

CHAPTER 3: THE IMPOSED TAX BURDEN IN SOUTH AFRICA

3.1 INTRODUCTION

The purpose of this study is to develop a conceptual framework to evaluate the tax burden of individual taxpayers in South Africa. As has already been explained in Chapter 2, tax burdens can be evaluated objectively by looking at the actual taxes imposed by a government on the income, wealth, and consumption of taxpayers. The purpose of this chapter is to analyse and clarify the **imposed tax burden in South Africa**, using the theoretical construct of the imposed tax burden from Chapter 2 as an underpinning. The analysis of the imposed tax burden is essential to this study, because it provides the theoretical basis necessary for developing a conceptual framework for evaluating the tax burden of individual taxpayers in South Africa.

A useful point of departure for analysing the imposed tax burden in South Africa is to refer briefly to the historical background of some of the taxes currently levied in South Africa. This historical overview is followed by an investigation of the revenue sources of the South African government, with the purpose of identifying the imposts used to exact this revenue from taxpayers. The chapter concludes with an analysis of the identified imposts in order to classify each of these imposts as a tax, a user charge, or a penalty, using the criteria set out in Table 6. An impost classified as a tax in terms of the criteria is then also categorised as a direct recurrent tax burden, as an indirect recurrent tax burden, or as a random tax burden, using the relevant criteria from Table 6 as a basis.

3.2 HISTORICAL OVERVIEW OF TAXES IN SOUTH AFRICA

The purpose of this brief historical overview is not to provide a complete and comprehensive background to all taxes levied in South Africa, but to provide a

broad background to the development of some of the modern-day taxes in the country.

Prior to establishment of the Union of South Africa in 1910, the country consisted of smaller administrative regions – the original Cape Colony (first under Dutch and then under British rule), and later Natal (under British rule), the self-governing Oranje Vrijstaat, and the Zuid-Afrikaansche Republiek in the former Transvaal area. Each of these areas governed itself and its own finances. The colonial tax policies and tax policies of the independent republics had an important influence on the development of taxes in the 20th century in South Africa (Lieberman, 2003:107).

In the 60 years before the formation of the Union of South Africa, the governments of the four areas relied on trade duties, indirect taxes and user fees for their revenue income. In the Transvaal area, gold mines became the most important source of revenue for the government. These mines were taxed by the government of the Zuid-Afrikaansche Republiek on an indirect basis from 1871 onward, but from 1898 a direct tax on the profits from these mines was implemented (Lieberman, 2003:108-112). After the South African War (1899-1902) and the subsequent unification of South Africa in 1910, the various forms of mining tax legislation were consolidated under the Mining Taxation Act (6 of 1910) (De Koker & Urquhart, 1989:1-3; Meyerowitz & Spiro, 1986:1-3).

In addition to the taxes on gold mines, general income taxes were implemented in the Cape and Natal colonies. It can be argued that these taxes were the first income taxes in South Africa. These income tax acts in the Cape and Natal colonies were abolished when the Union of South Africa was established (Lieberman, 2003:108-112). The first income tax for the Union of South Africa was introduced in 1914 under the Income Tax Act (28 of 1914). This Act levied a tax on all income (defined in the Act as profits and gains) from sources within South Africa. In 1917, the Income Tax Act and the Mining Tax Act (6 of 1910) were consolidated in and replaced by the Income Tax Act (41 of 1917). This Act also allowed the South African Parliament to fix the rate of taxes on income annually (De Koker & Urquhart, 1989:1-3; Meyerowitz & Spiro, 1986:1-3).

In 1925, the old Income Tax Act (14 of 1917) was repealed with the introduction of another Income Tax Act (40 of 1925). This Act was in turn replaced in 1941 by a new Income Tax Act (31 of 1941). World War II also gave rise to special imposts known as the Excess Profit Special Levy and the Trade Profits Special Levy. After the end of the war in 1945, both these levies were repealed in 1947. In 1955, a tax on donations was introduced and included in the Income Tax Act. All Income Tax Acts from 1941 to 1961 were consolidated into the Income Tax Act (58 of 1962), which is still in force today (De Koker & Urquhart, 1989:1-3; Meyerowitz & Spiro, 1986:1-3).

Since 1962, there have been several important amendments to the Income Tax Act (58 of 1962) (De Koker & Urquhart, 1989:1-3; Meyerowitz & Spiro, 1986:1-3; Vorster & Coetzee, 1991:1-4). Some of these amendments have had a considerable impact on the tax burden of the individual as a taxpayer in South Africa. These include the introduction of the Pay-as-You-Earn (PAYE) system in 1963, the abolition of provincial income tax in 1971 (which led to a material increase in the tax rate on individuals), making fringe benefits taxable in 1984, and the introduction of a tax on capital gains in 2001 (Manuel, 2002:5).

Income tax is an important tax in the history of South Africa, but a number of other taxes that have had an impact on the tax burden of individuals as taxpayers in South Africa have also been implemented. Transfer duty was introduced in South Africa in 1686 and is the oldest tax still in use in the country today (Franzsen, 2005:154). Estate duty was introduced in 1955 by means of the Estate Duty Act (45 of 1955), and a stamp duty was introduced under the Stamp Duties Act (77 of 1968). In 1978, a general sales tax (GST) was implemented, but this tax was replaced in 1991 by a Value-added tax (VAT), in terms of the Value-added Tax Act (89 of 1991) (Manuel, 2002:4-10; Meyerowitz & Spiro, 1986:1-3; Stack, Cronjé & Hamel, 2000:4).

The brief historical overview above indicates that the South African government has historically used a diverse range of taxes to raise revenue. In the modern tax environment in South Africa, this is still the case, and, as with the modern

tax systems in other countries, there is a possibility that South African taxpayers are unaware of the aggregate amount paid through different taxes collectively, a phenomenon referred to as the 'fiscal illusion' (Webber & Wildavsky, 1986:578). One of the factors that contribute to the fiscal illusion is the government's labelling of a tax as something else to hide its true nature²⁹ (Say, 1821:341-342; Thuronyi, 2003:46).

Governments traditionally raise revenue through various imposts on the income, wealth, and consumption of goods and services of taxpayers (Gildenhuys, 1989:284-285; Muller, 2010:16; Steenekamp, 2012:164). The government labels the revenue from imposts on income, wealth and consumption in South Africa 'tax revenue' (National Treasury, 2011a:159). This tax revenue is supplemented by other income, which the South African government labels 'non-tax revenue' (National Treasury, 2011a:161). This non-tax revenue includes income from the sale of government-produced goods and services, interest income from investments, rental income from properties, and various other kinds of income (National Treasury, 2011a:161).

It is assumed in this study that individual taxpayers in South Africa are generally aware of most imposts on income, wealth, and consumption in South Africa, which the government labels 'tax revenue'. The reason for this assumption is that these imposts are often mentioned in government publications available to the general public, for instance, the annual budget overview (National Treasury, 2011a, 2012). However, other sources of government income, labelled 'non-tax revenue', provide the South African government with an opportunity to impose other taxes, and to 'hide' the true nature of these taxes from the taxpayers in South Africa by labelling the imposts as something else. For instance, this can be achieved by incorporating a specific impost, which is inherently a tax, into the tariff or fee structures (user charges) for particular public goods or services supplied by government. It is therefore important to investigate the revenue sources of the South African government, not only to identify all the relevant imposts used by the government to exact revenue from individual taxpayers, but

²⁹ Also see Section 2.2.1.

also to classify these imposts in terms of the criteria in Table 6, irrespective of the labels given to them by the South African government.

To achieve these objectives, it was deemed necessary to compile a comprehensive list of imposts that could potentially be used by the South African government to extract revenue from individual taxpayers. This comprehensive list was compiled using the IMF (2001:49) framework for classifying governments' revenue as a point of departure.

3.3 IMF FRAMEWORK FOR CLASSIFYING GOVERNMENT REVENUE

The IMF framework for classifying government revenue is part of the IMF's *Government finance statistics manual (GFS manual)*. This manual provides a comprehensive conceptual and accounting framework for analysing the public sector performance in any country (IMF, 2001:1). The framework is internationally accepted and recognised, and provides a basis for cross-country analyses, especially between member countries of the OECD (IMF, 2001:viii; OECD, 2010). South Africa is not a member country of the OECD, but it was possible to use the IMF framework as a basis for investigating imposts in South Africa in this study because the South African government uses the *GFS manual* to structure its public sector accounts (National Treasury, 2009b; 2009c, 2011:158-161; Steenekamp, 2012:163).

The IMF framework classifies the main sources of government revenue into the broad categories of revenue from 'taxes'³⁰ on income, wealth and consumption, revenue from social contributions, revenue from grants, and other revenue, which includes property income, the sale of public goods and services, fines, penalties and forfeits, voluntary transfers, and miscellaneous income (IMF, 2001:47-49). The IMF framework also provides a comprehensive list of imposts

³⁰ Just because an impost is labelled a tax, it does not necessarily mean that the impost is in fact a tax (see Section 2.2.1 and Section 3.2 for a background explanation). To prevent confusion between the definition of a tax used in Chapter 2 of this study and the term 'tax' in the IMF's framework, the term 'tax' in the IMF's framework (and subsequent reference to it) is replaced by the term 'impost' in the present study.

associated with each of these categories of government revenue. The IMF framework is summarised in Table 7.

Table 7: IMF framework for classifying government revenue

I	Revenue	12	Social contributions [GFS]
11	Taxes	121	Social security contributions
111	Taxes on income, profits, and capital gains	1211	Employee contributions
1111	Payable by individuals	1212	Employer contributions
1112	Payable by corporations and other enterprises	1213	Self-employed or nonemployed contributions
1113	Unallocable	1214	Unallocable contributions
112	Taxes on payroll and workforce	122	Other social contributions
113	Taxes on property	1221	Employee contributions
1131	Recurrent taxes on immovable property	1222	Employer contributions
1132	Recurrent taxes on net wealth	1223	Imputed contributions
1133	Estate, inheritance, and gift taxes	13	Grants
1134	Taxes on financial and capital transactions	131	From foreign governments
1135	Other nonrecurrent taxes on property	1311	Current
1136	Other recurrent taxes on property	1312	Capital
114	Taxes on goods and services	132	From international organizations
1141	General taxes on goods and services	1321	Current
11411	Value-added taxes	1322	Capital
11412	Sales taxes	133	From other general government units
11413	Turnover and other general taxes on goods and services	1331	Current
1142	Excises	1332	Capital
1143	Profits of fiscal monopolies	14	Other revenue
1144	Taxes on specific services	141	Property income [GFS]
1145	Taxes on use of goods and on permission to use goods or perform activities	1411	Interest [GFS]
11451	Motor vehicle taxes	1412	Dividends
11452	Other taxes on use of goods and on permission to use goods or perform activities	1413	Withdrawals from income of quasi-corporations
1146	Other taxes on goods and services	1414	Property income attributed to insurance policyholders
115	Taxes on international trade and transactions	1415	Rent
1151	Customs and other import duties	142	Sales of goods and services
1152	Taxes on exports	1421	Sales by market establishments
1153	Profits of export or import monopolies	1422	Administrative fees
1154	Exchange profits	1423	Incidental sales by nonmarket establishments
1155	Exchange taxes	1424	Imputed sales of goods and services
1156	Other taxes on international trade and transactions	143	Fines, penalties, and forfeits
116	Other taxes	144	Voluntary transfers other than grants
1161	Payable solely by business	1441	Current
1162	Payable by other than business or unidentifiable	1442	Capital
		145	Miscellaneous and unidentified revenue

Source: IMF (2001:49)

Using the IMF framework in Table 7 as a point of departure and excluding the imposts listed in Table 9 of this study, a comprehensive list was compiled of

potential imposts available to the South African government as sources of revenue. This list is set out in Table 8 below, and is referred to in the remainder of this study as the control framework for identifying government imposts in South Africa.

The control framework for identifying government imposts in South Africa, in Table 8, includes a brief reference to the general characteristics of each of the imposts listed in this control framework. These characteristics were used as broad criteria to facilitate the process of identifying and categorising the imposts used by the South African government. The control framework in Table 8 was structured using the traditional categories found in the literature, namely revenue from imposts on the income, wealth and consumption of taxpayers (Gildenhuys, 1989:284-285; Muller, 2010:16; Steenekamp, 2012:164).

Table 8: Control framework for identifying government imposts in South Africa

Impost	Characteristics of the impost
Revenue from imposts on income:	
<i>Imposts on income and profits</i> (1111) ³¹	This term covers imposts on net income (i.e. gross income minus allowable tax deductions), imposts on business profits, as well as specific imposts on investment income (i.e. dividend taxes, royalty taxes). Gross income refers, for instance, to income from labour, investment income, and income from social security funds. These imposts are normally imposed on income earned over an entire year (IMF, 2001:50-51; OECD, 2010:9-10).
<i>Imposts on payroll and workforce</i> (112)	These are imposts paid by employers, employees or self-employed persons, either as a proportion of the payroll, or as a fixed amount per person. The impost is not earmarked for social security funds, nor does it confer entitlement to any benefits (IMF, 2001:51; OECD, 2010:Annexure A:12).
Revenue from imposts on wealth:	
<i>Imposts on capital gains</i> (1111)	These are imposts on profits that originate from the sale, transfer or disposal of capital (IMF, 2001:51-52; OECD, 2010:10).

³¹ The code in brackets for each item refers to the category in the IMF framework in Table 7.

Impost	Characteristics of the impost
<i>Recurrent imposts on immovable property</i> (1131)	These are recurrent imposts on the users (tenants) or owners (proprietors), or both, of immovable property. These imposts are usually calculated as a percentage of the property's assessed value (IMF, 2001:52; OECD, 2010:12-13).
<i>Imposts on estates, inheritances, and gifts</i> (1133)	These imposts are levied when wealth is transferred at the death of a person or when property is donated to another party. Imposts on an estate are based on the value of a deceased's estate, whereas imposts on inheritance are based on the share of the estate that a beneficiary receives (IMF, 2001:52; OECD, 2010:13).
<i>Imposts on financial and capital transactions</i> (1134)	Imposts on financial and capital transactions refer to imposts on the transfer of the ownership of property. Transfer of ownership originates from the issuance, purchase and sale of securities, cheques and other forms of payment, and legal transactions, such as the validation of contracts or the sale of immovable property (IMF, 2001:52; OECD, 2010:13).
Revenue from imposts on consumption:	
<i>Value-added impost</i> (1411)	This is an impost collected at different stages by different enterprises, but is ultimately imposed on the final consumer of the goods and services. (IMF, 2001:53; OECD, 2010:14).
<i>Imposts on turnover</i> (11413)	This category consists of multistage cumulative imposts on gross turnover, without a subsequent deduction of expenses and other imposts (IMF, 2001:53; OECD, 2010:15).
<i>Excises</i> (1142)	Excises are imposts on particular products or a range of products at any stage of the production or distribution process. These imposts are based on the value or quantity of products (IMF, 2001:53; OECD, 2010:15).
<i>Imposts on specific services</i> (1144)	This category refers to imposts on selective services, which include imposts on gambling, betting, lotteries, insurance premiums, banking services, entertainment, restaurants, advertising and transport charges (IMF, 2001:54)
<i>Imposts on the use of motor vehicles</i> (11451)	These are imposts on the use of a motor vehicle, or permission to use a motor vehicle, but exclude toll fees (IMF, 2001:55).
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services</i> (11542)	These imposts normally take the form of licenses that permit the use of particular goods, or to perform particular regulated activities. Business and professional licenses are included in this category, as well as other licences that, for instance, permit hunting, fishing, the use of firearms, radio and television licenses and other licenses (IMF, 2001:55).

Impost	Characteristics of the impost
<i>Other imposts on goods and services</i> (1146)	This category provides for imposts that are not classified in the other categories, as well as for imposts on the extraction of minerals, fossil fuels and other non-renewable resources from deposits that are owned privately or are owned by other governments (IMF, 2001:55).
<i>Customs and import duties</i> (1151)	Customs and import duties are imposts on goods entering the country, or services delivered by non-residents to residents of the country (IMF, 2001:56; OECD, 2010:Annexure:16-17).
<i>Imposts on exports</i> (1152)	These are imposts on the export of goods and services to non-residents (IMF, 2001:56).
<i>Other imposts on international trade and transactions</i> (1156)	This category refers to imposts on various items, such as imposts on travel abroad and investments abroad (IMF, 2001:56).
Revenue from social contributions:	
<i>Social security contributions</i> (121)	Social security contributions are normally levied on the payroll and provide for benefits other than retirement benefits. Social security contributions may be paid in full by the employer, or may be a shared contribution between employers and employees. It may also be possible in some instances for self-employed persons to make contributions. These social security schemes do not confer an entitlement to benefits that are directly linked to the level of contributions (IMF, 2001:57).
<i>Other social contributions</i> (122)	Other social contributions include contributions to social insurance schemes (known as retirement schemes) operated by governments as employers on behalf of their employees. These social insurance schemes tie the level of benefits directly to the level of contributions (IMF, 2001:57).
Revenue from grants:	
<i>Transfers from government units</i> (13)	Revenue from grants consisting of non-compulsory transfers received by government units from either another government unit or an international organisation (IMF, 2001:57-58). Three sources of grants are recognised, namely transfers from foreign governments, transfers from international organisations and transfers from other general government units (IMF, 2001:57-58).
Revenue from property:	
<i>Interest</i> (1411)	Interest consists of revenue earned by the government from financial assets, referring, for instance, to deposits, securities other than shares, loans and accounts receivable (IMF, 2001:58).

Impost	Characteristics of the impost
<i>Dividends</i> (1412)	Dividends are revenue that government becomes entitled to in its capacity as shareholder and owner of both private and public corporations (IMF, 2001:59).
<i>Rent</i> (1415)	Revenue from rent is income that government units receive from leases of land, subsoil assets, ³² and other naturally occurring assets (IMF, 2001:59).
Revenue from the sale of [public] goods and services:	
<i>Sales by market establishments</i> (1421)	Sales by market establishments refer to revenue from the sale of goods and services by government entities at economically significant prices ³³ (IMF, 2001:47).
<i>Administration fees</i> (1422)	Administration fees refer to revenue from the exercise of some regulatory function by the government unit, for instance, fees for issuing drivers' licenses, passports, identification documents, etc. (IMF, 2001:60).
<i>Revenue from incidental sales by non-market establishments</i> (1423)	Revenue from the incidental sale by non-market establishments refers to sales incidental to the usual social or community activities of government departments and agencies, for instance, fees at government hospitals, tuition fees at government schools and admission fees to government-owned museums and parks (IMF, 2001:61).
Revenue from fines, penalties and forfeits:	
<i>Fines, penalties, and forfeits</i> (143)	Revenue from fines, penalties and forfeits consist of compulsory imposts for violations of laws or administrative rules (IMF, 2001:47-49).
Revenue from voluntary transfers and miscellaneous income:	
<i>Voluntary transfers</i> (144)	Revenue from voluntary transfers consists of non-compulsory income received by government (generally referred to as donations) (IMF, 2001:61).
<i>Miscellaneous income</i> (145)	Revenue from miscellaneous income consists of non-compulsory income received by government and which does not fit into one of the other categories (IMF, 2001:61).

The main revenue source categories of the IMF framework in Table 7, together with the underlying imposts, constitute a comprehensive list of imposts generally available to governments for exacting revenue from taxpayers. However, the South African government does not use all the imposts listed in the IMF framework to raise revenue. Table 9 provides a summary of those

³² Sub-soil assets refer to mineral deposits or fossil fuels (IMF, 2001:59).

³³ Economically significant prices can be described as prices that are likely to be charged in order to raise revenue in excess of the cost of the goods or services in the long run (IMF, 2001:10; National Treasury, 2009c:26). These prices also tend to be in line with the prices charged by private enterprises providing similar products, if such products exist (National Treasury, 2009c:26).

imposts that were excluded from the control framework in Table 8. It also sets out those imposts that are not used by the South African government, as well as imposts that are not relevant to this study, together with a brief explanation for excluding the impost concerned from the study.

Table 9: Imposts in the IMF framework excluded from this study

Imposts	Basis for exclusion
Revenue from imposts on income, profits and capital gains:	
<i>Payable by corporations and other enterprises</i> ³⁴ (1112)	The focus of the current study is on individual taxpayers in South Africa. Imposts on corporations and other enterprises are therefore not included in this analysis, because these imposts are deemed to be shifted onto individual taxpayers by means of price, payroll and/or shareholder shifting. ³⁵
<i>Unallocable</i> [Unallocated] (1113)	This is a general category for imposts that cannot be specifically classified into one of the other categories. Therefore this category was not used in the current study, as the purpose of the investigation into the revenue sources was to classify all the imposts used by the South African government into a specific revenue category.
Revenue from imposts on property:	
<ul style="list-style-type: none"> ▪ <i>Recurrent imposts on net wealth</i> (1132) ▪ <i>Other non-recurring imposts on property</i>(1135) ▪ <i>Other recurring imposts on property</i> (1136) 	<p>These are recurrent and non-recurring imposts on moveable and immovable property. The value on which these imposts are levied is determined by referring to the market value of the property, less any liabilities incurred on the property, known as imposts on net wealth (IMF, 2001:52; OECD, 2010:13). Net wealth in this context is, in essence, an unrealised capital gain over a particular period, taking into account debts against the property. Paying imposts on net wealth is compulsory. The purpose of such imposts is to raise general government revenue or redistribute wealth (Gildenhuys, 1989:339; Johansen, 1971:197; Muller, 2010:26-27).</p> <p>The introduction of imposts on net wealth in South Africa was considered by the Margo Commission, but was rejected by the Katz Commission on the grounds of administrative difficulties (Katz, 1995:par. 7.1.11; Muller, 2010:28).</p>
Revenue from imposts on goods and services:	
<i>General impost on sales</i> (11412)	This is an impost on the sale of goods and services, and it is normally collected at only one stage of the supply chain.

³⁴ Corporations and enterprises are entities that are liable for taxation in their own names.

³⁵ See Section 2.2.6.2.

