NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 78

14 MARCH 2007

MR V C GORE (ID) TO ASK THE MINISTER OF FINANCE

(1) (a) How are airport taxes calculated for (i) international, (ii) regional and (iii) domestic flights, (b) how much money has been collected from these taxes for the past five years and (c) how does the airport tax regime compare to international practices;

(2) whether allowances have been made for pensioners in terms of airport taxes; if not, why not; if so, what are the relevant details? ***N423E***

REPLY

(1) (a) An air passenger departure tax is imposed on international and regional flights but not on domestic flights.

The air passenger departure tax on international departing passengers is set at a fixed rate per person. The current rates are:
(i) R120 per person for destinations outside the SACU region, and
(ii) R60 per person for destinations within the SACU region.

It should be noted that international air transport is zero-rated for VAT purposes as is the case with exports of goods and services, but domestic air travel is subject to the standard VAT rate. Cost recovery fees (user charges) are also imposed by the Airports Company of South Africa (ACSA) on passengers (included in the price of a ticket) and landing aircrafts.

(b) Revenues from the air passenger departure tax are as follows:

2002/03	R325 million
2003/04	R367 million
2004/05	R412 million
2005/06	R458 million
2006/07	R500 million, (estimate)

(c) International air passenger departure taxes are widely used in different jurisdictions. It is also viewed as part of the suite of environmentally related taxes. Given that VAT is charged on domestic air travel and not on international travel, the local tax burden on international travel from South Africa is relatively low. As in other countries VAT is imposed on domestic air flights at the standard VAT rate.

Many countries include an international air departure tax in the ticket price. The tax is thus collected by the airlines and paid over to the Revenue Authority. Other countries, including New Zealand and some countries in Africa and Asia, collect an international air passenger departure tax at the airport.

(2) No concessions exist for pensioners. The tax element of the price of an international air passenger ticket is relatively low, therefore there is very little reason for special concessions to pensioners.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 90

14 MARCH 2007

MS C B JOHNSON (ANC) TO ASK THE MINISTER OF FINANCE:

(1) What is the current value of the total pension fund surplus;

(2) whether all participating pension funds have completed their actuarial evaluations to determine the value of the surplus; if not, why not; if so, how many participating pension funds have distributed the surplus;

(3) whether he will make a statement on the matter? ***N437E***

REPLY:

(1) As at 28 February 2007, the surplus apportionment schemes approved for distribution by the Registrar of Pension Funds amount to R7.6 billion. The total value across all funds will only be known when all apportionment schemes have been received and processed.

(2) The Financial Services Board ("FSB") estimates that the majority of registered funds have submitted surplus apportionment schemes, but the exact number is not available. This is because a distinction is made between standalone funds and multi-employer (or "umbrella") funds in apportioning surplus. Umbrella funds may have many participating employers and though registered with the FSB as one fund, in fact consist of many "sub-funds". In the case of umbrella funds, surplus schemes are submitted to the Registrar at the participating employer (or "sub-fund") level.

As at 28 February 2007, 581 schemes for surplus apportionment have been received by the Registrar. Of these, 244 (42%) have been approved, while 335 (57%) are pending or not yet completed. As at the same date, 15 097 “nil” returns have been submitted to the Registrar. Of these 13 769 (91%) have been approved, 22 rejected and 1306 (9%) are pending or not yet completed.

As at 28 February 2007, 73 Section 15F applications, which concern the transfer of an existing employer reserve account to the employer surplus account, have been received. Of these, 36 (47%) have been approved, 35 (46%) rejected, while 7% are not yet completed.

The Registrar indicated to funds that 31 December 2006 was a critical deadline for the submission of surplus schemes. Many schemes were in fact submitted close to the deadline date. This largely accounts for the number of “not completed” schemes referred to above. As from 1 January 2007, the Registrar has begun appointing specialist tribunals in terms of Section 15K of the Pension Funds Act in order to deal with instances of non-submission of surplus schemes. As reflected in the above statistics significant progress has been made in the surplus distribution process. The Registrar has urged the minority of funds which have not yet submitted to do so as a matter of urgency, rather than face the additional costs incurred by the appointment of a specialist tribunal to deal with the matter.

