

Business tax punted to help councils

Sep 22 2011 12:48 Jean-Marie de Waal

Cape Town - A tax on local businesses may be the only way to help struggling municipalities meet their infrastructure obligations.

The possibility has been mooted of the country's eight metros - including Bloemfontein, Cape Town, Durban and Johannesburg - introducing such a tax, Tebogo Makube, policy manager of the financial and fiscal commission (FFC), told parliament's energy portfolio committee this week.

Makube said the only alternative available to struggling municipalities for generating their own revenue would be a tax such as this. It should then be used for the maintenance and expansion of infrastructure.

It would mean smaller municipalities, some of which have no prospects of generating revenue for themselves, could then have larger allocations towards infrastructure.

The FFC does independent specialised research and recommendations for National Treasury's distribution of revenue countrywide.

In 2008 the World Bank issued a report on the need for and costs of municipal infrastructure. Up to 2019 R500bn will be needed for municipal infrastructure such as electricity, water and sanitation. Of this amount, R421bn will be required for new infrastructure. The rest should be used to clear the maintenance backlog.

Metros and municipalities in larger cities require R271bn, and the 140 municipalities in smaller cities and large towns about R98bn. These municipalities do not have easy access to capital markets.

The 70 rural municipalities require around R131bn for infrastructure (development and maintenance).

Makube said that in 1998 about 60% had access to electricity. The figure is currently 88%, but now affordability and supply are the big problems, particularly for smaller municipalities.

Regional services levies were abolished in July 2006. They were not replaced by anything else.

National Treasury deputy director general [Ismail Momoniat](#) responded to an enquiry by saying the question of a local tax on enterprises was again under discussion, but a solution to the financial problems of certain municipalities was not clear

DA spokesperson on energy David Rossis was opposed to such a tax, which would put further pressure on the business sector. Ross warned that people already considered they were paying too much for services.

<http://www.fin24.com/Economy/Business-tax-punted-to-help-councils-20110922>