Imposts	Basis for exclusion
	<p>This stage can be, for example, either the production stage, the wholesale stage, or the retail stage (IMF, 2001:53; OECD, 2010:15). This impost is usually referred to as general sales tax (GST) (IMF, 2001:52-53).</p> <p>Value-added tax (VAT) replaced GST in South Africa in 1991 and therefore this impost as a source of revenue was not relevant to this study.</p>
<p><i>Profits of fiscal monopolies (1143)</i></p>	<p>Profits of fiscal monopolies refer to revenue that is transferred to government from the profits of particular entities. Fiscal monopolies³⁶ are public corporations or quasi-corporations that exercise the taxing power of government by making use of their monopoly powers over particular goods or services. The main purpose with these monopolies is to raise revenue for government. This revenue could otherwise have been raised by imposing taxes on these goods and services (IMF, 2001:53-56; OECD, 2010:16).</p> <p>In South Africa, the government does not provide these types of goods through public entities, but it does impose excise duties on these goods in terms of the Customs and Excise Act (91 of 1964).</p>
Revenue from imposts on international trade and transactions:	
<p><i>Profits of import or export monopolies (1153)</i></p>	<p>Profits of import or export monopolies refer to revenue that is transferred to government from the profits of the relevant public entities. Import and export monopolies are in essence similar to fiscal monopolies, but they normally concentrate on the import and export of specific goods and services (IMF, 2001:53-56; OECD, 2010:16).</p> <p>In South Africa, the government does not provide such goods and services, but does impose specific custom duties on them in terms of the Customs and Excise Act (91 of 1964).</p>
<ul style="list-style-type: none"> ▪ <i>Exchange profits (1154)</i> ▪ <i>Exchange imposts (1155)</i> 	<p>Revenue from this type of imposts refers to a margin extracted by government between the purchase and sale price of foreign exchange, and revenue from imposts on the sale or purchase of foreign exchange itself (IMF, 2001:56).</p> <p>The South African government does not use this as a</p>

³⁶ Fiscal monopolies are non-financial public enterprises that exercise a monopoly – in most cases, over the production or distribution of items such as tobacco, alcoholic beverages, salt, matches, playing cards and petroleum or agricultural products (i.e. products which are likely to be, alternatively or additionally, subject to excises, to raise the government revenues which in other countries are gathered through taxes on dealings in such commodities by private business units). The government monopoly may be at the production stage or, as in the case of government-owned and controlled liquor stores, at the distribution stage (OECD, 2010:16).

Imposts	Basis for exclusion
	source of revenue in the form of an impost on individual taxpayers.
Revenue from other impost:	
<ul style="list-style-type: none"> ▪ <i>Payable solely by businesses</i> (1161) ▪ <i>Payable by entities other than businesses or unidentifiable</i> (1162) 	<p>This category of revenue caters for general impost that cannot be accounted for in one of the other categories. Hence, this category was not used, because the purpose of the investigation into the revenue sources was to allocate all impost used by the South African government into specific revenue categories.</p>
Revenue from property:	
<i>Withdrawal from quasi-corporations</i> (1413)	<p>Withdrawals from quasi-corporations refer to revenue that is conceptually the same as a dividend, but, because the quasi-corporation by definition³⁷ cannot distribute dividends, government makes withdrawals from these corporations from time to time (IMF, 2001:59).</p> <p>This source of revenue is not used by the South African government. However, this type of revenue is accounted for as dividends in the national accounts of the South African government (National Treasury, 2011a:161).</p>
<i>Property income attributed to insurance policyholders</i> (1414)	<p>Income attributed to insurance policyholders refers to revenue earned by insurance enterprises on their reserve funds. Where these reserve funds are considered to be the property of the policyholders, and government is a policyholder, the income on the reserve funds is deemed to accrue to government. However, this type of revenue is very rare and usually very small (IMF, 2001:59), and is not real revenue.</p> <p>This source of government revenue is not real income. It was therefore deemed not to originate from any impost on individual taxpayers in South Africa, rendering it irrelevant to this study.</p>
Revenue from the sale of public goods and services:	
<i>Imputed sale of goods and services</i> (1424)	<p>Imputed sales of goods and services refer to specific public goods and services used by government, in lieu of cash, as a compensation for their employees, for instance, the right of workers on a government-owned farm to consume produce. This revenue is not real income to government, but is an assumed income (IMF, 2001:61).</p> <p>This source of government revenue is not real income. It was therefore deemed not to originate from any impost on individual taxpayers in South Africa, rendering it irrelevant to this study.</p>

³⁷ A quasi-corporation refers to an entity that is not incorporated or otherwise legally established (IMF, 2001:8).

The South African government uses various imposts to raise revenue for the public sector. An understanding of the public structure and the public sector funding in South Africa is important, because it provides clarity on the sources of revenue used by government for this funding. Hence, the strategy in the present chapter was to examine the literature relating to the public structure and funding in South Africa, specifically focusing on legislation, official government documentation and financial statements from government departments and public entities. The main focus of this examination was directed towards establishing the main sources of revenue of these departments and entities. These sources were then analysed to identify the underpinning imposts from whence the revenue originates. This analysis of the revenue sources and originating imposts was structured by using the imposts and definitions in Table 8 as a control list, to ensure that all material imposts used by the South African government were identified and classified in terms of the categories that underpin the IMF framework.

3.4 PUBLIC SECTOR STRUCTURE AND FUNDING IN SOUTH AFRICA

The public sector in South Africa consists of government departments at the national, provincial and local spheres of government. This structure is extended by public entities (Calitz, 2012:10-11; South African Government, 2011). The management of public sector funds is regulated in terms of the Public Finance Management Act (1 of 1999) and Local Government: Municipal Finance Management Act (56 of 2003).

3.4.1 South African national government

Government at the national sphere consists of national departments. These include the Presidency and different line ministries, for instance, the Departments of Basic Education, Communications, Energy, Finance, Health, Police, Public Enterprises and Transport, in terms of Schedule 1 of the Public Service Act (103 of 1994) (also see South African Government, 2011).

National government in South Africa is mainly funded from the National Revenue Fund (National Treasury, 2011a:161-163, 2011b). In terms of section 213 of the Constitution, a national revenue fund was created, and it is controlled by the National Treasury. Section 213 requires that all revenue received by government at a national level must be deposited into this fund, but provision is made for excluding specific revenue at a national level.³⁸ Section 214 of the Constitution provides indirectly for the equitable allocation of funds from the National Revenue Fund to the national departments. This allocation is determined as part of the annual national budget.

Given the importance of the National Revenue Fund in South Africa, it can be assumed that by investigating this fund, most of the main imposts used by the national government as sources of revenue can be identified and classified in terms of the structure set out in Table 8. The most appropriate approach to the investigation was deemed to be to scrutinize official publications by the South African government, particularly the national budget review (National Treasury, 2011a), the estimates of national expenditure (National Treasury, 2011b), and the audited consolidated financial information of the government (National Treasury, 2010). The national budget review and the estimates of national expenditure contain the main budgeted sources of revenue for the National Revenue Fund (National Treasury, 2011a:152-165, 2011b:x). The consolidated financial information of government is found in the annual audited financial

³⁸ This revenue is excluded if it is collected in terms of another Act. This revenue mainly refers to the revenue of public entities dealt with in Section 3.4.4 of this study.

statements of national government, which contain the main actual sources of revenue (National Treasury, 2010:59-61).

An investigation of the national budget review (National Treasury, 2011a:152-165) revealed that the budgeted revenue sources of the National Revenue Fund consist mainly of revenue from imposts on income, wealth and consumption, which, in total, make up around 98% of the total budgeted revenue in the National Revenue Fund. Similarly, the investigation of the consolidated financial information of the government (National Treasury, 2010:43) confirmed that the revenue from imposts on income, wealth and consumption, in total, contributed around 98% of the actual income of national government (National Treasury, 2010:43). The results of the investigation into the sources of revenue of the National Revenue Fund, using Table 8 as a basis, are summarised in Table 10, overleaf.

Table 10: Revenue sources of the National Revenue Fund in South Africa

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
Revenue from imposts on income:			
<i>Imposts on income and profits</i>	✓	Income tax (National Treasury, 2010:59; 2011a:159).	Income tax is imposed on the income and profits of taxpayers during a given tax year in terms of the Income Tax Act (58 of 1962). Income includes income from labour, investments and retirement funds.
	✓	Secondary tax on companies (National Treasury, 2011a:159; 2012:50).	Secondary tax on companies (STC) is imposed in terms of the Income Tax Act (58 of 1962) at the corporate level on net dividends (dividend declared exceeding the sum of dividends received during the assessment period – known as the dividend cycle).
	✓	Dividends tax ⁴¹ (National Treasury, 2012:50).	Dividends tax is imposed in terms of the Income Tax Act (58 of 1962) on dividends paid to taxpayers. The tax is administered in the form of a withholding tax upon the payment of the dividend.
<i>Imposts on payroll and workforce</i>	x	N/A	This type of impost is not used as a source of revenue by the national government, but is used as an earmarked source of revenue by a number of specific public entities. ⁴²
Revenue from imposts on wealth:			
<i>Imposts on capital gains</i>	✓	Capital gains tax (National Treasury, 2010:59; 2011a:159).	Capital gains tax is imposed in terms of the Income Tax Act (58 of 1962) on the profits originating from the

³⁹ This column indicates whether or not the specific impost included in Table 8 is used as a source of revenue in the National Revenue Fund.

⁴⁰ This column lists the label used by the South African government to refer to that specific impost.

⁴¹ Dividends tax replaced secondary tax on companies (STC) on 1 April 2012 (SARS, 2012:1). However, there is a transition period and therefore STC was not excluded from this study.

⁴² See Section 3.4.4.3.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
			sale or transfer of property.
<i>Recurrent imposts on immovable property</i>	x	N/A	This type of impost is not used as a source of revenue by the national government, but is used as a source of revenue by municipalities. ⁴³
<i>Imposts on estates, inheritance, and gifts</i>	✓	Estate duty (National Treasury, 2010:59; 2011a:159).	Estate duty is imposed in terms of the Estate Duty Act (45 of 1955) on the value of a deceased's estates in South Africa.
		Donations tax (National Treasury, 2010:59; 2011a:159).	Donations tax is imposed in terms of sections 54 to 64 of the Income Tax Act (58 of 1962), on the disposal of property in the form of a donation.
<i>Imposts on financial and capital transactions</i>	✓	Transfer duty (National Treasury, 2010:59; 2011a:159).	Transfer duty is imposed on the acquisition of immovable property in terms of the Transfer Duty Act (40 of 1949). This impost becomes payable upon the acquisition of property by (or the enhancement of the value of property in the case of a renunciation in favour of) any person or entity.
		Securities transfer tax (National Treasury, 2010:59; 2011a:159).	Securities transfer tax is imposed in terms of the Securities Transfer Tax Act (25 of 2007), on the transfer of securities, which in essence means any share in a company or membership in a closed corporation.
Revenue from imposts on consumption:			
<i>Value-added imposts</i>	✓	Value-added tax (National Treasury, 2010:59; 2011a:159).	Value-added tax is imposed and regulated under the Value-Added Tax Act (89 of 1991). The impost is destination-based, which means that only the consumption of goods and services is taxed. This impost is considered to be a multi-stage impost,

⁴³ See Section 3.4.3.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
			because it is imposed at different stages, from the stage of production, to the final stage of supplying the goods or services to the consumer (Steenekamp, 2012:258).
<i>Imposts on turnover</i>	✓	Turnover tax payable by micro businesses (National Treasury, 2010:59; 2011a:159).	This is an impost on the turnover of qualifying micro businesses in lieu of an impost on their taxable income. This impost is regulated in terms of the Sixth Schedule of the Income Tax Act (58 of 1962).
<i>Excises</i>	✓	Specific excise duties (National Treasury, 2010:59; 2011a:159).	Specific excise duties are imposed in terms of Schedule No 1 Part 2A of the Customs and Excise Act (91 of 1964) on the quantity of specific goods produced in South Africa (SARS, 2009:8).
		<i>Ad valorem</i> excise duties (National Treasury, 2010:59; 2011a:159).	<i>Ad valorem</i> excise duties refer to imposts on the value of user goods (also known as 'luxury goods'). These imposts are regulated in terms of Schedule No 1 Part 2B of the Customs and Excise Act (91 of 1964) and are imposed on goods produced in South Africa (SARS, 2009:8).
<i>Imposts on specific services</i>	✗	N/A	This type of impost is not used as a source of revenue by national government, but it is used as a source of revenue by provincial governments. ⁴⁴
<i>Imposts on the use of motor vehicles</i>	✓	<i>Ad valorem</i> excise duties on motor vehicles (SARS; 2009:8).	<i>Ad valorem</i> excise duties are imposed on motor vehicles in terms of Schedule No 1 Part 2B of the Customs and Excise Act (91 of 1964), on both the import and production of motor vehicles.

⁴⁴ See Section 3.4.2.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
		CO ₂ motor vehicle emissions tax (National Treasury, 2011a:159).	A compulsory environmental impost on carbon dioxide (CO ₂) emissions of new and imported motor vehicles is imposed under Schedule No 1 Part 3D of the Customs and Excise Act (91 of 1964).
		Specific excise duties on petroleum products (National Treasury, 2011a:159).	Specific excise duties on the import and production of fuel are imposed in terms of Schedule No 1 Part 2A of the Customs and Excise Act (91 of 1964). These duties form part of the price paid for fuel by motorists (SARS, 2009:7).
		General fuel levy (National Treasury, 2010:59; 2011a:159).	A general impost on fuel is imposed in terms of Schedule No 1 Part 5A of the Customs and Excise Act (91 of 1964). This is a compulsory impost on motorists as part of the fuel price (SARS, 2009:7).
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services</i>	✓	Firearm licences (National Treasury, 2011b:537).	The ownership and use of a firearm is regulated in terms of the Firearms Control Act (60 of 2000). In terms of this Act, the ownership and use of a firearm is permitted by the issue of a firearms license by the Registrar of Firearms. The Registrar of Firearms in terms of this Act is the National Commissioner of the South African Police Service. The license revenue forms part of the administration fees under the non-tax revenue in the national revenue fund (National Treasury, 2011a:161).
<i>Other impost on goods and services</i>	✓	Electricity environmental levy (National Treasury, 2010:59; 2011a:159).	This is an environmental related impost on the use of electricity, imposed under Schedule No 1 Part 3B of the Customs and Excise Act (91 of 1964). The impost was implemented in order to raise revenue for the National Revenue Fund.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
		Plastic bags levy (National Treasury, 2010:59; 2011a:159).	This is an environment-related impost on the use of plastics bags, and is imposed under Schedule No 1 Part 3 of the Customs and Excise Act (91 of 1964). The impost was implemented in order to address environmental objectives, particularly the promotion of recycling plastic waste and raising environmental awareness in society.
		Incandescent light bulb levy (National Treasury, 2011a:159).	This is an impost under Schedule No 1 Part 3C of the Customs and Excise Act (91 of 1964). This impost on the use of incandescent light bulbs was introduced to promote the use of electricity-saving light bulbs.
		Mineral and petroleum royalties, as well as prospecting fees and surface rentals (National Treasury, 2011a:161).	These are general imposts to regulate the access to and exploitation of mineral deposits located in South Africa. This type of impost is regulated in terms of the Minerals and Petroleum Resources Royalty Act (28 of 2008), the Mineral and Petroleum Resources Royalty (Administration) Act (29 of 2008), the Mineral and Petroleum Resources Development Act (28 of 2002) and the Petroleum Resources Development Regulations (R.527 of 2004)(South Africa, 2004).
<i>Customs and import duties</i>	✓	Customs duties (National Treasury, 2010:59; 2011a:159).	Imposts on goods imported into South Africa are regulated under Schedule No 1 Part 2A, and Schedule No 1 Part 2B, of the Customs and Excise Act (91 of 1964). These are imposed on imported goods that are similar to locally produced goods on which excises are imposed (SARS, 2009:7).
<i>Imposts on exports</i>	✓	Diamond export levy (National Treasury, 2011a:159).	This is an impost on the holder of permit to export diamonds from South Africa, and is regulated in terms of the Diamond Export Levy (Administration) Act (14

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
			of 2007) and the Diamond Export Levy Act (15 of 2007). The purpose of the impost is to promote the development of the local economy, develop skills and create employment (SARS, 2009:8).
<i>Other imposts on international trade and transactions</i>	✓	Air passenger tax (National Treasury, 2010:59; 2011a:159).	This is an impost on international travelling passengers departing from South African airports. This impost is regulated in terms of Section 47B of the Customs and Excise Act (91 of 1964).
Revenue from social contributions:			
<i>Social security contributions</i>	x	N/A	This type of impost is not used as a source of revenue by the national government, but is used as an earmarked source of revenue by specific public entities. ⁴⁵
<i>Other social contributions</i>	x	N/A	This type of impost is not used as a source of revenue by the national government, but is used as an earmarked source of revenue by specific public entities. ⁴⁶
Revenue from grants:			
<i>Transfers</i>	✓	Government transfers (National Treasury, 2011a:161).	This refers to transfers from other government units, foreign governments, and international organisations (National Treasury, 2010:61).
Revenue from property:			
<i>Interest</i>	✓	Interest (National Treasury, 2011a:161).	Revenue from this source in the National Revenue Fund consists mainly of interest from deposits, loans, advances and investments (National Treasury, 2010:60).

⁴⁵ See Section 3.4.4.3.

⁴⁶ See Section 3.4.4.3.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
<i>Dividends</i>	✓	Dividends (National Treasury, 2011a:161).	Revenue from this source in the National Revenue Fund mainly consists of dividends from public entities (National Treasury, 2010:60).
<i>Rent</i>	✓	Rent (National Treasury, 2011a:161).	Revenue from this source consists of rent from government-owned land and buildings (National Treasury, 2010:60).
		Mining leases and ownership (National Treasury, 2011a:161; 2011b:699).	Revenue from this source consists mainly of rent from mining companies for surface rentals (National Treasury, 2011b:699).
Revenue from the sale of public goods and services:			
<i>Sales by market establishments</i>	x	N/A	This category is not used as a source of revenue by national government, but it is used as a source of revenue by specific public entities classified as market establishments ⁴⁷ .
<i>Administration fees</i>	✓	Administration fees (National Treasury, 2011a:161).	This source of revenue consists, for instance, of fees for issuing identification documents, passports, licences, permits and other official documents (National Treasury, 2011b:54, 2010:60).
<i>Incidental sales by non-market establishments.</i>	✓	Other income (National Treasury, 2011a:161).	This revenue originates from the sale by government units of public goods and services at below market-related prices (National Treasury, 2009c:44, 2010:60).
Revenue from fines, penalties and forfeits:			
<i>Fines, penalties, and forfeits.</i>	✓	Fines, penalties, and forfeits (National Treasury, 2011a:161).	This item consists of compulsory receipts imposed by a court or quasi-judicial body (National Treasury, 2009c:47, 2010:60).

⁴⁷ See Section 3.4.4.3.

Source of revenue	Used ³⁹	Label ⁴⁰	Detail
Revenue from voluntary transfers and miscellaneous income:			
<i>Voluntary transfers.</i>	✓	Transfers received (National Treasury, 2010:61).	Voluntary transfers received from public corporations and private enterprises (National Treasury, 2009c:45).
<i>Miscellaneous income.</i>	✓	Sale of capital assets (National Treasury, 2010:60; 2011a:161).	Revenue from this source consists of revenue from the sale of capital assets, for example, buildings, bridges, etc. (National Treasury, 2009c:49).
		Financial transactions in assets and liabilities (National Treasury, 2010:60; 2011a:161).	Revenue from this source consists of capital revenue, for instance, loan repayments from public entities, the repayment of equity previously invested in public entities, the repayment of advances, etc. (National Treasury, 2009c:49).
		Sales of scrap, waste, arms and other used current goods (National Treasury, 2010:60; 2011a:161).	Revenue from this source consists of revenue from the sale of goods that are not capital assets, for example, paper sold for recycling, scrap material, or used arms (National Treasury, 2009c:45).

3.4.2 Provincial government

Government departments at the provincial sphere are listed in Schedule 2 of the Public Service Act (103 of 1994). They include the Office of the Premier of each province. Schedules 4 and 5 of the Constitution assign functional areas to provincial departments, which includes agriculture, education, health, housing, roads, transport and tourism.

Revenue at the provincial sphere is regulated in terms of section 226 of the Constitution, which requires the creation of provincial revenue funds under the control of the Provincial Treasuries. All revenues received by provincial governments must be deposited into these provincial revenue funds. However, section 226 also makes provision for revenue excluded by the Constitution or another Act of Parliament.⁴⁸ Section 227 of the Constitution entitles provincial governments to an equitable share of revenue raised in the National Revenue Fund, and this share may be extended by conditional or unconditional grants from the National Revenue Fund.

The sources of revenue of government departments at the provincial sphere were investigated in this study by analysing the provincial budget and expenditure review by the National Treasury (2009a), using Table 8 as an underpinning. This review by the National Treasury contains information on the revenue sources of the provincial governments in South Africa over a given period, and it was therefore deemed to be an appropriate source of reference from which to identify imposts used by the provincial governments to raise revenue. The analysis of the National Treasury (2009a) document was extended to an analysis of the 2011/2012 budget reviews of the Gauteng provincial government (Gauteng, 2011), the KwaZulu-Natal provincial government (KwaZulu-Natal, 2011), and the Western Cape provincial government (Western Cape, 2011a), to enhance the investigation into the revenue sources of the provincial governments. The reason for using the

⁴⁸ This revenue is excluded if it is collected in terms of another Act. This revenue refers mainly to the revenue of public entities such as those dealt with in Section 3.4.4 of this study.

budget reviews of only these three provincial governments, and not the ones from the other six provinces in South Africa, is that these provinces contribute around 70% of the total provincial revenue from own receipts (National Treasury, 2009a:12). Hence, these three provinces were deemed to be the most important ones to analyse in this investigation.

