

TRAPEZE TITO'S BALANCING ACT FOR THE BUDGET

The cameras will be on Mboweni to see what action he comes up with to bring the lights back, writes Kabelo Khumalo

FINANCE Minister Tito Mboweni is expected to give further details on the government's plans for cash-strapped Eskom, on Wednesday after the utility knocked the economy with rolling power cuts across the country this week.

Mboweni is expected to spell out steps that the government would use to curb Eskom's escalating debt and how President Cyril Ramaphosa's mooted unbundling of the utility would be done.

Ramaphosa reiterated that this week, while the government would support the utility's balance sheet during its unbundling into three separate units of generation, transmission and distribution, it would consider voluntary retrenchments to trim Eskom's bloated workforce.

Public Enterprises Minister Pravin Gordhan was even more direct, warning that Eskom would shut its operations within weeks if it did not get a bailout from the government.

Analysts say Mboweni's biggest juggle would be to find capital to fund Eskom and other government expenditure projects in a stagnant economy that has been characterised by a tight fiscal space.

Professional services firm PwC said Mboweni could be tempted to raise the securities transfer duty from the current 0.25 percent. PwC said doubling the rate could raise R5.9 billion in additional revenue and the fuel levy could be put up by at least 30c a litre, in line with the increase in the 2018 Budget.

PwC head of tax policy Kyle Mandy said the former central banker's task would be make more difficult by the tight fiscal space he has to navigate. Mandy said a balancing act would need to be performed with all the skills of a trapeze artist. "No change is expected in the general corporate tax rate of 28 percent. Any increases would have a negative impact on the competitiveness of South Africa's tax rates and would not be in line with the objective of promoting economic

growth," said Mandy.

"PwC expects tax revenue to grow in line with gross domestic product (GDP) growth to R1.4 trillion – R22 billion below the medium-term budget policy statement forecast."

Mboweni's predecessor, Malusi Gigaba, last year increased value-added tax by one percentage point to 15 percent in one of the most unpopular tax reforms since 1993.

Gigaba also increased duty on estates with a value above R30 million from 20 percent to 25 percent as well as the plastic bag levy, environmental levy on incandescent light bulbs and the vehicle emissions tax.

South African Institute of Chartered Accountants employees' tax committee member Shohana Mohan said Mboweni was unlikely to increase taxes significantly in a national election year.

"The converse is also less likely, in delivering tax rate cuts given the current Budget deficit," Mohan said.

"So, low- to middle-income earners can expect no more than the inflationary adjustments to the progressive tax rates. High-income earners can expect to continue to be taxed at the top end marginal rate of 45 percent." Mboweni also has to contend with the burden of ailing state-owned companies on the fiscus as well as the ballooning state wage bill. The wage bill, which amounted to R395bn in 2014/15, is nearing R590bn.

A tax team from law firm Norton Rose Fulbright said the Budget was likely to bring limited relief for bracket creep, and below-inflationary increases for rebates and medical aid credits.

"We also expect the reduction of unnecessary and wasteful expenditure to be a focus area, with a reduction of the government wage bill being mentioned. There is an acknowledgment that a way needs to be found of managing the government wage bill, which consumes about 35 percent of public resources," the firm said.