

Regional powers – and another tax?

THE proposal that provinces should have the power to impose a surcharge on the taxable income of individuals will not be kindly received by the man and woman in the street, particularly in the middle-income group, who believe that they are already paying more than their fair share to the exchequer. But the proposal has an important bearing on the enhancement of regional powers.

The proposal comes from the influential Finance and Fiscal Commission which holds that provinces should be allowed to impose flat-rate surcharges on the tax bases of national taxes, levies and duties. The average taxpayer will wonder whether this would not be an indirect method of turning a one-off levy for RDP finances into a permanent feature of the tax structure. Yet there are constitutional implications.

The Finance and Fiscal Commission has noted that the provinces' own revenues on average are about five percent of total revenues, leaving the provinces almost wholly dependent on transfers from the central government. As the commission notes, if provinces are not provided with the potential to raise a greater proportion of their own revenues, they cannot be sustained as viable political and economic entities but would merely be "spending agencies" of the central government. Minister Roelf Meyer has noted that the German system allows the national government to raise the lion's share of tax revenues, so the achievement of the right formula for the distribution of revenue to the provinces is critical.

In any event, the goal should be an evolving federalism achieved by consensus.