The results from the investigation into the revenue sources of the provincial governments indicate that provincial revenue funds are mainly funded through transfers from the National Revenue Fund, which contributes around 97% of the total revenue of provinces in South Africa (National Treasury, 2009a:7). The remaining 3% of revenue is generated by the provincial governments themselves, and mainly consists of imposts on the income of casinos (15%) and from horse racing (1%), administration fees from liquor licenses (1%), motor vehicle license fees (48%), the sale of goods and services (21%), fines, penalties and forfeits (1%), interest, dividends and rent on land (11%), and other miscellaneous revenue (2%) (National Treasury, 2009a:11).

Section 228 of the Constitution regulates imposts by provincial governments. In terms of this section, provincial governments do not have the power to raise revenue from income tax, value-added tax, general sales tax, property rates, or custom duties. However, section 228 provides for provincial governments to impose a flat-rate surcharge, in specific circumstances, on any tax, levy or duty imposed in terms of national legislation, although it excludes corporate income tax, value-added tax, property rates and custom duties from this provision.

Table 11, overleaf, summarises the results from the investigation into the revenue sources of the provincial governments in South Africa.

Table 11: Revenue sources of the provincial revenue funds in South Africa

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
Revenue from imposts on income:			
<i>Imposts on income and profits</i>	X	N/A	Section 228 of the Constitution makes provision for provincial governments to impose a flat-rate surcharge on the income tax imposed on individual taxpayers, but no evidence was found in the investigation to indicate that this is a source of revenue currently used to raise revenue for the provincial revenue funds.
<i>Imposts on payroll and workforce</i>	X	N/A	
Revenue from imposts on wealth:			
<i>Imposts on capital gains</i>	X	N/A	Capital gains tax is inherently part of the income tax imposed, as it is regulated and imposed under the Income Tax Act (58 of 1962). Section 228 of the Constitution makes provision for provincial governments to impose a flat-rate surcharge on the income tax imposed on individual taxpayers, but no evidence was found in the investigation to indicate that this is a source of revenue currently used to raise revenue for the provincial revenue funds.
<i>Recurrent imposts on immovable property</i>	X	N/A	In terms of section 228 of the Constitution, provincial governments are not allowed to raise revenue from property rates.
<i>Imposts on estates, inheritance, and gifts</i>	X	N/A	Section 228 of the Constitution does not prevent provincial governments from raising revenue from this type of impost, but no evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for the provincial revenue funds.
<i>Imposts on financial and capital transactions</i>	X	N/A	

⁴⁹ This column indicates whether or not the specific impost included in Table 8 is used as a source of revenue for the provincial revenue funds.

⁵⁰ This column provides the label used by the South African government to refer to the impost.

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
Revenue from imposts on consumption:			
<i>Imposts on added value</i>	X	N/A	In terms of section 228 of the Constitution, provincial governments are not allowed to raise revenue from value-added tax.
<i>Imposts on turnover</i>	X	N/A	Turnover tax inherently forms part of income tax, as it is regulated and imposed under the Income Tax Act (58 of 1962). Section 228 of the Constitution makes provision for provincial governments to impose a flat-rate surcharge on the income tax imposed on individual taxpayers, but no evidence was found in the investigation to indicate that this is a source of revenue currently used to raise revenue for the provincial revenue funds.
<i>Excises</i>	X	N/A	Section 228 of the Constitution does not prevent provincial governments from raising revenue from this type of impost, but no evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for the provincial revenue funds.
<i>Imposts on specific services</i>	✓	Casino taxes (Gauteng, 2011:15; KwaZulu-Natal, 2010:2-7; 2011:47; National Treasury, 2009a:11; Western Cape, 2011a:36).	Imposts on casinos are regulated under provincial legislation, and are imposed on the income of the entities in the casino industry (CASA, 2008:12-23).
		Horse racing taxes (Gauteng, 2011:15; KwaZulu-Natal, 2010:2-7; 2011:47; National Treasury, 2009a:11; Western Cape, 2011a:36).	Imposts on horse racing are regulated under provincial legislation, and are imposed on the income of the entities in the horse racing industry (CASA, 2008:12-23).

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
<i>Imposts on the use of motor vehicles</i>	✓	Motor vehicle licences (Gauteng, 2011:15; KwaZulu-Natal, 2010:2-7; 2011:47; National Treasury, 2009a:11; Western Cape, 2011a:36)	Motor vehicle licences are regulated in terms of the National Road Traffic Act (93 of 1996). Motor vehicle licences are a significant source of own revenue generated by provincial governments (National Treasury, 2009a:11 & 134).
		Drivers' licences (Gauteng, 2011:15; KwaZulu-Natal, 2011:499; Western Cape, 2011a:36).	Drivers' licences are regulated in terms of the National Road Traffic Act (93 of 1996). Drivers' licences are an important source of revenue for provincial revenue funds (National Treasury, 2009a:11 & 134).
		Fines for traffic violations (Gauteng, 2011:15; KwaZulu-Natal, 2011:499; Western Cape, 2011a:36).	Traffic fines for violations on provincial roads are imposed and regulated in terms of the National Road Traffic Act (93 of 1996). These imposts contribute to the revenue of the provincial revenue funds (National Treasury, 2009a:11).
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services</i>	✓	Liquor licenses (Gauteng, 2011:15; KwaZulu-Natal, 2011:51; Western Cape 2011a:45).	The issuing of liquor licences is a functional area in terms of Schedule 5 Part A of the Constitution. Revenue from the issuing of a liquor licence forms part of the provincial revenue funds (National Treasury, 2009a:11).
		Casino and horse racing licences (Gauteng, 2011:15; KwaZulu-Natal, 2010:2-7; 2011:47; National Treasury, 2009a:11; Western Cape, 2011a:36).	The issuing of casino and horse racing licences is a concurrent functional area in terms of Schedule 4 Part A of the Constitution. Revenue from these licences forms part of the provincial revenue funds (CASA, 2008:12-23).
<i>Other imposts on goods and services</i>	X	N/A	Section 228 of the Constitution does not prevent provincial governments from raising revenue from this type of impost, but no evidence was found in the investigation to indicate that these are sources of revenue currently used to raise

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
			revenue for the provincial revenue funds.
<i>Customs and import duties</i>	X	N/A	In terms of section 228 of the Constitution, provincial governments are not allowed to raise revenue from customs duties.
<i>Imposts on exports</i>	X	N/A	Section 228 of the Constitution does not prevent provincial governments from raising revenue from this type of impost, but no evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for the provincial revenue funds.
<i>Other impost on international trade and transactions</i>	X	N/A	
Revenue from social contributions:			
<i>Social security contributions</i>	X	N/A	No evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for the provincial revenue funds.
<i>Other social contributions</i>	X	N/A	
Revenue from grants:			
<i>Transfers</i>	✓	Government transfers received (Gauteng, 2011:5; KwaZulu-Natal, 2011:47; Western Cape, 2011a:36).	Transfers from the National Revenue Fund and other government units (National Treasury, 2011b:xvii).
Revenue from property:			
<i>Interest</i>	✓	Interest (Gauteng, 2011:474; KwaZulu-Natal, 2011:237; Western Cape, 2011a:47).	Interest revenue from interest-bearing financial instruments, such as bank deposits, loans, and bills and bonds (National Treasury, 2009a:11).
<i>Dividends</i>	✓	Dividends (Gauteng, 2011:474; KwaZulu-Natal, 2011:237; Western Cape, 2011a:47).	Dividend revenue from investments (National Treasury, 2009a:11).
<i>Rent</i>	✓	Rent (Gauteng, 2011:474;	Rent as source of revenue refers mainly to the rent received

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
		KwaZulu-Natal, 2011:237; Western Cape, 2011a:47).	from leasing buildings (National Treasury, 2009a:11).
Revenue from the sale of goods and services:			
<i>Sales by market establishments</i>	X	N/A	This category is not used as a source of revenue by national government, but it is used as a source of revenue by specific public entities classified as market establishments. ⁵¹
<i>Administration fees</i>	✓	Permits, licence, and other administration fees (Gauteng, 2011:322; KwaZulu-Natal, 2011:499; Western Cape, 2011a:441).	The sales of goods and services other than capital assets include administration fees, for instance, abnormal loads permits, duplicate documents, permits of authorised officials, sports gatherings, public road permits, etc.
<i>Incidental sales by non-market establishments</i>	✓	Healthcare service fees (Gauteng, 2011:129; KwaZulu-Natal, 2011:279; Western Cape, 2011a:267).	These fees consist mainly of charges for services by provincial hospitals (National Treasury, 2009a:11 & 47).
		Public school fees (Gauteng, 2011:221; KwaZulu-Natal, 2011:190; Western Cape, 2011a:160).	These fees consist mainly of school fees for public schools (National Treasury, 2009a:21-47).
Revenue from fines, penalties and forfeits:			
<i>Fines, penalties, and forfeits</i>	✓	Fines, penalties, and forfeits (National Treasury, 2009a:39).	Fines are issued for various violations of regulations (Gauteng, 2011:16; KwaZulu-Natal, 2011:51; Western Cape, 2011a:46).

⁵¹ See Section 3.4.4.3.

Source of revenue	Used ⁴⁹	Label ⁵⁰	Detail
Revenue from voluntary transfers and miscellaneous income:			
<i>Voluntary transfers</i>	✓	Transfers received (Gauteng, 2011:15; KwaZulu-Natal, 2011:50; Western Cape, 2011a:36).	This is revenue received in the form of voluntary donations, mainly from international organisations (National Treasury, 2009a:11).
<i>Miscellaneous income</i>	✓	Sale of capital assets (Gauteng, 2011:15; KwaZulu-Natal, 2011:51; Western Cape, 2011a:47).	This is a source of revenue used by provincial governments, although it is not major source of revenue (National Treasury, 2009a:11).
		Financial transactions in assets and liabilities (Gauteng, 2011:15; KwaZulu-Natal, 2011:51; Western Cape, 2011a:47).	Transactions in financial assets and liabilities consist mainly of debt recovery (National Treasury, 2009a:11).

3.4.3 Local government

Government at the local sphere in South Africa is comprised of eight metropolitan municipalities, 226 local municipalities and 44 district municipalities, as defined in sections 1 and 2 of the Local Government: Municipal Structures Act (117 of 1998), read with section 155 of the Constitution. In terms of section 76 of the Local Government: Municipal Systems Act (32 of 2000), municipalities may use various mechanisms to provide services, which may include departments, administration units, and various other entities.

Section 229 of the Constitution and the Municipal Fiscal Powers and Functions Act (12 of 2007) deals with the fiscal powers and functions of municipalities, but the management of municipal revenue is regulated under sections 7 to 14 of the Local Government: Municipal Finance Management Act (56 of 2003). In terms of sections 7 and 8, municipalities are required to open bank accounts, one of which is the primary bank account, into which all municipal revenues must be deposited. Section 227 of the Constitution entitles the local government sphere to an equitable share of revenue raised in the National Revenue Fund. This share may be extended by conditional or unconditional grants from the National Revenue Fund.

Municipalities receive funding in the form of transfers from the national and provincial revenue funds. These transfers contribute around 20% to the total funding of municipalities (National Treasury, 2011c:58). The remaining municipal revenue consists of property rates (17%), service charges (53%), interest (1%) and other revenue (9%) (National Treasury, 2011c:58). Municipal service charges in South Africa consist of service charges on electricity (67%), water (18%), sanitation (8%), refuse (5%), transfers (20%) and other services (2%) (National Treasury, 2011c:58). However, a large percentage of the revenue from service fees on electricity and water flows through the municipalities to Eskom and various water boards (National Treasury, 2011c:58-59). Municipal revenue from electricity and water services in essence

consists of surcharges imposed on bulk electricity from Eskom,⁵² and on bulk water from the relevant water boards.

Section 229 of the Constitution regulates imposts by municipalities and provides for municipalities to impose property rates and surcharges on the fees for municipal services. However, section 229 does permit municipalities, under specific circumstances as provided for in the Municipal Fiscal Powers and Functions Act (12 of 2007), to impose taxes, levies and duties appropriate to municipalities, but this provision excludes income tax, value-added tax, general sales tax and custom duties.

The results from the investigation into the revenue sources of municipalities in South Africa are summarised in Table 12, overleaf.

⁵² In some instances, municipalities generate their own electricity, but for the purposes of this study, all municipal electricity is deemed to be purchased from Eskom, based on the assumption that most municipalities in South Africa do not generate their own electricity. This assumption is supported by the fact that around 65% to 85% of municipal services charges on electricity are paid over to Eskom (National Treasury, 2011c:58).

Table 12: Revenue sources of municipal revenue funds in South Africa

Source of revenue	Used ⁵³	Label ⁵⁴	Detail
Revenue from imposts on income:			
<i>Imposts on income and profits</i>	X	N/A	In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from taxes imposed on income.
<i>Imposts on payroll and workforce</i>	X	N/A	
Revenue from imposts on wealth:			
<i>Imposts on capital gains</i>	X	N/A	Imposts on capital gains in South Africa are inherently part of income tax, as it is regulated and imposed under the Income Tax Act (58 of 1962). In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from taxes imposed on income.
<i>Recurrent imposts on immovable property</i>	✓	Property rates (National Treasury, 2011c:58).	Property rates are compulsory imposts on the market value of immovable property (Steenekamp, 2012:246). The rates are imposed in terms of the Local Government: Municipal Property Rates Act (6 of 2004).
<i>Imposts on estates, inheritance, and gifts</i>	X	N/A	In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from imposts on estates, inheritances, and gifts, because such imposts are not deemed to be appropriate to municipalities.
<i>Imposts on financial and capital transactions</i>	X	N/A	In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from imposts on financial and capital transactions, because such imposts are not deemed to be appropriate to municipalities.

⁵³ This column indicates whether or not the specific impost included in Table 8 is used as a source of revenue in the municipal revenue funds.

⁵⁴ This column provides the label used by the South African government to refer to the impost.

Source of revenue	Used ⁵³	Label ⁵⁴	Detail
Revenue from imposts on consumption:			
<i>Imposts on added value</i>	X	N/A	In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from value-added tax.
<i>Imposts on turnover</i>	X	N/A	Turnover tax inherently forms part of income tax, as it is regulated and imposed under the Income Tax Act (58 of 1962), and hence, in terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from imposts on income.
<i>Excises</i>	X	N/A	Section 229 of the Constitution does not prevent municipalities from raising revenue from this type of impost, but no evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for municipal revenue funds.
<i>Imposts on specific services</i>	X	N/A	No evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for municipal revenue funds.
<i>Imposts on the use of motor vehicles</i>	✓	Fines for traffic violations (National Treasury, 2011c:60).	Traffic fines for violations on provincial roads are regulated in terms of the National Road Traffic Act (93 of 1996). This impost is used by municipalities as a source of revenue.
		General fuel levy (National Treasury, 2011c:53).	Metropolitan municipalities' share in the general fuel levy as a source of income (National Treasury, 2011a:163, 2011c:36).
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services</i>	✓	Business licenses (National Treasury, 2011c:33,60).	This is a source of revenue used by municipalities from the issuing of business licenses to businesses providing food to the public. Under Schedule 5 Part B of the Constitution, the issue of business licences is one of the functional areas of municipalities.

Source of revenue	Used ⁵³	Label ⁵⁴	Detail
<i>Other imposts on goods and services</i>	X	N/A	No evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for municipal revenue funds.
<i>Customs and import duties</i>	X	N/A	In terms of section 229 of the Constitution, municipalities are not allowed to raise revenue from customs duties.
<i>Imposts on exports</i>	X	N/A	No evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for municipal revenue funds.
<i>Other imposts on international trade and transactions</i>	X	N/A	
Revenue from social contributions:			
<i>Social security contributions</i>	X	N/A	No evidence was found in the investigation to indicate that these are sources of revenue currently used to raise revenue for municipal revenue funds.
<i>Other social contributions</i>	X	N/A	
Revenue from grants:			
<i>Transfers</i>	✓	Government transfers (National Treasury, 2011c:36; Statistics South Africa, 2010:11).	Transfers from the national and provincial revenue funds (National Treasury, 2011c:36).
Revenue from property:			
<i>Interest</i>	✓	Interest (National Treasury, 2011c:58; Statistics South Africa, 2010:11).	Revenue from the interest on investments and outstanding debtor accounts (National Treasury, 2011c:58).
<i>Dividends</i>	✓	Dividends (National Treasury, 2011c:58; Statistics South Africa, 2010:11).	Revenue from investments (National Treasury, 2011c:58).
<i>Rent</i>	✓	Rent of facilities and equipment (National Treasury, 2011c:58; Statistics South Africa, 2010:11).	Revenue from the rent of equipment and facilities National Treasury (2011c:58).

Source of revenue	Used ⁵³	Label ⁵⁴	Detail
Revenue from the sale of goods and services:			
<i>Sales by market establishments⁵⁵</i> <i>(Municipal services⁵⁶)</i>	✓	Electricity service charges (National Treasury, 2011c:58).	Imposts on the supply of electricity used by municipalities to raise revenue (National Treasury, 2011c:36).
		Water service charges (National Treasury, 2011c:58).	Imposts on the supply of water used by municipalities to raise revenue (National Treasury, 2011c:36).
		Sanitation service charges (National Treasury, 2011c:58).	Imposts on the supply of sanitation services used by municipalities to raise revenue (National Treasury, 2011c:36).
		Refuse removal service charges (National Treasury, 2011c:58).	Imposts on the supply of refuse services used by municipalities to raise revenue (National Treasury, 2011c:36).
<i>Administration fees</i>	✓	Administrative fees (National Treasury, 2011c:36).	Administrative fees for municipal services are regulated in terms of the Local Government: Municipal Systems Act (32 of 2000) (National Treasury, 2011c:36).
<i>Incidental sales by non-market establishments</i>	✓	Healthcare service fees (National Treasury, 2011c:33).	This is a source of revenue used by municipalities derived from providing healthcare services (National Treasury, 2009a:47).
		Other income (National Treasury, 2011c:58).	This source of revenue originates from services rendered to other spheres of government, for instance, an agency fee for issuing licenses for motor vehicles' and drivers' licences in terms of the National Road

⁵⁵ It is assumed for the purposes of this study that municipal supply services relating to electricity, water, sanitation, refuse removal and some of the other services are in essence public goods and services sold in market-related circumstances. Hence, these services are included under the category of sales by market establishments. This assumption is supported by the fact that these services are generally referred to by municipalities as trading services (National Treasury, 2011c:41 & 58), although it is possible to argue that municipalities are not really market establishments.

⁵⁶ Although municipalities might render other services, for instance, public transport services, this study focuses only on the services relating to electricity, water, refuse removal and sanitation. The reason for this is that these services are the main services rendered by municipalities, in total contributing to around 98% of municipal revenue from services (National Treasury, 2011c:58).

Source of revenue	Used ⁵³	Label ⁵⁴	Detail
			Traffic Act (93 of 1996) on behalf of provincial governments. It also includes various other incomes, for instance, entrance fees to municipal swimming pools, parks, and other facilities.
Revenue from fines, penalties and forfeits:			
<i>Fines, penalties, and forfeits</i>	✓	Fines and penalties (National Treasury, 2011c:58).	Fines and penalties on the violation of municipal regulations (National Treasury, 2011c:36), and also penalties on outstanding property rates (National Treasury, 2011c:58).
Revenue from voluntary transfers and miscellaneous income:			
<i>Voluntary transfers</i>	✓	Transfers (National Treasury, 2011c:58; Statistics South Africa, 2010:11).	This is revenue received in the form of voluntary donations (National Treasury, 2011c:58).
<i>Miscellaneous income</i>	✓	Other revenue (National Treasury, 2011c:58; Statistics South Africa, 2010:11).	This revenue consists of other unallocated revenue not often used by municipalities as sources of revenue (National Treasury, 2011c:58).

3.4.4 Public entities

Public entities are defined in Section 1 of the Public Finance Management Act (1 of 1999) as any public board, commission, company, corporation, fund or other entity established in terms of legislation. Public entities are categorised and listed in Schedules 1, 2 and 3⁵⁷ of the Act:

- Schedule 1: constitutional institutions;
- Schedule 2: main public entities;
- Schedule 3: other public entities
 - Schedule 3A: national public entities;
 - Schedule 3B: national government business enterprises;
 - Schedule 3C: provincial public entities; and
 - Schedule 3D: provincial government business enterprises.⁵⁸

Public entities can be divided into market establishments and non-market establishments. A market establishment is a public entity providing goods and services at market-related prices, while a non-market establishment provides goods and services at prices below the market rate (IMF, 2001:11; National Treasury, 2009c:28-29). The funding for public entities in South Africa, both market and non-market establishments, comes from various sources, including

- transfers from the national and provincial revenue funds (Gauteng, 2011:22; KwaZulu-Natal, 2011:60; National Treasury, 2011a:167; Western Cape, 2011a:79);
- social contributions (National Treasury, 2011b:104-06);
- imposts in terms of specific legislation on certain goods and services (National Treasury, 2011b:845-858 & 886-887); and/or
- the sale of goods and services (Gauteng, 2011; KwaZulu-Natal, 2011; National Treasury, 2011b; Western Cape, 2011a).

⁵⁷ Schedule 3 consists of Parts A, B, C and D, which are referred to hereafter in the study as Schedules 3A, 3B, 3C and 3D.

⁵⁸ This study uses the public entities listed on 30 September 2011 (National Treasury, 2011d, 2011e) as a basis for the investigation into the revenue sources of these entities.

Public entities consist of a large number of public boards, commissions, companies, corporations, funds and other entities in all the functional areas of government (National Treasury, 2011d; National Treasury, 2011e). Not all of the funding structures of all these entities directly affect the tax burden of individual taxpayers, because a large number of them are funded mainly from transfers from the National Revenue Fund and the provincial revenue funds (Gauteng, 2011; KwaZulu-Natal, 2011; National Treasury, 2011b; Western Cape, 2011a).

