

By Peter Meakin*

Cyril Ramaphosa's radical economic transformation is like Alice in Wonderland's question to the Cat

"Would you tell me, please, which way I ought to go from here?"
"That depends a good deal on where you want to get to," said the Cat.
"I don't much care where," said Alice.
"Then it doesn't matter which way you go," said the Cat.
"- so long as I get SOMEWHERE," Alice added as an explanation.
"Oh, you're sure to do that, " said the Cat, "if you only walk long enough."
— Lewis Carroll, *Alice in Wonderland*



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A Treasury document entitled *Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa* is a wish-list which again repeats the words infrastructure, trade, employment, removing barriers to start businesses and boosting labour-intensive sectors.

On the other hand, advice from *Alice in Wonderland* is to "Begin at the beginning, and go on till you come to the end: then stop."

Begin here means discovering the secrets of the most successful countries. That includes Hong Kong and Singapore whose citizens enjoy GDP per capita at purchase price parity of five and seven times more than South Africans, without agricultural or mining sectors.

Country	GDPPPP per capita 2020 estimate	GDPP per capita ranking	Corporate tax	Individual Taxes (min)	Individual Taxes (max)	VAT	Illustrative Sum of all tax rates
Non-Oil Countries						standard rate	
Singapore	\$ 102,026	3	17%	0%	2%	7%	26%
Hong Kong	\$ 67,557	10	17%	0%	2%	0%	19%
South Africa	\$ 14,156	96	31%	0%	4%	14%	49%

It is not that Asians can lift more weights or have higher IQs, but as at December 31st 2017 they had foreign direct investments of thirteen and ten times more than South Africa's \$139K million. This funded the machines, equipment and systems that made people more productive. And earned twice the after-tax returns as those earned in South Africa.

Hong Kongers do not own any land at all, but participate in ninety nine year leases. Their rents contribute ±35% to the state budget.

Read also: An alternative land rent budget – Peter Meakin

Ironically Minister Mboweni's 2018 MTBPS started the process of replacing income taxes and VAT with land taxes. This table scrutinises the inefficiencies that led to his proposals for a South African tax-haven.

institutions is unlikely to be a sufficient source of revenue to substitute for all other tax The instrument can potentially improve the efficiency of the tax system, but need to be explored further. There are important structural and inter-governmental arrangements that explore this topic	rents there account for some 33% of revenue Alternatively, as in Hong Kong, retain some income taxes at a lower rate, and any growths are overcome by increasing land rents
National Treasury has, however, been holding and attending workshops to tax changes (say tech entrepreneurs) • And may lead to instances in which high income individuals face lower • May create cash flow issues business cycles) • Create a less diversified tax base (which may be less robust through of moving fully to a land-use tax, as if would: The Davis Tax Committee (DTC) does raise some valid concerns in terms	Rates of 6 of 500+ can also be adopted Surely, but the Hong Kong rates can be followed. Our Municipal Property reduces: • High income individuals earn high incomes by not working in high tax they are beneficial on a month to month and year to year basis: • Land taxes cannot create cash flow problems because, like rates and taxes, investment and consumption raise the after-tax costs of goods and services • A more diversified tax base would be less efficient because taxes on work, if valid means convincing these examples are an issue
public expenditures to improve health infrastructure Land is an immobile form of capital, which can increase in value due to	improvements enhanced values by taxing the land, like rates and taxes excluding The most cost-efficient way of funding infrastructure is to capture these damages caused by income taxes and VAT to FZES, some of it returning. These are budgeted to mitigate the There are additional and avoidable wasteful expenditures in the budget of up revenue without distorting the economy by raising the CoT. These increases are unnecessary because land taxes raise exactly the same S:1 exist F12 being var. This assumes that SA's tax to GDP ratio is 1:1. Estimates of For things which could be bought for R100 before tax cost R158 after tax: cost of living by an average R70kpa for each of SA's 17m households. Cost inefficiencies are wasteful expenditure. They unnecessarily increase the
"Taxation and Economic Growth", from land taxes (and property), as highlighted in the OECD report National Treasury recognises the potential improvements in efficiency	
NATIONAL TREASURY 2018 MTBPS	SCRUTINY OF INCOME TAX and VAT INEFFICIENCIES

These are sensational disclosures, even if only half true. It is essential for the Minister to explain why he changed track. And land taxes are implicitly endorsed in Section 228 of the Constitution because it prohibits taxes that “materially and unreasonably prejudice national economic policies”, such as taxes on hard-earned wages, salaries, interest, profits, dividends, capital gains and consumption.

Read also: Mailbox: Property valuer – ‘why no opposition to EWC of hard earned profits, capital, interest?’

A complaint was laid with Mr Yunus Carrim MP chair of the National Council of Provinces Finance Committee. It argued that as no discussion had transpired or questions asked, South Africa’s opportunity to become like Hong Kong had not been properly explored, and the committee should be reconvened.

He refused. So a complaint was next laid with the Amos Masondo MP, chairperson of the NCOP. He replied that “the Committee cannot be said to have acted unreasonably as your submission was considered,” for it was mentioned in the Committee’s report. I gave him until August 19th to reverse that decision because being considered is a great deal more than being mentioned.

There was still no response, unlike Alice “who had begun to think that very few things indeed were really impossible.”