NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 15

DATE OF PUBLICATION 15 MAY 2006

DUE TO PARLIAMENT: 23 MAY 2006

MR L K JOUBERT (DA) TO ASK THE MINISTER OF FINANCE:

Whether income tax is levied on the private use of official motor vehicles by mayors; if not, why not; if so, what are the relevant details? ***N506E***

REPLY:

The private use of a motor vehicle granted by an employer to an employee is a taxable fringe benefit in terms of the Seventh Schedule to the Income Tax Act. A mayor, like any other employee, is subject to the same tax treatment should he or she be entitled to such a benefit.

The monthly taxable value placed on the private use of a company/ official motor vehicle is 2, 5% of the value of the motor vehicle (excluding VAT) but this may be reduced if the employee bears the full fuel and/or maintenance cost.

However, in certain circumstances where the employee uses the company/ official motor vehicle almost exclusively for business purposes and the private use of the motor vehicle is infrequently or merely incidental to its business use, no taxable value is placed on this private use. This applies to both private and public sector employees.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 252

DATE OF PUBLICATION: 10 OCTOBER 2006

DUE TO PARLIAMENT: 18 OCTOBER 2006

MR V C GORE (ID) TO ASK THE MINISTER OF FINANCE:

(a) What tax incentives exist for the promotion of research amongst private institutions; and (b) what is the envisaged impact that these tax incentives will have on the levels of research amongst such private institutions? ***N678E***

REPLY:

(a) Tax incentives to promote investment in research and development (R&D) were announced in this year's budget. These incentives consist of an increase in the deduction, for income tax purposes, of current R&D expenditure (e.g. salaries) from 100% to 150% and an increase in the depreciation allowance for capital expenditure from the current 40:20:20:20 to 50:30:20.

Research and Development as defined in the Income Tax Act will be amended to clearly define which types of R&D expenditure will qualify for these incentives.

The necessary legislative amendments will be contained in the October 2006 Revenue Laws Amendment Bill and will come into effect as from 2 November 2006.

(b) In 2002, Government adopted a National Research and Development Strategy in recognition of the important role of research and development in promoting economic growth. The aim is to increase South Africa's R&D spending to 1% of GDP over the medium term and private institutions will play a key role in reaching this target.

It is hoped that some of these R&D expenditures will be in line with Government’s developmental objectives in fields such as engineering, biological, agricultural and medical sciences.

R&D expenditure is also an investment in knowledge and human capital. About 45% of businesses’ current R&D expenditure is on salaries. It is envisaged that companies will make use of these incentives to increase employment opportunities for researchers in the R&D arena and thereby develop the human capital base in scientific and technical skills.

Companies will also be able to depreciate R&D related machinery and equipment over a shorter period. This will enable companies to accumulate reserves to replace obsolete equipment sooner.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 277

DATE OF PUBLICATION: 10 OCTOBER 2006

DUE TO PARLIAMENT: 18 OCTOBER 2006

DR S M VAN DYK (DA) TO ASK THE MINSTER OF FINANCE:

(1) Whether the National Treasury plans to investigate the effect of lower taxation on the affordability of cellphone use; if not, why not, if so, what will this entail;

(2) whether it is anticipated that a lowering in the taxation on cellphones and their use could lead to an increase in cellphone sales, cellphone use, a general increase in economic activities and consequently an increase in the total revenue of the government; if so,

(3) whether he will effect changes to the Government's fiscal policy; if not, why not; if so, what are the relevant details? **N1809E**

REPLY:

(1) No. I am not sure how the Honourable Member expects me to provide a reason for not doing something – unless the member can provide a motivation as to why he thinks the National Treasury should be considering this proposal. There is no reason why cellphones should qualify for special tax treatment.

(2) Not applicable, the National Treasury sees no point in exempting cellphones from taxes.

(3) The Honorable member is aware that the Minister of Finance makes fiscal policy announcements twice a year, during the annual Budget in February and the Medium Term Budget Policy Statement towards the end of October.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 381

DATE OF PUBLICATION: 5 MAY 2006

DUE TO PARLIAMENT: 19 MAY 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the 116c taxation on petrol will be reduced in order to keep consumer petrol prices low; if not, why not; if so, when is it expected to be reduced;

(2) whether his department, in the light of the petrol price as at 2 May 2006, is considering subsidies for lower fuel prices in the interim; if not, why not; if so, what are the relevant details;

(3) whether higher petrol prices lead to higher (a) consumer prices, (b) production prices and (c) inflation because at any given moment all goods are being transported at higher costs; if not, what is the position in this regard; if so, what are the relevant details;

(4) whether his department deems it important to compensate for increases in imported oil prices with lower taxation on petrol in order to keep inflation down and prevent an interest rate hike which would restrict economic growth and increase unemployment; if not, why not? ***N410E***

REPLY:

(1) I make tax announcements during the budget, thus I refer the Honourable Member to the 2006 Budget proposals. Since no announcements were made to reduce the fuel levy in the 2006 Budget, it follows that the answer to your question is that there are no plans to reduce the 116c general fuel levy on petrol.

