint

Mr Horwood escaped attack on one point as he stressed that South Africans had to realize they could not simply carry on as usual in a recession exacerbated by a drop in the gold price and the worst drought in living memory.

He appealed for restraint in wage and salary claims in the months ahead.

"We have all had good rises," he stated. That is true in Parliament, where MPs' pay has gone up by 27 percent this year and that of cabinet ministers by 42 percent.

Despite the welcome, if belated, decision to exempt essential foods from sales tax, other employees are likely to frame wage claims "plus 10 percent GST".

Mr Horwood has not reacted to repeated speculation that this is his 10th but last year as Finance Minister. It is certainly going to be his most difficult, with more clashes with Mr Schwarz still to come

...upreme ...eading

...story gathers momentum from here.

Earle's life story is the usual one of alienation from society when he joined student protests, disappeared to take part in underground conspiracies and later bombings, all in the name of the greatest good for the greatest number.

As Drury says, Earle has to play out this charade into his late 30s, otherwise his whole meaning in life would be destroyed. After the bombing the law takes its orderly course until the Supreme Court is

Allen Drury

petitioned by Debbie Bonnelson, Earle's counsel, hypnotized by the psychotic murderer but nevertheless an intensely idealistic and brilliant young lawyer.

The crunch comes to Tay Barbour (his marriage running down and his emotions influenced by the traumatic results of the bombing) and he is by then well aware of the power of the Supreme Court, that little band of nine not-so-happy men, all highly individualistic and beautifully portrayed by Drury.

Tay knows in this appeal, as a former member of the court said, that "it is of vital importance to the defendant and to the community that any decision to impose the death sentence be based on reason rather than caprice or emotion", and with this in mind he realizes that he cannot disqualify himself from voting and remain true to his ideals.

So the matter is final...

...dening advice

...including annuals, perennials and bulbs.

The information is, of course, given in terms of Northern Hemisphere seasons, and for a cooler climate than ours.

Nevertheless, the advice is sound, and much can be applied here with a little intellectual effort in season conversion.

A Kerkham

...rs for reader

...amiable and vividly drawn family are...

2

Argus 16/5/84 (320)

FINANCE

Taxman takes R800 a head

Financial Editor

FOR a recession year 1983-84 was a good one for the tax collector.

A Treasury statement just issued shows that in the 12 months to the end ofMarch South Africans paid R21,1-billion in taxes to the central government.

This was R3,1-billion or 17 percent more than in 1982-83 and the increase was almost three times the R1,04-billion increase forecast in the March 1983 Budget.

With 26-million people living in this country, the figures indicates that South Africans were each paying an average of about R800 a year to the taxman.

COMPANIES

Income tax on companies and individuals produced a worthwhile haul for the Government. Collections under this heading rose by R1,4-billion or 14,4 percent to R10,8-billion.

As company profits last year were sluggish most of the increase must have come out of individuals' pockets.

However, the Revenue Department's brightest star last year was the general sales tax.

This produced R3,9-billion for the cash-hungry Government — R692,5-million or 21,8 percent more than the 1982-83 figure.

Clealy the general sales tax will produce even far more this year than last year as the rate went up to 7 percent in February and will go up to 10 percent — except on certain foods — on July 1.

TRANSFER DUTY

Another tax which proved a winner last year was transfer duty. The Treasury, foreseeing the recession, lowered its estimates of this tax's yield last year.

It produced R190,7-million in 1982-83 so the Government estimated that its 1983-84 haul would be about R180-million.

Instead, influenced by the 1983 house-buying boom, transfer duty payments last year soared 66 percent to R316,6-million.

The revitalised stamp duties produced R209,5-million last year, which was R62,3-million or 42,3 percent more than in 1982-83.

LEASE PAYMENTS

Showing a similar increase were gold mining lease payments, which rose 41,5 percent from R367,9-million to R520,6-million.

Customs duties also showed a healthy rise, increasing 21,8 percent from R890,5-milion to R1 085-million. But excise duties, reflecting the recession, rose by only R82,9-million or 5,1 percent to R1 715,2-million.

The non-resident shareholders' tax also appeared to have been hit by the recession. Collections under this heading rose only 5,7 percent from R245,4-million to R259,3-milion, indicating a situation of generally unchanged company profits and dividends.

The Ca

CAPE TIMES 17/5/84 **Parliament and Politics** (320)

Louw keeps lid on provincial taxes

By HILARY VENABLES

PROVINCIAL taxes will not be raised during the 1984/85 financial year and the Cape hopes to end the year with no deficit — despite a massive R74-million subsidy cut and the recently announced increase in GST.

The Administrator of the Cape, Mr Gene Louw, said yesterday in his budget speech to the Provincial Council that he hoped to balance the coming year's R1 771-million budget and appealed to the province to live within its means and to put its priorities in order with regard to the availability of funds.

The province expects to spend R211,6 million more than it did during the current financial year.

Most of the increased expenditure is due to salary increases, loans and other staff benefits.

Although no more tax increases were announced, the province will rely heavily on the expected additional R11 million income from hospital fees which were raised by 50 percent on April 1.

Vehicle-licence fees, which were raised last year, will also bring in extra revenue.

The totalisator tax, hunting and fishing permits and other hospital receipts are expected to provide more income through natural growth.

Senior Certificate examination fees are to be increased, as are boarding fees for training and other school hostels.

An extra R3,8 million allocated to the Province for flood damage, the cost of which has already been taken into account, will decrease last year's expected R27-million deficit and bring the nil balance closer.

The Opposition spokesman on finance in the council, Mr Geoff Everingham, PFP Pinelands, said the Province would have to find millions of extra rands to cover the increase in GST.

"We must also bear in mind that although the May budget looks good for the man in the street, there have been recent increases in both hospital and vehicle-licence fees, so the public isn't getting off scot-free," he said.

"Still, it's nice to see a nil balance budgeted for instead of a deficit, and I'm very glad there will not be additional tax increases."

E. Post 17/5/84

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Jobless spectre raised by MCI

Business Editor

THE spectre of short-time working hours and retrenchment in the motor industry has been raised by the proposed GST rise, according to the Midland Chamber of Industries.

Damning the Government's apparent inability to forecast its finances "more than a month ahead", the MCI says in its latest Information Bulletin that a mid-winter slump in sales could result.

Referring to the motor industry, the MCI says pre-Christmas buying is normally buoyant with sales in July and August as low as 21 000 units.

"Volumes of this size will lead to short-time and perhaps even retrenchment," the MCI says.

If so "the blame will be laid, justly, on those responsible for the *ad hoc* way in which the national finances are being handled", it says.

While City telephone links were not severely interrupted, 27 outlying districts were affected by line breakages.

At a briefing yesterday, Major Rod Douglas, Civil Defence Officer for Cape Town, said at 5am yesterday, the situation in the Peninsula was "critical".

Major Douglas said it was "fair comment" to say that if at the critical time of 5am more rain and high winds had struck the City, it would have been a near disaster.

A civil defence team, along with Dr Stan Evans, Cape Town's Chief Executive who was acting in his role as the City's chief of civil defence, had spent the night co-ordinating essential services in an attempt to put the City back on its feet, he said.

Mr David Jack, Deputy City Engineer (Planning) and acting City Engineer, said 1 200 trees with a replacement value of R500 000 had been uprooted.

More than 70 houses in estates on the Cape Flats had sustained damage to roofs and ceilings. He said flooding had been minor.

Cape Times 17/5/82

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'No' to more GST exemption

Political Correspondent

THE Minister of Finance, Mr Owen Horwood, has turned down appeals for the exemption of additional foods from general sales tax when this increases to 10 percent in July.

Addressing a function in Cape Town last night, Mr Horwood said that the present list of exempted foods was adequate in most cases and that no additions would be considered at this stage.

His statement follows repeated requests for the exemption of other items, particularly tinned and processed foods that poor people and those without refrigerators rely on.

Announcing the exemptions last week, Mr Horwood listed ten basic foodstuffs, including raw meat, fish and eggs, which would be freed from GST in July.

Criticism

The others were bread, maize meal, unsifted wheat meal, fresh vegetables and fruits, fresh milk, butter and margarine.

This has led to criticism that the list is inadequate and should be extended to all basic foods.

The opposition spokesman on consumer affairs, Mr Harry Schwarz, has called for an expert committee to determine which items should be exempt. He said milk powder, dried beans and lentils, and cheap tinned fish should be considered.

Mr Horwood said last night that the exempt items had been carefully selected to give the greatest benefit to the less privileged.

"It is a matter of opinion what items should be exempted. I am, however, satisfied that the proposed list will be adequate in the majority of cases. The sacrifice of revenue is such that additions to the list cannot be considered at this stage."

Rejecting criticisms that there was "chaos" about precisely what would be exempt, Mr Horwood emphasized that the broad descriptions of exempted items would require closer definition.

This was a technical exercise which would take some time. He had, however, given six weeks' warning of the intention to exempt certain categories so traders could make administrative preparations and change accounting and computer procedures.

Mr Horwood said the primary aim in increasing GST was not to finance government expenditure. Except for unforeseen contingencies, this was provided for in the budget.

The increase was to keep South Africa's financial position sound in the face of further adverse developments outside his control, such as the falling gold price and the worsening drought conditions.