The analysis of public entities in South Africa, for the purposes of this study, was therefore limited primarily to those entities that are listed in the Public Finance Management Act⁵⁹ and that provide services in the government functional areas relating to communication, education, energy, health, human settlements, public order and safety, social development, transport, and water affairs. The reason for focusing on these functional areas was that around 70%⁶⁰ of the budgeted revenue from the national and provincial revenue funds is allocated to these functional areas (see Table 73⁶¹), and hence they were deemed to be the more important focus areas for government. Some of the public goods and services related to these functional areas are also normally used for studies on household expenditure (Statistics South Africa, 2011a:1), for instance, educational services, electricity and fuel, healthcare services, social security services, transport services, and water services.⁶²

The investigation into the revenue sources of public entities in South Africa was conducted by analysing the revenue of each specific public entity, as it was included in the latest audited financial statements,⁶³ using the characteristics listed in Table 8 as a point of reference. Where relevant, the National Revenue Fund (National Treasury, 2011b), and the provincial revenue funds (Gauteng,

⁵⁹ This was limited to entities listed in the Public Finance Management Act on 30 September 2011 (National Treasury, 2011d, 2011e).

⁶⁰ The remaining 30% consist mainly of administrative functions (22%) and other miscellaneous functions (8%) (see Table 73).

⁶¹ See Section 5.6.3.2.

⁶² For the purposes of this study, these functional areas included in the examination of the revenue sources of public entities are referred to as key functional areas in the rest of the study.

⁶³ The latest audited financial statements refer to those financial statements that were generally available on the internet for the public entity up to 31 October 2011.

2011; KwaZulu-Natal, 2011; National Treasury, 2011b; Western Cape, 2011a) were also used as a point of reference to identify revenue sources of public entities in the key functional areas. The investigation was limited to the main sources of revenue that contributed, in total, more than 80% to the revenue of the particular public entity under review.

3.4.4.1 Constitutional institutions

Constitutional institutions, listed in Schedule 1 of the Public Finance Management Act, include the Commission on Gender Equality, the Financial and Fiscal Commission, the Independent Electoral Commission, the Public Protector of South Africa and the South African Human Rights Commission. These institutions are mainly funded from the National Revenue Fund and are classified as non-market establishments. The results of the investigation into the main revenue sources of constitutional entities in the key functional areas are summarised in Table 13, overleaf.

Table 13: Main revenue sources of constitutional institutions in South Africa

Key functional area	Constitutional institution	Main sources of revenue	Contribution
Communication	Independent Communications Authority of South Africa (ICASA)	Government transfers (ICASA, 2011:135).	99%
Energy	No constitutional institution in this functional area		
Health	No constitutional institution in this functional area		
Human settlements	No constitutional institution in this functional area		
Public order and safety	Public Protector of South Africa (PPSA)	Government transfers (PPSA, 2010:98).	99%
Social development	National Youth Development Agency (NYDA)	Government transfers; Voluntary transfers (donation) (NYDA, 2011:110).	80% 13%
Transport	No constitutional institution in this functional area		
Water affairs	No constitutional institution in this functional area		

3.4.4.2 *Major public entities*

Major public entities operate in a competitive marketplace in line with general business principles, and are classified as market establishments. Major public entities, as listed in Schedule 2 of the Public Finance Management Act, include Telkom SA Limited, ESKOM Holdings Limited, Transnet Ltd, South African Airways (Pty) Limited (SAA) and the South African Broadcasting Corporation Limited (SABC).

Such entities are meant to generate profits and declare dividends to shareholders (Auditor-General, 2004:27). Dividends received by the government as a shareholder in these entities contribute to the National Revenue Fund (National Treasury, 2011a:161). The major public entities in the key functional areas are mainly self-funded through the sale of their goods or services, but some also receive financial support from the government in the form of grants. Other sources of revenue include rentals, interest, dividends, and other sundry income. The results of the investigation into the main revenue sources of the major public entities in the key functional areas are summarised in Table 14, overleaf.

Table 14: Main revenue sources of the major public entities in South Africa

Key functional area	Major public entity	Main sources of revenue	Contribution
Communication	Broadband Infrastructure Company (Pty) Ltd (Broadband Infraco)	Broadband infrastructure rental tariffs (Broadband Infraco, 2011:73; National Treasury 2011b:214).	99%
	South African Broadcasting Corporation Limited (SABC)	Air broadcasting tariffs; Television licences (National Treasury, 2011b:603-604, SABC, 2011:135).	67% 17%
	South African Post Office Limited (SAPO)	Postal service tariffs; Courier service tariffs (National Treasury, 2011b:600-601; SAPO, 2010:126).	72% 13%
	Telkom SA Limited (Telkom)	Telecommunication tariffs (Telkom, 2010:232).	94%
Energy	ESKOM	Electricity supply tariffs (Eskom, 2011b:note 29; National Treasury, 2011b:215).	99%
	CEF (Pty) Ltd (CEF)	Imposts on fuel (CEF, 2010:35). The impost on fuel ⁶⁴ refer to <ul style="list-style-type: none"> • an equalisation fund levy; • a slate levy; • a demand side management levy; and • an illuminating paraffin tracer dye levy. (Department of Energy, n.d.; Sasol, 2007).	87%
	Nuclear Energy Corporation Limited (NECSA)	Nuclear energy supply tariffs; Government transfers (National Treasury, 2011b:643; Necsa, 2010:2).	69% 29%
Health	No major public entity in this functional area		
Human settlements	No major public entity in this functional area		

⁶⁴ These are impost on the consumption of fuel in South Africa that form part of the Equalisation Fund, which is managed and administered by CEF (Pty) Ltd (Department of Energy n.d.; National Treasury, 2011a:641).

Key functional area	Major public entity	Main sources of revenue	Contribution
Public order and safety	Armaments Corporation of South Africa Limited (ARMSCOR)	Sale of military goods and services. Government transfers (ARMSCOR, 2010:59).	65% 31%
Social development	No major public entity in this functional area		
Transport	Air Traffic and Navigation Services Company Limited (ATNS)	Air traffic service fees (ATNS, 2011:113; National Treasury, 2011b:854).	89%
	Airports Company of South Africa Limited (ACSA)	Airport service fees; Airport retail income (ACSA, 2011:115; National Treasury, 2011b:857).	52% 32%
	South African Airways (Pty) Limited (SAA)	Air passenger transport fares; Fuel levies on other airlines (SAA, 2009:43).	64% 18%
	South African Express (Pty) Limited (SA Express)	Air passenger transport fares (SA Express, 2009:60).	99%
	Transnet Limited (Transnet)	Freight rail transport tariffs; Port and terminal service tariffs (Transnet, 2010:153,184,200,270).	58% 36%
Water affairs	Trans-Caledon Tunnel Authority (TCTA)	Water tariffs (National Treasury, 2011b:889).	99%

3.4.4.3 *National and provincial public entities*

National public entities, as listed in Schedule 3A of the Public Finance Management Act, include boards, commissions, companies, corporations and funds established in terms of national legislation. These entities are extensions of national departments with the purpose of fulfilling a specific economic or social responsibility (Auditor-General, 2004:27). Provincial public entities are listed in Schedule 3C of the Public Finance Management Act, and include gambling boards, liquor boards, parks boards, tourism authorities and the Gautrain Management Agency.

Institutions of higher education are specifically excluded from Schedule 3 in terms of Section 47(4)(c) of the Public Finance Management Act. The exclusion of these institutions relates only to the requirements of the Public Finance Management Act. These institutions are classified as public sector entities (Calitz, 2012:10-11; IMF, 2001:9), which are generally funded from transfers from the National Revenue Fund and from other revenue raised from tuition fees, other fees and voluntary donations from individuals and non-government institutions (National Treasury, 2009c:44, 2011a:171; University of Pretoria, 2009:5).

These public entities are mainly or largely funded either by transfers from the national and provincial revenue funds, or from earmarked⁶⁵ imposts in terms of legislation on specific public goods and services, and are classified as non-market establishments. The main revenue sources of national and provincial⁶⁶ public entities rendering services in the key functional areas of government are summarised in Table 15, overleaf.

⁶⁵ Government may raise revenue with the purpose of providing general funding for government expenses. But government may also raise revenue to provide funding earmarked for specific government expenditure, commonly referred to as earmarked 'taxes' (Musgrave & Musgrave, 1980:241-242; Singer, 1976:179; Teja, 1988:523).

⁶⁶ All the entities in Table 15 are national public entities, except where it is specifically indicated that it is a provincial public entity.

Table 15: Main revenue sources of national and provincial public entities in South Africa

Key functional area	Public entities	Main sources of revenue	Contribution
Communication	National Electronic Media Institute of South Africa (NEMISA)	Government transfers; Training and development fees (NEMISA, 2009:44).	66% 26%
	Universal Service and Access Agency of South Africa (USAASA)	Government transfers (USAASA, 2010:39).	99%
	Universal Service and Access Fund	Levy on suppliers of telecommunication services (USAASA, 2010:44 & 66; National Treasury, 2011a:159; National Treasury, 2011b:605).	99%
Education	Council on Higher Education (CHE)	Government transfers (CHE, 2010:64).	98%
	Education Labour Relations Council (ELRC)	Levies on educators (employers and employees) (ELRC, 2011:135).	87%
	National Institutes of Higher Education	Government transfers; Tuition and related fees; Investment income (University of Pretoria, 2009:53). The University of Pretoria was used as a reference, but generally the funding of such institutions consists mainly of government transfers (National Treasury, 2011a:353), and tuition fees (University of Pretoria, 2009:53).	33% 27% 17%
	National Student Financial Aid Scheme	Government transfers (National Treasury, 2011b:359).	91%
	Quality Council for Trades and Occupations (QCTO)	Government transfers (National Treasury, 2011b:361).	84%
	Sector Education and Training Authorities (SETAs).	Skills development levy (National Treasury, 2011b:364).	95%
	South African Council for Educators (SACE)	Government transfers (National Treasury, 2011b:304).	99%



Key functional area	Public entities	Main sources of revenue	Contribution
	South African Qualifications Authority (SAQA)	Government transfers (National Treasury, 2011b:353).	95%
	uMalusi Council for Quality Assurance in General and Further Education and Training (uMalusi)	Certification fees; Government transfers (Umalusi, 2011:63).	60% 30%
Energy	EDI Holdings (Pty) Ltd	EDI Holdings (Pty) Limited was terminated by Parliament (National Treasury, 2011b:639).	
	National Energy Regulator of South Africa (NERSA)	Levy on the suppliers of electricity; Levy on the suppliers of piped-gas; Levy on the suppliers of pipeline petroleum (NERSA, 2011:141).	54% 18% 25%
	National Nuclear Regulator (NNR)	Nuclear licences; Government transfers (NNR, 2010:123 & 135).	74% 21%
	South African National Energy Development Institute (SANERI)	Government transfers (SANERI, 2010:103).	95%
	National Radioactive Waste Disposal Institute (NRWDI)	Government transfers (National Treasury, 2011b:643).	100%
Health	Council for Medical Schemes (CMS)	Levy on medical schemes (CMS, 2010:141).	81%
	South African Medical Research Council (SAMRC)	Income from research contracts, grants, and service fees; Government transfers (National Treasury, 2011b:336; SAMRC, 2011:175).	52% 43%
	National Health Laboratory Service (NHLS)	Laboratory service fees (National Treasury, 2011b:334, NHLS, 2011:126).	92%
Human settlement	Housing Development Agency (HDA)	Government transfers (HDA, 2010:40).	88%
	National Home Builders Registration Council (NHBRC)	Levies imposed on home builders; Interest (National Treasury, 2011b:684; NHBRC, 2010:76).	46% 34%

Key functional area	Public entities	Main sources of revenue	Contribution
	National Housing Finance Corporation Limited (NHFC)	Interest; Other (National Treasury, 2011b:686; NHFC, 2010:56).	75% 25%
	National Urban Reconstruction and Housing Agency (NURCHA)	Interest (National Treasury, 2011b:688; NURCHA, 201:37).	90%
	Rural Housing Loan Fund (RHLF)	Interest (RHLF, 2011:74).	97%
	Social Housing Foundation (SHF)	Government transfers (SHF, 2009:56).	99%
	Social Housing Regulatory Authority (SHRA)	Government transfers (SHRA, 2011:49).	99%
	Servcon Housing Solutions (Pty) Ltd	The functions of these two public entities were transferred to the Housing Development Agency in 2008, and the two entities were subsequently terminated by Parliament.	
	Thubelisha Homes		
Public order and safety	Legal Aid South Africa	Government transfers (National Treasury, 2011b:525).	98%
	Special Investigation Unit	Government transfers (National Treasury, 2011b:523).	99%
	Private Security Industry Regulatory Authority (PSIRA)	Levies on suppliers of private security services; Licences; Interest received (PSIRA, 2010:67-68).	64% 14% 8%
Social security	Compensation Fund	Government transfers; Contributions to Compensation Fund by employers (National Treasury, 2011b:385-387).	70% 25%
	Unemployment Insurance Fund (UIF)	Unemployment Insurance Fund contributions; Interest (National Treasury, 2011b:382-384).	78% 21%
	Government employees' pension fund (GEPF) ⁶⁷	Investment income; Contributions received (GEPF, 2010:85).	81% 18%
Transport	Cross-Border Road Transport Agency	Permit fees; Penalties (Cross-Border Road Transport Agency, 2011:49).	73% 26%

⁶⁷ The GEPF is not specifically included as a public entity under Schedule 3. However, this entity is funded from social insurance contributions, as defined in Table 8, and it was therefore included as a public entity (for the sake of completeness).



Key functional area	Public entities	Main sources of revenue	Contribution	
	Ports Regulator of South Africa	Government transfers (Ports Regulator of South Africa, 2011:43).	98%	
	Railway Safety Regulator	Government transfers; Permit fees (Railway Safety Regulator, 2011:82).	75% 23%	
	Road Accident Fund (RAF)	General fuel levy (National Treasury, 2011b:851).	99%	
	Road Traffic Infringement Agency	Government transfers (National Treasury, 2011b:837).	99%	
	Road Traffic Management Corporation (RTMC)	Government transfers (National Treasury, 2011b:837).	99%	
	South African Civil Aviation Authority (SACAA)	Aircraft passenger safety charge; Examination and related fees (SACAA, 2011:106).	70% 20%	
	South African Maritime Safety Authority (SAMSA)	Maritime safety levy (SAMSA, 2010:69).	80%	
	South African National Roads Agency Limited (SANRAL)	Government transfers; Toll fees (National Treasury, 2011b:849; SANRAL, 2011:141-142).	55% 28%	
	Urban Transport Fund	Government transfers (National Treasury, 2011b:844).	99%	
	Provincial public entities in transport:			
		Gautrain Management Agency (Gautrain)	Government transfers (Gauteng, 2011:325).	99%
		Roads Agency Limpopo (RAL)	Government transfers (RAL, 2011:60).	99%
	Water affairs	Breede-Overberg Catchment Management Agency (BOCMA)	Government transfers (BOCMA, 2010:48; National Treasury, 2011b:874).	99%
Inkomati Catchment Management Agency (Inkomati)		Government transfers (National Treasury, 2011b:874).	99%	
Water Research Commission (WRC)		Water research levy (WRC, 2011:118).	87%	
Water Trading Entity		Water tariffs (National Treasury, 2011b:885).	86%	

3.4.4.4 *National and provincial government business enterprises*

National government business enterprises, as listed in Schedule 3B of the Public Finance Management Act, include the Council for Scientific and Industrial Research (CSIR), the Council for Mineral Technology (Mintek), the Passenger Rail Agency of South Africa, the South African Bureau of Standards (SABS), Sentech Limited and various water boards and suppliers. Provincial government business enterprises are listed in Schedule 3D of the Public Finance Management Act and include development corporations, transport corporations and agricultural companies.

Government business enterprises are defined in section 1 of the Public Finance Management Act as juristic entities under the control of the national or provincial executive, and are authorised to carry on business activities in accordance with ordinary business principles. These enterprises are market establishments and are fully or substantially self-funded through the sale of goods and services. The results of the investigation into the main revenue sources of the national and provincial government business enterprises operating in the key functional areas are summarised in Table 16, overleaf.

Table 16: National and provincial government business enterprises

Key functional area	Government business enterprise	Main sources of revenue	Contribution
Communication	Sentech Limited	Broadcasting network service tariffs (National Treasury, 2011b:597-598; Sentech Limited, 2010:78).	92%
Education	No government business enterprise in this functional area		
Energy	No government business enterprise in this functional area		
Health	No government business enterprise in this functional area		
Human settlement	Mpumalanga Housing Finance	Government transfers (Mpumalanga 2006:70)	99%
Public order and safety	No government business enterprise in this functional area		
Social security	No government business enterprise in this functional area		
Transport	Passenger Rail Agency of South Africa (PRASA)	Government transfer; Passenger rail and road transport fares (National Treasury, 2011b:845-847; PRASA, 2011:79).	47% 33%
	Provincial government business enterprises:		
	Gateway Airport Authority Limited (GAAL)	Air traffic service fees; Airport service fees (GAAL, 2011:41).	47% 43%
	Mayibuye Transport Corporation (Mayibuye)	Government transfer; Passenger road transport fares (Mayibuye, 2008:52).	70% 25%
Water affairs	Various water boards, of which Rand Water and Umgeni Water are the largest ones ⁶⁸	Bulk water tariffs: Rand Water (2010:103)	98%
		Bulk water tariffs: Umgeni Water (2010:112; National Treasury, 2011b:891-897).	91%

⁶⁸ Largest, based on the volume of water sold (National Treasury, 2011b:895).

3.4.5 Structure of government revenue sources in South Africa

The purpose of this section is to provide a summary of the funding of the public sector in South Africa as it relates to the main sources of government revenue according to the IMF framework (IMF, 2001:49). The public sector funding in South Africa consists of revenue funds at the national and provincial levels of government, funds raised by public entities in addition to the revenue funds, and funding raised by local government.

The main sources of South Africa's government revenue are summarised in Table 17.

Table 17: Main sources of revenue sources of the South African government

Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
Revenue from imposts on income:							
<i>Impost on income and profits:</i>							
• Income tax	✓						
• Secondary tax on companies	✓						
• Dividends tax	✓						
<i>Impost on payroll and workforce:</i>							
• Skills development levy						✓	
Revenue from imposts on wealth:							
<i>Impost on capital gains:</i>							
• Capital gains tax	✓						
<i>Recurrent impost on immovable property:</i>							
• Property rates			✓				

⁶⁹ National revenue fund – see Section 3.4.1.

⁷⁰ Provincial revenue funds – see Section 3.4.2.

⁷¹ Municipal revenue funds – see Section 3.4.3.

⁷² Constitutional institutions – see Section 3.4.4.1.

⁷³ Major public entities – see Section 3.4.4.2.

⁷⁴ National and provincial public entities – see Section 3.4.4.3.

⁷⁵ National and provincial government business enterprises – see Section 3.4.4.4.



Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
<i>Imposts on estates, inheritance, and gifts:</i>							
• Estate duty	✓						
• Donations tax	✓						
<i>Imposts on financial and capital transactions:</i>							
• Transfer duty	✓						
• Securities transfer tax	✓						
Revenue from impost on consumption:							
<i>Impost on added value:</i>							
• Value-added tax	✓						
<i>Impost on turnover:</i>							
• Turnover tax payable by micro businesses	✓						
<i>Excises:</i>							
• Specific excise duties	✓						
• <i>Ad valorem</i> excise duties	✓						
<i>Imposts on specific services:</i>							
• Casino tax		✓					
• Horse racing tax		✓					
<i>Imposts on the use of motor vehicles:</i>							
○ Imposts on motor vehicles:							
• <i>Ad valorem</i> excise duty on motor vehicles	✓						
• CO ₂ motor vehicle emissions tax	✓						
• Motor vehicle licences		✓					
○ Imposts on fuel:							
• Equalisation fund levy					✓		
• General fuel levy	✓		✓			✓	
• Specific customs and excise duties on petroleum products	✓						
• Slate levy					✓		
• Demand side management levy					✓		
• Illuminating paraffin tracer dye levy					✓		
○ Imposts on drivers of motor vehicles:							
• Drivers licences		✓					



Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
<ul style="list-style-type: none"> Fines for traffic violations 		✓	✓				
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services:</i>							
<ul style="list-style-type: none"> Firearms licences 	✓						
<ul style="list-style-type: none"> Liquor licences 		✓					
<ul style="list-style-type: none"> Business licences⁷⁶ 	✓	✓	✓			✓	
<ul style="list-style-type: none"> Television licences 					✓		
<i>Other impost on the use of goods and services:</i>							
<ul style="list-style-type: none"> Electricity environmental levy 	✓						
<ul style="list-style-type: none"> Plastic bags levy 	✓						
<ul style="list-style-type: none"> Incandescent light bulbs levy 	✓						
<ul style="list-style-type: none"> Mineral and petroleum royalties, prospecting fees and surface rentals 	✓						
<ul style="list-style-type: none"> Levy on suppliers of telecommunication services 						✓	
<ul style="list-style-type: none"> Levy on educators 						✓	
<ul style="list-style-type: none"> Levy on suppliers of electricity 						✓	
<ul style="list-style-type: none"> Levy on suppliers of piped-gas 						✓	
<ul style="list-style-type: none"> Levy on suppliers of pipeline petroleum 						✓	
<ul style="list-style-type: none"> Levy on medical schemes 						✓	
<ul style="list-style-type: none"> Levy on the suppliers of private security services 						✓	
<ul style="list-style-type: none"> Aircraft passenger safety charge 						✓	
<ul style="list-style-type: none"> Aviation fuel levy 					✓		
<ul style="list-style-type: none"> Maritime safety levy 						✓	
<ul style="list-style-type: none"> Water research levy 						✓	
<i>Customs and import duties:</i>							
<ul style="list-style-type: none"> Customs duties 	✓						
<i>Impost on exports:</i>							
<ul style="list-style-type: none"> Diamond export levy 	✓						

⁷⁶ Business licences, for the purposes of this study, include horseracing and casino licences (see Table 11), nuclear licences (see Table 15), and other business licences regulated by municipalities (see Table 12).



Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
<i>Other imposts on international trade and transactions:</i>							
• Air passenger tax	✓						
Revenue from social contributions:							
<i>Social security contributions:</i>							
• Contributions to the Unemployment Insurance Fund						✓	
• Contributions to the Compensation Fund						✓	
<i>Other social contributions:</i>							
• Contributions to the Government Employees Pension Fund						✓	
Revenue from grants:							
Government transfers	✓	✓	✓	✓	✓	✓	✓
Revenue from property:							
Interest	✓	✓	✓		✓	✓	✓
Dividends	✓	✓	✓		✓	✓	
Rent	✓	✓	✓		✓	✓	✓
Revenue from the sale of goods and services:							
<i>Sales by market establishments:</i>							
<i>Municipal services:</i>							
• Electricity service charges			✓				
• Water service charges			✓				
• Sanitation service charges			✓				
• Refuse removal service charges			✓				
<i>Communication services:</i>							
• Broadband infrastructure rent tariffs					✓		
• Air broadcasting service tariffs					✓		
• Broadcasting network service tariffs							✓
• Telecommunication service tariffs					✓		
• Postal service tariffs					✓		



Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
<i>Energy supply services:</i>							
• Electricity supply tariffs					✓		
• Nuclear energy supply tariffs					✓		
<i>Human settlement services:</i>							
• Levies imposed on home builders					✓		
<i>Public order and safety services:</i>							
• Sale of military goods and services					✓		
<i>Air travel services:</i>							
• Air traffic service fees					✓		✓
• Aeronautical service fees					✓		✓
• Airport retail income					✓		
• Air passenger transport fares					✓		
<i>Rail transport services:</i>							
• Passenger rail transport fares							✓
• Freight rail transport tariffs					✓		
<i>Road transport services:</i>							
• Toll fees						✓	
• Passenger road transport fares							✓
<i>Marine transport services:</i>							
• Port terminal service fees					✓		
<i>Water affairs:</i>							
• Water tariffs					✓	✓	✓
Administration fees:							
• Permit, licence, certification, and registration fees		✓	✓			✓	
• Administration fees	✓	✓	✓				
• Examination fees							✓
Incidental sales by non-market establishments:							
• Healthcare service fees		✓	✓				
• Public school fees		✓					
• Tertiary tuition service fees						✓	

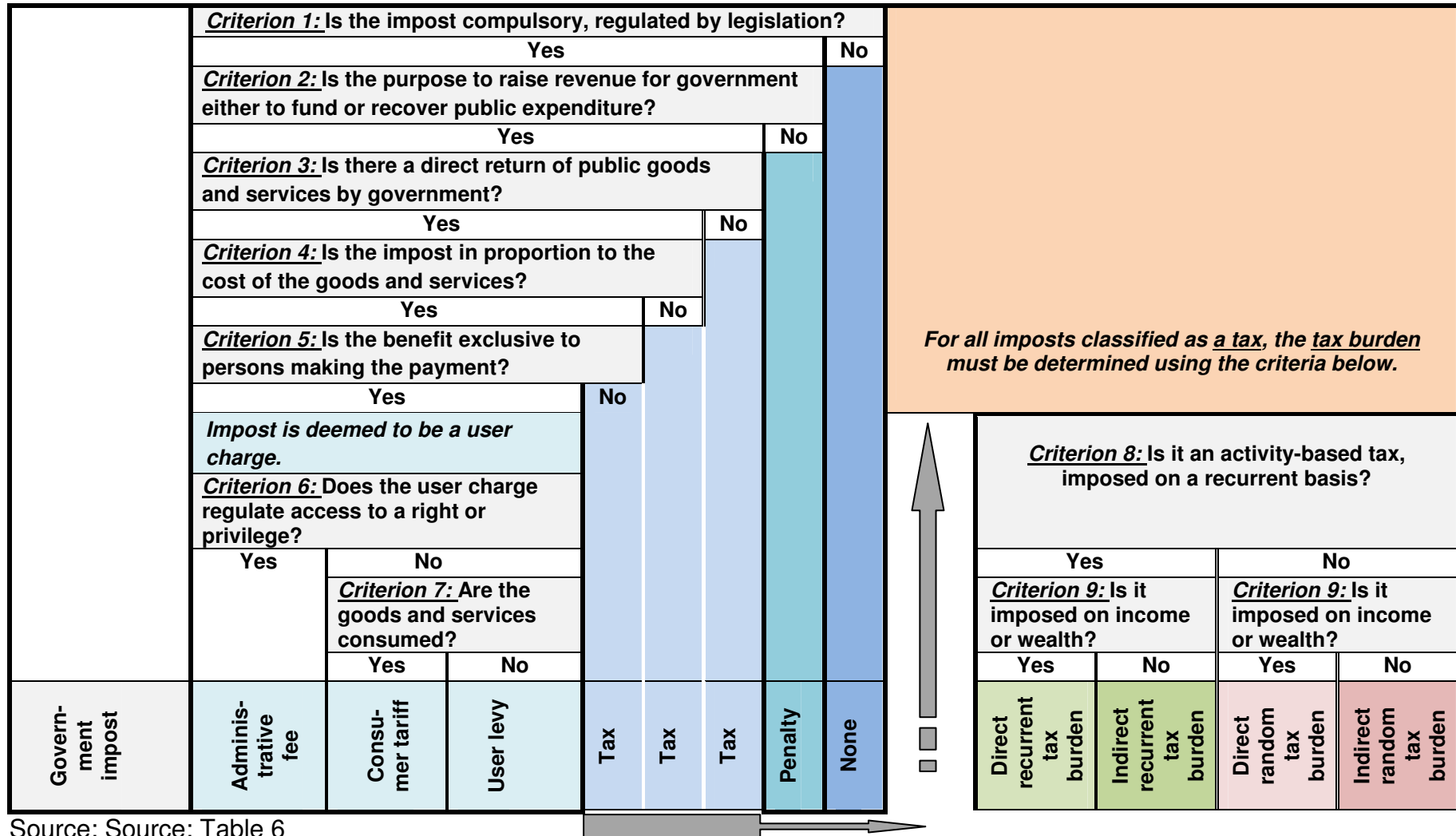
Revenue sources	Revenue funds			Public entities			
	National ⁶⁹	Provincial ⁷⁰	Municipal ⁷¹	Schedule 1 ⁷²	Schedule 2 ⁷³	Schedules 3A & 3C ⁷⁴	Schedules 3B & 3D ⁷⁵
• Income from medical research contracts, grants and services						✓	
• Laboratory service fees						✓	
• Other income	✓		✓			✓	
Revenue from fines, penalties and forfeits:							
Fines, penalties, and forfeits	✓	✓	✓			✓	
Revenue from voluntary transfers and miscellaneous income:							
Voluntary transfers	✓	✓	✓			✓	
Miscellaneous income	✓	✓	✓		✓	✓	✓

Source: Summarised from sources referred to in the current chapter

In summary, these sources of revenue consist of government imposts, mainly in the form of taxes, levies, rates and regulated charges. In the public sector accounts in South Africa, these imposts are divided into the categories of tax revenue and non-tax revenue (National Treasury, 2011a:171). This classification is not necessarily a true reflection of the inherent nature of each particular government impost. It is therefore important to analyse the substance of each impost to classify the impost accurately as either a tax or a user charge.

The imposts summarised in Table 17 are analysed to classify each one into either a tax or a user charge, using the criteria from Figure 1 below as a basis. However, it is important to note that this study's main focus is individual taxpayers in South Africa. Therefore the following analysis is done mainly from the individual taxpayers' point of view, and therefore any imposts on corporate entities (non-natural persons, i.e. legal entities) are not analysed in depth.

Figure 1: Imposed tax burden criteria



Source: Source: Table 6 of the current study

3.5 IMPOSTS ON INCOME AND PROFITS IN SOUTH AFRICA

The South African government uses imposts on income and profits as a source of revenue. These imposts are labelled income tax, secondary tax on companies (STC), and dividends tax (see Table 17).

3.5.1 Income tax

Revenue from tax on income and profits is the traditional main source of revenue for the South African government (Gildenhuis, 1989:295; Steenekamp, 2012:163). Income tax is imposed on individuals and persons,⁷⁷ as well as on corporate entities (National Treasury, 2011a:159).

Table 18: Classification of income tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	It is imposed in terms of the Income Tax Act (58 of 1962), and is compulsory for all residents of South Africa, and in some instances also for non-residents.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The income from this source forms part of the National Revenue Fund (National Treasury, 2009c:38-39, 2011a:163).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	This tax is unrequited, in the sense that the government does not provide anything directly in return for the payment of the taxes, but uses the funding towards the collective benefit of the public (National Treasury, 2009c:38-39, 2011a:171).
<u>Conclusion:</u> Based on Criterion 3, the impost on income and profits in South Africa is classified as a tax. The fact that income tax is compulsory, raises general revenue for the government, and is unrequited indicates that this impost is in essence a tax and not a user charge.		

⁷⁷ 'Persons' are defined in section 1 of the Income Tax Act (58 of 1962) to include insolvent estates, estates of deceased persons, trusts and portfolios of collective investment schemes, with some exclusions, while 'individuals' refers to natural persons.

Criteria from Figure 1	Yes/No	Rationale
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	Income tax is normally levied over a year, defined and referred to as the year of assessment in section 1 of the Income Tax Act. The year of assessment starts on the first day of March and ends on the last day of February every year.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	The economic and statutory burden of income tax is imposed directly on the income of individual taxpayers (Steenekamp, 2012:166).
Conclusion: Income tax is a direct impost on the income of individual taxpayers, and it is imposed on a continuous basis over a tax year. Hence, income tax is classified as a direct recurrent tax burden.		

3.5.2 Secondary tax on companies

Secondary tax on companies (STC) is imposed only at the corporate level, in terms of sections 64B and 64C of the Income Tax Act (58 of 1962). Dividends are tax free in the hands of shareholders. STC is a second-stage tax on corporate profits and is determined when a company's after-tax profits are distributed (SARS, 2010d:2). Because this tax is an impost on corporate entities, it is deemed to be shifted onto natural persons in the form of price, payroll or shareholder shifting, and it was therefore not analysed further for the purposes of this study. However, as indicated before, STC has been replaced by a dividends tax, see Section 3.5.3, from 1 April 2012 (SARS, 2012:1).

3.5.3 Dividends tax

Dividends tax is a direct impost on the income of individual taxpayers⁷⁸ as recipients (beneficiaries) of dividends paid by companies. Dividends tax is in essence a withholding tax and, although it is imposed in terms of the Income Tax Act (58 of 1962), it is a tax separate from income tax.

⁷⁸ Dividends tax is also imposed on dividends paid to corporate entities, but taxes on these entities are deemed inherently to be shifted onto individuals, and therefore this tax was not analysed further.

Table 19: Classification of dividends tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	It is imposed in terms of sections 64D to 64N of the Income Tax Act (58 of 1962), and therefore it is deemed to be compulsory.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The income from this source forms part of the National Revenue Fund (National Treasury, 2012:50).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Government does not provide anything directly in return for the payment of the tax, but uses the funding towards the collective benefit of the public (National Treasury, 2012:50).
Conclusion: Based on Criterion 3, the impost on dividends in South Africa is classified as a tax. The fact that dividends tax is compulsory, raises general revenue for the government, and is unrequited indicates that this impost is in essence a tax and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	This is, in essence, a tax that depends on a specific event (the declaration and payment of a dividend by a company) and thus it is deemed not to be recurrent in nature.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	It is a direct impost on the dividend income that a taxpayer receives from a company.
Conclusion: Based on Criteria 8 and 9, dividends tax is classified as a direct tax that affects the random tax burden of individual taxpayers in South Africa.		

3.6 IMPOSTS ON PAYROLL AND WORKFORCE IN SOUTH AFRICA

Imposts on payroll and workforce in South Africa consist of a compulsory earmarked levy on the payroll of employers, referred to as the skills development levy (SDL). The skills development levy is regulated by the Skills Development Levies Act (9 of 1999), and is imposed at 1% on the assessed amount from employers' payrolls (SARS, 2010b:10). The term 'employer', for the purposes of this levy, includes individual taxpayers who act as employers (SARS, 2010b:4).

Table 20: Classification of the skills development levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The skills development levy is regulated and imposed in terms of the Skills Development Levies Act (9 of 1999), and therefore it is deemed to be compulsory in nature.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The skills development levy is earmarked to fund skills development among the South African workforce. This is done, for instance, by increasing the levels of investment in education and training to encourage workers to expand their skills, to assist work-seekers in finding work, and other training-related aspects (National Treasury, 2011b:362-364; SARS, 2010b:7).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	This tax is unrequited, in the sense that government does not provide anything directly in return for the payment of the levy. Government uses sector education and training authorities (SETAs), which are public entities to fund education and training to the collective benefit of the workforce in South Africa (National Treasury, 2011b:362; SARS 2010b:6).
Conclusion: Based on Criterion 3, the skills development levy is classified as a tax. The fact that the skills development levy is a compulsory impost that raises earmarked revenue for public entities for which government provides unrequited services indicates that this impost is in essence a tax, and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The skills development levy is imposed on a continuous basis on the monthly payroll of employees (Section 6(2A) of the Skills Development Levies Act.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	In essence, the skills development levy is an impost on consumption, as it is imposed on employers for the services that they purchase from their employees. It is not a direct impost on either the income or the wealth of the employer <i>per se</i> , even though the assessed amount is underpinned by the employees' income on the payroll.
Conclusion: The skills development levy places an indirect continuous burden on individual taxpayers as employers, and therefore the levy is classified as an indirect recurrent tax burden.		

3.7 IMPOSTS ON CAPITAL GAINS IN SOUTH AFRICA

The impost on capital gains in South Africa is labelled capital gains tax, but it is not an additional tax. It is a direct impost on the wealth⁷⁹ of an individual⁸⁰ as an integral part of the Income Tax Act (58 of 1962). The capital gain (or loss) is determined in terms of the Eighth Schedule to the Act and is included in the taxable income of an individual taxpayer in the year of assessment in terms of section 26A of the Act.

Table 21: Classification of capital gains tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Capital gains tax is imposed in terms of the Income Tax Act (58 of 1962); it is a compulsory impost on all South African residents, and in some instances also on non-residents.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Income from this source forms part of the National Revenue Fund (National Treasury, 2009c:38-39, 2011a:171).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Capital gains tax is unrequited, in the sense that government does not provide anything directly in return for the payment of the taxes, but uses the funding towards the collective benefit of the public (National Treasury, 2009c:38-39, 2011a:163).
Conclusion: Based on the criteria above, capital gains tax is classified a tax and not as a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	This is, in essence, a tax that depends on specific events and transactions, as defined

⁷⁹ The view is commonly held that capital gains tax is levied on the appreciation of wealth (Muller, 2010:29-30; Steenekamp, 2012:231). However, in terms of the Haig-Simons model, it is also possible to argue that capital gains are merely income from capital in another form, and, hence, that capital gains tax is imposed on income and not on wealth (Muller, 2010:20-21; Sandford, 2000:113-116; Steenekamp, 2012:231).

⁸⁰ Capital gains tax is levied on corporate entities, but taxes on these entities are deemed inherently to be shifted onto individuals, and hence this tax was not analysed further.

Criteria from Figure 1	Yes/No	Rationale
		in Paragraph 11 of the Eighth Schedule to the Income Tax Act, and is not levied on a recurrent basis.
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	Yes	Capital gains tax is imposed directly on the wealth of a taxpayer, as it is imposed on the capital gains originating from the disposal of assets by the taxpayer.
<u>Conclusion</u> : Based on Criterion 8, capital gains tax is classified as a direct random tax burden.		

3.8 RECURRENT IMPOSTS ON IMMOVABLE PROPERTY IN SOUTH AFRICA

Recurrent imposts on immovable property are generally referred to as property rates in South Africa, and municipalities (except district municipalities) normally use them as a vital source of revenue (Gildenhuys, 1989:342; Muller, 2010:23-24; Steenekamp, 2012:246). Property rates are levied and collected by municipalities on property located in those municipalities' jurisdiction (Franzsen, 2005:154).

Table 22: Classification of property rates in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1</u> : Is the impost compulsory in terms of legislation?	Yes	Property rates are levied in terms of the Local Government: Municipal Property Rates Act (6 of 2004). Property rates are compulsory imposts on real estate that refer to farm, residential, commercial and forest land, as well as on improvements (for instance, buildings, including homes) (Steenekamp, 2012:246).
<u>Criterion 2</u> : Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of this tax is to raise revenue for general expenses of municipalities, for instance, expenses relating to items such as operating expenditure, roads, street lamps and traffic control (Cowden, 1969:105; National Treasury, 2011c: 62-68; Statistics South Africa, 2010:11).

Criteria from Figure 1	Yes/No	Rationale
<u>Criterion 3</u> : Is there a direct return of specific goods and services by government?	No	Property rates are unrequited, in the sense that municipalities do not provide anything directly in return for payment of these rates, but use the funding towards the collective benefit of the public (Cowden, 1969:105; National Treasury, 2011c: 62-68; Statistics South Africa, 2010:11).
<u>Conclusion</u> : Based on the criteria above, property rates are classified as a tax. This is a compulsory unrequited impost to raise revenue for municipalities, so property rates are in essence a tax and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8</u> : Is it an activity-based tax?	Yes	Property rates in South Africa are imposed annually, but are generally collected by municipalities in monthly instalments (Franzsen, 2005:154). Hence, such property rates are deemed to affect the tax burden over a given period, although it is, in essence, an impost on wealth.
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	Yes	Property rates are imposed directly on the wealth (property) of a taxpayer (Muller, 2010:23).
<u>Conclusion</u> : Based on Criteria 8 and 9, property rates are classified as a direct recurrent tax burden on individual taxpayers in South Africa.		

3.9 IMPOSTS ON ESTATES AND DONATIONS IN SOUTH AFRICA

These are imposts on the transfer of wealth upon the death of a person or when property is donated to another person.

3.9.1 Estate duty

The impost on deceased estates in South Africa is labelled estate duty (National Treasury, 2011a:157). Estate duty is imposed in terms of the Estate Duty Act (45 of 1955) on all properties of a deceased person, including deemed property, such as life-insurance policies and payments from pension funds. Some admissible deductions from the total value of the estate are allowed (SARS, n.d.).

Table 23: Classification of estate duty in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Estate duty is imposed in terms of the Estate Duty Act (45 of 1955) on all deceased estates in South Africa, and it is therefore a compulsory impost.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Revenue from estate duty contributes to the National Revenue Fund for the purposes of public expenditure (National Treasury, 2011a:157).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Estate duty contributes to the National Revenue Fund, so it is unrequited, as it is used by the government to fund general expenditure to the common benefit of the public as a whole (National Treasury, 2011a:163).
Conclusion: Based on Criteria 1 to 3, estate duty is classified as a tax. The fact that is compulsory, is imposed to raise revenue for government, and is unrequited in essence makes it a tax and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	This is, in essence, a tax that depends on a specific event (the death of a person) and thus it is not a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	Estate duty is a wealth tax imposed directly on the value of a person's assets at death (Muller, 2010:26).
Conclusion: Based on Criterion 8, estate duty in South Africa is classified as a direct random tax burden.		

3.9.2 Donations tax

The impost on the donation of wealth in South Africa is labelled donations tax (National Treasury, 2011a:157). A donation is defined in section 55 of the Income Tax Act (58 of 1962) as a voluntary transfer of assets or rights without receiving a subsequent payment in return for the transfer.

Table 24: Classification of donations tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Donations tax in South Africa is a compulsory impost on the disposal of wealth in the form of a donation. It is regulated in terms of sections 54 to 64 of the Income Tax Act (58 of 1962).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Revenue from donations tax contributes to the National Revenue Fund for the purposes of public expenditure (National Treasury, 2011a:157).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Donations tax contributes to the National Revenue Fund, and is therefore unrequited. It is used by the government to fund general expenditure to the common benefit of the public as a whole (National Treasury, 2011a:163).
<u>Conclusion:</u> Based on the criteria above, the impost on donations in South Africa is classified as a tax and not as a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	This is, in essence, a tax that depends on a specific event (the donation of property or rights) and is therefore deemed not to be a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	Donations tax is a wealth tax imposed directly on the value of assets donated by a taxpayer (Muller, 2010:25).
<u>Conclusion:</u> Criteria 8 and 9 indicate that donations tax is in essence a non-recurrent tax that depends on a specific event and it is a direct impost on the wealth of a taxpayer. Hence it is classified as a direct random tax burden.		

3.10 IMPOSTS ON FINANCIAL AND CAPITAL TRANSACTIONS IN SOUTH AFRICA

The imposts on financial and capital transactions in South Africa consist of an impost on the transfer of securities, and an impost on the transfer of immovable property.

3.10.1 Transfer duty

Transfer duty is an impost on the acquisition of immovable property in terms of the Transfer Duty Act (40 of 1949).

This duty becomes payable upon the acquisition of property by (or the enhancement of the value of property in the case of a renunciation in favour of) any person or entity. The person who acquires the property, or whose property is enhanced in value, is liable for the payment of the transfer duty towards the registration of the property at the deeds office (SARS, 2007:31).

Table 25: Classification of transfer duty in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Transfer duty is a compulsory impost on the acquisition of immovable property and is regulated by the Transfer Duty Act (40 of 1949).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Transfer duty contributes to the National Revenue Fund for the purposes of public expenditure (National Treasury, 2011a:157; SARS, 2007:6).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Transfer duty contributes to the National Revenue Fund, and is therefore unrequited. It is used by the government to fund general expenditure to the common benefit of the public as a whole (National Treasury, 2011a:163).
Conclusion: Based on the criteria above, transfer duty in South Africa is deemed in essence to be a tax and not a user charge. The impost is compulsory, with the purpose of raising revenue for the government to fund expenditure to the common benefit of the public as a whole.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	Transfer duty, in essence, depends on a specific event (the acquisition of immovable property) and hence it is a random tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	Transfer duty is deemed a wealth tax on the transfer of property (Muller, 2010:23-25).
Conclusion: Based on Criteria 8 and 9, transfer duty is classified as a direct random tax burden.		

