



The South African Institute of Chartered Accountants

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National Treasury file

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Mr C Morden
National Treasury
P O Box 115
PRETORIA
0001

BY E-MAIL: Cecil.Morden@treasury.gov.za

Dear Sir

DISCUSSION PAPER ON POSSIBLE REFORMS TO THE FISCAL REGIME APPLICABLE TO WINDFALL PROFITS IN SOUTH AFRICA'S LIQUID FUEL ENERGY SECTOR.

The comments which follow are in response to the request by the Task Team appointed by National Treasury to investigate possible reforms to the fiscal regime applicable to windfall profits in the synthetic fuel industry.

It should be noted that the comments below do not specifically cover the synthetic fuels industry, but relate to principles that we believe should be applicable to all taxes.

Fiscal policy approach

SAICA does not support the imposition of any *ad hoc* taxes which are not informed by clear fiscal policy imperatives, and we believe that any existing or proposed new tax must comply with the traditional canons of tax policy, namely:

- Certainty
- Fairness or equity
- Efficient collection
- Ease of administration

The imposition of any *ad hoc* taxes fundamentally affects the business environment in that there is no certainty in tax policy. Business needs to know that the tax environment in which they operate will not change radically from year to year as this will directly impact its decisions to invest in South Africa or for that matter any such country that seeks to impose taxes on an *ad hoc* basis.



It would appear that the Discussion Paper fails to explain the relevant fiscal policy imperative that is driving the windfall tax proposal, whether in the context of:

- the fiscal system as a whole;
- the fiscal system applicable to the energy / alternate energy sector; or
- the fiscal system applicable to industries that may have received past state support.

Conclusion

To conclude, it is our view that significant tax changes should comply with the traditional canons of tax policy, should be informed by clear fiscal policy imperatives, and should not be motivated primarily by externally driven factors such as short-term fluctuations in commodity prices.

Please do not hesitate to contact me should you require further information.

Yours faithfully

J Arendse

PROJECT DIRECTOR: TAX

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