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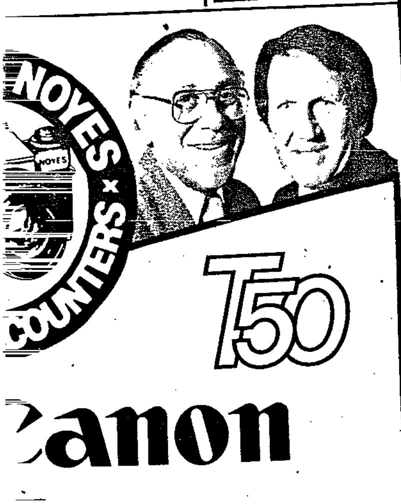


Solly Morris dies aged 71

Chief Reporter

DR Solly Morris, City Engineer of Cape Town for 25 years, from 1950 till his retirement in 1975, died yesterday aged 71.

One of Cape Town's most colourful personalities, Dr Morris possibly left a bigger imprint on the City's structure than and the Mitchells Plain community complex.

While the Financial Mail referred to him as "a planning revolutionary", his critics dubbed him a "freeway maniac" whose roadways were carving up the Cape countryside.

Landscaping

The St
JOHANNESBURG FRIDAY MAY 18

Warning of loss of more jobs

Shops union adds protest to GST rise

Star 18/5/84 (320)

CAPE TOWN — The National Union of Distributive and Allied Workers (Nudaw) — which represents about 10 000 white and coloured shopworkers — has added its voice to rising worker protest against the increase in the General Sales Tax to 10 percent.

Own Correspondent

In a letter to Minister of Finance, Mr Owen Horwood, the union's general secretary, Miss Dulcie Hartwell, warned that the increase could lead to a rise in all food prices because of higher production costs — and also to increased unemployment.

Miss Hartwell said a 10 percent tax on tinned food was likely to reduce the number of employees in the food canning industry.

Pointing out that most people do not have refrigerators or buy enormous amounts of tinned food, Miss Hartwell urged that tax be removed from local tinned food.

The Nudaw letter follows hard on the heels of a strong warning by a group of independent unions, representing about 300 000 black workers, that increased GST could lead to industrial unrest.

The 25 unions, which will form part of the new labour federation, said the GST rise would mean that workers would have to pay more for most of the food they eat, as well as for "a range of other household necessities".

"With no representation on the Government, workers will have to recoup these losses through wage negotiations, and failing that, through collective action," said the unions.

Miss Hartwell said her union also opposed the tax on frozen food, because many middle-income people relied on frozen food "to help them cope with pressures of time".

Increased unemployment would result from the spiralling costs in the production of consumer goods, she added.

Army officer held by police

An South African Defence Force captain was arrested for drunken driving last night after he abandoned his crashed army vehicle in Pretoria North.

The man was found wandering in the vicinty of the crash without his pips.

Members of the Pretoria North fire brigade, called to the scene at about 11 pm, found the SADF vehicle crashed into a hedge.

The captain was taken to the Pretoria North police station charge office and later to the mortuary for blood tests. — Pretoria Correspondent.

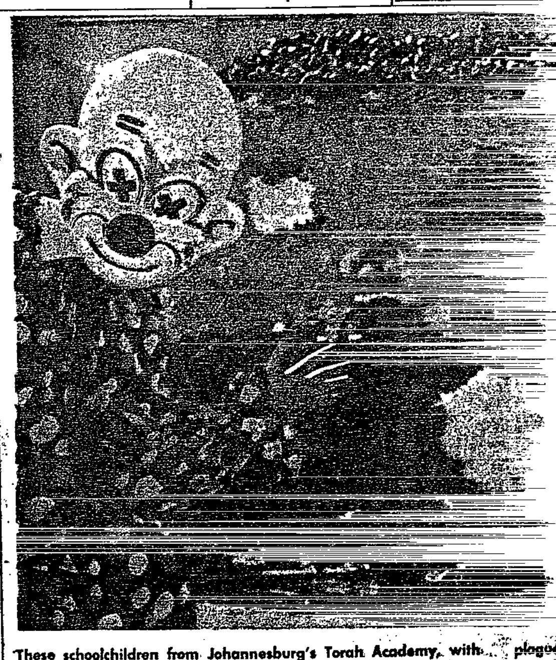
By Gavin Engelbrecht

A Johannesburg pensioner recently flew to England to be reunited, after 46 years, with the brother he thought had died during World War 2.

Mr Winston Mason Tulby (67), of Parkhurst, met his brother Ray (70) in Kent on Tuesday for the first time since they parted in 1938.

Mrs Catherine Mason-Tulby said he had left South Africa to enlist with the Royal Air Force. "Winston did not hear from his brother after the war and presumed he had been shot down.

"A number of years later his eldest brother Leslie (75) read a ...



These schoolchildren from Johannesburg's Torah Academy, with pupils from other Jewish Day Schools in the city and Reef, are preparing floats to be used in a parade on Sunday to honour the Jewish festival of Lag B'Omer. It commemorates the cessation of a plague ...

famed ... finishes ... fun ...

EVENING POST, FRIDAY, MAY 18, 1984

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New provisional tax move for companies

CAPE TOWN — Companies will in future have to make a third "topping-up" payment of provisional tax six months from the close of their year of assessment, the Minister of Finance, Mr Owen Horwood, announced today.

In a press release issued here, he said this payment would have to be based on an estimate of taxable income which was not less than 90% of the company's actual taxable income as finally determined for the year.

"If, when the assessment for the relevant year is raised, it is found that the sum of the first, second and third payments falls short of 90% of the tax payable on the actual taxable income, interest will be charged on the amount short-paid as from the end of the six-month period referred to above until the due date of the notice of assessment."

At present provisonal taxpayers are required to make two provisional estimates of taxable income and two payments of provisional tax, the first halfway through the year and the second not later than the last day of the year of assessment.

The estimated taxable income for purposes of the second provisional payment should not be less than the lesser of 90% of the actual taxable income as finally determined or the taxable income as refelected on the previous notice of assessment.

Should the second estimate of taxable income be lower than these limits the taxpayer will expose himself to the imposition of a penalty.

Mr Horwood said today's announcement gave effect to a proposal in his Budget speech to eliminate, so far as the final provisional tax payments of companies were concerned, the reference to the taxable income for the preceding year.

This proposal had the effect that the final estimate of the taxable income of a company would in future have to be accurate to within 90% of the company's actual taxable income, in order to ensure that an amount more nearly approaching the company's actual tax liability was paid by the end of its year of assessment.

It had been shown, however, that this requirement might give rise to administrative and practical difficulties and it was therefore proposed to require companies to make a third "topping up" payment within six months of the close of its year of assessment.

"In sum then, every company will in future be required to make three provisional payments in respect of each year of assessment," he said.

"The requirements as to the first two payments will remain unaltered, and the estimates in respect of those payments may therefore continue to be based on the taxable income of a preceding year.

"The full 90% requirement will apply only to the third payment.

"This new provision will apply in respect of years of assessment ending on or after June 30, 1984, which means that the first "topping-up" payment will be due not later than December 31, 1984."

Mr Horwood added the new requirement would not affect gold mining companies, which are subject to special provisions, or persons other than companies.

GST RISE - A BIG QUESTION

UNTIL THE Government cleared the prevailing confusion over General Sales Tax (GST) it was difficult to estimate how much black families in the Pretoria-Witwatersrand-Vaal complex would pay towards the tax, a Port Elizabeth economics expert said yesterday.

Professor J F Potgieter, head of the Institute of Planning Research at Port Elizabeth University, said there was a possibility that more foodstuffs would be included in the selective list of items to be exempted from GST on July 1.

The GST confusion stems from the Government announcement that food items like meat, bread, milk, raw fish, eggs would be exempted from the tax. This has evoked angry reaction from consumer bodies, who are now pressing for the exemption of all foodstuffs from GST.

Asked to estimate how much black families would pay towards GST in the Pretoria-Witwatersrand-Vaal complex, Prof Potgieter said this was difficult, considering that the Government may decide to add more items on the selective list.

Prof Potgieter said the latest Household Subsistence Level (HSL) for a five-member black family on the Witwatersrand stood at R308,28, while that of a six-member family was R272,77. He could not say what percentage of these figures would go towards the 10 percent GST.

The HSL is calculated according to the monthly basic requirement per family in terms of food, clothing, and transport costs. The survey is conducted in major towns around the country.

Among the hardest hit in the black community by the GST will be the pensioners, who are paid a meagre R114 bi-monthly. White pensioners receive R152 a month.

Sowetan 18/5/84 320 3

Low rand, higher sales tax mark end of gold boom

W/C ARGUS 19/5/84

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By DEREK TOMMEY
Financial Editor

THE fall in the value of the rand this week to a new low of $0,762 and the proposed increase in general sales tax to 10 percent have served to bring home the fact that South Africa's gold boom has collapsed.

The message on the temperance billboard that used to be at Woodstock station and was known to tens of thousands of train travellers is as apt for gold as for alcohol: First it lifts you up, then it lets you down.

Gold has let South Africa down badly, although that fact has been concealed to some extent by changes in the value of the rand against the dollar.

Measured in rands, the value of South Africa's gold output looks reasonably stable. According to the Reserve Bank, gold output in recent years has been worth:

1977	R2,8-billion
1978	R3,9-billion
1979	R6,0-billion
1980	R10,1-billion
1981	R8,3-billion
1982	R8,6-billion
1983	R9,9-billion
1984	R9,9-billion (est).

These figures suggest that the country's gold income, after peaking in 1980, has been comfortably maintained.

However, the rands in which these gold output figures are given has been steadily devalued against the dollar.

In 1980 a rand would buy $1,28. But in 1981 it would buy only $1,15, in 1982 92 US cents, in 1983 89,7 US cents and at present it buys only 77 US cents.

