



The Davis Tax Committee
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MEDIA STATEMENT:

CALL FOR WRITTEN SUBMISSIONS ON POSSIBLE WEALTH TAXES FOR SOUTH AFRICA

25 April 2017

The Minister of Finance established the Davis Tax Committee (DTC) in 2013 to inquire into the role of the tax system in the promotion of inclusive economic growth, employment creation, development and fiscal sustainability. In doing so, the committee will take into account recent domestic and international developments and, particularly, the long term objectives of the National Development Plan.

The DTC is also required to take into account broad tax policy objectives like:

- Revenue-raising to fund government expenditure is the primary objective of taxation;
- Social objectives like building a cohesive and inclusive society can be met partially through a progressive tax system and a redistribution of resources.

The DTC published its first and second estate duty reports on its website www.taxcom.org.za on 13 July 2015 and 24 August 2016 respectively. In addition to this, the DTC was specifically requested by the Minister of Finance to inquire as to whether it would be appropriate to introduce additional forms of wealth taxation and the feasibility of doing so.

The distribution of wealth in South Africa is highly unequal, with recent empirical evidence suggesting that the Gini coefficient for wealth is about 0.95 (in comparison with the Gini

coefficient for income of 0.67). It is well established that economic inequality inhibits economic growth and undermines social, economic and political stability.

Currently, South Africa has three forms of wealth taxation, namely estate duty, transfer duty and donations tax which together bring in about 1% of tax revenue. Capital Gains Tax (CGT) is considered by some to be a form of wealth tax but the DTC has taken the view that CGT is a form of income tax. The DTC has previously considered CGT in its estate duty reports so it will not be considered further during this inquiry.

The DTC has adopted an approach that is participatory and consultative. This will provide for wide engagement with all stakeholders. Special dialogue sessions are arranged on an ongoing basis to take into account a diversity of interests and opinions.

In light of the above, the DTC invites submissions by **31 May 2017** on the desirability and feasibility of the following possible forms of wealth tax:

1. 1.A land tax
2. A national tax on the value of property (over and above municipal rates)
3. An annual wealth tax

Based on the written submissions received, this will be followed by a workshop for oral submissions during **June 2017**.

Kindly send all written submissions by e-mail to taxcom@sars.gov.za or by post to PO Box 2344, Brooklyn Square, Pretoria, 0075 and indicate if an oral submission will be necessary to support the written submission.

Questions relating to this media statement can be directed to the Secretariat for the Davis Tax Committee using the e-mail address provided.

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