It is important to note that the general fuel levy on petrol and diesel was kept unchanged, from last year’s levels, in the 2006 Budget. This was a deliberate decision taking into account the upward pressures from the current high fuel prices.

It is possible to respond to why we make any policy or rate changes, but not possible to respond beyond the obvious why we have not changed policy or a tax rate. One reason for not lowering the rate is that most taxes are there to raise revenue, and in the case of the fuel levy, also to make users of fossil fuel pay for associated external costs caused by pollution, and to promote alternatives like biodiesel.

It should also be noted that the fuel tax burden, fuel taxes expressed as a percentage of the pump prices, has declined from around 35 per cent in 2004 to around 26 per cent in 2006.

(2) No. Any subsidy of liquid fuels derived from fossil fuels may undermine other objectives like the development of alternative fuels, such as fuels derived from biomass (e.g. biodiesel and bioethanol) that seems to be commercially viable at the current higher crude oil prices.

(3) The members questions on (3) and (4) are of a general nature, and therefore I will respond generally. Yes, higher fuel prices could potentially impact negatively on consumer prices, production prices and inflation. However, given the more stable external value of the rand in recent times the current high levels of US$ crude oil prices has had only a limited impact on domestic inflation.

(4) No, for the reasons outlined above.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 475

DATE OF PUBLICATION 19 MAY 2006

DUE TO PARLIAMENT: 1 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the Government intends introducing replacement taxes to replace the Regional Services Council (RSC) levy as a mechanism to assist in the financing of local government; if so, what are the relevant details; if not,

(2) whether this will be achieved by an increase in the unconditional equitable share and conditional grants; if not, why not; if so, what are the relevant details? ***N559E***

REPLY:

(1) I quote from the 2006 Budget review, page 64: "*The 2006 Budget takes into account the elimination of RSC levies, which will be abolished on 30 June 2006. This decision effectively grants substantial tax relief for business, reduces their administrative burden and directly reduces the cost of employment. A consultative process has been initiated with a discussion paper exploring possible options for replacing the levies*".

A discussion document was released in December 2005 which elaborates in detail the various options that could be explored. To date comments on this document were received from about six institutions. We would welcome any additional comments before the debate is taken forward. No announcement on any possible replacement options are envisaged before the 2007 Budget, and we have already instituted interim measures to compensate municipalities for the loss in revenue.

(2) Again I quote from the 2006 Budget Review, page 74: "*By eliminating the RSC levies from 30 June 2006, the 2006 Budget provides significant direct tax relief to business, amounting to R7 billion for 2006/07 and totalling R24 billion over the MTEF period.*" And on page 241 (Annexure E): "*To ensure a smooth transition from the old to the new system, allocations in the short- to medium-term will be based on historical RSC levy income collected. Actual RSC levies collected as obtained from audited financial statements for the 2004/05 financial year were used (and where not available, unaudited ones were used)*

and converted to a base for the 2005/06 financial year using actual growth rates in RSC levies income for the last three years. Growth rates were adjusted to 5 per cent in instances where lower growth rates were realised. A correction was made to the base amounts of metropolitan municipalities to take into account the zero-rating of property tax that will be implemented from 1 July 2006. The base amount (2005/06) was then allocated in terms of available funding for the 2006 Budget (R7 billion in 2006/07, R8 billion in 2007/08 and R9 billion in 2008/09)."

