2 March 2018

Mr Allan Wicomb
Parliamentary Standing Committee of Finance
3rd Floor
90 Plein Street
Cape Town
8001

By e-mail: Allan Wicomb, SCoF (awicomb@parliament.gov.za)

Dear Sir

SUMMARY OF THE 2018 BUDGET REVIEW

1. We present herewith a summary of the 2018 National Budget (the Summary) on behalf of the South African Institute of Chartered Accountants (SAICA) National Tax Committee, which is based on the detailed written submission on the 2018 Budget Review (dated 26 February 2018), together with the presentation which was made during the public hearings on 28 February 2018.

2. We once again thank the Standing Committee of Finance (SCoF) for the ongoing opportunity to provide constructive comments in relation to the 2018 National Budget (the 2018 Budget). SAICA believes that a collaborative approach is best suited in seeking actual solutions to complex challenges.

Yours sincerely

Tracy Brophy

CHAIRPERSON: National Tax Committee

Pieter Faber

SENIOR EXECUTIVE: Tax legislation and practitioners

Attachments:

Annexure A – Summary

Annexure B –Principles to be agreed

Table of Contents

ANNEXURE A

SUMMARY

1. SA needs sustainable economic growth, accountable leaders and tangible solutions, including addressing poverty and inequality through difficult but necessary trade-offs. Continued concerns over unsustainable debt levels, fiscal expenditure morality and prudent funding of the state must receive urgent attention.

2. The proposed VAT increase is an unfortunate consequence of inevitable decisions resulting from the budget deficit crises and unsustainable decision-making. The detrimental impact on the poor, as a result of the proposed VAT rate increase, cannot be effectively 'cushioned', since VAT is a broad based (and regressive) tax instrument. The most effective way to protect the poor is not to implement the proposed change at all. However, expenditure cuts by government totalling R22.9 billion is necessary to fund the budget deficit. We recommend an urgent announcement to delay the 1 April 2018 implementation date, since industry is incurring costs in preparation of implementing the rate change, whilst alternative measures to satisfy the R22.9 billion requirement are explored and agreed upon.

3. SA cannot continue burdening compliant taxpayers.

Debt and economic growth

4. The debt crisis and increasing budget deficit cannot be solved by continually increasing taxes. The impact of debt to enhance spending plans, the national consequences of over-indebtedness and potential subservience to creditors must be addressed.

5. Fiscal discipline is of paramount importance to create an environment where economic growth is prioritised and stimulated, which can be achieved by a meeting-of-minds collaboration with business and labour, policy certainty and agreeing on the 7 fundamental principles proposed by SAICA (please refer to Annexure B).

Unknown expenditure items, tax morality and the education conundrum

6. Uncertain material expenditure items threaten the achievement of future targets and need to be clarified (such as the funding for free tertiary education, NHI, SOEs and other critical infrastructure spending).

7. The proposals to address some of the causes of the tax morality issues (such as a commission of inquiry into SARS) and the education crisis must be addressed holistically and through a proper consultation process with all stakeholders.

ANNEXURE B

PRINCIPLES TO BE AGREED

Below we list 7 principles, on which we believe agreement needs to be reached:

1. Agreement as to what government's role should be and the size of its role in participating as player, rather than facilitator, in the economy;

2. Agreement on principles and measures to create stable employment relations;

3. Agreement as to the principle of long-term currency stability;

4. Agreement on what quality education actually is, what is hindering its implementation and how long-term skills are created;

5. Agreement on principles and measures for long term political and policy stability, including agreement on appropriate measures of accountability and efficient enforcement for government, labour and business;

6. Agreement on an urgent plan for the reduction in crime, including white collar crime, which is an inordinate burden on society; and

7. Agreement on the infrastructure build priorities for the country and how this will be achieved, without creating an unmanageable debt burden.