NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1387

DATE OF PUBLICATION: 26 AUGUST 2005

DUE TO PARLIAMENT: 8 SEPTEMBER 2005

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

Whether, in light of higher oil prices, the National Treasury, for the protection of the freight and commercial transport industry, is considering reducing the fuel, excise and Road Accident Fund levies, and reviewing the fixed profit margin for oil prices and for garage owners, as well as storage and delivery costs; if not, why not; if so, what are the relevant details with regard to the levies and profit margins? **N1821E**

REPLY:

No, reductions in these levies and margins are not under consideration.

Increases in the general fuel levy in recent years, with the exception of 2004/05, have been below the rate of inflation. Increases in the Road Accident Fund (RAF) levy have been required to meet the financing requirements of the RAF, driven in turn by its rising claims trend.

The revenue requirements of the fiscus and the RAF and the cost structure of the oil industry and retail fuel distributors do not decrease because the oil price is high. The freight and commercial transport industry cannot in any economically useful way be “protected” by lower levies – individual firms face the same fuel costs, the domestic transport industry is not in competition with foreign carriers, and there is no particular public benefit in protecting road freight suppliers from the effect of higher fuel prices on their competitive position relative to rail freight services.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1385

DATE OF PUBLICATION: 26 AUGUST 2005

DUE TO PARLIAMENT: 8 SEPTEMBER 2005

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

Whether the National Treasury, given South Africa's dependence on crude oil and the effect of the acquisition thereof on South African foreign exchange reserves and inflation trends, and in the light of the surplus of 3 million tons of maize and the long-expected higher oil prices due to a worldwide shortage, has by this time consulted with the Department of Minerals and Energy about financial assistance regarding investment in a certain company (name furnished) for the production of ethanol as alternative fuel; if not, why not; if so, what does the consultation and the extent of the proposed financial assistance entail? ***N1819E***

REPLY:

No. We are not aware of any consultation with the Department of Minerals and Energy with regard to financial assistance for any specific company for the production of bio-ethanol. The National Treasury is aware of the potential of bio-fuels and is engaged in a general policy discussion with the Department of Minerals and Energy on this matter, including the issue of financial assistance or incentives for these and other energy alternatives.

In terms of an accelerated depreciation regime introduced in 2004, investment in bio-diesel and bio-ethanol production can now be written off over three years (50:30:20) for income tax purposes.

In the interest of tax equity and to create certainty for the bio-diesel industry, bio-diesel will become subject to fuel taxation and zero-rated for VAT purposes towards the end of this year. A rebate of 30 per cent will apply in respect of the general fuel levy on bio-diesel in recognition of its environmental advantages.

The possible extension of the new bio-diesel fuel tax regime to bio-ethanol is currently being investigated. Such an extension would depend on the development of suitable bio-ethanol standards and specifications for the domestic market, as well as appropriate fuel tax administration measures.

An initiative to provide direct financial assistance to projects aimed at piloting renewable energy, electricity and bio-fuel production is under consideration by the Department of Minerals and Energy.

Should such a programme be introduced, the award of subsidies will be done on a competitive basis following a published request for expressions of interest and a technical review of proposals.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1398

DATE OF PUBLICATION: 2 SEPTEMBER 2005

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

(a) How many urban development zones (UDZs) have been declared for the purpose of benefiting from the UDZ tax incentive scheme announced by the Government, (b) where are these zones situated, (c) how many (i) (aa) owners, (bb) investors and (cc) developers have to date utilised the tax incentive scheme in each zone and (ii) schemes have been approved in each zone and (d) what is the rand value of the proposed regeneration or refurbishment schemes in each of the zones? ***N1817E***

REPLY:

Much of the information requested is available on the treasury website www.treasury.gov.za, where maps of each zone are also published. Once on the website, click on the local government icon and then click the urban development zones icon. However, a summary response to your question, is as follows:

(a) As announced in the 2003 Budget, 16 municipalities qualified for the Urban Development Zone Tax incentive.