It is therefore clear that the 2006 Budget provides for on budget funding, to compensate for the loss in revenues due to the abolishment of the RSC levies, for municipalities for the period 2006/07 to 2008/09 which will take the form of an increase in the unconditional equitable shares to category A (metropolitan) and category C (district) municipalities. It should be noted that in addition, municipal property rates will be zero-rated for VAT purposes as from 1 July 2006. This will mean that municipalities will, after 1 July 2006, be able to claim more input VAT credits. This will provide additional cash flow benefits to category A and B (local) municipalities.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 492

DATE OF PUBLICATION: 26 MAY 2006

DUE TO PARLIAMENT: 8 JUNE 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

Whether he envisages VAT exemption on credit loans in the next financial year; if not, why not; if so, what will such exemption involve? ***N603E***

REPLY:

No. I cannot go into what tax proposals I envisage for the next Budget, and will only deal with current tax policy up to and including the 2006 Budget. I want to point out to the Honourable Member that to the extent that it is difficult to separate or quantify the value-added in financial service, e.g. interest payments, such transactions (services) are as a general rule exempted from VAT in most countries, including South Africa. Consequently businesses providing such services cannot claim any input VAT. Where explicit service fees are imposed, such fees are subject to VAT at the standard rate and there are no exemptions or zero-rating of such fees as we do not want to erode the VAT base, nor do we think such concessions will be passed onto consumers.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 532

DATE OF PUBLICATION: 26 MAY 2006

DUE TO PARLIAMENT: 8 JUNE 2006

DR P W A MULDER (FF PLUS) TO ASK THE MINISTER OF FINANCE:

(1) Whether he is engaged in talks with his Zimbabwean counterpart regarding a loan to Zimbabwe; if so,

(2) whether the government of Zimbabwe has asked South Africa for a loan; if so, (a) what amount is under discussion, (b) what conditions will be linked to the loan and (c) over what period will such loan be repaid to South Africa; if not,

(3) whether he and the Governor of the SA Reserve Bank are engaged in talks with the government of Zimbabwe regarding the granting of a loan to Zimbabwe; if so,

(4) whether he will make a statement on the matter? ***N649E***

REPLY:

(1) No, I am not currently engaged in any talks with my Zimbabwean counterpart regarding a loan to Zimbabwe, and neither has the South African government made any loan to Zimbabwe.

(2) See answer above.

(3) See answer in (1).

(4) No.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 673

DATE OF PUBLICATION: 19 JUNE 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, with reference to the proposals in his discussion document on pension fund reform, the National Treasury is considering the introduction of a national pension fund with compulsory and voluntary participation by employed and unemployed members of the labour force; if so,

(2) whether the State will be making a contribution; if so, what are the relevant details; if not,

(3) whether the person concerned will be responsible for his/her full savings portion in the fund; if not, why not; if so, what are the relevant details;

(4) whether a further reduction in the taxation of retirement benefits below 9% is envisaged; if not, why not; if so, when is this expected to be implemented;

(5) whether, in the light of the fact that the average life expectancy of a South African citizen is 51 years, he foresees legislation to be amended so that insurance companies will be compelled to pay out pension policies before the age of 55 years; if not, why not; if so, what are the relevant details?

N841E

REPLY:

(1) Further details on the initial proposal for a national fund will be issued in a revised version of the discussion document due for release shortly.

(2) Further details will be provided in the revised discussion document.

(3) Further details will be provided in the revised discussion document.

(4) Further details will be provided in the revised discussion document.

(5) This aspect will be borne in mind in formulating proposals to be contained in the revised discussion document.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 794

DATE OF PUBLICATION: 4 AUGUST 2006

DUE TO PARLIAMENT: 18 AUGUST 2006

MR S B FARROW (DA) TO ASK THE MINISTER OF FINANCE:

In each year during the period 1 January 1994 up to the latest specified date for which information is available, (a) how much (i) income was derived from fuel levies, excluding Road Accident Fund levies, (ii) was transferred to each province for the same period in terms of the equitable share and (iii) of these funds transferred to each province was budgeted for road maintenance and (b) what additional funds was transferred to the provinces in the form of conditional grants for the purpose of road maintenance ***N985E***

REPLY:

(a) The Honourable member should note that all information on revenue collected are published in budget documents like the Budget Review, and annual financial statements. These are done per financial year, for both the budget and auditing process, and not for the calendar year, so I will respond in terms of the financial year.

(i) The income derived from the general fuel levy for each financial year starting with 1994/95 year (excluding transfers to the Road Accident Fund) is as follows:

Table 1
General Fuel Levy

Year	R' million
1994/95	8 351.5
1995/96	8 928.0
1996/97	10 391.6
1997/98	12 091.2
1998/99	13 640.0
1999/00	14 289.8
2000/01	14 495.3
2001/02	14 923.2
2002/03	15 333.8
2003/04	16 652.4
2004/05	19 190.4
2005/06*	20 700.0
2006/07#	21 800.0

* Revised estimate. # Budget estimate

(ii) Please note that general fuel levy revenues are not earmarked for a specific category of expenses, and form part of general revenue in the National Revenue Fund. There are therefore no specific transfers from fuel levy revenue to provinces. Information on all transfers to provinces are available in the annual Division of Revenue Acts and gazettes in terms of this Act.