3.10.2 Securities transfer tax

The impost on the transfer of securities in South Africa is referred to as securities transfer tax (National Treasury, 2011a:157). Securities are defined in section 1 of the Securities Transfer Tax Act (25 of 2007) as ‘any share or depository receipt in a company; any member’s interest in a close corporation; or any right or entitlement to receive any distribution from a company or close corporation’.

Table 26: Classification of securities transfer tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	In South Africa, securities transfer tax is a compulsory impost governed by the Securities Transfer Tax Act (25 of 2007).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Revenue from securities transfer tax contributes to the National Revenue Fund for the purposes of public expenditure (National Treasury, 2011a:157).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	Securities transfer duty contributes to the National Revenue Fund, and is therefore unrequited. It is used by the government to fund general expenditure to the common benefit of the public as a whole (National Treasury, 2011a:163).
Conclusion: Criteria 1, 2, and 3 indicate that securities transfer tax is in essence a tax, and not a user charge. The impost is compulsory and used to raise revenue for the government, with no direct return of specific goods and services by government. Therefore, the impost is classified as a tax.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	No	Securities transfer tax is, in essence, a tax that depends on a specific event (the transfer of securities), and hence it is not deemed to be a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	Securities transfer duty is deemed a wealth tax on the transfer of securities (Muller, 2010:23-25).
Conclusion: Based on Criterion 8, securities transfer tax is classified as a direct random tax burden.		

3.11 IMPOST ON VALUE-ADDED TRANSACTIONS IN SOUTH AFRICA

Imposts on value-added transactions in South Africa consist of an impost labelled value-added tax (VAT). This is the second largest source of government revenue from taxes in South Africa, as it currently contributes approximately 30% to the National Revenue Fund (National Treasury, 2011a:159).

Value-added tax is imposed and collected at different stages by different enterprises, from the production stage to the supply of the final product. It is destination-based, which means that only the consumption of goods and services in South Africa is taxed (Steenekamp, 2012:258). Vendors⁸¹ are required to register and are burdened with the statutory obligation of collecting the tax on behalf of the government. The supply of most goods and services is taxed at a standard rate of tax. However, provision is made for some exempt supplies, where the supply of goods and services is not taxed, and for zero-rated supplies, where the goods and services are taxed at a rate of 0% (SARS, 2010c:8; Steenekamp, 2012:265-266; Value-added Tax Act (89 of 1991)).

Table 27: Classification of value-added tax in South Africa

Criteria	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Value-added tax in South Africa is a compulsory impost regulated under the Value-Added Tax Act (89 of 1991).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of value-added tax is to raise revenue for the National Revenue Fund (National Treasury, 2011a:157).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The government uses the National Revenue Fund for general public expenses, and therefore no direct benefit is returned to the taxpayer for paying the impost (National Treasury, 2011a:163).

⁸¹ Vendors are defined in section 1 of the Value-Added Tax Act (89 of 1991).

Criteria	Yes/No	Rationale
<p><u>Conclusion:</u> Based on the criteria above, value-added tax is classified as a tax and not as a user charge. The impost is compulsory, with the purpose of raising revenue, but no direct benefit is returned by the government, in essence indicating that the impost is a tax.</p>		
<p>Question 2: Is it a recurrent or a random (direct or indirect) tax burden?</p>		
<p><u>Criterion 8:</u> Is it an activity-based tax?</p>	<p>Yes and no</p>	<p>Value-added tax is levied on both consumer goods and user goods. (For the purposes of this study, a distinction is made between value-added tax on consumer goods (goods of a non-capital nature) and value-added tax on user goods (goods of a capital nature)).</p> <p>Value-added tax on consumer goods affects the ongoing burden of a taxpayer, because consumer goods are normally replaced on an ongoing basis, thus making the impost a recurrent tax.</p> <p>Value-added tax on user goods is normally only payable on the purchase transaction date, and user goods are not replaced on an ongoing basis, so that value-added tax only affects the tax burden on a random basis during the lifetime of a taxpayer.</p>
<p><u>Criterion 9:</u> Is it imposed directly on income or wealth?</p>	<p>No</p>	<p>Value-added tax is an indirect tax, imposed on commodities or market transactions. These imposts are generally classified as a tax on consumption and not as a tax on income or wealth (Gildenhuis, 1989:284; Muller, 2010:31; Steenekamp, 2012:166).</p>
<p><u>Conclusion:</u> Based on the criteria and discussion above, value-added tax can be classified both as an indirect recurrent tax burden and as an indirect random tax burden, depending on the nature of the goods that it is imposed on. Value-added tax imposed on consumer goods is deemed to be an indirect recurrent indirect tax burden, while value-added tax imposed on user goods is deemed to be an indirect random tax burden.</p>		

3.12 IMPOSTS ON TURNOVER IN SOUTH AFRICA

Imposts on turnover in South Africa consist of an impost referred to as turnover tax on micro businesses. This is an annual presumptive tax payable by registered micro businesses (SARS, 2011:2). A micro business is defined, in

terms of Paragraphs 2 and 3 of the Sixth Schedule to the Income Tax Act (58 of 1962) , as a business with a qualifying turnover that does not exceed R1 million (currently) for a year of assessment, and which is not specifically disqualified (SARS, 2011:1).

The impost is essentially a package that consists of a turnover tax as a substitute for income tax, capital gains tax (CGT) and secondary tax on companies⁸² (STC). Turnover tax is optional, meaning that a micro business can decide if it wants to use this impost option or use the usual current tax system. It is available to sole proprietors (individuals), partnerships, close corporations, co-operatives and companies (SARS, 2011:3).

Table 28: Classification of turnover tax for micro businesses in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	The impost on turnover is regulated in terms of the Sixth Schedule to the Income Tax Act (58 of 1962). It is deemed to be compulsory because it is merely an alternative impost, in lieu of other compulsory imposts, for instance, income tax (SARS, 2011:3).
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Revenue from the impost on turnover of micro businesses contributes to the National Revenue Fund (National Treasury, 2011a:157).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The purpose of the National Revenue Fund is to provide the government with funding towards general public expenditure. Hence, the impost is deemed to be unrequited (National Treasury, 2011a:163).
<u>Conclusion:</u> Based on Criteria 1, 2, and 3, the impost is classified as a tax and not as a user charge. The impost is compulsory and unrequited, with a purpose of raising revenue for the government, indicating that the impost is, in essence, a tax.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	Turnover tax is impost on an ongoing basis over a period of time. Although it is only

⁸² Only up to a maximum amount of R200 000 (Section 64B(5)(l) of the Income Tax Act (52 of 1962)). Note that STC has been replaced in South Africa from 1 April 2012.

Criteria from Figure 1	Yes/No	Rationale
		imposed annually on a year of assessment, it is deemed to be recurrent. The recurrent nature of the tax is also indicated in a sense by the obligation of micro businesses to make two six-monthly <i>interim</i> (provisional) payments during a given year of assessment (SARS, 2011:3).
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	Yes	Turnover tax is directly imposed on the turnover of a micro business, which is in essence the income of the business. Income taxes are normally deemed to be direct imposts (Steenekamp, 2012:166).
<u>Conclusion</u> : Turnover tax on micro businesses is deemed to be a direct recurrent impost based on the criteria above. Hence, the tax is classified as a direct recurrent tax burden.		

3.13 EXCISES IMPOSED IN SOUTH AFRICA

In South Africa, excises are divided into specific excise duties and *ad valorem* excise duties (SARS, 2009:6). Specific excise duties are imposed on the quantity of listed consumer goods, whereas *ad valorem* excise duties are imposed on the value of listed user goods (SARS, 2009:5-6).

3.13.1 Specific excise duties

Specific excise duties are imposed in terms of Schedule No 1 Part 2A of the Customs and Excise Act (91 of 1964). This schedule regulates excise duties imposed on petroleum products, tobacco products, malt beer, traditional African beer, spirits/liquor products, wine and other fermented beverages.

Table 29: Classification of specific excise duties in South Africa

Criteria	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1</u> : Is the impost compulsory in terms of legislation?	Yes	Specific excises are compulsory imposts regulated in terms of the Customs and Excise Act (91 of 1964), and are imposed on specific goods.

Criteria	Yes/No	Rationale
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Specific excises are used by government to raise revenue for the National Revenue Fund (National Treasury, 2011a:157).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The purpose of raising revenue for the National Revenue Fund is to finance general expenditure for the benefit of the wider public (National Treasury, 2011a:163).
<u>Conclusion:</u> Based on the criteria above, specific excises imposed on consumer goods are classified as taxes. These imposts are compulsory, with the purpose of raising revenue for government to fund general public expenditure for the wider benefit of the public.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	Specific excise duties are imposed on the ongoing consumption of goods, and therefore the duties are considered to be recurrent imposts on taxpayers.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	Specific excise duties are imposed on the consumption of goods, which are imposts that are normally viewed as indirect taxes (Gildenhuis, 1989:284; Steenekamp, 2012:258).
<u>Conclusion:</u> The specific excise duties imposed in South Africa are classified as an indirect recurrent tax burden, based on the criteria above.		

3.13.2 *Ad valorem* excise duties

Ad valorem excise duties in South Africa are similar to specific excise duties, except for the fact that they are not imposed on the quantity of consumer goods, but on the value of user goods, also known as ‘luxury goods’ (SARS, 2009:5-6). User goods on which these excises are imposed include television sets, hi-fi equipment, motor vehicles, cell phones and cosmetic items (SARS, 2009:8).

Table 30: Classification of *ad valorem* excise duties in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	<i>Ad valorem</i> excises are compulsory imposts regulated in terms of Schedule No 1 Part 2B of the Customs and Excise Act (91 of 1964), and are imposed on the value of specific

Criteria from Figure 1	Yes/No	Rationale
		goods.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	<i>Ad valorem</i> excises are imposed on listed user goods, with the purpose of raising revenue for the National Revenue Fund (National Treasury, 2011a:157).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The purpose of raising revenue for the National Revenue Fund is to finance general expenditure for the benefit of the wider public (National Treasury, 2011a:163).
<u>Conclusion:</u> Based on Criterion 3 above, <i>ad valorem</i> excises are classified as taxes. These imposts are compulsory, with the purpose of raising revenue for government to fund general public expenditure for the wider benefit of the public.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	No	The payment of <i>ad valorem</i> excises by a taxpayer depends on the purchase of luxury goods and is not levied on a recurrent basis on the goods over a period of time, and hence only affects the random tax burden over the lifetime of a taxpayer.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	<i>Ad valorem</i> excise duties are imposed on the consumption of goods, which are imposts that are normally viewed as indirect taxes (Gildenhuis, 1989:284; Steenekamp, 2012:258).
<u>Conclusion:</u> Based on the random nature of affecting the tax burden of taxpayers indirectly, <i>ad valorem</i> excises are classified as an indirect random tax burden.		

3.14 IMPOSTS ON SPECIFIC SERVICES IN SOUTH AFRICA

Government revenue from imposts in this category in South Africa consists mainly of casino taxes and horse racing taxes (Gauteng, 2011:15; KwaZulu-Natal, 2011:47; National Treasury 2009a:11; Western Cape, 2011a:36).

Casino and horse racing taxes in South Africa are levied at the provincial government sphere in terms of provincial legislation. These taxes consist of both licence fees⁸³ and levies on the income of the entities providing these services (CASA, 2008:12-23; KwaZulu-Natal, 2010:2-7). These taxes are compulsory imposts and form part of the provincial government's funds for

⁸³ Licences are analysed in Section 3.16.

general expenses to the benefit of the wider public in the province (Gauteng, 2011:15; KwaZulu-Natal, 2011:47; National Treasury 2009c:39; Western Cape, 2011a:36). Casino and horse racing taxes are mainly imposed on the corporate entities providing these services and not on individual taxpayers as such. Therefore it is assumed that these taxes are shifted onto individuals in the form of price, payroll or shareholder shifting, as explained in Section 2.2.6.2. These imposts were therefore not examined further in this study.

3.15 IMPOSTS ON THE USE OF MOTOR VEHICLES IN SOUTH AFRICA

In South Africa, imposts on the use of motor vehicles can be divided into imposts on motor vehicles, imposts on the use of fuel, and imposts on the drivers of motor vehicles.

3.15.1 Imposts on motor vehicles

Imposts on motor vehicles consist of *ad valorem* excise duties imposed on motor vehicles, an impost on the CO₂ emissions of motor vehicles, and motor vehicle licences.

3.15.1.1 Ad valorem excise duties on motor vehicles

Ad valorem excise duties on the value of motor vehicles are levied in terms of Schedule No 1 Part 2B of the Customs and Excise Act (91 of 1964) on the import and production of motor vehicles. As already explained in Section 3.13.2, *ad valorem* excises are deemed to be taxes that affect the random tax burden of individual taxpayers. Thus, *ad valorem* excises imposed on the use of motor vehicles in South Africa are classified as an indirect random tax burden for the purposes of this study.

3.15.1.2 CO₂ motor vehicle emissions tax

A compulsory environmental levy on the carbon dioxide (CO₂) emissions of new and imported motor vehicles is imposed under Schedule No 1 Part 3D of the Customs and Excise Act. The purpose of the impost is to promote fuel efficiency and the use of public transport (National Treasury, 2009d:66-67). This tax is, in essence, an *ad valorem* excise duty, and therefore it is classified as an indirect random tax burden for the purposes of this study, as explained in Section 3.13.2.

3.15.1.3 Motor vehicle licences

Motor vehicle licences are regulated in terms of the National Road Traffic Act (93 of 1996). All vehicles used on South African roads must be roadworthy and must be licensed as roadworthy.

Table 31: Classification of motor vehicle licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	Motor vehicle licences are regulated in terms of the National Road Traffic Act (93 of 1996), and are deemed to be compulsory, as they originate from legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The income from motor vehicle licences contributes to the provincial revenue funds (Gauteng, 2011:15; KwaZulu-Natal, 2011:47; Western Cape, 2011a:36).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	It is necessary to distinguish between the initial issuing of these licences and the annual renewal thereof.	
	No	<u>Initial issuing of licence (Registration of the vehicle)</u> The requirement to register a vehicle is in essence a formality in terms of which the applicant must submit the required documentation. No inspection service is

Criteria from Figure 1	Yes/No	Rationale
		necessarily required in terms of which government itself must inspect the vehicle. ⁸⁴ (South African Government Services, n.d.)
	No	<u>Annual renewal of licence</u> The annual renewal payment of the licence is unrequited, as no inspection of the motor vehicle is in essence required for the issue of the licence – it is merely an administrative function performed by government (South African Government Services, n.d.)
<u>Conclusion</u> : Based on the criteria above, the payment towards motor vehicle licences are deemed a tax and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8</u> : Is it an activity-based tax?	No	The initial registration of the vehicle depends on a specific event: the change of ownership. Therefore the initial registration is deemed to be a random tax.
	Yes	The renewal of motor vehicle licences is normally imposed once per year on a vehicle, but it is a charge for using the vehicle over a given period, and therefore it is classified as a recurrent impost on taxpayers.
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	Yes	Motor vehicles licences are deemed to be an impost on the assets of a taxpayer (wealth) and hence it is classified as a direct tax burden (Gildenhuys, 1989:432).
<u>Conclusion</u> : Motor vehicle licences are classified as a direct random (registration of vehicle) and as a direct recurrent (annual) tax burden, based on the criteria above.		

3.15.2 Imposts on fuel

Imposts on the consumption of fuel in South Africa are imposed on motorists as part of the fuel price. The fuel price consists of different components, as summarised in Table 32.

⁸⁴ Although a roadworthy certificate is required for the registration of a vehicle, the certificate can be issued by an accredited entity which is not necessarily a public institution. In some instances, a police clearance certificate is required, but the fee to register the vehicle itself is not directly linked to the inspection service by the South African Police Service (South African Government Services, n.d.). Therefore for the purposes of this study, no direct inspection service is deemed to be provided by government for the registration of a vehicle.



Table 32: Fuel price components in South Africa

Component		Description
A	Basic fuel price (BFP)	The BFP is based on the international market price of petroleum products, reflecting what the actual import of the product (crude oil) to South Africa would cost.
B	Inland transport costs	Refined petroleum products are transported by road, rail, pipeline, and by a combination thereof from coastal refineries to inland depots.
C	Delivery costs	This element compensates marketers for actual depot-related costs (storage and handling) and distribution costs from the depot to the end user at service stations.
D	Wholesale margin	Money paid to the oil company through whose branded pump the product is sold, to compensate for marketing activities. This margin is controlled by the government.
E	Retail margin	The retail profit margin is fixed by the Department of Energy and is determined on the basis of the actual costs incurred by the service station operator in selling petrol. In this cost structure, all proportionate driveway-related costs (such as rental, interest, labour, overheads and entrepreneurial compensation) are taken into account.
F	Equalisation fund levy	The equalisation fund levy consists of a levy to equalise fuel prices in the country.
G	General fuel levy	The general impost on fuel is labelled the general fuel levy.
H	Road Accident Fund levy	A portion of the general fuel levy is specifically earmarked for funding the Road Accident Fund.
I	Customs and excise duties on petroleum products	Specific customs and excise duties imposed on the importation and production of fuel.
J	Slate levy	The slate levy on fuel is a levy to recover money 'owed' to the fuel companies due to a time delay in the adjustment of the petrol price. The basic fuel price is calculated on a daily basis, and this calculation is either higher or lower than the basic fuel price that is part of the fuel price paid by motorists at the time. This calculation is done over a month and the cumulative result is either an over- or under-recovery of the basic fuel price. The slate levy is used to fund any under-recovery in the slate account.
K	Demand-side management levy	The demand-side management levy is an impost on the inland supply and consumption of 95 octane petrol.

Component		Description
L	Illuminating paraffin tracer dye levy	An illuminating paraffin tracer dye levy is imposed by government on diesel to prevent the unlawful mixing of diesel and illuminating paraffin. The purpose of the levy on diesel is to fund the expenses relating to the cost of dyeing the illuminating paraffin.
M	Petroleum pipeline levy ⁸⁵	The petroleum pipeline levy consists of a levy imposed on licensed petroleum pipeline suppliers.

Source: Department of Energy (n.d.) and Sasol (2007)

The supply cost of fuel consists of:

- Component A – the basic fuel price (BFP);
- Component B – the inland transport cost;
- Component C – the delivery cost; and
- Components D and E – the whole and retail margins.

All these components form part of the cost for supplying fuel in South Africa, and are therefore deemed to be neither a tax nor a user charge, for the purposes of this study.

In addition, the equalisation fund levy (Component F) and the slate levy (Component J) are also deemed to be part of the supply cost of fuel in South Africa, because these two levies are inherently linked to the BFP, in the sense that their purpose is not to raise revenue for government, but to stabilise the fuel price over a given period (Department of Energy, n.d.). Hence, these two imposts are also deemed to be neither a tax nor a user charge, for the purposes of this study.

The remaining components (G, H, I, K, L and M) of the fuel price in Table 32 need to be analysed further to classify each of the remaining imposts by government as a tax or a user charge.

⁸⁵ The petroleum pipeline levy is analysed in Section 3.17.7.

3.15.2.1 General fuel levy and the Road Accident Fund levy

The general fuel levy (Component G) is regulated in terms of Schedule No 1 Part 5A of the Customs and Excise Act (91 of 1964; SARS, 2009:7), making it in essence a specific excise duty on fuel. Around 30% of the levy (National Treasury, 2011a:75,105) is specifically earmarked for funding the Road Accident Fund (Component H) in terms of section 5 of Road Accident Fund Act⁸⁶ (56 of 1996). The purpose of the fund is to provide insurance cover to all users of the road for injuries and death resulting from the use of motor vehicles. These road users include pedestrians. The remaining portion of the fuel levy is a source of revenue for the National Revenue Fund (National Treasury, 2011a:75).

Based on the explanation in Section 3.13.1, a specific excise duty is deemed an indirect recurrent tax, and therefore the general fuel levy imposed on motorists in South Africa is classified as an indirect recurrent tax burden for the purposes of this study.

3.15.2.2 Specific customs and excise duty on fuel

The specific customs and excise duty (Component I) imposed on the import and production of fuel is regulated in terms of Schedule No 1 Part 2A of the Customs and Excise Act (91 of 1964). As already explained in Section 3.13.1, specific excises are deemed to be taxes that affect the indirect recurrent tax burden of individual taxpayers. Hence, specific excises imposed on the use of motor vehicles in South Africa are classified as an indirect recurrent tax burden for the purposes of this study.

3.15.2.3 Demand-side management levy

The demand-side management levy (Component K) is an impost on the inland supply and consumption of 95 octane petrol (Department of Energy, n.d.)

⁸⁶ See Section 3.4.4.3.

Table 33: Classification of the demand-side management levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The demand side management levy on 95 octane petrol is imposed in terms of a ministerial directive issued in line with the Central Energy Fund Act (38 of 1977) (Department of Energy, n.d.), and hence it is deemed to be compulsory in nature for the purposes of this study.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The government uses this levy to raise revenue for funding public-related services provided by government in the supply of fuel, in the sense that the purpose is to protect the environment by curbing the inland use of 95 octane petrol.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	There is no direct supply of specific public goods and services by government in return for the payment of the impost.
Conclusion: Based on the criteria above, the demand-side management levy on 95 octane fuel is classified as a tax.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The payment of the tax on fuel is deemed to be imposed on a continuous basis on the consumption of fuel. Hence, the tax is classified as a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	The tax is imposed on the consumption of 95 octane petrol. This kind of impost is normally regarded as an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
Conclusion: Based on the criteria above, the demand-side management levy imposed on the inland consumption of 95 octane petrol is classified as an indirect recurrent tax burden.		

3.15.2.4 Illuminating paraffin tracer dye levy

An illuminating paraffin tracer dye levy (Component M) is imposed by government on diesel to prevent the unlawful mixing of diesel and illuminating paraffin (Department of Energy, n.d.).