If the country's gold revenue is converted into dollars at these rates a different and a far less satisfactory picture emerges.

It shows that South Africa's dollar earnings from gold in recent years have been:

1977	$3,2-billion
1978	$4,4-billion
1979	$7,1-billion
1980	$13,0-billion
1981	$9,6-billion
1982	$8,0-billion
1983	$8,9-billion
1984	$7,9-billion (est)

It can be seen that South Africa's real income from gold has been declining since the peak in 1980.

It is also evident that even if the gold price remains at its current levels the country's dollar income from gold this year will be at its lowest level for several years.

The consequences of this decline in dollar earnings are far-reaching. South Africa needs dollars to pay its foreign debts. Without dollars or other foreign currencies it will have to cut back on its foreign purchases.

This is what the Government is trying to do. Its actions have been given added urgency by the news that in the first three months of this year the country was going into debt at the rate of R3-billion a year.

The main way of cutting imports is to reduce consumer spending and the Government is aiming to achieve this by raising income tax and levying higher indirect taxes — which will be increasingly felt as the year rolls on.

So, after the high life of the early 1980s, South Africans are now having to tighten their belts, trim their living standards and reduce their expectations.

They will also have to listen to Cabinet ministers and businessmen accusing them of living beyond their means — though the irony is that it is the Government that has been the worst culprit.

The spending clock set back five years

(320) S-Times 20/5/84

Middle class foots an ever-rising bill

SALARY:
(Married man with 2 children)

1980	R1 000
1981	R1 234
1982	R1 469
1983	R1 676
1984	R1 843

TAX:

1980	R104,17
1981	R149,17
1982	R217,34
1983	R283,14
1984	R328,48

PENSION: (at 7,5%)

1980	R75
1981	R92,55
1982	R110,17
1983	R125,70
1984	R138,22

BOND:
House bought in 1980 with Bond of R27 500 (Year's Average)

1980	R249,97	10,00%
1981	R264,55	10,75%
1982	R336,32	14,25%
1983	R341,55	14,50%
1984	R389,95	16,75%

GST
Portion on balance of income (Year's Average)

1980	R22,83	4%
1981	R29,11	4%
1982	R40,26	5%
1983	R55,54	6%
1984	R78,91	8%

DISCRETIONARY INCOME
(Inflation adjusted back to 1980 money)

1980	:	R548,03
1981	:	R606,57
1982	:	R578,96
1983	:	R586,40
1984	:	R556,01

EVEN though personal tax rates were not raised in the Budget, increased general sales tax and fiscal drag mean that the hard-pressed middle-class taxpayer will pay at least 20% more in tax this year than last.

By Alec Hogg

GST has gone up 66% this year. Although personal tax rates have been static, the average salary increase last year was 10%. This moved taxpayers into higher tax brackets even though after adjusting for inflation that 10% increase meant an unchanged salary.

Housing

To add to its problems, this class of income earner which carries most of the tax burden, is also paying at least 14% more on housing bonds this year because of higher interest rates.

The upshot is that anyone earning R1 000 a month in 1980 and receiving average salary increases since then, now has at best the same real discretionary income as five years ago.

The top table on the left postulates a married man with two children earning R1 000 a month in 1980. He receives average salary increases for the subsequent five years. By 1984, after a couple of boom years, he is earning R1 843 —, an increase of 84%.

The second table shows his tax in each year. Thanks largely to fiscal drag, this rises a stunning 215%. His pension contribution, being 7,5% of his pre-tax income, rises in line with his gross pay.

The fourth table shows how his bond payments have risen 56% purely because of interest rate changes. A 245% rise in the amount he pays in GST plus inflation does the rest of the damage to his real discretionary income reflected in the fifth table.

After an Indian summer in 1983 when discretionary income unexpectedly rose in inflation-adjusted terms, a sharp decline this year seems certain to take back all the gains achieved in the heady days of 1980 and 1981.

This all means that the buying power of the average South African's salary will fall by at least 5% in real terms this year — pushing it back to only slightly above what it was in 1980.

After deducting tax, pension fund, mortgage bond repayments and GST which would have to be paid on the balance, the middle-class taxpayer who earned R1 000 a month in 1980 would have been left with discretionary income of under R550.

In spite of the fact that on average the SA household now has an income which is 84% higher than in 1980, the same discretionary income today is equivalent to R556 in 1980 money terms — R30 down on last year's figure.

This analysis errs on side of conservativism and illustrates the best possible situation. With 20% of taxpayers paying 80% of tax collected, salaried taxpayers in higher brackets have been severely affected and have probably suffered real declines in living standards.

Super-rich

The poor have been hit by GST, although removal of the tax on some foods means their burden has probably risen relatively less.

Many of the super-rich self-employed who have participated in large scale tax "avoision" have been relatively unscathed as expensive housing and car sales indicate.

The average salary increases were taken from the Reserve Bank Bulletin.

In the interests of conservatism, Business Times' tables take no account of the increase in interest rates on hire-purchase contracts and overdrafts or the higher than inflation rises in items such as rates and taxes, water and the price of durables, such as cars. These too have bitten heavily into discretionary income.

In arriving at the 5% figure, the figures assume that the average salary increase will be 10% this year. Some economists believe that the most which can be hoped for is 8%. A conservative 10% inflation estimate was used in adjusting for inflation.

Cushioned

The study also confirms economists' belief that despite the decline of more than 3% in economic growth last year, the consumer was relatively well cushioned — at least in the enforced deduction area and that the crunch is only now hurting.

The buying power of his salary after forced deductions rose slightly in real terms during the year, which has been described as the worst economically speaking since the Great Depression of the 1930s..

This buying power not only helped retain unrealistically high confidence, but played a major role in the continued bouyancy in consumer spending.

Over the past five years, the best single year for the average consumer was 1981 when his discretionary income rose by more than 10% in real terms.

But since then, largely because of a tax structure which is severely prejudicial to the middle classes, this cheerful position has deteriorated sharply.

The figures also show that in spite of the sharp increase in repayments on mortgage bonds, the relatively healthy state of the housing market can be justified economically.

GST starts spending spree

Cape Times 21/5/84

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By EBRAHIM MOOSA

CONSUMERS threatened by the 10 percent increase in sales tax from July 1, have started a spending spree which may herald the beginning of a "mini-boom" in the retail market, dealers said.

Car, electrical appliances and household furniture dealers, said they had received more inquiries since the announcement of an increase in GST and that brisk trading in the coming weeks was anticipated. In the clothing and food sector trading in most cases remained normal.

"We're definitely going to do 60 percent more business this month," said a car sales manager at Farber-Nissan in Cape Town. The upsurge was noticed immediately after the announcement of the increase in GST, he said.

"There is no doubt that there will be an upsurge in the car industry," dealership manager at Atkinson's, Mr Terry Sorour said. "A car that retails at R10 000 will have an increase in GST of around R300, which is a substantial amount."

Mr Colin Abel, managing director at Victrix — dealers in electrical appliances — said that people were cognisant of the price increases which will take effect in July. Inquiries for higher priced items such as video recorders, television sets, stoves and refrigerators had increased markedly.

"The psychological impact of the increase in GST on consumers has been unbelievable, because people do not see it as an increase of three percentage points, but more as 10 percent," said Mr Stanley Fleishman, director of operations for Dion.

"One of the major reasons for increasing GST was to stem consumer demand, but in fact it has stimulated demand," he said. However, sales could be expected to bottom out during July, August and September before they picked up for Christmas.

Marketing director for Edgars — the clothing chain — Mr Robin Carlyle, said from Johannesburg: "So far there is no indication that consumers are going on a shopping spree in our end of the market. Some people are definitely going to buy a new car before July, but not many will care to buy a new shirt before that time."

Rip-offs on basic foods feared

(320) Star 22/5/84

Consumer benefit from GST change doubted by many

By Malcolm Fothergill

24 HOURS WATCH GST

TODAY: 24 Hours talks to some of the organisations prepared to join The Star in a month-long watch on the reorganised sales tax.

TOMORROW: 24 Hours tells readers how to make sure they don't pay more than they ought to for food.

Worry, confusion and dismay rule as the end looms for general sales tax on basic foods.

The worry is being felt by consumer organisations, which fear some stores will not pass on the full tax cut to consumers.

The confusion is being felt by stores, which do not know which items will be exempted from July 1, when GST is removed from basic foods and increased from 7 percent to 10 percent on other items.

The dismay is being felt by the private sector, which sees itself cast unfairly as the villain.

Consumer bodies say the public's first priority from July 1 should be to check that price tags on basic food items come down by 7c in the rand.

They have welcomed an exercise by The Star aimed at identifying retailers who try to turn the tax switch into a recipe for a rip-off.

Consumer Union chairman Mrs Berry Hirzel said she had "a nasty feeling" that smaller stores in particular would see the end of GST on basic foods as an opportunity to push up prices.

Her organisation will meet on Friday to discuss the provisional list of basic foods given by Finance Minister Mr Owen Horwood in his speech to Parliament last week.

"I'm quite sure we'll be writing to the Department of Inland Revenue," she said.

Mr Bernard Hellberg of the Consumer Council said he shared the concern that some stores would take the opportunity of the tax change to raise prices: "I wouldn't give anyone the benefit of the doubt."

Housewives' League President Mrs Joy Hurwitz said consumers would have to watch prices carefully.

She believed prices would drop. "All the stores are fighting for a market share. Competition is becoming cut-throat."