(b) These zones are situated in the CBD's of cities in different provinces such as, East London, Cape Town, Vereniging, Durban, Nelspruit, Port Elizabeth, Kimberley, Pretoria and Bloemfontein. The full spectrum of locations can be found on the treasury's website as indicated above.

(c) & (d)

The member should note that since taxpayers only claim these deductions at the end of their tax year, this information is presently not available. The first meaningful analysis will be drawn up once all tax assessments have been completed for the 2005 tax year by SARS, and at most submissions will only be made in July 2005. The submission of annual reports by municipalities shortly after the tax-year will also provide early indications of developing trends, but will not necessarily provide comprehensive information.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1470

DATE OF PUBLICATION: 12 SEPTEMBER 2005

DATE OF PARLIAMENT: 23 SEPTEMBER 2005

MR C M LOWE (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether he will introduce amending legislation to the Income Tax Act, Act 58 of 1962, providing incentives to potential employers to offer full-time employment to registered learners at the end of their learnership period; if not, what is the position in this regard; if so, (a) by what date and (b) what are the further relevant details;

(2) whether he will introduce alternative steps to encourage employers to retain learners as full-time employees once their learnerships have ended; if not, why not; if so, what alternative steps? ***N1973E***

REPLY:

(1) No, the Government does not intend to provide tax incentives to employers who intend to offer fulltime employment to learners at the end of their learnership contracts. However, it is of interest to me to determine from the Honourable member the reasons why Government should offer such tax incentives, especially when one considers the potential for abuse, without very real benefits in terms of employment creation. Currently, a tax incentive is provided to employers under the Income Tax Act, section 12H, in the form of an annual deduction of between R17 500 and R25 000 when a learnership agreement is signed, and a further annual deduction of R25 000 when the learner successfully completes the learnership. This incentive is applicable with respect to learnership agreements entered into between learner and employer before 1 October 2006.

a) Not applicable.
b) Not applicable.

(2) There are no alternative steps envisaged at this stage.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1520

DATE OF PUBLICATION: 16 SEPTEMBER 2005

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

(a) What progress has been made in respect of finding an alternative tax instrument or funding arrangement to replace the regional service council levy, (b)(i) what consultations have been held in this regard and (ii) with whom and (c) when is it anticipated that draft legislation will be submitted to Parliament in this regard? ***N2027E***

REPLY:

(a) National Treasury is presently exploring a menu of alternative revenue sources to replace the regional service council levy, and these replacement options consist of a mixture of grants, revenue sharing, tax sharing and autonomous tax instruments devolved to local government.

(b)(i) The consultation process involved going through political structures established in terms of the Intergovernmental Fiscal Relations Act and holding consultations on an *adhoc* basis. As a result, we held a National Forum on Municipal Finance on the 11 and 12 April 2005 and subsequently a Budget Forum meeting on 18 July 2005. Bi-lateral meetings of a more technical nature were also convened with relevant line-sector departments on the feasibility of the various replacement options.

(ii) The National Treasury consulted with the Financial and Fiscal Commission (FFC); South African Local Government Association (SALGA); Municipalities; South African Revenue Service (SARS); and Department of Provincial and Local Government (**dplg**).

(c) Following an agreement to the final replacement option (or options) it is envisaged that legislation will be submitted to Parliament during early to middle 2006, if so required.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 1585

DATE OF PUBLICATION: 14 OCTOBER 2005

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

(1) In light of an expected long-term increase in the international oil price, what financial measures have the National Treasury envisioned for the immediate future to minimise the concluding fuel consumer price;

(2) (a) what other financial measures, of which the adjustment could result in a lower concluding fuel consumer price, will not be considered for adjustment in the immediate future and (b) why not;

(3) whether National Treasury will increase personal income tax, company tax and/or sales tax should the increased oil prices show inflationary tendencies above the framework of the three to six percent inflation rate; if not, what fiscal measures are regarded as a damper against inflation? ***N2112E***

REPLY:

(1) Fuel taxes are of a specific nature and do not vary with the price of fuel. If taxes are taken out of the equation, international and domestic fuel prices merely denote the scarcity value of a depletable global resource. Against this background, it will be foolhardy for government to artificially suppress fuel prices, which are an exegesis of an underlying demand and supply dynamic.