Table 34: Classification of the illuminating paraffin tracer dye levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	The illuminating paraffin tracer dye levy imposed on diesel is regulated in terms of a ministerial directive issued in line with the Central Energy Fund Act (38 of 1977) (Department of Energy, n.d.) , and hence it is deemed to be compulsory in nature for the purposes of this study.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of this levy is to fund the expenses relating to the cost of dyeing the illuminating paraffin (Department of Energy, n.d.). Hence, this is a levy that government uses to raise revenue for providing a public-related service.
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The impost does not relate to public goods and services provided directly by government in return for the levy.
<u>Conclusion:</u> The illuminating paraffin tracer dye levy imposed on diesel, based on the criteria above, is classified as a tax and not as a user charge for the purposes of this study.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	The payment of the tax on diesel is deemed to be imposed on a continuous basis on the consumption of diesel. Hence, the tax is classified as a recurrent tax.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	The tax is imposed on the consumption of diesel. This kind of impost is normally regarded as an indirect tax (Gildenhuis, 1989:284; Steenekamp, 2012:166).
<u>Conclusion:</u> Based on the criteria above, the illuminating paraffin tracer dye levy imposed on diesel is classified as an indirect recurrent tax burden.		

3.15.3 Impost on drivers of motor vehicles

Imposts on the drivers of motor vehicles in South Africa consist mainly of drivers' licences, and fines for traffic violations.

3.15.3.1 Drivers' licences

Imposts on the drivers of motor vehicles in South consist of fees related to the issuing and renewal of drivers' licences. Drivers' licences are regulated in terms of the National Road Traffic Act (93 of 1996), and only persons in possession of a drivers' licence are allowed to drive a vehicle in South Africa.

Table 35: Classification of drivers' licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	Drivers' licences are compulsory for drivers of motor vehicles and are regulated in terms of the National Road Traffic Act (93 of 1996). Thus, these licences are deemed to be compulsory in nature, as this imposition originates from legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The income from drivers' licences forms part of the provincial revenue funds (Gauteng, 2011:15; KwaZulu-Natal, 2011:47; Western Cape, 2011a:36).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	It is necessary to distinguish between the initial issuing of these licences and renewal thereof every five years.	
	Yes	<u>Initial issuing of a drivers' licence</u> Before a drivers' licence can be issued, the person applying for the licence must pass a driving licence test at one of the testing grounds operated by government (South African Government Services, n.d.). Hence, it is deemed that government provides a direct inspection service for the payment required when a drivers' licence is applied for and issued.
	No	<u>Renewal of drivers' licences (every five years)</u> Drivers' licences must be renewed every five years. The renewal payment of the licence is



Criteria from Figure 1	Yes/No	Rationale
		deemed to be unrequited, as no inspection (testing) ⁸⁷ of the competency of the driver is required for the renewal of the licence – it is merely an administrative function performed by government (South African Government Services, n.d.)
Conclusion: The initial issuing of a drivers' licence must be analysed further to determine the inherent nature thereof, but the renewal of a drivers' licence is classified as a tax based on Criterion 3.		
Renewal of drivers' licences		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
Criterion 8: Is it an activity-based tax?	Yes	A drivers' licence is an impost of a recurrent nature as the licence needs to be renewed on an ongoing basis every five years.
Criterion 9: Is it imposed directly on income or wealth?	No	A drivers' licence is imposed on a driver for making use of a vehicle, therefore the impost is classified as an indirect tax.
Conclusion: Based on the criteria above, the renewal fee for a drivers' licence is classified as an indirect recurrent tax burden.		
Issuing of a drivers' licence		
Criterion 4: Is the impost in proportion to the cost of the goods and services?	Yes	The fees charged for issuing a drivers' license is normally a fixed fee, which strengthens the assumption that the licence fees are in proportion to the cost of the public service provided by government (South African Government Services, n.d.)
Criterion 5: Is the benefit exclusive to persons making the payment?	Yes	The benefit of the government service provided in issuing a drivers' licence is exclusive to the persons paying for licences, in the sense that persons who do not pay for the service are excluded from the benefits related to the ownership of a drivers' licence.
Criterion 6: Does the user charge regulate access to a right or privilege?	Yes	A person is only permitted to drive a vehicle on public roads in South Africa if the person is in possession of a drivers' licence regulated in terms of the National Road Traffic Act.
Conclusion: The licence fee related to issuing a drivers' licence in South Africa is classified as a user charge, to be specific, as an administration fee.		

⁸⁷ Although it is possible to argue that an eye test is a requirement, it is not a requirement that the eye test be done by the government entity. An eye test for purposes of the renewal of a drivers' licence can be done by an optometrist of choice (South African Government Services, n.d.).

3.15.3.2 Fines for traffic violations

Imposts on traffic violations in South Africa consist of fines issued by authorities at a provincial and local level of government and are regulated in terms of the National Road Traffic Act (93 of 1996).

Table 36: Classification of fines for traffic violations in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	Imposts for traffic violations are regulated in terms of the National Road Traffic Act (93 of 1996), and hence, they are deemed to be compulsory imposts in terms of legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	No	The purpose of fines is to deter traffic violations and not primarily to raise revenue for government (National Treasury, 2009c:39).
<u>Conclusion:</u> These imposts are classified as penalties mainly because their purpose is not to raise revenue for government, but to deter traffic violations.		

3.16 IMPOSTS ON THE USE OF GOODS AND ON THE PERMISSION TO USE GOODS, OR ON THE PERMISSION TO PERFORM SERVICES

These imposts in South Africa refer mainly to licences that regulate industries (for instance, liquor licences and other business licences) and other licences that regulate the use of goods (for instance, television licences and firearm licences) (see Table 17). These imposts on regulated goods and services can be classified as follows in terms of Figure 1.

3.16.1 Firearms licences

Firearms licences are regulated and administered by the national government (see Table 10 and Table 37).

Table 37: Classification of firearms licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The ownership and use of a firearm is regulated in terms of the Firearms Control Act (60 of 2000).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The license revenue forms part of the administration fees under the non-tax revenue in the National Revenue Fund (National Treasury, 2011a:161).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	It is necessary to distinguish between the initial issuing of these licences and the annual renewal thereof.	
	Yes	<u>Initial application</u> The issuing of a firearm licence depends on an assessment process, including an inspection of the firearm by the South African Police (South African Government Services, n.d.). Hence, government is deemed to render a direct service in issuing the licence.
	No	<u>Renewal of licence (every 5 years)</u> The licence is renewed every five years and no specific inspection services from government is required (South African Government Services, n.d.).
Conclusion: The fees charged for the renewal of a firearm licence is classified as a tax. The initial applications fees for a firearm licence need to be analysed further.		
Renewal of firearm licences		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	A firearms licence needs to be renewed continuously on a five-year cycle.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	The licence fee is imposed for the renewal of a firearms licence (every five years) as a direct impost on the ownership of an asset, hence the impost is directly on the wealth of the taxpayer.

Criteria from Figure 1	Yes/No	Rationale
Conclusion: Based on the criteria above, the regular renewal of a firearms licence is classified as a direct recurrent tax burden.		
Issuing of a firearm licences		
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	The fees charged for issuing a firearms license is normally a fixed fee, which strengthens the assumption that the licence fees are in proportion to the cost of the public service provided by government (South African Government Services, n.d.).
<i>Criterion 5:</i> Is the benefit exclusive to persons making the payment?	Yes	The benefit of the government service for issuing a firearms licence is exclusive to the persons paying for these licences, in the sense that persons who do not pay for the service are excluded from the benefits related to the ownership of a firearm licence.
<i>Criterion 6:</i> Does the user charge regulate access to a right or privilege?	Yes	A person is only permitted to own a firearm in South Africa if the person is in possession of a firearm licence.
Conclusion: The licence fee related to issuing a firearm licence in South Africa is classified as a user charge, to be specific, an administration fee.		

3.16.2 Liquor licences

Liquor licences are regulated and administered by the various provincial governments (see Table 11 and Table 38).

Table 38: Classification of liquor licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Liquor licences in South Africa are regulated in terms of the Liquor Act (59 of 2003)
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of liquor licences is to raise revenue for provincial governments and this revenue forms part of the provincial revenue funds (Gauteng, 2011:15; KwaZulu-Natal, 2011:51; Western Cape (2011a:45).
<i>Criterion 3:</i> Is there a direct return of specific goods and	It is necessary to distinguish between the initial issuing of these licences and the annual renewal thereof.	

Criteria from Figure 1	Yes/No	Rationale
services by government?	Yes	<u>Initial application</u> The issuing of a liquor licence depends on an assessment process, including an inspection by the South African Police Service (Gauteng, n.d.; Western Cape, 2011b). Hence, government is deemed to render a direct service in issuing the licence.
	No	<u>Annual renewal of licence</u> The licence is renewed annually and no specific inspection-related services from government are required (Gauteng, n.d.; Western Cape, 2011b).
<u>Conclusion:</u> The annual renewal licence fee for a liquor licence is classified as a tax. The initial applications fees for a liquor licence need to be analysed further.		
Renewal of liquor licences		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	Annual renewal of liquor licences is of a recurrent nature, as a licence needs to be renewed on an ongoing basis.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	Yes	The annual fee is imposed for the renewal of a liquor licence as a direct impost on the revenue of the person holding the liquor licence.
<u>Conclusion:</u> Based on the criteria above, the annual renewal of a liquor licence is classified as a direct recurrent tax burden.		
Issuing of a liquor licences		
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	Yes	The fees charged for issuing a liquor license is normally a fixed fee, which strengthens the assumption that the licence fees are in proportion to the cost of the public service provided by government (Gauteng, n.d.; Western Cape, 2011b).
<u>Criterion 5:</u> Is the benefit exclusive to persons making the payment?	Yes	The benefit of the government service for issuing a liquor licence is exclusive to the persons paying for these licences, in the sense that persons who do not pay for the service are excluded from the benefits related to the ownership of a liquor licence.
<u>Criterion 6:</u> Does the user charge regulate access to a right or privilege?	Yes	A person is only permitted to sell liquor in South Africa if the person is in possession of a liquor licence.
<u>Conclusion:</u> The licence fee related to the issuing of a liquor licence in South Africa is classified as a user charge, to be specific, an administration fee.		

3.16.3 Business licences

Various business-related licences are regulated and administered by the national (see Table 10) and provincial (see Table 11) governments, as well as by municipalities (see Table 12) and some public enterprises (see Table 15).

Table 39: Classification of business licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The regulation of businesses in South Africa is subject to different legislative regulations, and therefore the fees imposed on such goods by government are deemed to be compulsory in nature.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	All imposts relating to these licences are part of government funds, at a provincial, or municipal level (see Table 17)
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	It is necessary to distinguish between the initial issuing of these licences and the periodic renewal thereof.	
	Yes and no	<u>Initial application</u> The issuing of a business licences may depend on an assessment process, including an inspection service, depending on the type of licence. Hence, it is necessary to classify each type of business licence according to its own unique circumstances.
	Yes and no	<u>Periodic renewal of licence</u> Business licences are normally renewed on an annual basis. However, the renewal may or may not depend on the requirements of each individual licence. Hence, it is necessary to classify each type of business licence according to its own unique circumstances.
Conclusion: The issuing and periodic renewal licence fee for a business licence can be classified as either a tax or a user charge, depending on the unique requirements of each licence.		



Criteria from Figure 1	Yes/No	Rationale
Business licences that are classified as a tax		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes and no	The initial issuing of a business licence may depend on a specific event or transaction and is inherently not of a recurrent nature. Business licences normally need to be renewed continuously on an annual basis, making the renewal an activity-based tax.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	Yes and no	Depending on the type of licence, it may be imposed on income, wealth, or consumption.
<u>Conclusion:</u> Based on the criteria above, a business licences, deemed to be a tax, can be classified as both a (direct or an indirect) recurrent tax burden or a (direct or an indirect) random tax burden, depending on the unique basis of the licence itself.		
Business licences that are not classified as a tax, but as a user charge		
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	Yes	The fees charged for issuing a business license are normally a fixed fee, which strengthens the assumption that the licence fees are in proportion to the cost of a public service provided by government.
<u>Criterion 5:</u> Is the benefit exclusive to persons making the payment?	Yes	The benefit of owning a business licence is normally an exclusive benefit to the persons willing to pay for it.
<u>Criterion 6:</u> Does the user charge regulate access to a right or privilege?	Yes	The inherent nature of a licence is to regulate goods or services.
<u>Conclusion:</u> Licence fees, classified as user charges, can specifically be classified as administration fees.		

3.16.4 Television licences

Television licences in South Africa are regulated and administered by the SABC, a major public entity (see Table 14).

Table 40: Classification of television licences in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The ownership of a television set in South Africa is regulated in terms of the Broadcasting Act (4 of 1999).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Television licence fees are used as source of revenue by the SABC (Table 14).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	<u>Issuing and annual renewal of licence</u> The licence is renewed annually and no specific inspection services from government are required for the issuing or renewal thereof (South African Government Services, n.d.).
<u>Conclusion:</u> The annual renewal licence fee for a television licence is classified as a tax. The initial applications fees for a television licence need to be analysed further.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes and no	The initial issuing of a television licence depends on a specific transaction, namely the purchase of a television. The annual renewal of a television licence is inherently recurrent in nature and therefore a television licence is classified as an activity-based tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	A television licence is imposed on the ownership of a television set and it is therefore deemed to be a direct impost on wealth.
<u>Conclusion:</u> Based on the criteria above, the renewal of a television licence is classified as a direct recurrent tax burden. The initial issuing of a television licence is classified as a direct random tax burden.		

3.17 OTHER IMPOSTS ON THE USE OF GOODS AND SERVICES IN SOUTH AFRICA

Other imposts on goods and services in South Africa consist mainly of an impost on electricity, an impost on the use of plastic bags, an impost on the use of incandescent light bulbs, an impost on the exploration of exhaustible resources, imposts on municipal services, an impost on the suppliers of telecommunication services, imposts on the suppliers of electricity, piped gas, and pipeline petroleum, an impost on air passengers, an impost on aviation fuel, an impost on maritime services, an impost on the use of roads, and an impost on the use of water (see Table17).

3.17.1 Electricity environmental levy

There is an impost on the use of electricity in South Africa. This is referred to as the electricity environmental levy. This impost on the use of electricity is prescribed in terms of Schedule No 1 Part 3B of the Customs and Excise Act (91 of 1964). The levy is a compulsory impost on the use of electricity, and the main purpose of the levy is to raise revenue for the National Revenue Fund to finance general public expenditure (National Treasury, 2008:66). In essence, this impost is a specific excise imposed on the use of electricity.

As already explained in Section 3.13.1, specific excises are deemed to be taxes that affect the indirect recurrent tax burden of individual taxpayers. Hence, the electricity environmental levy in South Africa is classified as an indirect recurrent tax burden for the purposes of this study.

3.17.2 Plastic bags levy

The impost on the use of plastic bags in South Africa is labelled the plastic bags levy. The plastic bags levy is an impost on the use of plastic bags in South Africa under Schedule No 1 Part 3 of the Customs and Excise Act (91 of 1964).

The levy was earmarked to address environmental objectives, particularly the promotion of recycling plastic waste and raising environmental awareness in society (National Treasury, 2004:1). In essence, this impost is a specific excise impost on the usage of plastic bags.

As already stated in Section 3.13.1, specific excises are deemed to be taxes that affect the indirect recurrent tax burden of individual taxpayers. Therefore, the specific excises imposed on the use of plastic bags in South Africa are classified as an indirect recurrent tax burden for the purposes of this study.

3.17.3 Incandescent light bulb levy

The impost on the use of incandescent light bulbs is referred to as the incandescent light bulbs levy. The levy was introduced to promote the use of electricity-saving light bulbs. It is levied under Schedule No 1 Part 3C of the Customs and Excise Act (91 of 1964) and is therefore deemed to be a specific excise duty.

As set out in Section 3.13.1, specific excises are deemed to be taxes that affect the indirect recurrent tax burden of individual taxpayers. Therefore, the specific excise imposed on the use of incandescent light bulbs in South Africa is classified as an indirect recurrent tax burden.

3.17.4 Minerals and petroleum royalties, prospecting fees and surface rentals

Imposts on the exploration of exhaustible resources in South Africa consist of royalties on the extraction of minerals and petroleum, prospecting fees, and surface rentals (National Treasury, 2011a:157).

Table 41: Classification of imposts on mineral and petroleum resources in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	These imposts are regulated in terms of the Minerals and Petroleum Resources Royalty Act (28 of 2008), the Mineral and Petroleum Resources Royalty (Administration) Act (29 of 2008), the Mineral and Petroleum Resources Development Act (28 of 2002) and the Petroleum Resources Development Regulations (R.527 of 2004)(South Africa, 2004).
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The income from these imposts is used as revenue in the National Revenue Fund (National Treasury, 2011a:161).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The income is used in the National Revenue Fund to fund general expenditure to the benefit of the general public (National Treasury, 2011a:157).
<u>Conclusion:</u> In terms of Criteria 1, 2, and 3, the imposts on minerals and petroleum in South Africa are classified as taxes and not as user charges.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	These taxes are imposed on a continuous basis and do not depend on a specific event or transaction.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	Yes	These taxes are imposed on the income that entities or person earn from the exploitation of mineral and petroleum resources in South Africa. Hence, it is deemed to be a direct tax.
<u>Conclusion:</u> Based on the criteria above, these taxes are classified as direct recurrent tax burdens.		

3.17.5 Levy on suppliers of telecommunication services

The impost on suppliers of telecommunication services in South Africa consists of compulsory contributions to the universal service and access fund by holders of telecommunication licences (National Treasury, 2011b:605). This compulsory contribution by licence holders is regulated by the Telecommunications Act (103 of 1996). The biggest licence holders are Telkom SA, Vodacom, MTN and

CellC. In terms of section 67 of the Act, each licence holder must make an annual contribution to the fund. The purpose of the fund is to subsidise telecommunication services to needy people in terms of section 66 of the Act, making these contributions earmarked imposts. The contributions to the universal service fund by the licence holders, mainly corporate entities, are deemed to be shifted onto natural persons in the form of price, payroll or shareholder shifting, and the impost was therefore not analysed further for the purposes of this study.

3.17.6 Levy on educators

The Education Labour Relations Council (ELRC) imposes a levy on both employees and employers in education in South Africa (ELRC, 2007) to fund the activities of the ELRC. The ELRC derives its authority from the Labour Relations Act (66 of 1995). An 'employee' for the purposes of this levy means an educator, as defined in the Employment of Educators Act (76 of 1998), in other words,

...any person who teaches, educates or trains other persons or who provides professional educational services, including professional therapy and education psychological services, at any public school, further education and training institution, departmental office or adult basic education centre and who is appointed in a post on any educator establishment under this Act;...

An 'employer', for the purposes of this levy, is in essence defined in the Employment of Educators Act as the Department of Education and any provincial department of education. Therefore, it is assumed for the purposes of this study that the levy placed on the employers of educators is borne by the departments of education, and that the levy does not affect the tax burden of individual taxpayers in South Africa.

However, the levy imposed on the individual educators needs to be analysed and classified in terms of the criteria from Figure 1.

Table 42: Classification of the levy on educators in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The levy on educators is imposed in terms of legislation through the collective agreement established under the Labour Relations Act (66 of 1995). It is deemed to be a compulsory levy imposed on these individuals.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	This levy is earmarked to finance the activities of the ELRC, a public entity, and therefore it is deemed that the purpose of this levy is to raise revenue to fund public expenditure (ELRC, 2011:135).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The levy is used to fund the general activities of the ELRC, which renders an indirect service in the form of labour negotiation services (ELRC, 2007:2) to its members. According to the mission of the ELRC, the core business of the council is to provide an independent and impartial forum for the resolution of disputes in the education sector and to provide a forum for negotiations and consultations in matters of mutual interest in the sector at both national and provincial level (ELRC 2011:14). Hence, it is deemed that no direct service is returned by government for paying the levy.
Conclusion: In terms of Criteria 1, 2, and 3, the levy on educators is deemed to be a tax for the purposes of this study. The impost is compulsory in terms of legislation, it is used to fund government expenditure, and no specific goods or services are directly provided to the person paying the levy.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The levy is imposed on a monthly basis on the remuneration of educators (ELRC, 2007:2). Hence, it is deemed to be recurrent.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	The levy is deducted on a monthly basis from the remuneration (income) of educators by the employers (ELRC, 2007:2-3).
Conclusion: Based on the criteria above the levy on educators is classified as a direct recurrent tax burden.		

3.17.7 Levies on the suppliers of electricity, pipeline petroleum and piped gas

Imposts on the suppliers of pipeline petroleum consist of a levy on electricity, a levy on gas, and a levy on fuel (NERSA, 2011:141). These levies are imposed on licensed suppliers of these products in terms of the National Energy Regulator Act (40 of 2004), the Petroleum Pipelines Levies Act (28 of 2004), and the Gas Regulators Levies Act (75 of 2002). These levies partially fund the National Energy Regulator of South Africa (NERSA), which is the regulatory authority for electricity, gas and petroleum, as established in terms of section 3 of the National Energy Regulator Act (40 of 2004). These levies on suppliers are imposed mainly on corporate entities supplying these products, for instance, Eskom, Transnet, and Sasol Limited. Hence, these levies are deemed to be inherently shifted onto natural persons in the form of price, payroll or shareholder shifting⁸⁸ and therefore they were not analysed further for the purposes of this study.

3.17.8 Levy on medical schemes

The Council for Medical Schemes (CMS) is the regulatory entity for the medical schemes industry in South Africa (CMS, 2010:7). The industry is regulated in terms of the Medical Schemes Act (131 of 1998). The CMS is funded from a levy imposed on medical schemes. Medical schemes in South Africa consist mainly of corporate entities (CMS, n.d.), therefore these imposts on medical schemes are deemed to be inherently shifted onto natural persons in the form of price, payroll or shareholder shifting, and they were not analysed further for the purposes of this study.

⁸⁸ See Section 2.2.6.2 for an explanation.

3.17.9 Levy on suppliers of private security services

In terms of the Private Security Industry Levies Act (23 of 2002), a levy is imposed on the providers of private security services in South Africa in order to fund the Private Security Industry Regulator Authority (PSIRA, 2010:52).