Both the Housewives' League and the Consumer Council carry out regular checks on food prices, the Housewives' League throughout the country and the Consumer Council in the Pretoria area.

Both organisations will be giving special attention to what happens to basic food prices after July 1.

"The prices of the products will remain exactly the same," said Johannesburg Chamber of Commerce chief executive Mr Marius de Jager.

"Consumers could be ripped off only with an add-in tax system in which the basic price is hidden. With add-on, which everyone is going to have to follow from July 1, there will be no rip-off that I can see."

Assocom economist Mr Bill Lacey said if everyone knew what items were exempt from tax, nobody could be ripped off.

"There's no need to point fingers at the private sector. All we are is unpaid tax gatherers. Everyone's going overboard about consumers being ripped off, but it's an unfair allegation."

Although at least one major retailer — OK's Mr Gordon Hood — agreed rip-offs were "not impossible if you are dealing with an unscrupulous retailer", other spokesmen for the private sector said they did not see how consumers could be denied the benefits of the tax cut.

Mr Hood advised consumers to take care they were not charged GST on exempted items, and said the new tax was open to abuse by retailers defrauding the Government.

Pick 'n Pay's Mr Chris Hurst believes, as does Miss Peta Lomberg of Checkers, that the Government is more likely to get ripped off than are consumers.

"People will learn very quickly what they don't have to pay tax on, but from the Government's point of view this is going to be a difficult tax to audit.

"It will not be easy to determine when someone has rung up an item as being tax-free when in fact it is taxable."

Parliament and Politics

CAPE TIMES 22/5/84 320

By denying rights govt 'incites' blacks

Political Staff

HOUSE OF ASSEMBLY. — The government's withholding of genuine political rights from blacks was nothing short of an incitement to them to use other than purely constitutional means to attain such rights, the Progressive Federal Party's chief spokesman on manpower, Dr Alex Boraine, charged yesterday.

Speaking in debate on the manpower vote, Dr Boraine said the government would be well advised to proceed with caution and sensitivity in the "fluid and fragile" labour relations field.

"When we bear in mind that of the nearly nine million economically active persons in South Africa almost two-thirds are black, one begins to comprehand the complexity which has all the potential of a battlefield."

While the overwhelming majority of black trade union leaders saw the struggle for better wages and improved working conditions as their major priority, the government's withholding of genuine political rights from blacks put union leaders under enormous pressure, he said.

"They have unbelievable pressure from many of their members who are angry and disillusioned at their continuing third-class citizenship existence," he said.

Dr Boraine said this "pressure cooker" was heating up for a number of reasons:

- The recent legislation which brought about equal taxation had brought about a "shriller and more urgent" demand from black workers for equal facilities for equal taxation, and above all "equal representation for equal taxation".
- The "galloping" rate of GST had further worsened the already potentially explosive situation "and the hamhanded, clumsy way in which the most recent increase has been handled has not helped either".

"Black workers, who are in the vast majority in the industrial field, have absolutely no say and no leverage in the corridors of power. No sooner have they negotiated for a relatively small increase, when it is overtaken by increased GST," he said.

"Many of them are living from hand to mouth and every new increase creates greater desperation and increased pressure on trade union leaders as well as on management."

- The growing activity in the registration and electioneering in preparation for coloured and Indian elections was a daily reminder to blacks that they were excluded from the new dispensation,
- The recession had bitten hard and black unemployment continued to spiral. It had now reached alarming proportions with no sign of the economic recession being eased.

"What is more serious is that so much of black unemployment is not merely cyclical but structural, which means that even if the economic situation should dramatically improve, it does not necessarily follow that the unemployment situation amongst blacks will improve," he said.

- The ravages brought about by the recent and continued droughts had caused extreme hardships and a further movement away from the rural areas to the cities.
- The loss of South African citizenship and need to move from an independent country on a daily or migratory basis created its own pressures and problems.

Dr Boraine said it was clear that the white population was not able now, nor would it ever be able, to meet the increasing demands of the South African economy without heavy reliance on black workers.

"It is therefore imperative, not only that we should be sensitive and aware in terms of legislation and labour relations, but that until we attend to fundamental political rights for blacks, we are sitting on a time bomb.

"Economic stability is inextricably bound up with political rights."

PROVINCIAL COUNCIL

Taxing the poor on basic foods 'ridiculous'

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Argus 22/5/84

Provincial Staff

TO make the poor pay tax on pilchards while the rich paid no GST "living on a diet of fillet steak and crayfish" was ridiculous, Mr Geoff Everingham (PFP, Pinelands) told the Cape Provincial Council.

He said the Minister of Finance, Mr Owen Horwood, intended to "soak the man in the street of R800-million in GST" because every time he found himself short of money this was the simplest way to raise it.

Yet the ordinary man was facing a proliferation of taxes: income tax, GST, excise duty on liquor and tobacco, taxes on fuel, car licence fees and rates on his home.

"Now he has not only to content himself with the GST blow, but also faces suggested road toll taxes, taxes to finance his children's education and taxes to finance the Government's new dispensation.

Eroded spending money

"He also has a donations tax if he gives any significant amounts away and faces estate duty at the end of his life."

Mr Everingham said a recent study had shown that tax had eroded spending money far more effectively than inflation.

To use the gold price or the drought as an excuse was unacceptable. The drought was a known fact before Mr Horwood presented his budget in Parliament on March 28 and, therefore, before the GST increase was announced on May 11.

Similarly, the gold price could not be blamed in the interval between March and May.

Against this background, the cut of R74,6-million in State subsidies to the Cape could not be condoned.

Mr Everingham moved a motion declining the approval of the second reading of the Cape's 1984-85 budget until the Administrator, Mr Gene Louw, had made representations to the Government to act against poverty and unemploym...

Better deal

Mr Jan Moolman (NP, Tyger Valley), his party's spokesman on finance, said it was agreed that the Cape warranted a better financial deal from the Government.

At the same time, MPCs should not join a "complaints brigade" because there were positive aspects to the budget.

Financial discipline was important and the Government was being realistic in its priorities. Its aims were stable economic growth and a stable level of employment.

Think twice

In view of the difficult financial circumstances, everyone should think twice before spending money.

"Let us for the present put luxury aside and concentrate on what is necessary to maintain a good, sound and balanced standard, without trying to fly too high financially," Mr Moolman said.

He rejected claims that expenditure was high because of political ideology.

The debate continues today.

6 The Argus, Wednesday May 23 1984

ARGUS 23/5/84 (320)

GST: Call to exempt council

Municipal Reporter

THE Cape Town City Council and other local authorities should be exempted from paying General Sales Tax, says Mr Frank van der Velde MPC.

After the council accepted the 1984/85 R704-million budget yesterday, Mr van der Velde said he believed the council would find it "considerably difficult" to absorb the three percent increase in GST.

The chairman of the executive committee, Mr John Muir, said in his budget speech that the three percent increase would probably cost the council about R4-million during the next financial year.

Taxing "a strange anomaly"

The increase had not been provided for in the budget and all departments would have to examine carefully how they could absorb the increased burden.

Mr van der Velde said it was a strange anomaly that the central Government should tax the province and local authorities.

"We should not talk about subsidies. These are made up of money taken from the citizens through taxes which the Government then gives back to us. They are not subsidies at all."

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Shops still in dark on which foods exempt

24 HOURS GST WATCH

Consumer organisations and business leaders are pressing the Government to release soon the final list of basic foods which will be exempt from general sales tax.

The Minister of Finance, Mr Owen Horwood, announced in Parliamnet last week that there will be changes in the GST system from July 1.

The list he gave then of foodstuffs which will be exempt was: bread, maize meal, unsifted wheat meal, raw meat and fish, fresh vegetables and fruit, fresh milk, butter, margarine and raw eggs.

As business leaders have not been slow to point out, anomalies abound.

Pick 'n Pay's financial director, Mr Chris Hurst, said that according to the list, fresh crayfish will be exempt from GST, but tinned pilchards will be taxed, as well as powdered milk and sugar.

"These are basic food requirements for the underprivileged. The Government has got to give this a great deal more thought," he said.

The chairman of the Consumer Union, Mrs Betty Hirzel, said butter was not a basic food and therefore should not be on the list. Cheese, which was not on the list, should be.

Another aspect of the new system that is causing concern is that GST will still be levied on paraffin and domestic coal — which take big chunks out of the income of the poor.

Big retailers are particularly keen to know exactly which items will be exempted because the burden of applying the new system will fall squarely on their shoulders.

They are already busy preparing for the change by, for instance, reprogramming tills and organising colour-code systems to enable consumers to see at a glance which items are exempt from tax.

But colour-coding will be only part of the story — their staff still have to be trained in what the new tax rules will mean in practice.

Pick 'n Pay, which has 2 300 of its 2 600 cash registers linked to a central computer, is finding the switch comparatively simple.

Checkers, with 5 000 tills, and OK, with 6 000, are having to put on additional buttons to allow cashiers to ring up sales of tax-exempt items.

Doctors want tax on medicines dropped

Pretoria Correspondent

The Medical Association of South Africa (Masa) is to ask the Government to exclude prescribed medicines from general sales tax.

Dr Rene le Roux, the Masa president, said in Pretoria yesterday that his organisation was glad the Minister of Health and Welfare shared the profession's concern about increasing costs in health services.

"It isn't only doctors' fees that have affected health services, there are many others — and medicines are an important part of this," he said.

"If one could reduce prescribed medicines by 10 percent, it could contribute greatly to relieving the lot of sick people."