(3) No.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 96

14 MARCH 2007

MR I ON DAVIDSON TO ASK THE MINISTER OF FINANCE:

Whether he will make a statement on the government's policy on taxation as it relates to the level of revenue collected in terms of the Gross Domestic Product?

N445E

REPLY:

The information requested by the honourable member is contained in the 2007 Budget Review (Table 4.3 on page 65).

Main budget revenue as a percentage of GDP is projected to increase from 26,1 per cent in 2005/06 to an expected 27,1 per cent this fiscal year, 2006/07. The projected figure for 2007/08 is 28,1 per cent.

	Tax revenue by instrument as a % of National Budget Revenue								
	1985/86	1994/95	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Individuals	29.0%	40.0%	36.4%	34.0%	32.9%	31.9%	30.5%	29.2%	28.6%
GST / VAT	26.1%	26.1%	24.6%	25.3%	26.9%	28.2%	27.8%	28.3%	28.5%
Companies	25.2%	12.1%	17.1%	20.1%	20.3%	20.3%	20.9%	24.1%	25.7%
Sub Total	80.3%	78.2%	78.1%	79.3%	80.2%	80.5%	79.2%	81.6%	82.7%

	Tax revenue by instrument as a % of GDP								
	1985/86	1994/95	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Individuals	6.9%	8.5%	8.6%	7.9%	7.6%	7.8%	8.0%	7.9%	8.0%
GST / VAT	6.2%	5.9%	5.8%	5.9%	6.3%	6.9%	7.2%	7.7%	8.0%
Companies	6.0%	2.7%	4.0%	4.7%	4.7%	4.9%	5.5%	6.5%	7.2%
Sub Total	19.0%	17.2%	18.4%	18.4%	18.6%	19.6%	20.6%	22.1%	23.2%
Budget Rev / GDP	**23.7%**	**22.6%**	**23.6%**	**23.2%**	**23.2%**	**24.3%**	**26.1%**	**27.1%**	**28.1%**

As noted in the Budget Review, this ratio is expected to decline over the MTEF period to 27,0% in 2009/10.

Tax reform over the last ten years has been underpinned by a broadening of the tax base, a reduction in tax rates, the elimination of certain tax instruments, e.g. the RFT, PIT relief in addition to adjustments for fiscal drag and improved compliance. The performance of the revenue outcome has increased as a share in spite of such reductions, due to robust economic growth and employment-creation, especially over the last three years, and continuing improvements in the SA Revenue Services. Other contributing factors to the better than expected revenue outcomes in 2005/06 and 2006/07 were the substantial increases in commodity prices and very strong domestic demand.

The higher tax/gdp ratio is thus to a large extent the outcome of higher levels of economic growth, employment levels, broadening of the tax base, improved efficiencies. Furthermore, it is, to some extent, also cyclical in nature. Honourable members should therefore not be too fixated on the tax/gdp ratio, as it is an outcome in spite of the reduction in the tax burden of individuals and companies. More individuals and companies are paying their taxes and many more are paying the “correct” amounts. Opportunities for tax evasion and tax avoidance have been gradually reduced.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION 111

14 MARCH 2007

MR M WATERS TO ASK THE MINISTER OF FINANCE:

(1) Whether he intends introducing a tax for food and drinks that exceed a set limit regarding the amount of (a) trans fats and (b) saturated fats in products; if not, why not; if so, when;

(2) whether his department and the department of Health have had discussions in this regard; if so, what are the relevant details. ***N461E***

REPLY:

(1) No, the issue has not arisen to date. We are mindful that tax policy has a limited impact on behavioural change for the following reasons:

- Tax policy is a poor substitute for policy in non tax arrears, as the problem is poor eating, not a fiscal distortion;
- Tax administration is tax policy and from research undertaken, differentiated taxes on food content would be difficult to administer.

There has been substantial debate on this issue in Europe, the USA and Australia. However, there is as yet no consensus on whether taxation (excise taxes in particular) could be an effective (complementary) instrument to help address problems relating to the consumption of fatty foods and obesity in general. The major challenges for an effective fiscal intervention are the appropriate definition of the food that should be subject to such a tax and tax administration.

(2) No, there have been no formal discussions on this issue between the two departments.