

What will the budget hold in store for us?

 By [Nicci Botha](#)

1 Feb 2019

As always, the annual Budget Speech carries trepidation and optimism for taxpayers in equal quantities. But Mazars' chosen theme for this year - Poised for Growth - suggests a more positive outlook tempered by a few cautionary notes.



Finance Minister, Tito Mboweni. Photo:IFP

In anticipation of Tito Mboweni's maiden speech on February 20, Mazars held a pre-budget panel discussion on what is likely to come out of the minister's presentation to parliament. "The scope for increasing taxes is rather limited. Stimulating growth and reducing unemployment is the way to go," said Bernard Sacks, senior tax partner at Mazars.

Steadying the ship

"Last year things were a bit chaotic. I hope the finance minister has settled down and we will see real growth stimulation.

"He has the critical responsibility of bringing stability to National Treasury after the position he now occupies changed hands five times in the past decade. The finance minister is effectively the CEO of SA Inc. and a long-serving incumbent would help stabilise Treasury strategically."

Sacks said that, as Mboweni was only appointed as finance minister two weeks before the mini budget in October last year,

he had insufficient time to bring any meaningful policy input to that document. "I am hopeful that Mboweni will steady the ship. He had a good stint at the Reserve Bank and impressed the international community there."

Even though Mboweni himself said that he was not in favour of the government's tendency of "recycling leadership", and believes in bringing in new blood, a three-year period would be sufficient for him to steady the ship, cement his policy, get South Africa on the path to growth and during that time groom the next minister of finance, Sacks said.

Economic growth

South Africa should ideally pursue economic growth, and then allow taxes to grow. Without good growth rates, SA will struggle to bring in the revenue we are projecting, said Mike Teuchert, Mazars national head of taxation.

However, at 28%, the country is at the top end of the corporate tax bracket, which is not an incentive for foreign direct investment. "Why would the people, Cyril Ramaphosa has been speaking to invest at a 28% rate?" he asked.

Sacks added that the time was right for a decrease in corporate tax, but it would be a very bold move. "I agree that there is a case to be made for not reducing it. But it's almost a case of if not now, then when? When do you want to actually start generating that kind of investment? Ramaphosa is going to find foreign direct investment a hard sell without a decrease in the tax rate. Given that this is an election year, I'm not sure we'll hear what is good for the economy, but rather what is good at the polling stations," he said.

"The so-called sugar tax is likely to be increased. This was wrapped as a health levy, but what we saw in the mid-term budget was an increase in collection, indicating that consumption didn't lessen," Teuchert said.

There is not likely to be a further increase in VAT in this budget, although three new items – sanitary products, cake flour and white flour have been added to the zero-rated list.

"What is interesting is that 85% of VAT collected from the wealthiest households. If this is the case, then why won't there be a VAT increase?" Sacks asked.

The Sars saga

The South African Revenue Service (Sars) was severely damaged under former commissioner, Tom Moyane's tenure, and it will continue to struggle with compliance challenges until a permanent head is appointed.

Mark Kingon has been leading the revenue service in an acting capacity since March 2018, and Sars has also advertised for a new head. "Uncertainty at a strategic level will always affect an organisation. You want Sars looking in the right direction. Mark Kingon has done a great job. He has steered a ship right and has made the right noises, but he can't do anything in the way of meaningful long-term strategy," said Teuchert.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

- #WomensMonth: Prudential's Leshni Dial-Harikaran on the beauty of a perfectly balanced spreadsheet - 10 Aug 2021
- #WomensMonth: MWay's Mlogadi Kekana on the importance of financial independence - 6 Aug 2021
- #WomensMonth: Mamedupi Matsipa's passion for finance charted her career path - 5 Aug 2021
- #WomensMonth: Standard Bank's Simone Cooper asks, "How does your business grow?" - 4 Aug 2021
- #WomensMonth: Twané Wessels, product actuary at Just SA - 2 Aug 2021

[View my profile and articles...](#)