

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 556 [NW713E]

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556. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

- (1) In light of the fuel levy on 95 octane which has been payable since 2006 and can simply be adjusted, why has the Government decided rather to finance the Gauteng Freeway Improvement Project (GFIP) by way of a toll system;
- (2) (a) what is the purpose of Gauteng's provincial fuel levy, (b) where is the revenue deposited and (c) how is it utilised?

NW713E

REPLY:

(1) South Africa's tax system seeks to be fair, equitable, efficient and comprehensive. The tax system is also complemented by non-tax revenues such as user charges, levies, etc. The entire system is designed to ensure that where affordable, users of services and polluters must pay for the goods and services they consume, including any negative costs (externalities) that they generate for society. In addition, no one tax can or should be earmarked for a specific activity in line with good taxation practices. Therefore the reason for not using the general fuel levy or the 95 Octane inland fuel levy to finance freeways in Gauteng is:

- It approximates the user-pay principle more directly. This is especially the case where a road is (or roads are) required but budget priorities dictate that there might be more important needs elsewhere, given the limited available funds.

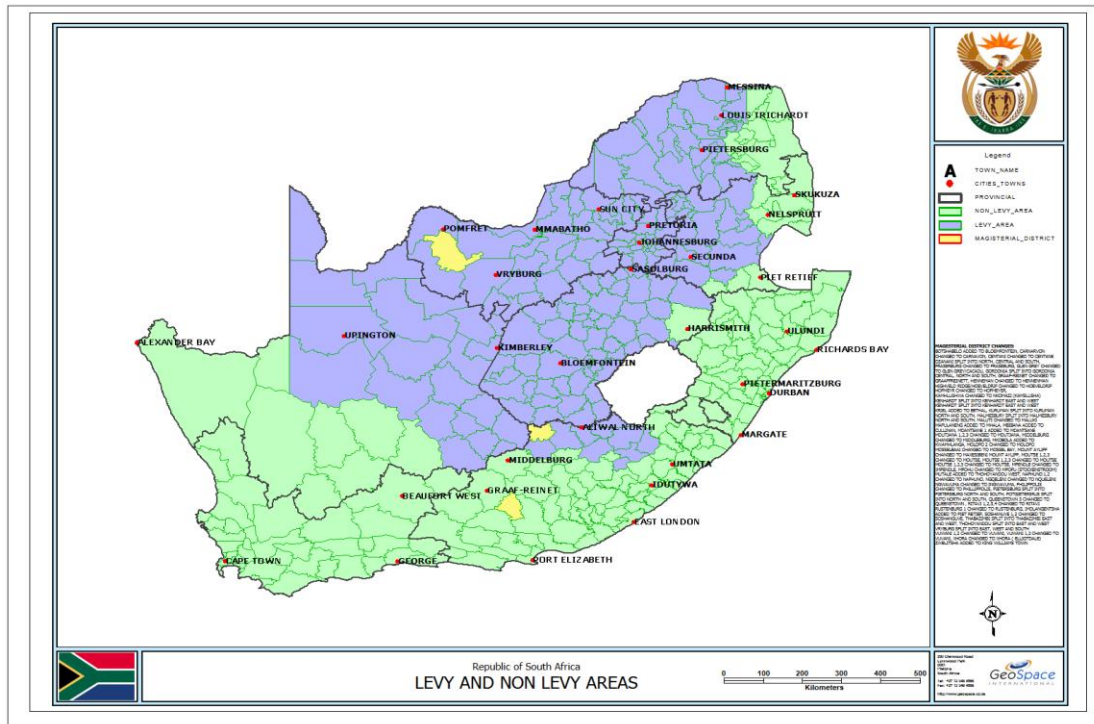
- The toll system also deals more directly and effectively with the challenges of urban traffic congestion, by favouring public transport over private transport. A fuel levy is not as effective in this regard.

The following references support the arguments in favour of a road tolling system.

- One of the most apparent user fees (or user charges) by governments is that of toll roads. While these roads may have originally been built, in part or full, with the use of tax money, often the maintenance and expansion of the system is paid for using tolls. This is especially the case where enough motorists will use these roads, trading payment for convenience and time. (Source: <http://www.wisegeek.com/what-are-user-fees.htm>)
- Tolling is a charge for the use of road space, and provides a means through which road space can be re-allocated in favour of public transport. While road-user charging (tolling) may be a very useful tool to reduce congestion, it may also be used to pay for the construction of a new road. (Source: http://www.nottingham.ac.uk/transportissues/cong_roadcharging.shtm)

(2) (a) There is no such tax as a Gauteng Provincial Levy but I assume that the honourable member is referring to the 95 Octane Inland levy. This levy is imposed as from January 2006 as a means to limit the use of 95 Octane Petrol in inland areas as indicated in the map below. The inland area is extensive; it covers the entire Gauteng, North West, Free State and parts for the Northern Cape, Eastern Cape Limpopo and Mpumalanga.

The levy was introduced due to the limited supply of 95 Octane and given that many vehicles do not require 95 Octane Petrol in inland areas. Therefore motorists should be discouraged to use 95 Octane Petrol if their vehicles do not require it. Price being a very effective way to influence behaviour.



This levy was introduced at 10 cent per litre and has remained unchanged ever since. With inflation the effectiveness of the levy has waned over time and there is a case to increase the levy to retain some of its real value and impact. By December 2005 95 Octane Petrol accounted for more than 40 percent of total petrol sales in the inland regions. This percentage dropped to as low as 6.5 percent in January 2006, just after the introduction in the special 10 cent per litre levy. Since then 95 Octane Petrol as a percentage of total petrol sales in the inland regions has steadily increased to around 22 percent.

Please note that the revenue from this levy is very modest, approximately R133 million in 2011/12, far less than the amount required for Gauteng freeway improvements.

(b) As required by section 213 of the Constitution, all money received by the national government is deposited into the National Revenue Fund, and therefore all revenue received from the fuel levy is deposited into the National Revenue Fund. An Act of Parliament then determines where such revenue is allocated or transferred.

(c) Like most tax revenues it is used to fund general government expenditure. It is not earmarked for a specific expenditure line item.