

Sunday Times

Fire Levy

'Fire tax', 'entertainment tax' part of new municipal money plan

Commission offers six ways for property owners to pay more

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Hard-pressed property owners face a potential new item on their utilities bill in the form of a "fire levy" that a government think-tank suggests imposing to raise extra money for municipalities.

An "entertainment tax" could also be in the offing if the proposals by the Financial and Fiscal Commission are accepted by municipalities. At least one, eThekweni metro, has expressed interest.

The proposed new taxes come amid reports, including one from the auditor-general, that many municipalities are wasting or abusing the public purse.

The commission highlighted property owners' financial stress and warned that the extra taxes would not necessarily solve municipalities' problems. It urged them to collect revenue already owed.

The new proposals are contained in a March report by the commission, an independent constitutional body that advises the Treasury on finances. It researched local government levies across the world before making the proposals.

A Treasury spokesperson said it had considered the recommendations and supported them.

In its report, the commission recommends six new charges:

- Fire levy, which could be added to property rates or insurance contracts;
- Amusement tax, which could be added to entrance fees to amusement parks and casinos, among others;
- Development charge for property developers, payable on new and existing buildings;
- Tourism levy added to hotel bills;
- Advertising levy charged on the use of billboards; and a
- Land value capture tax, payable by those whose property values rose through investment in public infrastructure such as an improved road.

The report says the levies "could be added to alternative revenue options" to address the gap between the money municipalities received and what they needed to spend.

Daniel Plaatjies of the commission told the *Sunday Times* that municipalities could use the money from the fire levy to buy fire engines, other fire-fighting equipment and employ more firefighters. An amusement charge, he said, could be levied on amusement parks, casinos, jazz festivals and other concerts.

Every municipality would have to decide which levy or tax would work and how much to charge, he said, adding that these would not necessarily work for all the country's councils.

Plaatjies warned, however, that slapping additional taxes on residents during the Covid-19 pandemic might not be practical.

The report says that "many municipalities were unable to fully collect the revenue due to them for a number of reasons".

These include "poor administrative capacity to assess their revenue bases [and] enforce the payment of taxes, and poor records on taxpayers".

The report singles out development charges as an "attractive option" for additional revenue, saying these are "one-time levies imposed by municipalities on property developers of new or existing properties".

"This is usually done at the point when the property is subdivided, or when a building permit is issued. The purpose of [development charges] is to ensure that private developers contribute to the cost of the municipal infrastructure they will use, e.g. costs of new connections to water, sanitation, roads and electrical infrastructure," says the report.

eThekweni metro spokesperson Msawakhe Mayisela said the council supported the extra taxes but did not say when they would be introduced.

"We fully support development charges as developers must pay a fair contribution to the infrastructure required. These costs will be ring-fenced and used exclusively for infrastructure within the area where the development is being rolled out," he said.

"We also welcome a fire tax. This can also be ring-fenced and only spent on providing a more effective fire service."

City of Cape Town deputy mayor Ian Neilson said the metro used to levy development charges years ago.

"The city strongly supports development charges so that the existing ratepayers, who have paid for the existing infrastructure, do not have to carry the costs generated by new developments," he said.

"The city would have to assess the other taxes before deciding whether to utilise them. Considerations of the implementation, administrative costs and potential income would need to be assessed."

The City of Ekurhuleni's mayoral committee member for finance, Nkosiphindile Xhakaza, said it would consult residents before introducing any new taxes and bear in mind "the current economic conditions and its impact on ratepayers".

City of Johannesburg spokesperson Nthatisi Modingoane said the commission's recommendations would need to be considered by the executive and the council and be subject to a public participation process.

<https://www.timeslive.co.za/sunday-times/news/2020-07-26-fire-tax-entertainment-tax-part-of-new-municipal-money-plan/>