



Attention: Mr Enoch Godongwana
Minister of Finance
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PETITION REGARDING LOWERING TAX RATES

1. Introduction

1.1 South Africa's tax burden falls on the shoulders of a small percentage of the population. With rapid population growth and the tax base remaining unchanged the economically active population has become more and more challenged over the past years. The increased tax burden has led to the outflow of skills and wealth with economically viable South Africans choosing to leave the country. This in turn leading to less economic resources and taxes collected.

1.2 Only 2,5 million South African taxpayers contribute 84% of all personal income tax, a huge burden for such a small part of the population to carry. CIBA members are accountants for small and medium enterprises with first-hand experience of the hardships ever-increasing tax rates have on their clients and their businesses. Government should become aware about the burden our taxpayers carry before more taxpayers emigrate.¹

1.3 It is time for government to stop this downward trend and seek solutions that will result in more sustainable solutions.

¹ Mitchell L, 2023, 'Don't increase personal tax – focus on economic growth' Accounting Weekly, <<https://www.accountingweekly.com/tax/dont-increase-personal-tax-focus-on-economic-growth>>



2. Petition to reduce income tax for South African taxpayers

2.1 The Chartered Institute for Business Accountants (CIBA) created a petition² with well-known activist platform Change.org, to call on Finance Minister Enoch Godongwana to reduce income tax for South Africans. 24,560 people have so far supported the petition calling for the government to plug the tax gap with cash from tourists and not increase income tax. Reference can be made to Annexure 2 and 3 (included as separate documents) including the petition, the list of reasons provided and the full list of signatories.

3. Our proposal: Investment in quality economic activity

3.1 Government should introduce more sustainable, future centric approach to tax planning. Taxes are generated from economic activity. Increased activities produce more value and more tax that can be collected. Taxes are used to provide public goods and services like schools, roads, dams, railways, electricity, social support, and much more. Government policies boosting quality economic activity will ensure an increase in the amount of taxes collected.

3.2 On the other end increased tax rates reduce economic activity, creating an opposite effect on tax collection.

4. Tourism as new source of tax revenue

4.1 A safe and accessible South Africa can attract millions of tourists that will spend their cash buying local products and creating employment. Tourism in South Africa has potential to become one of the main tax sources for government. That is given that conditions are met in terms of infrastructure development and law enforcement.

² CIBA, 2023, 'Petition: Reduce Income Tax for South African Taxpayers', <<https://www.change.org/p/2-5-million-people-are-paying-84-of-all-personal-income-tax-we-can-t-pay-more-treasuryrsa-saibatweets-nomoretax-budgetspeech2023>>



4.2 Several hundred thousand people are employed in the tourism sector. Pre-COVID there were about 14 million tourists visiting South Africa, spending money on buying things, staying over in tourist facilities and that creates employment. If this is doubled, 700 000 people could be employed in the sector. Plus, the money generated from that would plug the tax gap and government won't need to increase people's income tax.³

4.3 Government's efforts should focus on investments that would effectively boost the tourism sector rather than simply increasing tax rates. A healthy, growing economy will result in more tax revenue and provide solutions for a better life for all South Africans.

5. Conclusion

5.1 With full understanding the difficult task of creating balanced policies, we urge that government considers our recommended strategy in extending the tax revenue for the upcoming 2023 budget speech.

5.2 Please feel free to contact us should you need further explanations or assistance.

Yours sincerely

Eszter Rapanos
CIBA Technical Manager

³ Mitchell L, 2023, 'Don't increase personal tax – focus on economic growth' Accounting Weekly, <<https://www.accountingweekly.com/tax/dont-increase-personal-tax-focus-on-economic-growth>>



ANNEXURE 1: BACKGROUND TO CIBA

CIBA is a Professional Accountancy Organisation (PAO) and Self-Regulatory Organisation for accountants, tax practitioners, financial managers, and financial directors, in the public and private sector, with offices in South Africa and Namibia. We are associate members of the Pan African Federation of Accountants (PAFA) and full members of the International Association of Finance Executive Institutes (IAFEI). SAIBA is authorised to issue designations as registered with the South African Qualifications Authority (SAQA) and our designated members are recognised as accounting officers, independent reviewers, and independent accounting professionals. SAIBA was awarded the status of Recognised Controlling body (RCB) in terms of Section 240A(2) of the Tax Administration Act.

CIBA's objectives are to protect the public interest by adopting and enforcing standards of ethics, conduct, quality, and service engagement standards that seek to ensure the delivery of accountable and transparent professional service by CIBA members.

We do this by offering executive education and continuous professional development (CPD) via our training platform CIBA academy, technical news updates via accounting weekly and CFO talks, and enforcing ethical conduct thorough monitoring and disciplinary procedures.

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www.accountingweekly.com

www.saiba.academy

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ANNEXURE 2. CIBA PETITION TO REDUCE INCOME TAX FOR SOUTH AFRICAN TAXPAYERS

Included as a separate document, providing details on the petition and a list of reasons given by taxpayers when signing.

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ANNEXURE 3. PETITION SIGNATURES

List of signatories included as a separate document.

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