

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 155
DATE OF PUBLICATION
20 FEBRUARY 2004

DR P J RABIE (DA) TO ASK THE MINISTER OF FINANCE:

What amount did the Receiver of Revenue forfeit in the manufacturing sector in the 2003-04 tax year as a result of a loss in exports due to the strengthening of the rand against the currencies of South Africa's major trade partners?

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REPLY:

As the financial year ends on 31 March 2004, it is not possible to give final figures. However, the following are some of the factors which impact on the tax contribution of the manufacturing sector.

The downturn in the global economic environment resulted in South African exports falling in real value during the current fiscal period. Although the strong rand exchange rate has been positive for importers and consumers, the impact on export-orientated industries and companies competing with imports has mostly been detrimental.

On the other hand, one needs to take into account the buoyancy of domestic demand during the second half of 2003 (due to the lower interest rate and the lower inflation environment, which includes a lower import inflation component), which impacted positively on certain corporates within the manufacturing sector, thereby partially offsetting the "tax loss" due to the strengthening of the rand.

Export volumes and values however are not the only factors impacting on the profitability and tax position of companies. Issues such as capital investments, depreciation allowances (accelerated or not), financing strategies, timing of tax payments and others, also impact negatively on the tax payment position of a company. This is especially true in view of the fact that the importation (investment) in machinery and equipment continued at almost the same level in 2003/04 as in 2002/03. The full impact of depreciation allowances (reduction in tax liabilities) in respect of equipment procured in 2002/03 will be reflected in the tax payments for the 2003/04 fiscal year.