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New taxes on the cards for South Africans, including a “fire levy” and

“amusement tax”

Staff Writer 26 July 2020

The Financial and Fiscal Commission has proposed many new taxes for local government, which include development charges, tourism and fire levies, and amusement taxes.

In a [technical report published on 31 March 2020](#), the commission lists development charges, tourism and fire levies, and amusement and advertisement taxes as potential revenue sources for local governments.

The commission said these revenue sources rank highly in terms of the five important criteria for a “good” tax handle – efficiency, accountability, transparency, fairness, and ease of administration.

[In a submission in May](#), the commission provided a list of potential revenue sources for local government which was identified and subjected to a rigorous evaluation process.

The process involved testing the potential of each revenue source against a number of public finance principles for a “good” local government revenue source.

The committee isolated the charges and taxes below as potential new revenue streams.

- Development charges
- Weigh in bridges in mining areas
- Advertisement levies
- Fire levies
- Amusement taxes
- Hotel taxes.

The table below provides an overview of the supplementary revenue options for each type sphere of local government suggested by the Financial and Fiscal Commission.

	Metropolitan Municipalities	Secondary Cities	Other Urban Municipalities	District Municipalities	Rural Municipalities
Revenue Instruments					
Development Charges	✓	✓	✓		
Fire levy				✓	✓
Advertisement Tax	✓	✓	✓		
Tourism Levies/Occupancy Tax	✓	✓	✓		✓
Amusement Tax	✓	✓	✓		
Weigh in Bridges in Mining Areas				✓	✓
Financing Arrangements					
Impact Fees	✓	✓			
Tax Increment Financing				✓	
Public-Private Partnerships	✓	✓	✓	✓	✓

Source: FFC calculations

New taxes and levies considered

The Sunday Times reported that municipalities are now considering these proposals, and that some metros have expressed interest in these new revenue streams.

The commission's Daniel Plaatjies told the newspaper every municipality would decide on which levies or taxes to use, and how much they would charge.

Plaatjies did, however, highlight that burdening citizens and businesses with additional taxes during the pandemic could be problematic.

Many municipalities are considering the recommendations, including Cape Town, Johannesburg, eThekweni, and Ekurhuleni.

eThekweni spokesperson Msawakhe Mayisela **told the Sunday Times** they fully support development charges and welcome a fire tax.

Many others also support development charges, which places the burden of additional infrastructure costs on the developer rather than taxpayers.

A Treasury spokesperson told the Sunday Times that they have considered the recommendations by the Financial and Fiscal Commission and supported them.

Tax increases inevitable

Tax increase, both at national and local government level, should not come as a surprise to South Africans.

Finance minister Tito Mboweni said in his supplementary budget speech in June South Africa has accumulated far too much debt and that the economic downturn will add more.

He said debt is the country's weakness. "This year, out of every rand that we pay in tax, 21 cents go to paying the interest on our past debts," Mboweni said.

The COVID-19 pandemic and lockdown will add further financial pressure on the country through lower growth and more debt.

Early projections show that gross national debt will be close to R4 trillion, or 81.8% of GDP by the end of this fiscal year.

This is compared to an estimate of R3.56 trillion or 65.6% of GDP projected in February.

While no immediate tax increases were announced by Mboweni, Treasury's supplementary budget shows that the country will face future tax increases to meet this shortfall.

"Given the extent of fiscal consolidation now required, both expenditure reductions and tax increases are necessary to stabilise debt," Mboweni said.

"The active scenario assumes tax increases of R5 billion in 2021/22, R10 billion in 2022/23, R10 billion in 2023/24 and R15 billion in 2024/25."

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