

Varying taxes for the provinces proposed

CAPE TOWN — Individuals could be taxed at different rates in different provinces, if the government accepts proposals released yesterday by the financial and fiscal commission.

Provinces should be allowed to impose a surcharge on individual income tax, the commission 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," head of the commission's secretariat Punday Pillay said.

A new provincial grants formula was proposed under which provinces will receive allocations to address inequality in their tax bases (a T-grant) and an institutional grant to fund provincial legislatures.

The formula also includes three other grants previously recommended by the commission:

- A grant for school education and primary health care;
- A conditional grant for medical training in academic hospitals in certain provinces; and
- A basic grant to enable provinces to establish and maintain the institutions and functions required of them in terms of the constitution.

The institutional grant would see

each province receiving R3,176m to meet recurrent expenditure. The grant was based on the minimum amount required by the smallest province, Pillay said.

Allowing provinces to place a surcharge on personal income tax would enable provinces to substantially increase the revenue they collect, the commission said.

It recommended the national tax rates on individuals be lowered in accordance with provincial tax. In this way a certain percentage of income which formerly accrued to government would accrue to the provinces.

The commission recommended this reallocation be phased in at one per cent of personal income tax a year for seven years.

It was unlikely legislation for implementing a provincial surcharge on national tax could be passed in the first year the formula would be applied. So it was proposed provinces be assigned a transitional amount equal to what the reallocated tax would be.

Over and above the redistributed tax, it was recommended provinces be given the option of introducing an additional tax surcharge of up to five per cent of personal income tax, but their decision would have to take into account the national revenue strategy.

The recommendations are to be referred to Parliament. — Sapa.