(iii) Not applicable given my response in (ii) above.

(b) No specific conditional grant for road maintenance was available during the entire period. The Provincial Infrastructure Grant is earmarked for general provincial infrastructure, including roads. Provinces therefore have full discretion as to what amounts to budget for road maintenance, and this budget is not linked to the fuel levy nor to the Provincial Infrastructure Grant. I have taken the liberty of publishing information from provincial budgets on their road maintenance budgets, in the table below:

Provincial road maintenance expenditure, 2002/03 – 2008/09 (R' million)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Outcome					Preliminary	Medium-term estimates		
Eastern Cape	152	284	525	333	379	424	540	567	603
Free State	138	170	161	164	198	192	256	269	288
Gauteng	227	154	175	138	268	362	299	364	547
KwaZulu-Natal	377	539	534	699	554	659	811	925	1,162
Limpopo	213	254	312	290	302	321	355	381	383
Mpumalanga	168	268	269	188	191	197	220	371	397
Northern Cape	57	2	69	56	86	80	89	98	121
North West	163	154	167	187	210	253	347	428	526
Western Cape	235	245	379	292	406	574	574	551	624
Total	**1,730**	**2,070**	**2,591**	**2,347**	**2,594**	**3,062**	**3,491**	**3,954**	**4,651**

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 946

DATE OF PUBLICATION: 18 AUGUST 2006

DUE TO PARLIAMENT: 31 AUGUST 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, with reference to the national task team which is investigating the possibility of a windfall tax for the liquid fuels industry, the Government envisages the introduction of such taxation; if so,

(2) whether such taxation will be applicable to the production of bio-ethanol, biodiesel, Sasol and imported fuel; if so, what (a) are the relevant details and (b) will the costs amount to;

(3) whether such taxation will bring about inflationary results which may subdue the endeavour towards a 6% growth rate; if not, why not? ***N1220E***

REPLY:

(1) A Task Team has been appointed to assess the fiscal regime applicable to windfall profits in the liquid fuel sector. The terms of reference of the Task Team list four possible interventions to be considered, of which a windfall tax is one, although the task team may also consider other possible interventions. The detailed Terms of Reference and a discussion paper developed by the Task Team are available on the National Treasury website. Since the Task Team is still busy with its work, and only expected to submit its final report late next month, I am not in a position to respond as to whether Government envisages the introduction of any such tax at this stage.

(2) Given my reply to question (1) it is premature to reply to this question.

(3) Given my reply to question (1) it is premature to reply to this question.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1002

DATE OF PUBLICATION: 25 AUGUST 2006

DUE TO PARLIAMENT: 7 SEPTEMBER 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether the National Treasury had convened a Taxation and Growth Colloquium as proposed in Programme 2 of his department's 2005-08 strategic plan, which was due to take place during the 2005-06 financial year; if not, (a) why not and (b) when will it be held; if so, (i) when was it held, (ii) who were the participants and (iii) what were the results and broad recommendations emanating from the colloquium? ***N1282E***

REPLY:

Yes, National Treasury did, but it was focused more on Growth. It was convened as a "Growth Diagnostics" workshop which examined how to accelerate the growth path of the SA economy, starting with an identification of constraints to growth, using the "growth diagnostic" framework proposed by Harvard University economists Ricardo Hausmann and Dani Rodrik.

(i) The two-day workshop started on 31 March and 1 April 2005.

(ii) Prof. Hausmann attended the workshop, along with local and other international academics such as Prof Paul Collier, John Page, Benno Ndulu, Gobind Nankani, Prof Gary Fields and government officials from departments such as labour, dti, dme, and public enterprises.

(iii) The results of the workshop are captured in the research paper entitled *A Partnership for Growth and Empowerment: accelerating economic development, 2005-2014* available on the National Treasury website, www.treasury.gov.za. This paper formed the research basis for the ASGI-SA, later adopted by Government under the leadership of the Deputy President.

Subsequently, as part of the ASGI-SA initiative, National Treasury convened a panel of international and local economists to conduct a two-year research programme on growth, led by Professors Hausmann and Rodrik. The team began its work with a workshop in January this year. Treasury also convened a second workshop on 17 and 18 July 2006.

