Citizen

Watch out, you may soon be paying tax on having fun

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A proposal to parliament moots extra ‘amusement taxes’ as government looks to taxpayers again to make up the Sars shortfall.

As the Standing Committee on Appropriations sits today to consider the Appropriations Bill, Sars commissioner Edward Kieswetter will be looking to a stressed economy to meet his revenue target of R1.422-trillion – and taxing fun has been mooted as one of a number of proposals to help meet any shortfall.

Last week, the Auditor General (AG) highlighted what was supposed to be happening to taxpayers’ money (and wasn’t) and on Monday, it was the turn of the Financial and Fiscal Commission (FFC) to recommend to parliament how to kneecap taxpayers even more.

The Bill – now making its way through parliament – proposed national departments receive R684 billion; provinces R612 billion and local government R127 billion.

To supplement finances, the Commission has recommended National Treasury add new sources to the list of allowable taxes such as development charges, tourism, fire and advertisement levies, hotel taxes, weigh bridges in mining areas, advertisement levies and “amusement taxes”.

“Given the economic growth we’re experiencing, we don’t foresee substantive increases in transfers from National to municipalities, so to be able to survive municipalities need to be able to look at their options,” FFC chairperson Professor Daniel Plaatjies told The Citizen.

“There’s a couple of bullets we’re going to have to bite,” said Plaatjies.

“Where municipalities are considering these taxes, they have to consider what is possible. It would be stupid to introduce any tax without looking at its citizens fiscal base,” he cautioned.

If “amusement taxes” were levied on leisure activities such as eating out or going to movies, there could be a major impact across the economy.

Manny Nichas, CEO of the Mozambik group of restaurants, said such a move would “further erode the consumer’s disposable income”, already under severe pressure.

“This, in turn will negatively impact entrepreneurs such as restaurateurs, further impacting potential revenues for their businesses as well as both up and downstream, and again, sector growth and employment opportunities.

“In a soft economy surely it is counterproductive to introduce such draconian measures to fill municipal coffers. Taxation of leisure activities such as eating out is simply ludicrous. What’s next? Taxation of sunbathing or fresh air?”

Plaatjies noted assessing land and any improvements correctly would be an important tool for many smaller municipalities which didn't have the same access to professional valuers larger metropoles did.

Economist Dr Azar Jammine said government was "clearly" desperate to raise money.

"I don't know if these little taxes raised here and there are going to make much of a dent in the broader picture," Jammine said.

"Each in its own right is not a huge tax compared with the likes of personal tax, VAT or even the fuel levy."

Taxable streams over and above personal, pay as you earn and VAT (increased to 15% in April , 2018) already include air passenger tax (for international flights), capital gains tax, estate duty (20% if more than R3.5 million), and the skills development levy, to name a few.

The National Energy Regulator of South Africa's permission for Eskom to charge municipalities 15.63% more has also kicked in – which together with an associated rise in rates and property taxes, council services and the like – will obviously be passed on to consumers, who appeared to be staying away from municipal requests for payment in droves.

Plaatjies noted municipalities were owed billions – and owed three times what they were owed – which was "far more than their total annual transfer."

He noted non-payment by organs of state had also grown steadily from 2011/12 to 2017/18.

"An analysis of historical municipal consumer debt reveals that debt that is outstanding for more than one year, accounts for the largest share of debt and has escalated between 2013/14 and 2017/18," Plaatjies said.

"The main drivers of non-payment relate to weak debt management capability, poor compliance with relevant debt management rules, lack of forward planning, as well as poor debt record management."

Economist Chris Hart said there was a total disconnect between the sentiments expressed in President Cyril Ramaphosa's State of the Nation Address and higher taxes.

"This is wrecking ball thinking and why we are in for a more prolonged depressed economy with capital flight and a visit to the IMF at the end of the tunnel," Hart said.

This year, after AG Kimi Makwetu's excoriating report on the state of local municipalities, Plaatjies noted delicately "… the local government sector is not optimally fulfilling its assigned mandate" and the "lack of fiscal space" for municipalities was placing their viability and sustainability at risk.

"The apparent disjuncture between expenditure needs, especially for basic services such as refuse removal, electricity, and water, and municipality own income – drive behaviour that may be detrimental for fiscal sustainability," said Plaatjies.

"Inequalities and poverty may be exacerbated, and further undermine spending efficiency, accountability and revenue mobilisation efforts of municipalities."

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