

Provinces 'should levy taxes'

Surcharge on income tax is recommended

By **ZOLILE NQAYI**

THE financial and fiscal commission (FFC) has proposed that provinces be allowed to place a surcharge on personal income tax in order to increase their ability to generate their own revenue.

In a report to be tabled in Parliament tomorrow on the division of revenue for 2002/03, the FFC reiterates its previous recommendation for a need to focus attention on the generation of provinces' own revenue.

The FFC has recommended in the past that provinces be allowed certain taxation powers which would enable them to generate significant amounts of revenue for themselves and loosen their dependence on the national government.

"The commission reaffirms its previous recommendations, based upon the current constitutional provisions, that the following taxes constitute the most feasible form of provincial own-revenue sources: a surcharge on personal income tax, fuel levies, and gambling and betting taxes.

"The surcharge on personal income tax is the most significant of these revenue sources," the FFC report said.

FFC chairperson Murphy Morobe said the commission was looking at a "tax room" that would allow provinces to levy a surcharge by distributing the tax revenue that is there instead of increasing the burden on the taxpayer.

"At the moment provinces are generating most of their revenue from gambling and, because this is miniscule, they still depend largely on transfers from the national equity share," said Morobe.

While the collection of own taxes will lead to less dependence on the national equity, Morobe said there is a problem of capacity.

"There are some provinces which feel they are not ready to collect their own taxes and would rather get their share of the national equity," he explained.

The FFC's role is to inform both government and Parliament's policy-making processes with regard to fiscal matters and the equitable share of national revenue.