

Business Report

Business opposes new tax to bolster municipalities

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The Cape Town Regional Chamber of Commerce and Industry and the Western Cape government are lobbying against a tax on businesses that would be paid to 283 municipalities, but the SA Local Government Association (Salga) is backing the tax – likely to be a small percentage of company turnover – to help bolster flagging municipal balance sheets.

With municipal debt nationwide totalling well over R60 billion, the National Treasury said that at least one metropolitan government had mooted the new tax. However, Jan Hattingh, the Treasury's chief director of local government and budget analysis, said that although Salga – which represents the third tier of government – had mooted it at a Budget Forum it had not yet made a submission on the tax.

Hattingh believed it was, thus, most unlikely that a new tax would be announced in the February 22 Budget by Finance Minister Pravin Gordhan.

Alan Winde, the Western Cape Finance MEC, confirmed the proposed tax had been discussed at MinMEC, the body that represents finance MECs from the nine provinces, but it had not progressed far.

“My position is that any new taxation on business in the midst of a recession when we are trying to create jobs... slows this down. It just doesn't make economic sense.”

His view was backed by Cape chamber president Michael Bagraim, who believed that the Budget might just spring a nasty surprise about the proposed tax.

Noting that Salga, which sits with the finance minister and provincial finance MECs on the Budget Forum, had proposed the tax as a replacement for the former Regional Service Council (RSC) levies, Bagraim said the problem in the country was that when a tax was scrapped, income tax was increased or a new levy was put in place to cover that shortfall.

Hattingh said that various revenue streams had already replaced the RSC levies, which were previously payable by businesses to metropolitan councils and district municipalities.

To make up the revenue shortfall after the levies were abolished in 2006, national transfers went to local governments through grants.

Hattingh, however, confirmed that the business tax had been discussed at the Budget Forum “as a possibility to be considered as a revenue source for municipalities”.

He explained that for the tax to see the light of day, Salga would have to lodge a formal submission to the Treasury proposing the tax. This had to be followed by various processes, including

consultation with the Financial and Fiscal Commission and the Department of Co-operative Governance and Traditional Affairs. - Donwald Pressly

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