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'Provinces should have more say on revenue'

Raising regional taxes would aid focused funding

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Siyabonga Mkhwanazi

The **Financial and Fiscal Commission (FFC)** has recommended that provincial governments use the full scope of constitutional provisions that allow them to raise taxes so that they can bolster their coffers to fund programmes.

FFC deputy chairman Bongani Khumalo told The Star at Parliament yesterday that this would offer one way of dealing with the problem of the national government's encroachment on the allocation of funding to provinces.

The statutory body's senior officials briefed journalists at Parliament yesterday on its recommendations for dividing government revenue across the three spheres of government - provincial, national and local - for the 2010/2011 financial year.

Khumalo said the commission had noted that provinces were unable to allocate funding to specific priority areas because the central government largely dictated how disbursed money should be spent.

"The idea basically is that the more revenue autonomy they have, the greater the revenue they control as a share of the total envelope that comes to them," he said.

"There is relatively more flexibility for them to allocate to areas where they consider that it's their province-specific priority.

"The present situation is such that you have 96 percent transfers of block-revenue sharing." That came with certain conditions, he said.

"But when you raise your own (revenue), you can make certain decisions that don't necessarily get bound by the equitable share or any type of a transfer from the national government," said Khumalo.

In terms of section 228 of the constitution, provinces are allowed to apply certain taxes on particular goods and services.

"Unfortunately, most provinces have not utilised that instrument... In most cases, there is always this fear that people are already overtaxed and that if you start introducing more taxes, the tax burden increases. The idea is that if you can be a government, you should have the power to tax; and you have the power to borrow, therefore the power to spend," Khumalo said.

The Western Cape had used this constitutional provision by applying for a surcharge on the fuel levy to enable the provincial administration to use that extra cash on infrastructural development projects.

Although the application was approved four years ago, it had not yet been implemented.

Khumalo said the Western Cape government could raise its own revenue if it so wished.

The provincial government's intention was to use revenues from that fuel-levy surcharge to spend on its road infrastructure.

"If your citizens can see where you're going to spend the money, and they consider that as an area that benefits them, they are willing to pay (tax)," said Khumalo.

He had earlier told journalists that there was a tendency by the national government to centralise everything, and this could be attributed to the "extent of the need on the ground".

There was a growing trend of the government issuing conditional grants to provinces each time it wanted to address a specific problem.

Khumalo warned that this system was not effective in addressing priorities at provincial and local government levels. He blamed this on unequal power relations between national and provincial departments.

"From the FFC's vantage point, we do sit in some of these intergovernmental forums where some of these decisions are taken.

"One would ideally expect that in this intergovernmental forum, the discussion is at an equal level.

"But the reality is that they tend to be quite significantly dominated by national departments on the processes that take place, as a result of the capacity issue that you might be faced with," said Khumalo.