Government departments have begun to engage with this process, to further explore the preliminary issues raised by the Panel

The research programme, with its final results and recommendations, is expected to be completed by the end of 2007.

NATIONAL ASSSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1385

DATE OF PUBLICATION: 13 OCTOBER 2006

DUE TO PARLIAMENT: 31 OCTOBER 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

In respect of the Governor of the Reserve Bank's recent announcement that the bank was investigating the possibility of introducing a second fixed interest rate that would make it easier for South Africans to buy homes, (a) to what extent has the investigation gone beyond the conceptual stage, (b) how will a fixed interest rate system work and (c) what safeguards will be built in to ensure that consumers would not be able to abuse it to fund other items or projects not connected to home ownerships? ***N1828E***

REPLY:

The following reply was provided by the Governor of the South African Reserve Bank:

I wish to confirm that the investigation into the possibility of introducing a second fixed interest rate for home loans is still at the conceptual stage. I therefore cannot comment at this stage on how the system would work, and what safeguards will be built in to avoid abuse of the system.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1492

DATE OF PUBLICATION: 20 OCTOBER 2006

DUE TO PARLIAMENT: 2 NOVEMBER 2006

MR E W TRENT (DA) TO ASK THE MINISTER OF FINANCE:

In each urban renewal zone in the country, (a) how many applications for the urban renewal tax incentives scheme have been (i) received and (ii) approved and (b) in respect of each zone, what was the total value of projects (i) applied for, (ii) approved and (iii) paid out as at the latest specified date for which information is available?

N1954E

REPLY:

Before answering the Honourable member's question, I want to provide some background information. The urban tax renewal incentive applies to 16 identified municipalities, covering all 6 metropolitan municipalities and 10 of the larger urbanized municipalities. In terms of section 13 *quat* of the Income Tax Act (Act No. 58 of 1962), these municipalities had to identify and select the urban development zones in accordance with the criteria set out in the Act, and then had to apply for Ministerial approval. The first approvals were gazetted on 14 October 2004, and to date, approvals have been gazetted for all identified municipalities except for one (Mafikeng Municipality in North West Province). In terms of the Act, municipalities do not receive applications for the tax incentive (which is in the form of an accelerated depreciation allowance), and are only expected to provide location certificates to taxpayers who intend to apply for the tax incentive. The actual approval for any deduction is *via* a taxpayer applying for this benefit through the annual tax return, so actual information on the number and value of approved tax returns will only be available after all annual returns are processed by SARS. Given that it will probably take at least three years from the date of implementation before a significant number of applications are made and processed by SARS, it is not possible at this stage to provide the actual information you request, but we can only provide early estimates at this stage.

(a)

(i) No up-front application is required for the special urban renewal tax incentives scheme. Rather, tax payers will claim this benefit through their annual tax returns after the end of each financial year. Given that such claims will only appear on tax returns after construction or renovation has been completed or is at an advanced stage, and the tax returns for the tax year ending 28 February 2006 are still being processed by SARS, it is too early to provide information on the number of tax payers applying for this tax deduction, or the value of such claims.

(ii) There is no prior “approval of projects”. The Income Tax Act requires municipalities to issue certificates that a building is located within an urban development zone, to serve as proof that the property for which a tax payer intends to claim as a tax deduction in his/her returns, falls within the boundary of the urban tax zone within that municipality. At this stage I can say that from information obtained from five metropolitan municipalities (Cape Town, eThekwini, Nelson Mandela, Johannesburg and Tshwane), 198 such location certificates have been issued. This figure does not provide much information, as whether such applicants actually proceed with construction or renovation and then claim for a tax deduction, will only be known later, probably at least not for another three years. The depreciation in the case of refurbished buildings is over a five year period and in the case of new buildings over a seventeen year period.

(b)

(i) Not readily available at this stage, given response in (a)(i).

(ii) Not readily available at this stage, given response in (a)(i).

(iii) Not readily available at this stage, given response in (a)(i).The member should also note that the urban development incentive is in the form of an accelerated depreciation allowance, and is therefore not a cash payment but a saving on taxes due (a tax expenditure).