Awareness of costs of health care should be encouraged early in training, he said.

Students trained in hospitals, and the impression they gained there was that a battery of tests carried no costs.

Unfortunately, this impression was carried through into private practice.

Doctors had to be trained to prescribe cheaper generic equivalents in medicines, and to prescribe only tests that were really necessary.

"There is tremendous scope for cutting down costs," said Dr le Roux.

Masa's committee for recommending guidelines for medical fees under new legislation had a great responsibility towards doctors and the public, and would behave accordingly, he said.

A Food and Nutrition Council, with representatives from the Goverment and medical profession, had been established because of the profession's concern about malnutrition among children.

The aim of the council will be to gather information and take steps against the disease, which is particularly bad in the wake of the drought, said Dr le Roux.

Inflation, tax burden worry Louw

ARGUS 24/5/84

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Provincial Reporter

WITH income tax and higher GST, the man in the street was probably not better off, even with an increased salary, Administrator Mr Gene Louw said in the Provincial Council.

He said he was concerned at the "increased tax burden on the shoulders of the man in the street" at a time when inflation was reducing the value of his money.

The whole economic tendency was inflationary.

"You give a man more money and you take more off in taxes. And I'm not sure you actually get more in the balance."

Anomalies

There were other anomalies in the South African situation. In the Western Cape, for example, the prices of houses had risen, yet homes were difficult to find. In a time of recession housing costs were actually rising.

He told of a provincial employee who lived free on provincial premises. "Then he came to me and said he could no longer afford it. As long as he lived free, he lost a R400 to R500 housing subsidy."

Mr Louw said he was concerned about high increases in the salaries of some top officials in the public service. They warranted better salaries, but it had the tendency to create a need for all the lower echelons to be raised proportionately.

At the same time public servants in these top posts had to be paid competitive salaries or they would be lost to the private sector. With the Cape handling a budget of R1 770-million a year, these specialists were needed.

Jobs needed

Poverty could not be solved by charity and hand-outs, but by creating jobs and houses. This in turn depended on beating inflation.

The Provincial Administration intended to exercise more financial discipline, with a continuous reassessment of its priorities.

He moved the second reading of the 1984-85 Cape budget of R1 770-million. This was approved by the council by 42 votes to nine — the PFP voting against.

Horwood's GST decision based on 'outdated data'

Star 320 23/5/84

By Shirley Woodgate

The Minister of Finance might have been able to avoid raising general sales tax to 10 percent so soon after presenting his Budget, if adequate data had been available on which to base calculations.

Speaking yesterday at the Assocom Transvaal Regional Congress on a motion urging the Government to do everthing possible to improve GST collection, Mr D Gosse said: "One cannot base 1984 calculations on 1970/71 census figures.

"We know by investigating a very small area in the PWV it was possible to raise the collection of GST by many million per annum.

"Although it has been stated the government is easily collecting 93 percent of GST, the seven percent slip amounts to R280 million."

Mr Gosse contended the slip was nearer 14 percent.

"The inference that there is a 7 percent slip means very little until one considers this represents R280 million," he said.

"At 7 percent GST, a R1 slip in collection leads to a R1.50 slip in income tax. At least R560 million is missing in GST and R840 million in income tax."

He said penalties for contravening the Sales Tax Act were laughable.

Another suggestion was that the Department of Inland Revenue employ inspectors to check contraventions.

Mr M Milner, on behalf of the Thabazimbi Chamber, urged the government to examine the opportunities for evasion of GST on goods and services destined for use in Bophuthatswana.

He said South African residents are obtaining goods in this country under the pretence of being residents of the independent states.

Commerce attack on govt policies

CAPE TIMES 25/5/84

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By ROBIN PARKER

THE Cape Town Chamber of Commerce, one of the senior members of Assocom, has attacked the government for overspending, for its tax plans under the new dispensation and for the mood of uncertainty it has created among City blacks over removal proposals.

In his presidential address at the organization's 123rd annual general meeting in the City yesterday, the president, Mr R W Stern, said the government's record of overspending and its inability to impose on itself what it wanted to impose on others was unacceptable.

"Unless the financial discipline, preached but not practised, is apparent, we will continue to have a credibility gap between the business sector and government.

'Hard year'

"The year under review has been hard and depressing," he told members attending the meeting in a Gardens hotel. "The prognosis for next year is that it is likely to be just as hard and depressing."

Inflation had come down, but not to an acceptable level, and was headed upwards with the latest increase in general sales tax. The gold price continued its downward trend, the rand had weakened substantially, interest rates had soared, as had the corporate tax burden, the money supply had expanded at an unhealthy rate and unemployment was at a record high.

Also, individuals were deeper in debt than ever before. Commercial bank overdrafts to individuals had overtaken overdrafts to companies.

Mr Stern voiced the Chamber's opposition to the proposed taxing powers to be given to local authorities under the new political dispensation, which was going to result in a large increase in government spending.

Taxing powers

He said the government had accepted in principle that local authorities would be given taxing powers. While the government had endorsed the principle of open consultation with the private sector, to date there had been only limited consultation on these new forms of taxes.

"We in the Cape Town Chamber of Commerce are against these proposals because in our view they will place a severe administrative burden on both the private and public sectors and will have an impact on costs and affect the creation of jobs and new investments."

'Uncertainty'

Pointing a finger at the government for its handling of the Cape's black residents, Mr Stern said residents of the existing black townships were "entitled to no less rights than those to which we are entitled when it comes to owning and improving property".

"They are permanent, respected and productive communities, and the uncertainty under which they are presently labouring is contrary to the interests of everyone who lives in Cape Town."

Mr Stern said he was concerned about the possible "persuasion" that might be used on residents of the Peninsula's black townships to move to the new Khayelitsha development.

The new area would probably "only just" be able to accommodate the natural increase and influx into the Western Cape and house those who were already in the area but had no suitable accommodation.

Mr Stern also urged employers to shoulder some responsibility for the housing crisis.

Housing

He said estimates of housing needs between now and the end of the century stood in excess of three million units — two million of which were for black people.

Without some action by employers, either through direct assistance by way of company loans or subsidies on building society bonds, "there is little likelihood of resolving this problem".

● Longer trading hours urged, page 2

Not Medusa, but Mi
demonstrates a new w
Design for Living Exhi
Cape Town, are made
heat principle

Bike pierced car like 'arrow'

Own Correspondent

LONDON. — Two young brothers died in a horror crash when a motorcycle "travelling like a bat out of hell" at about 180km/h pierced a car like an "arrow" an in-

Mr Hipwell said: "It pierced the car like an arrow, crucifying the children and finished up in a mangled mess."

A police reconstruction had shown that the motorcycle must have

crack of dawn

"It had to come —
Piet Promises, Piet

The one hand gives, the other snatches

Argus 25/5/84 (320)

THE National Council of Women of South Africa has consistently objected to a system of taxation whereby the same percentage of tax is extracted from a person buying the basic necessities of life as from one purchasing luxuries, and accordingly we welcome the principle enunciated by the Government in removing GST on "staples."

In the past the Minister of Finance claimed that insurmountable administrative difficulties prevented the introduction of a differentiated system of GST. Apparently a means of overcoming these has been found since he delivered his Budget, in which he promised no foreseeable hikes in GST.

There seems to be a degree of expediency on the part of the Government in removing tax from butter and meat — two industries which have been plagued with the problem of surpluses. One wonders how many South Africans consider meat and butter to be "staples," and how many consider rice, dried beans and samp to be "staples."

It appears to be a question of giving with the one hand and snatching with the other.

While it is accepted that the South African economy has taken a battering due to drought, foods and the falling gold price, these factors have not altered substantially since Mr Horwood presented his Budget.

Increased GST might not have become necessary were it not for continued increased spending by the Government. The carrying out of Government policy necessitates the expenditure of vast sums on the replication of Government departments — three Ministers of Education, for instance — on labour control and on forced removals.

NCWSA is pleased that the question of the identification of "staples" is to get attention and urges that those responsible for this consult with organisations such as Kupugani who are intimately involved with nutrition for the less privileged members of South African society.

(Mrs) PAM ARNOLD
(Acting President)
Pietermaritzburg

Heunis hits back at Stern

CAPE Times 26/5/84

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Political Staff

THE once cosy relationship between the government and businessmen appears to be souring fast as the economy slips deeper into a recession.

In the latest indication that the honeymoon is over, the Minister of Constitutional Development and Planning, Mr Chris Heunis, yesterday sharply criticised comments this week on aspects of the government's economic policy by the president of the Cape Town Chamber of Commerce, Mr R W Stern.

Mr R W Stern

Mr Chris Heunis

And it is reliably understood that certain senior cabinet ministers believe the private sector has not made sufficent effort to combat inflation and therefore has no right to accuse the government of adopting inflationary measures.

Criticism has also been expressed at cabinet level of the private sector's exploitation of the Income Tax Act and of the fact that the private sector's contribution to State revenue has dropped.

The government has been widely criticized for its economic policies since the Minister of Finance, Mr Owen Horwood, presented his Budget.

Some of the most surprising comments came this week from the outgoing president of the Afrikaanse Handelsinstituut, Mr Hennie Klerck, who accused the government of "apparent incompetence" in handling the economy.

Mr Stern said in his annual report released in Cape Town on Thursday that the government appeared unable to control its spending, but expected others to impose curbs on their's.

'Squalid and dangerous conditions'

He was also critical of official proposals to tax the business sector to finance local government under the new constitutional dispensation.

