

16-Aug-12

The Chairperson and Members of the Standing Committee on Finance
Parliament of Southern Africa
ATTENTION to Allen Wicomb
awicomb@parliament.gov.za

Sir,

Comments on the Taxation Laws Amendment Draft Bill [2012]

Our comments on this Bill are the same as our submission on the Rates and Monetary Amounts and Amendment of Revenue Laws Bill (B10-20120). 25-May-12. A further copy is attached.

To put it politely, Treasury did not properly engage with us on that Bill, as you will have seen from their replies in June. They insisted the Bill was the wrong place to discuss a new generation of taxes which invariably drives unusual economic growth whilst making the purchase of a hectare of arable land as simple as buying a car, and affordable too. The landless will become wealthy beyond their dreams- working for themselves. The subject of what to do with land when you have some is however beyond your remit but Rob Small, our consultant horticulturist, will answer any questions you have.

Our remit, the reason for our comments, is to persuade those who, [seeing the vice and misery that spring from the unequal distribution of wealth and privilege, feel the possibility of a higher social state and would strive for its attainment](#), (as Henry George put it), can unite in delivering us from this income tax and VAT scourge: this high tax, high land price regime to the opposite.

For the purpose of this submission, we have assumed that there will still be five million unemployed in five years' time. The question is what can be done to materially improve those life-styles immediately, without new wage contracts, and on the understanding that no one can be forced into employment when wages are unacceptable just as no one be forced to employ others except on their terms.

Our proposition nevertheless is that action has to be taken today to bring about the most agreeable conditions for investors to create jobs, this year or next at the latest, whilst at the same time acknowledging that even these might insufficient to create all those jobs.

Provision must then simultaneously be made for citizens to settle on land of their own, close to South Africa's cities, towns and villages, and in such a manner that they can look forward to a prosperous and dignified life of being self-employed, from growing, rearing and building things for themselves in co-operative ventures with their neighbours, each owning their own land.

What is therefore needed now is for Parliament to amend the Income Tax Acts to permit Treasury to replace all personal income taxes and VAT with land rents-a big rates and taxes charge. The resultant South African tax-haven will attract investments from near and far and increase land settlements.

We request that they these recommendations are accepted. If not we think it incumbent on this committee to refute each and every assertion we made against both the findings of the Katz Tax Commission Interim Report 1994 and the irrationality and inequity of the Income Tax and VAT Acts as our attached May 30th submission on the Revenue Laws.

How can we persuade you that this matter goes to the very soul of South Africa? Perhaps to recount that in Argentina, which has a similar 'high tax, high land price' regime, GDP per capita has fallen to 157th in the world from 5th place in the early 1900s because of land prices. Can you prove that won't happen here? If not then these measures should be adopted because they keep land prices down so that everyone can have their fair share and avoid living in slum conditions.

These reinforce the radical obligations of the property clause, sec 25.5 of the Constitution: *The state **must** take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis.*

But no Constitutional changes are needed here and no nationalisation without compensation is necessary because this tax remedy makes all land affordable without any compensation being awarded: no expropriation has taken place. The recompense to owners of unused land is not State compensation but enrichment from other investments in buildings, cash, bonds, stocks and shares when their revenues are freed of tax

To be certain, we are not asking for the Income Tax Act to be repealed, simply that the approximately eleven million householders who now pay an average of R3700pm in income tax and VAT depending on their skill, energy, age and health are gradually relieved of those burdens. And the occupiers of 187 000 000 sqm of commercial and industrial buildings in South Africa who now pay R210bn in taxes on their profits etc , will be offered a thirteen times higher rates bill instead.

In their place landowners will contribute to SARS depending on the benefits that their land enjoys from the the free gifts of nature and location as well as community spending on infrastructure and services, and the benefits of population increase and good governance.

Many ask how can it possibly be that replacing income taxes and VAT with higher rates and taxes charges will create more jobs and make land affordable. The reason is that rates and taxes are a land-use charge which, at 100% lowers land costs.

This is entirely different to income taxes and VAT which are claims on wages, capital, interest, and consumption and raise these costs. Also the 100% tax on land revenues is only possible because the area of land remains the same no matter how earnestly it is taxed. That is why economists call the supply of land inelastic.

Taxes therefore force wage packets to be higher than the after-tax earnings that employees accept. They also raise the cost of capital-interest and profits- as well as shopping and houses. These are all called dead-weight costs.

Rates and taxes bills on the other hand replace all these costs and reduce land prices to a monthly, not capital payment. That is, the average residential land price in South Africa is now R485000 but becomes R3800pm and reviewable every so often when income taxes are finally repealed.

Further paragraph notes

Lonmin just the tip of iceberg, killing each other for jobs or unfair labour practices. People are not free men and women unless they can walk away from an unwanted (even life threatening) job and return to their landed estate. When one is utterly dependent for one's living on a job then one is no longer free: ones Constitutional right to freedom has been molested.

By insisting that everyone has land the Constitution ends the proletarian condition where working men have only their labour to hire. It demands they must have land.

National planning commission is silent on Constitutional right of access to affordable land. Please ask Mr Manuel to explain to your committee on what grounds the NPC rejected the SACPRIF model.

Outrageously uneducated youth can become millionaires when land is freely affordable. One does not need to properly write, read or add and subtract to grow, rear and hand-build a mansion like Groote Constantia in three to five years. And then sell it for upwards of R1M.

Infrastructure spending transfers public funds to landowners by raising the value of land in the vicinity of the road, bridge, railway etc. This is a formula to enrich those who own land near Gautrain stations and contravenes the equity clause. They will share in the R250bn cost as proven in overseas valuations of land price increases. A peasant farmer in Butterworth pays VAT to the Gautrain project and gets nothing for it.

Total land rates and taxes will raise the budget without increasing other taxes because it will force unused land to become productive to pay the rates. Who gave permission for land to remain vacant? No zoning scheme allows that. There are 27m'potential' unused arable hectares according to Frost and Sullivan.

Service delivery is a never ending cause of conflict and

Who will not invest where income taxes and VAT are zero?

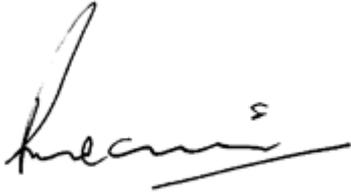
Etolling unnecessary because it is not just the owners who should pay but the property beneficiaries whose land prices have benefitted from the road

It is no good just giving people state land but charging all owners for its use.

Preamble we the people own South Africa in undivided shares (rent dividend as Alaska). We are entitled to get a hectare to live in dignity and self-sufficiently paying more rates in Stellenbosch than in Butterworth

The future of SA is in your hands to lift the proletariat into the middle class: to get land to everyone so that they are free to walk away from a wage contract. That can only be done-no other sensible way than by replacing taxes with rates.

Regards



Peter Meakin

Registered Valuer Member SA Institute of Valuers
Chairman SACPRIF Management Committee

FREE eBook

Progress and Poverty

An inquiry into the cause of industrial depressions and of increase of want with increase of wealth... The Remedy

<http://schalkenbach.org/library/henry-george/p+p/ppcont.html>

by Henry George

San Francisco, 1879

To those who, seeing the vice and misery that spring from the unequal distribution of wealth and privilege, feel the possibility of a higher social state and would strive for its attainment.

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