

Provincial tax rates proposed

PEOPLE could be taxed at different rates in different provinces, if the government accepted proposals released yesterday by the Financial and Fiscal Commission.

Provinces should be allowed to impose a surcharge on individual income tax, it recommended in a report on the allocation of financial resources to national and provincial governments for the 1997/98 tax year.

Income tax surcharges did not have to result in an increase in the overall tax burden, although this "was technically possible", the head of the commission's secretariat Mr Punday Pillay said.

The commission recommended that the national tax rates on individuals be lowered in accordance with provincial tax. In this way, some money which formerly accrued to government would accrue to the provinces.

It recommended that this reallocation be phased in at one percent of personal income tax a year for seven years. It was unlikely that legislation for implementing a provincial surcharge on national tax could be passed in the first year of applying the formula, so it was proposed provinces be assigned a transitional amount.

Over and above the redistributed tax, the commission recommended that provinces be given the option of introducing an additional tax surcharge of up to five percent of personal income tax, but this decision would have to take into account the national revenue strategy. -- Sapa