

Testimony by Peter Meakin Before the South African

Parliamentary Budget Office / December, 2020

Mr Meakin said that he had been in about four and a half hours of meetings this week and he felt that government has a big problem with the tax issue. It is like an old car which needs to be traded in for a new electric car by TESLA. If he buys groceries for R1300 at PnP, the real value would be R1000 since income tax would be 28%. If this was done away with, then the workers at COSATU would have that percentage of more money to spend. He asked why it was that in 2018 Minister Mboweni said that he saw the inefficiencies in income taxes and was on record to say that he was looking to do away with the income tax institute land taxes. He has not done this and he asked why not as it would solve a lot of other problems. One such problem as depicted in the table attached to his submission shows a great deal of money being spent in the budget only because it is not collecting land taxes. He did not wish to go into discussion on the table, but asked for someone to let him know where he went wrong in his table. The table says that if income taxes were not being paid, certain items would not exist in the budget.

Parliamentary Budget Office (PBO)

The Chairperson thanked the PBO for its contribution and said that the two chairpersons of the two Committees and the FFC and the PBO need to be treated differently to public stakeholders, however they may offer helpful perspectives. He asked that the Treasury respond to Mr Meakin in writing. Particularly, he asked whether the Minister did make that statement in 2018. He asked that the report be compiled with responses preferably by the next afternoon.

National Treasury's responses

The DG said that the Treasury would respond and it has a slide in response to the 2018 statement that was questioned. Mr Ismail Momoniat was on call to respond. The MTBPS does not try to address all of the ills in the government system. The Treasury is trying to be pointed in confirming through broad indications what it will most likely say in February. He asked Mr Sishi and Mr Momoniat to respond to Mr Meakin.

Mr D Ryder (DA, Gauteng) said that he (Momoniat) will respond to Mr Meakin directly which is inappropriate since the presentation was made to Parliament.

The Chairperson said that what he means is that Mr Meakin would be responded to directly as well as to Parliament, and he is correct.

Mr Sishi said he would leave most of Mr Meakin's questions to Mr Momoniat to respond to.

Mr Ismail Momoniat, DDG: Tax & Financial Sector Policy, National Treasury, said that the point had been made by the DG and others, saying that the Treasury does not make tax policy proposals in this MTBPS. Even the announcements included are small numbers in terms of additional revenue but further announcements will be made in February. He felt the broader issue was the need to look at when the risks are all down, to be more cautious in how it budgets both revenue and expenditure. This is something which it clearly needs to take into account more because there is no room for error.

On the specific proposals made, he admired Mr Meakin for his persistence but he did not want to waste everyone's time but Treasury differed fundamentally on his proposal. It would effectively be a tax revolution. It would have huge impacts on the budget and there would be huge transitional problems. To the extent that it can be considered technically, the Davis Committee has looked at the possibility of a land tax and chosen not to accept it. He was not sure why Mr Meakin felt that there was any acceptance of his proposal in 2018. He asked for it to be brought to the Treasury's attention, which statement he believes said that the Treasury is considering moving in that direction as it certainly is not. It was clear that land tax has its place and may well be a part of a wealth tax proposal, but the revenue generated by it is nothing to what is gained from VAT, personal income tax, and so on.

There will be more engagement more on this point as it was in the proposals, but he did not want anyone to have any illusion that such a massive change is being considered. To the extent such a change is being considered, it should be referred to a tax commission so that it can look into the nitty gritty as it is not a small proposal.

(Momoniat) Everyone is free to make proposals for the February budget, whether it is Mr Meakin or the health lobbyists. Now is the time to submit and the Treasury will look at all of those proposals?

Discussion

Chairperson. The debate cannot continue between Mr Meakin and the Treasury. Mr Momoniat and the DG must write a letter to him and cc the Committee into it so that it does not keep having this discussion in a round-about fashion. The issues he wants to raise, he would do so at the end and Ms Abrahams would join the meeting in about five minutes. He asked who from the Committee would like to comment, apart from Mr Ryder. There was no-one, except for Mr Ryder, who wanted to raise an issue. Upon looking at the chat and looking for hands to no avail he said that it was unacceptable from the Members as the public was before it and there was a dialogue happening. Members have to listen to all sides and decide on the policy proposals in terms of the recommendations in this report.

He noted Mr Ryder.

