NINE EFF EXPECTATIONS ON THE 2019 BUDGET SPEECH

Tuesday, 19 February 2019

The EFF calls for a people’s development oriented budget speech. We call on the Minister of Finance, Tito Mboweni, to include the following Nine points:

1. Doubling of Social and Pension Grants to provide relief for the poor and dejected masses of our people.

2. He must reverse the VAT rate from 15% to 14% - the decision to increase VAT was due to the mismanagement of the economy by the ANC and the collapse of SARS, which led to a high revenue shortfall. It was easy to shift the burden to citizens through a tax increase, which would affect everyone, including poor people, as the simplest form of revenue collection with minimal work. The 7.1% has hit the poor and workers the hardest, even after the attempt to disguise it with increase of zero rated items however; majority of items people consume were not included. So he must reverse VAT and also scrap VAT on books.

3. Sovereign Wealth Funds (SWF) have been very dynamic, important instruments, and mechanisms to save and redistribute wealth in resource rich countries. In our founding manifesto we said that, “Owing to surpluses and many sustainable-developmental considerations that will be generated as a result of the South African state’s control and ownership of strategic sectors of the economy, government should establish a sovereign wealth fund, which will prudently invest in the development of the African economy. This fund will also assist in the insulation of the South African economy whenever there are volatilities in resource-sector prices and when non-renewable resources are exhausted. Most countries, including
China, the US, Saudi Arabia, Norway, Libya, Nigeria, Chile, France and many others, have sovereign wealth funds for these purposes. As we speak, despite massive resource riches, South Africa has no sovereign wealth fund, mainly because South Africans do not own their resources."

4. He must increase corporate income tax from 28% to 32% - for far too long, workers, through personal income tax, and everyone, including poor people, through VAT, has been an easy target for revenue collection when companies were engaging in serious aggressive tax avoidance. To begin with, the reason why tax was reduced from 48% to now 28% were all never achieved. Companies promised competitiveness, jobs and industrialization with low corporate tax rate. Instead, corporate income tax has been declining as contribution to overall revenue collection with personal income tax and VAT contribution to overall taxes have been increasing. It is time companies make a fair contribution instead of being subsidized by workers and poor people.

5. He must announce the abolishment of tenders, starting with cleaning, gardening, and security guards - majority of these tenders are criminal site. Prices are inflated, not well structured, and therefore, government does not have a recourse in the event of poor services, and workers who are explicated, paid peanuts with job security, and often sustainable as these are awarded in a corrupt manner. To abolish these tenders is part of a large project to build much needed state capacity, and bring dignity to workers through job security with pension. This is the low hanging fruit for government to save money immediately.

6. He must tell us when the government is going to establish a state-owned bank (this is not just one, but will form a set of state-owned banks in different sectors) - a state-owned Bank is the more efficient and direct way the government will be able to influence the allocation of credit into developmental projects in an affordable and sustainable manner. In this way, state-owned bank, will play a role in transforming the financial sector, because banks constitute the largest component of the financial sector. With the banking space dominated by ABSA, FNB, STANDARD BANK AND NEDBANK, race has been used as a way of deciding access to banking services, especially credit. Blacks are charged high interest, denied credit for business, and are required to put collateral they don’t have. A state-owned bank will intervene, but also provide banking for government and all state-owned entities in an affordable way.
7. He must enforce the Anti-Avoidance of Tax - a legislation that is going to make aggressive tax avoidance illegal, including removing any uncertainty and ambiguities which auditing companies manipulate as tax planning. South Africa loses more than R150 billion annually, and this needs drastic measures, of which the legislation is the beginning. SARS needs a dedicated unit to deal with illicit financial flows with a focus on multinational companies with subsidiaries in tax havens.

8. He must tell the nation as to when is government is going to establish a Judicial Commission of Inquiry into illicit financial flows, because it will be impossible to put legislative and administrative measures unless we understand the full extent of illicit financial flows from 1994.

9. He must announce the cancellation of all purchasing power agreements with Independent Power Producers (IPPs) signed in all four bid windows - when presenting the interim financial statements in November 2018, Eskom CFO, Cassin, said that the cost of IPPs average R2.12 per kWh and Eskom can only sell at a regulated price, by Nersa, of less than 90c. He further called on government to intervene before IPPs collapse Eskom. Now Eskom debt has increased to more than R450 billion. Government’s guarantees portfolio, totals more than R670 billion, of which in September 2018, Eskom accounted for R350 billion of the total guarantees. This means Eskom is the biggest threat to South Africa, and all effort to stabilize the power utility requires decisive and urgent decision making starting with cancellation of IPPs, which will lead to liquidity stability immediately.