CAPE CHAMBER
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THE INTRODUCTION OF A WEALTH TAX WOULD BE COUNTER-PRODUCTIVE AND LEAD TO CAPITAL FLIGHT

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The Cape Chamber has told the Davis Tax Commission that the introduction of a wealth tax would be counter-productive and lead to capital flight.

Instead measures to stimulate the economy, broaden the very narrow tax base are needed not new measures with additional administration costs. It is also vital that tax revenue is spent more efficiently and is seen to produce value for money.

The Tax Ombudsman, Judge Bernard Ngoepe, had warned recently "If we don't spend tax prudently then people will begin to justify their reluctance to pay tax."

South African business men were being courted by countries like Mauritius and Cyprus where tax rates were low. The Africa 2016 Wealth Report said about 240 South African dollar millionaires moved to Mauritius between 2007 and 2015.

Mauritius offers company and personal income tax rates of 15% with no inheritance or capital gains taxes. It offers automatic citizenship with the purchase of an expensive home and there was less red tape.

South Africa can not afford to lose its millionaires as they are the people who built businesses, grew the economy, created jobs and provided a substantial portion of the government's tax revenue.

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Land ownership is not necessarily an indication of wealth as land could be heavily mortgaged and its value depended on how well it developed to make it productive. The agricultural sector has fared badly in recent years and job losses have been devastating. Any further burden on the sector would aggravate the situation.

The Chamber rejected the idea of a national tax on the value of property based on municipal valuations the value of property varied from city to city. It would also aggravate the negative effects of the present property rating system which tended to punish those who improved their properties while those with old or neglected properties paid less regardless of their wealth. Home owners should be encouraged to improve properties as this generated economic activity and employment.

A wealth tax would be counter-productive as the wealthy were in the best position to take advantage of opportunities like that offered by Mauritius.

That is the ‘pull factor’ but there is also a ‘push factor’ that becomes stronger as the taxes already paid are stolen or spent inefficiently. The Tax Ombudsman, Judge Bernard Ngoepe, has expressed himself eloquently on the subject and the tax commission would do well to heed his words.

Janine Myburgh

President of the Cape Chamber

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