Chairperson Carrim noted that Mr Meakin wants to speak again. He thought he should be heard for a few minutes towards the end. He would remain in the meeting, but he was done as Co-Chair unless he needed to come in at the end.

The Chairperson now Mr Njadu asked Mr Meakin to take the floor.

Mr Meakin said that he wanted to address the fact that he was accused of misleading the Committee. There is a suggestion that income taxes are against the Constitution, and the person misleading is DG Momoniat. He said exactly what Mr Mboweni said in his 2018 MTBPS. He asked the Committee to consider why it is that a person would work hard and invest hard only to have someone take their money away. It is practically theft. These are fundamental issues which are not helping recovery. He asked how the matter with Mr Momoniat can be resolved.

The Chairperson noted what the questions were.

Mr Ryder – on the chat—asked the Secretariat to note Mr Sishi's agreement to inform the Committee about the local government plan and add it to our programme in consultation with Committee Management.

Mr Meakin – on the chat—wanted to correct DG Momoniat. This is what the 2018 MTBPS said: *'the National Treasury recognises the potential improvements in efficiency from land taxes as highlighted in the OECD report'*.

DG Momoniat said it was not his intention to accuse Mr Meakin. He simply meant to clarify that the Minister has never said that he would review the income tax and the entire tax system. What he was saying is that the Treasury has fundamental issues with Mr Meakin's view as it is a big policy issue which would affect the entire government. It is Mr Meakin's view which is unconstitutional and not the Treasury's. It is for Mr Meakin then to take the steps he needs to take if he believes it is unconstitutional. Furthermore, he was trying to point out to the Committee that what he is asking for are very fundamental changes which, firstly, have not been accepted by the Davis Tax Committee, and secondly, it would require a big tax commission to go into the kind of changes that he wants. Although small changes to the land tax can be looked at, but to do so at the cost of income and other taxes is not on the table at all. He did not want to waste the time of the Committee by saying it is overhauling the entire tax system when it is not.

Mr Meakin said that he did not know why he had bothered to come to the meetings.

Chairperson Njadu asked if this can be resolved offline so that the meeting can conclude and the clarity of the matter is dealt with offline.

Mr Meakin was happy to do this but asked what he meant specifically in terms of how to progress the discussion as he did not agree that it is difficult to make the change from income to land tax as the change moves from what is done on the land to the land itself. This is not difficult and has been done before.

Ms Abraham said that by offline he meant that it will be dealt with outside the meeting. For now there is an opportunity for the Treasury to respond to other matters.

Mr Carrim said that with due respect the Committee cannot give too much attention to a single stakeholder. Parliament belongs to everybody. Mr Meakin apologised and said he had to speak as somebody had corrected him.

Mr Carrim asked the Chairperson to ask Mr Meakin to observe decorum. He continued to say that he disagreed with DG Momoniat. It is remarkable that Mr Meakin feels so strongly that he has been persisting with this view for many years. Those who served in the local government Committee at the time will remember that he participated fully in the Property rates Bill. He would sit until 10 or 11pm at night in order to finish the Bill in time for the elections. Mr Meakin was there 100% of the time, with an attendance that was even better than the average ANC member, or any party member. This was admirable and he had great respect for him as he had an ideological point of view which should be heard. At the same time, the same issue cannot be repeated again and again. By offline the Committee means the matter is coming to it directly as the meeting was running out of time. For instance, COSAU has something like 1.8 million workers and cannot be ignored. Everyone gets the same amount of time more or less, and Parliament was being very fair as this is what a popular democracy is. He appreciated that he took Parliament so seriously, but it is an ideological difference.

Mr Momoniat is right to say that the matter should go to the Davis Commission, which in fact it has done. He insisted that the full reply by the DG and Mr Momoniat needs to be given to Mr Meakin and the reply also has to be sent to Parliament in two weeks, as they cannot draft a full reply before the Tuesday fiscal deadline. Once the matter is dealt with, the Committee Chairpersons will meet to decide whether or not to pursue the matter again. Since it was settled that Mr Momoniat was not accusing Mr Meakin of misleading the meeting, nothing more can be done. He asked the Chairperson that they move on and everyone respect and recognise parliamentary processes.

Mr Njadu said that Mr Carrim had clarified the process and asked the Committee Secretary to note it.