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1595

DATE OF PUBLICATION: 10 NOVEMBER 2006

DUE TO PARLIAMENT: 23 NOVEMBER 2006

PROF B TUROK (ANC) TO ASK THE MINISTER OF FINANCE: ***(INTERDEPARTMENTAL TRANSFER ON 10 NOVEMBER 2006)***

(1) What terms and conditions applied with regard to his department's borrowing from the World Bank for the (a) Industrial Competitiveness and Job Creation Project in 1997 and (b) Municipal Financial Management Support Project;

(2) whether these terms are more favourable than others in the commercial market; if not, what is the position in this regard; if so, what are the relevant details? ***N2135E***

REPLY:

(1) The Loan Agreement on the Industrial Competitiveness and Job Creation Project managed by the Department of Trade and Industry was for US$ 46 million and was signed on 2 March 1998. The project ended on 30 September 2004. The objectives of the project were to support sustainable economic growth and increased job creation by enhancing the industrial competitiveness of firms.

The Technical Assistance Loan for the Municipal Financial Management Support Project (National Treasury) was for US$ 15 million and was signed on 25 September 2002. The project ends on 30 June 2008. The Loan was arranged with the World Bank to cover the costs for the provision of financial management assistance to selected municipalities and to assist the South African government to complete selected technical work.

(a) and (b)

Standard terms and conditions apply to both Loan Agreements, which cover fees payable, interest payment dates, maturity date, options available to the Borrower for the active debt management of the loan, disbursement schedules, interest rate payable and the spirit and guidelines in which the project should be conducted and managed. The terms and conditions that apply to the disbursement claims cover the keeping of records, proofs of payment, and a quarterly Financial Monitoring Report (covering the sources and applications of the funds, describes progress and the status of procurement).

(2) The costs of the two loans are calculated as a margin of 0,25% above the 6 months US libor rate. Since the inception of these loans, the average rate that has been paid has been about 4,88%. That rate compares favourably to other sources of financing in global capital markets both at the time the loans were negotiated and currently (the last US Dollar bond of US$1 billion, maturing in 2014, carried a yield of 6,50%). The loans were not, however, agreed to for commercial reasons – a primary aim of the loans is to facilitate technical assistance in the respective project areas to which the loans apply.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1733

DATE OF PUBLICATION: 10 NOVEMBER 2006

DUE TO PARLIAMENT: 23 NOVEMBER 2006

DR R RABINOWITZ (IFP) TO ASK THE MINISTER OF FINANCE:

Whether he will consider granting tax incentives to persons who: (a) invest in research into renewable energy and (b) invest in companies that (i) sell renewable energy or (ii) purchase renewable energy to install in their businesses or houses; if not, how he will contribute towards promoting the use of renewable energy; if so, (aa) when and (bb) what form of incentive? ***N2314E***

REPLY:

The Member is reminded that I generally only make new tax announcements during the Budget speech, and so cannot indicate what I am considering for possible future announcements. Further, as you are aware, energy policy, including the promotion of renewable energy, is the direct responsibility of the Department of Minerals and Energy.

Furthermore, the Member should note that the National Treasury released a draft policy paper on Environmental Fiscal Reform in April 2006 (available on the treasury website www.treasury.gov.za), which she may find useful to note the research undertaken on renewable energy and other environmental issues.

(a) Investments in research of a scientific or technological nature for the purpose of new discoveries or inventions, including research into renewable energy qualifies for the Research and Development (R & D) tax incentives announced in this year’s budget. What this means is that the deduction for current R&D expenditure will increase from 100% to 150% and that the depreciation allowance for all qualifying R&D-related capital expenditure will be increased from the current four-year write-off period to a three-year write-off period.

(b) (i) and (ii)

Incentives to encourage the use of renewable energy, specifically in the transport fuel and electricity generation sectors, already exist in line with announcements made in the 2004 and 2005 Budgets, - are already at the implementation stage.

A 30 per cent concession of the general fuel levy for bio-diesel was announced in the 2002 Budget, this was increased to 40 per cent in the 2006 Budget, and implemented since the beginning of this year. Biodiesel is therefore subject to only 60 per cent of the general fuel levy on mineral diesel. The possible extension of the biodiesel fuel tax regime to bioethanol is currently being investigated.

In addition, an accelerated depreciation regime was introduced in 2004 whereby investments in biofuels production can be written-off over three years at a rate of 50:30:20 for income tax purposes, instead of the normal four year period. In 2005 a similar tax dispensation was extended to investments in electricity generated from wind, sunlight, gravitational water sources (or hydro) and biomass.

The National Treasury draft policy paper discusses the use of market based instruments to address environmental externalities, and the appropriateness of incentives in this context, possibly in the form of revenue recycling, is also raised.