(2) None.

(3) To avoid creating dis-equilibrium in the economy, Government has continued to stay the course of prudent fiscal management, which in our view provides the necessary conditions for sustainable economic growth and poverty relief. As a result, such a fiscal position has assisted a great deal in keeping inflationary pressures muted.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 155

2 NOVEMBER 2005

MR IO DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE

(1) What steps have been taken by the National Treasury to ensure that overruns do not occur in the 2006-07 financial year and thereafter;

(2) whether taxes such as pay-as-you-earn (PAYE) and value-added tax (VAT) are under review by the SA Revenue Service; if so, what are the specific objectives of such review? ***N2209E***

REPLY:

(1) The science (or art) of forecasting is not perfect and there are always the likelihood of under- or over-estimations of tax revenues. Our revenue forecasting models are refined continuously to enhance the accuracy of forecasting techniques and to minimize possible overruns or under-collections from budgeted estimates. A task team consisting of National Treasury, SARS, SARB and Statistics South Africa has been formed to pool resources and information to ensure a more accurate forecasting of tax revenues.

SARS has refined its management information system to ensure the availability of more disaggregated taxpayer data with respect to personal income tax. Efforts are underway to improve corporate income tax revenue forecasts, which are very volatile, by refining the corporate income tax model. In addition, internal consistency checks of the revenue forecasting models should enhance the accuracy of our revenue forecasts.

(2) No, the PAYE and VAT are not under review by SARS. The National Treasury has issued a tender to obtain external inputs for the review of certain aspects of our VAT legislation. The study will cover the following aspects:

- Developing a sound tax policy position on VAT treatment of merit goods and services in general, and in particular the VAT treatment of books, medicine, medical services and municipal services;

- Analysing the appropriateness and effectiveness of existing and proposed VAT relief measures and the distributional implications thereof; and.

- Protecting the VAT tax base but at the same time ensuring that the VAT system is equitable, acceptable, and administratively not too complex.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1857

DATE OF PUBLICATION: 18 NOVEMBER 2005

MS S J LOE (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, in light of the fact that the law does not yet provide for same-sex couples to marry, he will introduce amending legislation to provide for the exemption from estate duty of the surviving partner of a same-sex couple when the other partner dies; if not, (a) why not and (b) when is it anticipated that this provision will be extended to a same-sex couples; if so, when will such amending legislation be introduced;

(2) whether the Income Tax Act, Act 28 of 1997, provides the same recognition to the financial affairs of a same-sex couple living in a committed relationship as it does to married couples; if not, what is the position in this regard; if so, what are the relevant details?; and

(3) whether there are any provisions contained in legislation falling under his department that discriminate against same-sex couples; if so, what are the relevant details? ***N2517E***

REPLY:

Although South African law does not provide for same sex couples to formally marry, the tax acts already place same-sex couples (and other unofficial permanent unions) on par with married couples.

(1) In terms of the Estate Duty, same-sex unions receive equal status to married unions. More specifically, section 1 of the Estate Duty Act (No. 45 of 1955) defines a "spouse" as including a partner of the deceased who is:

"in a same-sex or heterosexual union which the Commissioner is satisfied is intended to be permanent[.]"

This definition gives same-sex unions the same Estate Duty benefits and burdens as married couples. One key benefit is the Estate Duty-free transfer of properties between same-sex couples upon death.

(2) The Income Tax Act follows the same philosophy as the Estate Duty in terms of same-sex couples. Section 1 of the Income Tax Act (No. 58 of 1962) contains the same definition of "spouse" as the one for Estate Duty outlined above. As a result, same sex-sex unions again have the same tax benefits and burdens. Similar to the Estate Duty, one key benefit of this definition is that the flow of assets between same-sex couples (in life and in death) can be accomplished free of capital gains tax.

(3) As illustrated above, the tax acts do not contain any discrimination against same-sex couples.