

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1081 [NW1202E]

DATE OF PUBLICATION: 01MARCH 2011

Mr N Singh (IFP) to ask the Minister of Finance:

Whether, in light of the pressure on the local fuel price as a result of the crisis in Libya and other countries in the Middle East, he intends (a) reducing the fuel levy as an interim measure and (b) delaying the imposition of the Road Accident Fund (RAF) levy until the price of crude oil in the Middle East stabilises; if not, why not, in each case; if so, what are the relevant details?

NW1202E

REPLY:

a) No, government does not intend to reduce the fuel levy as an interim measure. The increased international oil price was taken into account for the 2011 Budget proposals, where the general fuel levy was in fact increased by 10c per litre to 177.50 cent per litre, which is a smaller increase than in the previous two years. Whilst the general fuel levy is a small but significant revenue-generator, and was initially introduced for this reason, it is today also seen as an important environmental tool to internalise the “external costs” of climate change and local air pollution. The customs and excise levy, which is currently earmarked towards economic development in the SACU countries, was not increased but left at 4c per litre.

These fuel taxes form part of the fuel prices determined by the Department of Energy which takes into account both international (i.e. crude oil prices, supply and demand balances for petroleum products and the Rand/US Dollar exchange rate) and domestic influences (i.e. transport costs, delivery costs, wholesale and retail profit margins and fuel taxes). Current fuel price fluctuations are primarily due to international influences and not domestic factors. The fuel tax burden on both petrol and diesel, expressed as a percentage of the fuel price, has actually declined over the last two years.

b) No, government does not intend to delay the Road Accident Fund levy increase as an interim measure. The increased international oil price was taken into account for the

2011 Budget proposals, where the road accident levy was in fact increased by 8c per litre to 80c per litre, which is the same increase as in the 2010 budget proposals.