Yesterday Mr Heunis said the attack on the government by Mr Stern was "extremely negative".

In a statement, Mr Heunis said the chamber's president had not acknowledged that the authorities had spent "many millions of rand to improve the squalid and dangerous conditions under which many people had been living in the Western Cape". Nor had he acknowledged the government's "concerted efforts" to provide housing in which "it had in fact received very little active support from all but a handful of companies and employers".

Mr Heunis said the local authorities had had taxing powers for many years.

The proposals for additional sources of revenue for local authorities which had been approved in principle were also not new.

These proposals had already been discussed with commerce and industry on an informal bases.

"During these discussions it was stressed that the proposals would only be implemented once the government had taken final decisions on any possible changes in the form of local government and after comprehensive negotiations had then been conducted with organized commerce and industry as well as organized local government.

However, he was gratified to note that Mr Stern appealed to employers to shoulder some responsibility for housing as this was not the responsibility of the government alone.

THE EXECUTIVES

W/E ARGUS
26/5/84

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association and joint managing director of Peerless Shirt Manufacturers, is also chairman of the Clothing Industry Training Board of South Africa and immediate past president of the National Clothing Federation.

Clothing industry now 'a survivalist game'

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By AUDREY d'ANGELO

THE rise in general sales tax on July 1 is more likely to increase unemployment than to bring profit margins down, says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association and joint managing director of Peerless Shirt Manufacturers (Pty).

He said in an interview that he did not think clothing retailers or manufacturers could afford to reduce profit margins to avoid a fall in sales as a result of the higher GST.

Stiff competition was already keeping prices low. "Clothing manufacture is the most competitive industry in South Africa.

"In Cape Town alone there are more than 400 factories and in the country there are 1 000, all competing, and that keeps prices down.

"The clothing industry is not a high-profit one. It has become a survivalist game.

"There is stiff competition between retailers, too. That is why prices this winter started at the same level as last year."

The fall in the value of the rand against the dollar had already wiped out most of the profit some manufacturers using imported fabrics had hoped to make from clothes for next summer.

Cautious optimism

They had ordered fabrics to be paid for in dollars at a time when the rand was worth $0,88c, only to see it fall to below $0,77.

The clothes had already been sold to retailers at prices based on the higher value of the rand "and some people have taken a bad knock."

In spite of this clothing manufacturers, who were now taking orders for next winter, were in "a mood of cautious optimism."

Retailers had allowed their stocks to fall so low that they had to order more.

This was the main reason for a recent upturn which the rise in GST now threatened to kill off.

The spell of cold weather last week had helped sales and it was possible there could be more.

"A great deal depends on the weather. We had no really cold weather last winter and it was the worst one that I can remember in 35 years in the clothing trade.

Free market zone

"Firms which kept going through that are the ones which will survive. This year can only be better than 1983."

Discussing future trends, Mr Jocum said the South African clothing industry would not fear competition from overseas firms setting up in the new free market zone in the Ciskei, provided it was fair.

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But protection would be needed if these firms were able to buy fabrics free of import duties because this would lead to unfair competition from "predatory imports".

His own firm bought South African fabrics whenever these were available, even if the cost was higher than those from overseas.

More jobs

He thought it important to help provide jobs by supporting the local textile industry.

Some local firms produced beautiful fabrics and although there were complaints that some were late in fulfilling orders this was not always the case.

Both manufacturers and retailers could avoid delay by giving orders well in advance.

Unfortunately a reluctance by retailers to keep large stocks when interest rates were high had increased a tendency to give late orders.

Big chains

Neither Mr Jocum nor his partner, a cousin by marriage, Mr Stuart Tyfield, intended to have careers in the clothing industry.

Mr Jocum was studying to become an accountant when he was invited to join Peerless Shirt Manufacturers. The firm had been started by an uncle, Mr Cecil Jocum, three years earlier to supply his own wholesale company.

Mr Tyfield, who had been working as a journalist on a Cape Town newspaper, also joined the firm and they began to supply independent retailers.

Now Peerless also supplies the big chains. It employs 370 people — some of whom have been with the firm for many years — and has doubled its turnover in the past six years.

It was one of the first firms in Cape Town to introduce an incentive bonus scheme for high productivity 10 years ago. This resulted in a 58 percent increase in productivity in the first two years.

It is still a family firm. Mr Tyfield's sons, Laurence and Jonathan, have joined it and Mr Jocum said: "We run it as a team."

He has never regretted coming into the business although he says: "It is a high-risk industry.

"Men of all ages have become very fashion-conscious now and however long you have been in the business you are only as good as your latest range.

"After 35 years I still make mistakes — but I make them with more confidence.

"One of these days I mean to write a play about it."

Ciskei may be 'another Hong Kong' — professor

W/C ARGUS 26/5/84 ~~105~~ ~~106~~

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THE Ciskei may become another Hong Kong with "an enormous influence on the future development of southern Africa," a Canadian professor of economics said in Cape Town this week.

Professor Herbert Grubel, who is on an exchange visit to the University of Cape Town school of economics, was speaking on free market zones at the monthly lunch of the UCT Graduate School of Business Association.

He said free market zones were being opened throughout the world at a rate of between 50 and 100 a year. The United States already had 150.

So far this was a phenomenon which had passed southern Africa by. But now the Ciskei was hoping to emulate Hong Kong by turning itself into a free market zone. This was an exciting idea.

The Ciskei would abolish company tax and laws which inhibited the development of small businesses.

It had already attracted investment from overseas and "I imagine President Sebe will successfully invite international airlines to provide cut-rate flights to the new international airport."

The president had been criticised for building the airport but it would be essential for the success of his free market zone.

In the past, professors of economics had taught their students the theoretical advantages of free trade zones but had then warned that they would not work in the real world because the market was unreliable and ~~some~~ controls were necessary.

In the post-war years "we have had the development of regulations and controls in unprecedented magnitude."

These had made a significant contribution to slowing down increases in productivity.

"Regulations bring some benefit, but over-regulation costs too much."

There was also the danger of interest groups making use of regulations to keep rivals out.

One of the most exciting and relevant things for South Africa was that "the Ciskei had a study written which said its best hope of economic development was to eliminate the heavy hand of controls" and had decided to repeal laws and regulations hampering its economy.

Tax dodges beat a salary increase

The perk in your pocket pays best

(320) S. Times 27/5/84

By Barry Sergeant

TAX on perks is on its way — but it will still be better to take a perk than more pay, say experts.

Mark Crisp, tax partner of Deloitte Haskins & Sells who has studied the proposed perks tax, says housing and car benefits remain more profitable than pay increases.

The proposed new rules will encourage employers to give perks where they previously did not. Officialdom has sanctioned, for example, low-interest loans to staff.

Examples

A tax consultant says: "Under the new fringe benefits tax companies cannot afford not to give their employees perks."

There are many examples of how an employee can benefit more from a taxable perk than a salary increase. Tax consultants say the two important areas all employers should consider are housing and cars.

Mr Crisp postulates an executive earning R100 000 a year with a house. He could accept a salary of R80 000 and have a furnished, rent-free house, with all its running costs provided by his employer.

Marginal rate

To calculate the taxable value of this perk, a standard abatement of R20 000 (which is given in most cases) is deducted from R80 000 to give R60 000.

In terms of the proposed legislation, 17% of the R60 000 — R10 200 — is taxable. The taxpayer's marginal tax rate is 50%, so he pays R5 100 on the housing benefit. Had the hypothetical taxpayer taken the R20 000 in cash, he would have paid R10 000 in tax. This way he saves R4 900. Of course, he pays normal income tax on the R80 000.

Parastatal

The new rules also benefit a lower-income earner.

No matter what the taxpayer's salary, the R20 000 housing allowance applies. A R20 000 a year salary-earner would not pay any perks tax for free accommodation provided by his employer.

This scheme suits many Government and parastatal employees who receive free housing.

Other proposed taxable fringe benefits are:

● Employers' soft bonds or loans. The taxpayer will be taxed on the difference between the interest he pays and the official rate of 8%. He is taxed only if the rate he pays is lower than 8%. If an employee gets a bond at 8% when the building society and bank mortgage rate is 19%, he pays no tax on the benefit.

Sweetener

The Minister of Finance, Owen Horwood, gave a sweetener when he announced in March that taxable benefits for low-interest loans for residences would be phased in.

● A car costing R25 680 (including GST) under a traditional four-year lease has a perks tax value under proposed legislation of R3 156 a year, costing the 50% taxpayer R1 578 in tax.

The actual annual estimated cost of such a car, including lease payments, servicing, fuel and insurance costs, is R11 912 a year.

If the employee sacrifices the same amount in salary, R5 956 is saved in income tax, giving a net saving of R4 378.

Although taxpayers paid less for cars under the old scheme, this example illustrates that having a car-perk instead of a salary increase saves money.

Accountant Coopers & Lybrand says: "If the aim of the employer is to help an employee he should not be obliged to bear any costs of the car he uses."

Travel

● Assume an employee is given a R1 000 travel allowance a month, and he covers 20 000 km a year and the cost of running the car is R11 912.

To work out the taxable benefit, the gazetted rate given for each kind of car must be referred to. Assuming it is 50c a km in this example, the amount that he may deduct from the R12 000 allowance is R5 000.

The question of how many kilometres have been covered on non-business trips must then be answered. This is, say, 16 000km, but the proposed legislation says the taxpayer can only claim a tax allowance for a maximum of 10 000km for private use. The balance of 10 000km is assumed to have been covered on business.

