

Heavier taxes under new plan

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PORT ELIZABETH: Provinces should have the power to impose a surcharge on the taxable income of individuals, it has been proposed.

And no objections have been put forward by the Ministry of Finance and State Expenditure, the Commissioner of Inland Revenue, or the provinces.

The recommendation comes from the influential Finance and Fiscal Commission and states that provinces should be allowed to impose flat-rate surcharges on the tax bases of national taxes, levies and duties.

It is estimated that if the recommendation to the Constitutional Assembly is accepted a one percent surcharge could net the nine provinces a total of R2 billion a year.

A uniform five percent surcharge would net R10 billion, but this would not be spread evenly across the nine provinces because some are wealthier than others.

The surcharge would be imposed on taxable income, not on tax payable.

The commission recommends the maximum surcharge should be "limited to a few percentage points".

This would keep maximum rates "within acceptable limits", and not dissuade people, especially the rich, from living in particular provinces.

One reason for keeping the maximum rate low would be to avoid lowering the national income tax rate, as the effect of this would be that the richer provinces would benefit from the provincial surcharge revenue, while the

national revenue pool would shrink, making less available for the poorer provinces.

The commission notes in its submission that provinces' own revenues on average are about five percent of total revenues, leaving them almost totally dependent on national transfers.

"If provinces are not provided with the potential to raise a greater proportion of their own revenues, they become unsustainable as viable political and economic entities and remain unaccountable for their activities." They would merely be "spending agencies" of the national government.

The commission argues that the "simplest, most cost-effective" way to achieve a "reasonable measure of accountability is to allow provinces to choose the rate of a surcharge on personal income tax".