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Financial and Fiscal Commission Calls for Good Local Tax at Municipal Level

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Select Committee on Finance

Government has been urged to continue searching for appropriate taxes at the municipal level to replace the regional services levies, abolished in 2006. The Financial and Fiscal Commission (FFC) presented a submission to the select committee on finance in parliament on the Division of Revenue Bill. The FFC is a statutory body mandated by the Constitution to provide advice on the equitable sharing of revenue and to limit subjectivity in the allocation of financial resources.

The FFC asserted that the Bill was becoming too complex and “voluminous” and called for a comprehensive review of the Bill. In terms of the increase in the number of conditional grants, the FFC was adamant that all proposed grants should be subjected to extensive analysis before implementation.

Delays in the setting up of Regional Electricity Distributors and the accreditation of municipalities was due to uncertainty generated by the ongoing department of provincial and local government (DPLG) policy review of the provincial and local government spheres. The FFC recommended that clear timelines be put in place to guide the DPLG policy review process and thus remove any doubt that existed.

The increase of the Expanded Public Works Programme by means of a R1.4 billion allocation was welcomed. However, the FFC cautioned that proposed outcomes in terms of skills training had to be monitored.

The FFC noted that 9 conditional grants valued at R18 billion had been added to the provincial fiscal framework. Included was an agriculture disaster grant of R60 million, a housing disaster grant for R150 million and a public transport operations grant of R11.5 billion.

The FFC called on government to provide more detail on the implementation of its recommendations and progress achieved over the medium term expenditure framework.

The FFC stressed that the government proposal to share the fuel levy amongst metros as a replacement for the regional service council levies would help to improve local government revenue, but warned that this measure would fall short of the criteria of a “good local tax”. The commission had earlier recommended to the government that a good tax be introduced to replace the levies.

A main concern was that municipalities would not have any control over the rate and base of the tax. The FFC proposed that the search for appropriate municipal taxes should continue.

The FFC stated that it would continue studying appropriate fiscal and regulatory instruments to stimulate greater uptake in renewable energy technologies and reduce the dependence on fossil based fuels.

Sabinet Cape Town Office

Related legislation:

[Division of Revenue 2009](#)