The taxpayer can then choose to deduct from his allowance of R12 000 either the R5 000 gazetted amount, or R5 956 (actual costs of R11 912 divided by 20 000km to give a km cost of 59,6c).

The R5 956 is deducted from R12 000 to give R6 044 to be included in taxable income as a perk. This will cost the 50% taxpayer R3 022, more than half the R6 000 had the full R12 000 allowance been included in gross income.

Bursaries

● Other areas covered in the proposed legislation are bursaries (which have been heavily penalised), travelling, subsistence and entertainment allowances, assets acquired at less than full value, debts paid or waived by an employer, hotel accommodation and services rendered by employees.

Following the trend set by general sales tax, the authorities have placed the burden for tax collection on the private sector. They achieve this by forcing the employer to value and deduct Paye on perks.

The Minister of Finance can change housing and car rates by an announcement in the Government Gazette — as is the case of GST.

Tax consultants say employees can benefit, but warn that the whole perks tax area is a "minefield."

● Most accounting firms are conducting detailed seminars on fringe benefits. These include Deloitte Haskins & Sells, Ernst & Whinney, Coopers & Lybrand and Business Seminar Promotions.

The Argus, Monday May 28 1984 13

NATIONAL ARGUS 28/5/84

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Revenue men planning blitz on tax dodgers

Argus Correspondent

JOHANNESBURG. — The Department of Inland Revenue is poised to launch a nationwide crackdown on business tax dodges costing the Treasury hundreds of millions of rands and expected to worsen when GST soars to 10 percent on July 1.

Scores of chartered accountants and tax experts have been recruited to join special training programmes to teach inspectors how to out-fox the tax evaders.

Mr S Albertyn, chief director of administration of Inland Revenue, said it was intended to train an extra 300 investigators.

About 80 percent of the new posts had been filled already and the full team — trained to seal all the GST and income tax and company tax loopholes — should be ready to go into the field soon.

R14-M LOSSES

The disclosures follow the release of chamber of commerce estimates that even under the seven percent rate losses from GST evasion have been running at R560-million a year or more — boosted to about R1 400-million when the losses compounded by income tax evasion is counted.

"So far it has largely been the corner cafe owner who has carried the blame for evasion", Mr Albertyn said. "But we increasingly suspect that the biggest losses are being caused by bigger retailers, wholesalers and even manufacturers.

"Our new team is being groomed to carry out special audits that should be able to track down the dodges.

EVEN LARGEST

"It is not only the small businessman who will feel the screws being tightened. We shall be combing the books of even the largest companies."

Mr Dick Gosse, of the Springs Chamber of Commerce, suggested at a weekend Assocom conference that the Department of Inland Revenue should use shock commando tactics in the tax dragnet — picking one geographical area at a time for a full scale blitz of checks.

Evasion costing State R1 400 million a year

Nationwide blitz on tax dodgers

(320) Star 28/5/84

24 HOURS

MICHAEL CHESTER

The Department of Inland Revenue is poised to launch a nationwide crack-down on business tax dodges costing the Treasury hundreds of millions of rands and expected to worsen when GST soars to a record 10 percent on July 1.

Scores of chartered accountants and tax experts have been recruited to join special training programmes started to teach inspectors how to out-fox the tax evaders.

Mr S Albertyn, Inland Revenue's chief director of administration, said an extra 300 investigators were to be trained in readiness for the operation.

About 80 percent of the new posts had been filled already and the full team — trained to seal all the GST, income tax and company tax loopholes — should be ready to go into the field soon.

R560-m GST losses

The disclosures follow the release of Chamber of Commerce estimates that, even under the current 7 percent rate, losses from GST evasion have been running at R560 million a year or more — boosted to about R1 400 million when the losses compounded by income tax evasion are counted.

"So far it has largely been the corner cafe owner who has carried the blame for evasion," Mr Albertyn told 24 Hours. "But we are increasingly suspicious that the biggest losses are being caused by bigger retailers, wholesalers and even manufacturers.

"Our new team is being groomed to carry out special audits that should be able to track down the dodges.

"It is not only the small businessman who will feel the screws being tightened. We shall be combing the books of even the largest companies."

The department will also intensify its watch on rackets to use the neighbouring new national states — Transkei, Bophuthatswana, Ciskei and Venda — to evade tax.

It is suspected that the dodgers give vendors false names and addresses to buy goods inside the Republic and try to prove they will be used only in outside states where GST does not apply.

Mr Dick Gosse, of the Springs Chamber of Commerce, suggested at a weekend Assocom conference that "shock commando" tactics be used in the tax dragnet.

GST: dairy union to meet

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28/5/84

EAST LONDON — Members of the South African Milk Distributors Union are to meet in Pretoria today in an attempt to sort out exactly what dairy products are to be affected by the withdrawal of GST.

Among those due to attend the meeting will be the chief executive of Model Dairy, Mr G. Stead, who said yesterday: "We known that GST is to come off milk, but are a bit in the dark as far as butter, cheese and other dairy products are concerned".

"Some sources say that only milk is to be affected while others say the withdrawl of the tax will apply to all dairy products," he said.

"Maybe we'll be able to get to the bottom of the issue in Pretoria," he added. — DDR.

Outlook bright for SA clothing industry — Getz

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Argus 28/5/84

IN spite of the economic situation, things are looking up for the clothing industry — the biggest single employer of labour in the Western Cape.

Mr Mike Getz, president of the National Clothing Federation of SA, says manufacturers report full order books and a high degree of capacity utilisation.

"The clothing industry appears to be moving against the economic tide in that a notable improvement in activity levels is being experienced or anticipated by many manufacturers," he said on his return from a meeting of the NCF executive in Johannesburg.

PROFIT MARGINS

The rise in GST might not affect this because retailers were having to build up stocks again after allowing their inventories to run low.

"Although the current increase in GST is expected to have a dampening effect on customer buying patterns it should be borne in mind that current stocks in the supply pipeline appear rather low."

Also, manufacturers have cut their profit margins. "The present 7 percent inflation rate in the clothing industry is indicative of low turnover margins and is well below the overall rate of inflation."

Mr Getz said the NCF executive had closely scrutinised both prevailing and expected conditions in the clothing industry.

EXPORTS

As a result, the executive was calling on the Government to give more help to the development of the export trade as a matter of urgency.

It was also upgrading its training scheme and urging the Department of Manpower to replace tax rebates for training with cash grants.

It regarded cash grants as "more efficacious as incentives than are tax rebates, as indeed evidenced by the success achieved with the latest cash-based decentralisation incentives".

An industrial relations committee had been formed to help members in various regions to understand, appreciate and adapt to the ramifications of the new labour dispensation.

NEW JOBS

It was appreciated "that in this process attitudinal change on the side of management will also be required".

Discussing exports, Mr Getz said these were vital as a basis for recovery, growth and the provision of new jobs.

The export industry was now "critically dependent on prompt and relevant action by the Government in the area of export development.

"It is important for the medium and long-term future that current opportunities are not missed by South Africa."

SA 'winning fight against inflation'

Argus 28/5/84

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THE FIGHT against inflation was being won in South Africa, but increases in administered prices and within the public sector, were resulting in a Government-led pice spiral according to Mr Chris Ball, managing director of Barclays National Bank.

He said the authorities had been far from disciplined in dealing with prices in their sphere and this had been the major factor in the price escalation pattern.

Year-on-year inflation increased to 10,98 percent in April from 10,16 percent in March.

It was not the com- Reserve Bank's policy to keep inerest rates high, to influence the demand for credit through its price and thereby the demand for goods and services and therefore the inflation rate.

SPENDING

However, the problem was that there was no excess demand and productive capacity was adequate.

Only when the public's perceptions of continued inflation changed would spending be curbed, he said.

He said the marked shift of deposits into the short-term end of the market and a narrowing

Gold at $386,50

GOLD traded at $386,50 (R494,24) an ounce in Zürich today — down from the opening $388,20 in Hong Kong, but still $2 above the London fix on Friday afternoon — Reuter reports.

Both the London and US markets are closed today because of public holidays, but in New York on Friday gold had jumped to a two-month high as concerns about world oil supplies and the stability of the banking system in the United States led nervous traders to buy precious metals.

The dollar turned in a mixed performance in New York. Dealers said currency markets

Golds quiet

JOHANNESBURG. — Gold shares continued firmer on the Johannesburg Stock Exchange today in reaction to the further rise in the bullion price. Trading was relatively quiet and demand mainly local with British and US markets closed today.

Among heavyweights Vaal Reefs was up 300c at 16400c and Kloof 200c at 6850c, while among cheaper issues Elands was up 25c at 1825c and Loraine 20c at 770c and 22 golds were firmer, three unchanged and none easier.

