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IMMEDIATE RELEASE**PROPOSED METRO TAX ON BUSINESS: BUSA REQUESTS MEETING WITH SALGA**

Busa has noted the proposal for a tax on business in South Africa's five metros. While it has been reported that this matter has been canvassed with BUSA, we are not aware of this. We have thus far only been able to establish that there have been some discussions at local level with chambers that are affiliated to us. We have therefore written to the South African local Government Association to request a meeting to discuss the matter along the following lines:

The timing of this proposal unfortunate in light of other current "stealth tax" developments such as the intended expansive implementation of urban tolls in metro areas across the country and the significant escalation of administered prices in the areas of electricity and water, which is placing severe upward pressure on the already high cost of doing business in South Africa.

Additional taxes on the turnover of locally based business are likely to hit the survival of small businesses and manufacturing concerns in particular, many of whom have much tighter margins than their turnover figures suggest and already battle to manage the many downside risks they face in the current depressed, but high-cost environment

While BUSA appreciates the pressured resource environment in which the metro municipalities find themselves, we believe:

- there is much that can be done to improve the efficiency of metro authority, with the often reported billing and revenue collection problems being a case in point;
- there needs to be much more exploration between local authorities and National Treasury, with the assistance of the Financial and Fiscal Commission; and,



- the exploration of additional funding sources should be approached with an open mind as to the mechanisms that should be employed, and that the options under consideration should not be limited to additional taxes on business only.

There should be acknowledgement that allocations in the last few years to the metros from the fuel levy and in terms of VAT exemptions have provided some assistance to metro municipalities. If the concern from the metros is that there are insufficient mechanisms in place for them to benefit from increased revenue accruing to the national fiscus, where such increased revenue ultimately results from local development successes, we believe the debate should be framed in this way.

ENDS

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