NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER 49

DATE OF PUBLICATION: 29 AUGUST 2006

DUE TO PARLIAMENT: 5 SEPTEMBER 2006

MR C M GOEIEMAN TO ASK THE MINISTER OF FINANCE:

(1) Whether, with reference to the Provincial Tax Regulation Process Act, Act 53 of 2001, any provinces have approached the National Treasury with regard to instituting provincial tax/es; if so, (a) how many and (b) what are the further relevant details;

(2) whether copies of such proposals have been submitted to all provinces and budget councils for discussion; if not, why not; if so, what are the relevant details;

(3) what would the impact be on the 25% target for the tax to gross domestic product (GDP) ratio, given the structural changes to the tax system;

(4) whether he will make a statement on provincial tax/es? ***C204E***

REPLY:

(1) (a) To date only the Western Cape provincial government has approached the National Treasury to introduce a provincial tax in terms of the Provincial Tax Regulation Process Act, Act 53 of 2001.

(b) The proposal is to impose a levy on diesel and petrol sold in the Western Cape Province.

(2) The proposal was circulated to provinces and discussed at the Budget Council in terms of the Provincial Tax Regulation Process Act. The Budget Council recommended that the province be given the go ahead to introduce a fuel levy. I subsequently gave the Western Cape approval to introduce a fuel levy.

(3) The 25% tax-to-GDP ratio has not been cast in concrete and it also does not take into account sub-national taxes. The total tax burden, as expressed as the tax-to-GDP ratio in a country, is a function of a number of variables and might vary over time depending on the stage of economic and social development of a country.

The Western Cape proposal included a detailed economic impact analysis which suggests that the introduction of the levy will have a negligible impact on the tax-to-GDP ratio. For example, if introduced at 10 cents per litre, the province anticipates to collect approximately R300 million. If this is to be included in the tax-to-GDP ratio, it is expected to add approximately 0,018 per cent to the tax-to-GDP ratio taking into account an estimated nominal GDP of R1,7 trillion in 2006/07.

(4) No.

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 163

DATE OF PUBLICATION: 10 NOVEMBER 2006

DUE TO PARLIAMENT: 23 NOVEMBER 2006

MR E M SOGONI TO ASK THE MINISTER OF FINANCE:

Whether, in the light of the fact that the Financial Services Board has not acceded to the request by the Pensions Fund Adjudicator to increase his budget so that he can employ more staff, he intends intervening in this regard; if not, why not; if so, what are the relevant details?

REPLY:

No, I do not plan to intervene. The National Treasury and the Deputy-Minister of Finance have actively engaged both parties, and are satisfied that the FSB has responded positively and reasonably to the cost and work pressures faced by the Pension Fund Adjudicator (PFA).

Very few departments or public entities are happy with their budgets compared to what they initially requested, and it would be unwise to satisfy those that run to the press to complain about their budget being inadequate. Many departments and entities tend to over-estimate their spending capacity - and spending plans must not only be aligned with such spending capacity, but also in line with a long-term strategy. All departments and public entities have to work within their approved budgets in terms of the Public Finance Management

Act, which also provides for mechanisms where specific unanticipated difficulties arise.

The FSB approved an increase in the budget of the Office of the Pension Funds Adjudicator (PFA), even though this required a large increase of 111.9% on the levy charged on pension funds, from R1,18 per member per year (excluding VAT) in 2005/06 to R2.50 per member per year in 2006/07. All of this revenue of R13,1 million, together with an additional R2,8 million transferred from the reserves of the FSB, fund the PFA budget of R15,9 million in 2006/07, which represents a large increase of 17,3% compared to actual spending of R13,6 million in 2005/06.

It is my considered view that the budget of the Pension Funds Adjudicator was the outcome of an extensive and rigorous process of assessment by the Financial Services Board, which balanced the burden place on members to fund the office of the PFA with the requirements of the office itself in terms of operational capacity and employment of more staff.

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 167

DATE OF PUBLICATION: 10 NOVEMBER 2006

DUE TO PARLIAMENT: 23 NOVEMBER 2006

MR Z S KOLWENI TO ASK THE MINISTER OF FINANCE:

What is the latest development with regard to the introduction of fuel tax by provinces? **C327E**

REPLY:

The Western Cape Provincial Government submitted a proposal in 2005 for the imposition of a fuel levy in terms of the Provincial Tax Regulation Process Act, No. 53 of 2001. In consultation with both the Budget Council and the Financial and Fiscal Commission, the proposal was evaluated and I approved the fuel levy in principle, subject to the following conditions:

- An inception rate of up to 10 cents per litre;
- Implementation date and future adjustments in the provincial fuel levy rate are subject to my concurrence; and
- Steps to be taken to mitigate the possible adverse impact of the provincial fuel levy on those sectors that qualify for the diesel fuel tax refund concession scheme.

In terms of Section 3 (6) (b) of the Provincial Tax Regulation Process Act, the National Treasury is required to table a Bill in parliament that regulates the proposed provincial fuel levy. This is in process of being drafted and the Bill will include reference to the tax base, the rate and band within which the province may impose the tax and the collecting agent for the levy. It is envisaged that the Western Cape Government will table provincial legislation thereafter in 2007 or 2008.

The approval of the Western Cape Fuel Levy implicitly makes this instrument available to other provinces. However, any other province that seeks to employ the provincial fuel tax instrument would have to adhere to the same approval and regulatory requirements imposed on the Western Cape.