Diamond share De Beers followed golds, rising 13c to 935c, but other minings and financials were virtually

2 pm SHARE PRICES

From left: Price, week's change, divi

MINING

MIN. - COAL			
AMCOAL	3075	B	4,7
A.T. COLL	3000		8,4
ANGLOCOL6%PP	182	B	17,9
APEX MIN	3000	B	8,7
CLYDSDL	1750		5,6
MCALPNE	440	B	5,5
NAT COAL	260	5+	4,8
TRNS NTL	845		7,1
VIERFNT	68		14,0
WANKIE	25	1+	
WELGDCT	225	15-	7,6
WIT COLS	5150		7,8
MIN. - DIAMONDS			
ANAMINT	10800		5,5
BRDACRE	43		
DEBEERS	935	12+	4,3
THERON	40	SUSP ENDED	
TRNSHEX	315		2,9
MIN. - GOLD - RAND & OTHERS			
MODDER	905		
DBN DP	4025	75+	
E DAGGA	690		
E DAGGA OPT	400		
E T CONS	3400	B 50+	1,9
ERGO	1170	10-	5,3
ERGO NPL	200		
ERGO CD	1625	B 25+	1,0
E R P M	2175	75+	
E R P M OPT	240	B 15+	
EGOLI	238	3+	
FALCON	385		26,9
GROOTVL	1875	75+	6,7
MARVALE	520	20+	9,6
PRIM G M	850		1,5
RANDFNT	19300	300+	6,2
SIMMERS	660	10+	
SALLIES	910	15+	6,6
STH RDPT	395		
STHRPT10%CPP	395		2,0
VILLAGE	165	13+	3,0
VLAKS	415	10+	7,2
W R CONS	1175		5,1
W NIGEL	360	20+	
MIN. - GOLD - EVANDER			
BRACKEN	415	A	14,5
KINROSS	3350	100+	5,9
LESLIE	450	10+	10,4
WINKELS	6650	B	6,0
MIN. - GOLD - KLERKSDORP			
AF LEASE	625	B 15+	
BUFFELS	8000		6,5
HARTIES	10500	100+	7,2
SOVAAL	8440	100+	4,7
STILFTN	2000	50+	14,0
VAAL RFS	16400	300+	7,3
ZANDPAN	1725	25+	7,4
MIN. - GOLD - O.F.S.			
FREGULS	5250	125+	6,7
HARMONY	2850	50+	8,2
LORAINE	765	15+	
P BRAND	6000	100+	4,2
P STEYN	7200	50+	6,5
ST HELNA	4575	B 25+	9,6
UNISEL	1860	20+	5,9
WELKOM	1625	25+	9,1
W HOLDS	64508	150+	8,9
MIN. - GOLD - WEST WITS			
BLYVOOR	1900	25+	12,6
DEELKRL	550	5-	1,8
DOORNS	3275	75+	6,1
DRIES	4850	25+	6,9
ELANDS	1810	10+	2,2
ELSBURG	550	2+	5,9
KLOOF	6850	200+	4,8
LIBANON	4625	25+	6,5
VENTERS	2050	65+	7,8
W AREAS	895	30+	5,6
WSTN DP	8250	100+	5,2
WSTN DP OPT	3100	200+	

TOLUX	1520
UN & LOND	420
FIN. - PROPERTY	
AMAPROP	455
BESTER	710
BRIST IN	53
CNNFED	620
G F PROP	375
K & L TIM	160
MARSHAL	175
NATPROP	90
N KLEINS	480
PICPROP	115
PROPGRP	105
R M PROPS	1230
RETCO	58
SABLE	320
TOMKOR	380
TOMKOR 13%CD	100,0
TUCKERS	740
UNIDEV	45
FIN. - PROPERTY TRUST	
CBD FUND	[illegible]
CENPROP	[illegible]
FEDFUND	[illegible]
PIONEER	[illegible]
SANLAND	77
STANPRO	[illegible]
UMDONI	[illegible]
VETRUST	[illegible]

INDUST

IND. - IND. HOLDING	
ADVANCE	[illegible]
AFEX SA	[illegible]
AMAL IND	[illegible]
ANCHUSA	[illegible]
AMIC	[illegible]
AMIC NPL	[illegible]
AMIC OPT	[illegible]
A T I	[illegible]
BARBCAN	[illegible]
BARLOWS	[illegible]
BARLOWS PORD	[illegible]
BLUCIRC	[illegible]
BON KOR	[illegible]
BROHOLD	[illegible]
BROMAIN	[illegible]
BTR	[illegible]
CGSMITH	[illegible]
CULINAN	[illegible]
CULN11,25CD	105
CURFIN	[illegible]
D & H	[illegible]
D & H NPL	[illegible]
DE BOND	[illegible]
DIROYAL	[illegible]
ENYATI	[illegible]
EUREKA	[illegible]
FED VOLK	[illegible]
FED VOLK CP	[illegible]
F-S IND	[illegible]
F-S IND14%CD	[illegible]
FRENCOP	[illegible]
HUNTCOR	[illegible]
HLH	[illegible]
IND. - BEVERAGES &	
KAAPWYN	[illegible]
KWV BEL 7%PP	[illegible]
SA BREWS	[illegible]
SUTHSUN	[illegible]
SUNCRSH	[illegible]
UNIEWYN	[illegible]
IND. - BUILDING &	
A ALPHA	[illegible]
BOUMAT	[illegible]
CONCOR	[illegible]
EVERITE	[illegible]
FED-BLA	[illegible]
GOLDSTEIN	[illegible]
GDHOPE	[illegible]
GRINAKR	[illegible]

Dr Van der Walt foresees problems with GST exceptions

Cape Times 29/5/84

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Own Correspondent

JOHANNESBURG. — Everyone concerned with State finance should spend some time at the Internal Revenue Department to see where taxes come from, to make them more careful about spending, the recently retired Commissioner for Inland Revenue, Mr Mickey van der Walt said yesterday.

Addressing the Finance Writers Club of South Africa in Johannesburg, Mr Van der Walt described an efficient tax authority as "your assurance against higher taxation".

It was imperative that tax collection be as cost-efficient as possible, and there was evidence to prove that the South African revenue authorities had reduced substantially the average cost of collection over the last 40 years.

Role of taxation

Mr Van der Walt said it was important that people understood the role of taxation, and the intimate relationship between State expenditure and tax.

"Tax follows expenditure, and the questions that must be asked are: What does the public want, what is the State responsibility, and how are we going to finance it?."

He said there were so many vested interests in South Africa, each of which was determined to shift as much of the tax burden as possible elsewhere.

"Everyone thinks the best tax is that paid by the other guy."

Taxation was a fact of life — based on fact and not fiction — and was needed wherever there was State expenditure.

"The only person to have got away with spending without taxation was Moses, who managed to arrange for manna to fall from Heaven."

Mr Van der Walt foresaw problems with the implementation of general sales tax, which after the announcement of exceptions should now be regarded as a straight "sales tax".

Exceptions

The problems were related to the exceptions, which tended to gain their own momentum.

"Once you start down the slippery path to exceptions you enter the realms of difficult application, and the judgment of what should and should not be taxed is taken away from the fiscal authorities and placed in the hands of other people."

"Once you have made a tax give-away it is very difficult to reverse the process."

He hoped some way could be found to draw a halt to exceptions, as they raised the cost of patrolling, as well as increasing the cost to the taxpayer.

"It is not simply a question of the cashier noting the exceptions. The cash register is only the first point in the run, and this is followed by calculating the type of sale and the application of the tax."

Mr Van der Walt said tax consultants were welcomed by the Revenue authorities, as they performed the essential task of pointing out the weaknesses in the tax system.

Consultants

"To a significant extent tax consultants are responsible for good tax legislation."

He was less enthusiastic about the "slick operators" or "fly boys", who he said were continually looking for openings in the tax authorities' armour.

While the arrangement of one's affairs so as to minimize your tax liability was commendable in certain respects, it could also be interpreted as the "ugly face of capitalism", as only those with the resources to arrange their affairs in such a way could benefit by this system.

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by Godfrey Heynes.

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Higher GST will lead to lesser consumer confidence — BER

By HAROLD FRIDJHON

JOHANNESBURG. — The raising of the general sales tax to 10 percent from July 1 1984 will cast a pall of pessimism on consumer expectations.

In the 37th consumer survey conducted by the Stellenbosch University's Bureau for Economic Research (BER), Dr O D J Stuart, says that any increase in personal tax, be it direct or indirect, is certain to influence negatively consumer confidence.

And more particularly when the announcement of the increased tax is made six weeks after the country's main Budget was presented.

"Consumers are bound to feel somewhat pessimistic if their future finances are going to come under additional strain because of further price increases. The fact that these price increases are to be brought about by taxation is irrelevant."

Impression

An additional factor is that the impression has been created that the country's economy is under severe strain will undoubtedly dampen their spirits.

"On the positive side the exemption of basic foodstuffs will boost confidence and particularly among the lower income groups. To what extent this will be neutralized by the increase is uncertain.

"Intuitively one feels that bad news always tends to overwhelm good news and the net effect of the announcement (of the higher GST) will probably lead to a deterioration in consumer confidence."

Lesser confidence, coupled with anticipated slow growth in real income and high interest rates, suggest that consumer spending will remain sluggish but as the higher GST rate will become effective only on July 1, consumers are undoubtedly going to advance their acquisition of high-priced goods.

This implies that retail sales will increase substantially in May and June and will fall away sharply particularly in the month of July.

Higher tax

Dr Stuart says that it is doubtful whether sales will continue to be suppressed for longer than three months after the higher tax has become operative.

"The increase of three percentage points is unlikely to push down sales by itself; in monetary terms it means an additional R30 on each R1 000 spent, an amount which will not discourage people from spending their money."

Dr Stuart adds, however, "given the level of spending, the volume of sales will, of course, be reduced."

Looking back on the results of the survey which was made in March 1984, Dr Stuart says that they suggest that the consumer's financial situation is not expected to come under severe strain.

Prospects

Consumers appear to be fairly happy with economic prospects in general and it would be reasonable to argue that there are not many factors around which are actually forcing consumers to cut back drastically on their spending.

The results of the survey do suggest that consumers in March planned to divide their incremental income on a fifty-fifty basis between spending and saving. Up to July 1 they are going to push up their spending rate at the cost of their savings rate.