

The star PG 1 26/02/13

DA and trade unions offer Gordhan some budget tips

JAN CRONJE

INCREASE taxes on the wealthy, axe government departments and spend less. These are some of the proposals from trade unions and opposition parties in the run-up to Finance Minister Pravin Gordhan's Budget tomorrow.

The Budget will be presented amid speculation that a "super tax" on mining profits and a tax increase for the rich may be introduced to swell government coffers.

The Treasury currently runs a budget shortfall, meaning it spends more than it receives in taxes.

The government has to borrow to make up the difference.

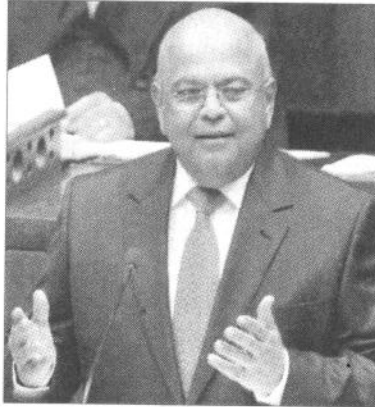
This had contributed to a downgrading of South Africa by international rating agencies, according to Annabel Bishop of Investec Bank.

The country could face further rating downgrades, which would raise the cost of borrowing, if the deficit were to increase further and the economy didn't grow.

The DA presented its alternative budget yesterday, with finance spokesman Tim Harris saying that boosting growth should take precedence over government revenue.

He said his party's budget was "firmly in line" with the National Development Plan.

The DA would prioritise spend-



TIGHT SPOT: Finance Minister Pravin Gordhan delivering his Budget speech last year. PICTURE: LEON LESTRADE

ing on infrastructure, as it believed this was a key component in boosting growth. Despite "multi-year promises on infrastructure spending", the government had underspent its infrastructure budget every year since 2009.

To boost infrastructure spending to 10 percent of gross domestic product, it would invest an additional R90 billion in road maintenance over the next six years.

Harris said the party was against tax increases, saying they would hurt growth. It also didn't support an increase in VAT as it would hurt poor consumers most.

The proposed "super tax" on mining profits would harm the industry in the current climate.

Solidarity and union federation Fedusa agreed, with the latter urging more consultation before the "super tax" was introduced.

To increase investment, the DA proposed cutting the corporate tax rate to 27 percent in the medium term and 25 percent in the long term. This would, however, decrease revenue by about R5.5bn.

To raise revenue, the DA's alternative budget looks to limit waste by streamlining government and fighting corruption.

The party believes it could save R7bn by curbing corrupt activities, notably by prohibiting public officials from doing business with the state – a proposal already made by Public Service and Administration Minister Lindiwe Sisulu – and clamping down on those who contravene the Public Finance Management Act.

The DA would abolish government departments such as Economic Development; Women, Children and People with Disabilities; Public Works; and Sport and Recreation; and disband the Sector Education and Training Authorities and the National Skills Authority.

The projected savings would amount to R9bn.