

Rising tax burden on shrinking base worrying for economy, property

 By Samuel Seeff

22 Feb 2018

It was always going to be a tough budget given that finance minister Malusi Gigaba already signalled during his mini-budget late last year that there was a significant fiscal deficit that needed to be funded. And, with a sluggish, albeit improving economy, this could only come from higher taxes.



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While an improved economic outlook is welcome news, rising taxes for working households is simply unsustainable for an economy that needs to accelerate to address the challenges in the country.

Some of the tax hikes that will affect consumers and property buyers include:

- VAT hike of 1%, from 14% to 15% which will affect everyone, save for the basket of exempt goods;
- Marginal increase in upper income tax, but more relief for lower tax bracket;
- Fuel levy hike which will of course have a knock-on effect on transport and living costs.

It is critical for tax payers to know that their hard-earned tax money is spent where it is intended. The country can no longer afford the disaster that is the state owned enterprises because it has brought us to the brink of financial ruin. The bloated cabinet and state expenditure needs to be brought under control with some urgency.



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By taxing the very people who are growing the economy, we are making it very difficult for business owners and entrepreneurs to feel positive about investing further into the economy. Uncertainty about property ownership is also concerning.

Postive messages must translate into action

Although the succession of Cyril Ramaphosa as ANC and SA president has seen the mood in the country turn increasingly positive and his SONA 2018 address has sent the right messages, we need to see this translate into action. We need a return to economic and political stability so that investors can feel confident about investing and growing the economy.



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The effect of weak confidence has been evident in the property market. Since last year there has been an accelerating decline in activity, especially at the upper end of the price scale, being above R8m in Gauteng and above R18m in the Cape. Those who do not need to sell or buy are preferring to hold back. This means fewer transactions and a decline in transfer duty paid to government.

While the year has started on a more positive note, people need to see that government and economic mismanagement is being addressed and need reassurance that their investments and property will be safe. Remember, the property sector is a vital contributor to the economy, jobs and prosperity, but it needs a good economy to thrive.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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