Table 43: Classification of the levy on the suppliers of private security services in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The levy on the suppliers of private security services in South Africa are regulated in terms of the Private Security Industry Levies Act (23 of 2002).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	This levy is earmarked to finance the activities of the PSIRA, a public entity, and therefore it is deemed that the purpose of this levy is to raise revenue to fund public expenditure (PSIRA, 2010:52).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The mission of the PSIRA is to protect the constitutional rights of all people to life, safety and dignity through effective promotion and regulation of the private security industry (PSIRA, 2010). Hence, it is deemed that the levy is used to fund the general activities of the PSIRA, whose main purpose is to regulate the private security industry in South Africa and therefore does not render a direct service to the persons paying the impost.
Conclusion: In terms of Criteria 1, 2, and 3, the levy on private security service providers is deemed to be a tax for the purposes of this study. The impost is compulsory in terms of legislation, it is used to fund government expenditure, and no specific goods or services are directly returned to the person paying the levy.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The levy is imposed annually and is therefore deemed to be a recurrent impost.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	The levy is imposed directly on the income of these service providers on an annual basis.
Conclusion: Based on the criteria above, the levy on private security service providers is classified as a direct recurrent tax burden.		

3.17.10 Aircraft passenger safety charge

The impost on aircraft passengers is labelled the aircraft passenger safety charge. This charge is a fixed amount imposed on all international and domestic air passengers, and it is regulated under the Civil Aviation Act (13 of 2009).

Table 44: Classification of the aircraft passenger safety charge in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	The aircraft passenger safety charge is regulated in terms of the Civil Aviation Act (13 of 2009), and is deemed to be compulsory because the impost originates from legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	This charge is earmarked for funding the activities of the South African Civil Aviation Authority (SACAA) in terms of section 74 of the Civil Aviation Act (13 of 2009), and therefore it is deemed to raise revenue for government-related expenditure.
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	The purpose of the charge is to fund the general activities of the SACAA, referring to the safety and security oversight of the aviation industry in South Africa (SACAA, 2011:93), and therefore no specific public goods or services are directly returned by government to the person paying the charge, but a service is rendered indirectly to the aviation industry as a whole.
<u>Conclusion:</u> In terms of Criteria 1, 2 and 3, the aircraft passenger safety charge is deemed to be a tax and not a user charge. The impost is compulsory in terms of legislation, it is used to fund government expenditure, and no direct benefit is returned for paying the safety charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes and no	This classification depends on the specific circumstances of the taxpayer. Some taxpayers may be frequent flyers, and for them the impost may be of a recurrent nature. Other passengers rarely fly (non-frequent flyers), and for these taxpayers the impost can be classified as a random tax.

Criteria from Figure 1	Yes/No	Rationale
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	No	This is an impost on the consumption of goods and services and it is therefore deemed to be an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<u>Conclusion</u> : Depending on each taxpayer's unique circumstances, the aircraft passenger safety charge can be classified as a recurrent indirect tax burden for frequent flyers, or as an indirect random tax burden for non-frequent flyers.		

3.17.11 Aviation fuel levy

The impost on aviation fuel in South Africa is labelled the aviation fuel levy. This levy is regulated under the South African Civil Aviation Authority Levies Act (41 of 1998) and is imposed on the sale of aviation fuel in South Africa. This levy is not applicable only to aviation fuel sold to airline companies, but also to aviation fuel sold to all other users of aviation fuel, which includes individuals.

Table 45: Classification of the aviation fuel levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1</u> : Is the impost compulsory in terms of legislation?	Yes	The aviation fuel levy is imposed and regulated under the South African Civil Aviation Authority Levies Act (41 of 1998), and thus it is deemed to be a compulsory levy underpinned by legislation.
<u>Criterion 2</u> : Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	This impost is earmarked to finance the activities of the SACAA (see section 74 of the Civil Aviation Act), and therefore it is regarded as a form of funding raised by government for public expenditure.
<u>Criterion 3</u> : Is there a direct return of specific goods and services by government?	No	No direct benefit is conferred by government in return for the levy. The purpose of the aviation fuel levy is to fund the general activities of the SACAA, referring to the safety and security oversight of the aviation industry in South Africa (SACAA, 2011:93 & 106).
<u>Conclusion</u> : Based on the criteria above, the aviation fuel levy is classified as a tax and not as a user charge. The impost is compulsory in terms of legislation, it is used to fund government expenditure, and no direct benefit is provided for paying the levy.		

Criteria from Figure 1	Yes/No	Rationale
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	For the purposes of this study, it is assumed that taxpayers who own private aeroplanes use these aeroplanes on a regular basis and therefore frequently have to pay for aviation fuel. This tax is therefore classified as a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	This is an impost on the consumption of goods and services, and therefore it is deemed an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
Conclusion: Based on the criteria above, the aviation fuel levy is classified as a recurrent indirect tax burden.		

3.17.12 Maritime safety levy

The safety levy impost on maritime vessels consists of a levy on ships and fishing boats on the ocean. The levy is imposed and regulated in terms of the South African Maritime Safety Authorities (SAMSA) Levies Act (6 of 1998).

Table 46: Classification of the maritime safety levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The levy on the owners of maritime vessels in South Africa is regulated in terms of the South African Maritime Safety Authorities Levies Act (6 of 1998).
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	This levy is earmarked to finance the activities of the SAMSA, a public entity, and therefore it is deemed that the purpose of this levy is to raise revenue to fund public expenditure (SAMSA, 2010:69).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The aim of the levy is to promote South Africa's maritime interests, and develop and position the country as an international maritime centre, while ensuring maritime safety, health and environmental protection (SAMSA, 2010). Hence it is deemed that the levy is used to fund the general activities of the SAMSA, whose main purpose is to regulate the maritime industry in South Africa

Criteria from Figure 1	Yes/No	Rationale
		and therefore does not render a direct service or other benefit to the persons paying the impost.
Conclusion: In terms of Criteria 1, 2, and 3, the maritime safety levy is deemed a tax for the purposes of this study. The impost is compulsory in terms of legislation, it is used to fund government expenditure, and no specific goods or services are directly returned to the person paying the levy.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
Criterion 8: Is it an activity-based tax?	Yes and No	The levy is imposed on ships entering a harbour in South Africa and therefore depends on such an event. If the ship frequently enters the harbour the levy is of a recurrent nature, otherwise it is a random tax.
Criterion 9: Is it imposed directly on income or wealth?	Yes	The levy is imposed indirectly on the owners of these ships for using South African harbours.
Conclusion: Based on the criteria above, the maritime safety levy is classified as a direct recurrent or random tax burden, depending on the frequency of the ship entering the harbour.		

3.17.13 Water research levy

An impost on the use of water in South Africa is labelled the water research levy. The Water Research Commission is responsible for water research in South Africa and is funded by the research levy imposed on the use of water. The water research levy is regulated in terms of the Water Research Act (34 of 1971). This levy is earmarked for funding water research in South Africa.

Table 47: Classification of the water research levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
Criterion 1: Is the impost compulsory in terms of legislation?	Yes	The water research levy is imposed and regulated in terms of the Water Research Act (34 of 1971), and it is deemed to be compulsory.
Criterion 2: Is the purpose to raise revenue for government either to fund or recover	Yes	The purpose of the levy is to fund water research in South Africa, which is the responsibility of the Water Research

Criteria from Figure 1	Yes/No	Rationale
public expenditure?		Commission (National Treasury, 2011b:897; Sections 2 and 11 of the Water Research Act). Therefore it can be argued that the levy is directly linked to a public expense.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The water research levy is used to fund general water research in South Africa to the common benefit of the population, and no specific public goods or services are directly returned by government to the person paying the levy.
<u>Conclusion:</u> The water research levy is classified as a tax, based on the criteria above. The levy is a compulsory impost in terms of legislation to fund public expenditure towards the common benefit of all persons in South Africa.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The water research levy is imposed on an ongoing basis on the usage of water, and therefore it is classified as a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	The water research levy is imposed on the consumption of goods and services, so it is deemed to be an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<u>Conclusion:</u> Based on the criteria above, the water research levy is deemed an indirect recurrent tax burden.		

3.18 IMPOSTS ON INTERNATIONAL TRADE AND TRANSACTIONS

The examination of this source of government revenue in South Africa was limited to customs and other duties, and taxes on exports, because the government only imposes customs duties and taxes on imports, which are imposts on individuals.

3.18.1 Custom duties

Customs duties are, in essence, similar to excise duties in South Africa, except that excises are levied on local goods, whereas custom and import duties are levied on imports (Bird & Oldman, 1964:276-277; Gildenhuys, 1989:402-403; SARS, 2009:7; Steenekamp, 2012:258). Hence, custom duties are classified according to the same criteria as for the excise duties analysed in Section 3.13.

3.18.2 Diamond export levy

The impost on the export of diamonds is referred to as the diamond export levy. This levy is regulated under the Diamond Export Levy Act (15 of 2007) and is imposed on unpolished diamonds exported from South Africa. The purpose of the levy is to promote the development of the local economy, develop skills, and create employment (SARS, 2009:8). For the purposes of this study, the levy on diamond exports is deemed to be imposed mainly on corporate entities that export unpolished diamonds. Hence, the levy is deemed to be inherently shifted onto natural persons in the form of price, payroll or shareholder shifting, and therefore it was not analysed further for the purposes of this study.

Table 48: Classification of the diamond export levy in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The diamond export levy is regulated under the Diamond Export Levy Act (15 of 2007). Hence it is deemed to be compulsory.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The diamond export levy is used as a source of revenue for the National Revenue Fund (National Treasury, 2011a:159).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	The purpose of the levy is to promote the development of the local economy, develop skills, and create employment (SARS, 2009:8).
Conclusion: The diamond export levy is classified as a tax, based on the criteria above. The levy is a compulsory impost in terms of legislation to fund public expenditure towards the common benefit of all persons in South Africa.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The diamond export levy is imposed on an ongoing basis on the export of diamonds from South Africa, and therefore it is classified as a recurrent tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	Yes	The diamond export levy is imposed directly on the income of the person exporting diamonds from South Africa.
Conclusion: Based on the criteria above, the diamond export levy is deemed a direct recurrent tax burden.		

3.18.3 Air passenger tax

The impost on international air passengers in South Africa refers to an impost called the air passenger tax on international passengers departing from South African airports. This impost is regulated in terms of Section 47B of the Customs and Excise Act (91 of 1964).

Table 49: Classification of the air passenger tax in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The air passenger tax is regulated and imposed in terms of the Customs and Excise Act (91 of 1964), and is thus a compulsory impost on air passengers.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of the impost is to raise revenue for the National Revenue Fund (National Treasury, 2011a:157) for funding general public expenditure.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	No	No direct benefit is rendered by government to the passenger in return for paying the levy (National Treasury, 2000:96).
Conclusion: From the criteria above, it is possible to classify the levy on departing international air passengers as a tax and not as a user charge. The impost is compulsory in terms of legislation, and its purpose is to raise general revenue for government without rendering any direct benefit in return for the payment.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes and no	This classification depends on the specific circumstances of the air passengers. Some may be frequent flyers, and for them the impost may be recurrent. Other passengers may fly rarely (non-frequent flyers) and for these taxpayers, the impost can be classified as a random tax.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	This is an impost on the consumption of goods and services, and hence it is deemed to be an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
Conclusion: Depending on each taxpayer's unique circumstances, the air passenger tax can be classified as an indirect recurrent tax burden for frequent flyers, or as an indirect random tax burden for non-frequent flyers.		

3.19 SOCIAL SECURITY CONTRIBUTIONS IN SOUTH AFRICA

In South Africa, social security contributions are used to finance the Unemployment Insurance Fund and the Compensation Fund for medical expenses and loss of income due to injury on duty (National Treasury, 2011a:104-106). Other social contributions in South Africa are made to the Government Employees Pension Fund (GEPF).

Social security insurance funds, such as unemployment funds and compensations funds, are often referred to as mandated employer-provided insurance benefits (Anderson & Meyer, 1995; Feldstein & Altman, 2007; Gruber & Krueger, 1990). In essence, unemployment insurance is levied to provide income protection for employees against hardship that would otherwise be caused by unemployment (Feldstein & Altman, 2007), while workers' compensation insurance provides medical protection for employees who incur a work-related injury or illness (Gruber & Krueger, 1990). Summers (1989:177) argues that '[e]ssentially mandated benefits are like public programs financed by benefit taxes'. Summers (1989:177) explains that universal access to public goods is sometimes provided directly by the government, using taxes to fund this universal access, but in other instances the government mandates that employers provide fringe benefits to employees, of which workman's compensation insurance is a good example (Summers, 1989:177). Similarly, Gruber and Krueger (1990:1) also refer to government's mandating an employer to provide specific goods and services to workers and their dependants, referring specifically to workman's compensation insurance as an example. Stansel (1998:1-2) explains this phenomenon from a different perspective, arguing that these government mandates on employees are nothing other than hidden taxes that mask the true cost of public services provided by the government, leading people to believe that the tax burden imposed on them to finance these services is not that high.

It must be acknowledged that the interpretation of social security contributions by employers, referred to as a tax in the previous paragraph, is open to debate.

However, it is beyond the scope of the current study to pursue this debate at length. For the purposes of the current study, the interpretation that government-mandated employer-provided insurance benefits in essence impose a tax burden upon the employer was adopted.

3.19.1 Contributions to the Unemployment Insurance Fund

Unemployment Insurance Fund (UIF) contributions in South Africa are imposed on both the employer and the employee in terms of the Unemployment Insurance Act (63 of 2001) and the Unemployment Insurance Contributions Act (4 of 2002). The employee contributes 1% and the employer 1% of the employee's monthly remuneration, as defined in paragraph 1 of the 4th Schedule in the Income Tax Act (58 of 1962). These monthly contributions are collected by SARS as part of the Pay-As-You-Earn (PAYE) system, and are paid over to the fund by SARS (SARS, 2010a:4-6).

Table 50: Classification of the contributions to the Unemployment Insurance Fund

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Contributions to the fund are imposed and regulated in terms of the Unemployment Insurance Act (63 of 2001) and the Unemployment Insurance Contributions Act (4 of 2002), and thus they are compulsory.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Contributions to the Unemployment Insurance Fund are earmarked for purposes of the activities of the fund (National Treasury, 2011b:382), and therefore it can be argued that they are used for funding public expenditure.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	<u>Employees</u> Contributions by employees to this fund do confer a (contingent) entitlement (benefit) to receive a future benefit (Section 12 of the Unemployment Insurance Act).
	No	<u>Employers</u> Employers' contributions are mandated by government to make provision for a fringe



Criteria from Figure 1	Yes/No	Rationale
		benefit to their employees in the form of insurance benefits in case they become unemployed (see Section 3.19 above for a detailed explanation).
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services? (Contributions by employees)	No	Section 13(3) of the Unemployment Insurance Act states that ‘a contributor’s entitlement to benefits in terms of the Chapter accrues at a rate of one day’s benefit for every completed six days of employment as a contributor subject to a maximum accrual of 238 days benefit in the four year period immediately preceding the date of application’. This provides an indication that the contribution to the fund is clearly not in proportion to the value or costs of the benefits (contingent).
<u>Conclusion:</u> Based on the criteria above, all contributions to the Unemployment Insurance Fund are classified as a tax and not as a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	The contributions to the fund are made on a monthly basis and therefore the tax is deemed to be recurrent in nature.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	<u>Employers</u> The UIF contributions for employers are deemed to be an indirect impost on the employers’ use of the services of the employee (consumption) and not a direct impost on the income or wealth of the employer.
	Yes	<u>Employees</u> Their contributions are imposed directly on their remuneration from the payroll and therefore are deemed to be imposed directly on the employees’ income.
<u>Conclusion:</u> Contributions to the Unemployment Insurance Fund are classified as an indirect recurrent tax burden for employers and as a direct recurrent tax burden for employees.		

3.19.2 Contributions to the Compensation Fund

Contributions to the Compensation Fund are made by employers only, in terms of the Compensation for Occupational Injuries and Diseases Act (130 of 1993). An annual return must be submitted by employers declaring the annual

earnings of their employees. The Compensation Commissioner then uses specific tariffs to raise an assessment which must be paid by the employer.

Table 51: Classification of the contributions to the Compensation Fund

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	The contributions to the Compensation Fund are imposed and regulated in terms of the Compensation for Occupational Injuries and Diseases Act (130 of 1993), and is therefore deemed to be compulsory.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose is to raise revenue to fund the activities of the Compensation Commissioner (a public entity); therefore these contributions are deemed to be imposed to raise revenue for the government. Contributions by employers are remitted directly to the Compensation Fund.
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	Employers' contributions are mandated by the government to make provision for a fringe benefit to employees in the form of medical insurance towards injuries or illnesses that are work-related (see Section 3.19 above for a detailed explanation).
<u>Conclusion:</u> Based on the criteria above, contributions to the Compensation Fund are classified as a tax and not as a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	Contributions to the Compensation Fund are made annually, on an ongoing basis, and so the tax is deemed to be recurrent.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	These contributions are imposed indirectly on the use of services provided by employees to their employers and therefore these imposts are deemed to be an impost on consumption and not an impost on income or wealth.
<u>Conclusion:</u> Contributions to the Compensation Fund are classified as an indirect recurrent tax burden.		

3.19.3 Contributions to the Government Employees Pension Fund

Other social contributions in South Africa to government consist of contributions to the Government Employees Pension Fund (GEPF). The GEPF is regulated in terms of the Government Employees Pension Law (21 of 1996). All government employees as defined in section 2 of the Act must contribute to the fund.

Table 52: Classification of the contributions to the Government Employees Pension Fund

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Contributions to the fund are imposed and regulated in terms of the Government Employees Pension Law (21 of 1996), and the contributions are deemed compulsory.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of the fund is to make provision for retirement benefits for members of the fund, as well as to fund the administration of the fund (GEPF, 2010:85). Hence, it is possible to argue that contributions to this fund are used by the government for public-related expenditure.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	Contributions to this fund confer a direct benefit to the persons making contributions, in the form of a pension fund that bestows (non-contingent) future benefits on the persons contributing to the fund.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	Contributions to the fund are deemed to be below the value of the benefits that employees of government will receive. The reason for this is that this pension is a defined benefit fund which in essence bestows minimum benefits on the employees, so that the benefits are deemed to be greater than the contributions (GEPF, 2010:5).
<i>Criterion 5:</i> Is the benefit exclusive to persons making the payment?	Yes	Only members and their dependents, as defined in the Government Employees Pension Law, can benefit from the fund, and therefore it is deemed to be an exclusive benefit which excludes persons who do not contribute to the fund.

Criteria from Figure 1	Yes/No	Rationale
<u>Criterion 6</u> : Does the user charge regulate access to a right or privilege?	No	Pension funds are not a regulated service provided by government. These contributions are not deemed to be a user charge towards a regulated service for the purposes of this study.
<u>Criterion 7</u> : Are the goods and services consumed?	No	This is in essence a financial asset for the employees and is therefore not a consumable product.
<u>Conclusion</u> : Based on the criteria above, contributions to the Government Employees Pension Fund are classified, in essence, as a user charge, to be specific, a user levy.		

3.20 GOVERNMENT TRANSFERS IN SOUTH AFRICA

The transfer between government units is in essence not a tax, a user charge, or a penalty, and therefore this category of government revenue was not analysed further for the purposes of this study.

3.21 REVENUE FROM PROPERTY

Government revenue in South Africa from taxes and user charges is supplemented by income from interest, dividends and rent (see Table 17). These sources of income are in essence not a tax, a user charge, or a penalty, and therefore these sources of income were not analysed further for the purposes of this study.

3.22 SALE OF PUBLIC GOODS AND SERVICES IN SOUTH AFRICA

Public goods and services in South Africa are provided mainly by government business enterprises, which are classified as market establishments. Market establishments sell or dispose of all or most of their outputs at prices that are economically significant or market-related (IMF, 2001:60; National Treasury, 2009c:43). These entities are usually monopolies that render socio-economic services on behalf of the government, under the control of the government

(Calitz, 2012:10-11; King, 1984:245). They include the main public entities⁸⁹ and other public entities at a national and provincial level⁹⁰ (mainly government business enterprises).

At first glance, some of these government business enterprises appear to be pure market establishments, but when one looks at their price structures, one finds that their fares, fees or tariffs are not necessarily determined by normal market forces – they are sometimes determined and structured by the government units themselves. These fares, fees or tariffs generally consist of more than one impost, each serving its own purpose. This provides government with an opportunity to ‘hide’ the true nature of these imposts,⁹¹ which are in essence taxes, because they are inherently part of the price structure of these public entities. It is therefore important and necessary to examine the substance of each of these fares, fees and tariffs that contribute to the overall price of the public goods and services provided to be able to classify each as either a tax or a user charge in terms of the criteria in Figure 1.

However, for the purposes of this study, some fees or tariffs imposed by particular market establishments are deemed to be inherently user charges, rather than taxes. These fees and tariffs are determined on the basis of normal market forces that exist in the particular industry, where a government market establishment renders goods or services in competition with other role-players⁹² in that particular industry, on an equal basis.⁹³

3.22.1 Municipal services in South Africa

Municipal services in South Africa consist mainly of electricity supply services, water supply services, sanitation services, and refuse services (National Treasury, 2011c:58). Although other services are rendered by municipalities, for

⁸⁹ See Section 3.4.4.2.

⁹⁰ See Sections 3.4.4.3 and 3.4.4.4.

⁹¹ Also see Section 2.2.1 and Section 3.2 for an explanation.

⁹² Other role-players refer to privately owned entities, or public entities owned by government units that are not part of the South African public sector.

⁹³ ‘On an equal basis’ implies that the government does not use monopolist powers to gain an advantage over other role-players in the industry.

instance, urban passenger road transport services, the income from these services for municipalities is not substantial (National Treasury, 2011c:58), and therefore it was assumed that these services do not have a material impact on the imposed tax burden of individual taxpayers. Hence, these services were not analysed further.

3.22.1.1 Electricity service fees

Electricity supplied by municipalities consists mostly of electricity obtained in bulk from Eskom, which generates 95% of all the electricity in South Africa (Eskom, 2011b:1). Electricity is mainly supplied to end-users by municipalities (around 55%) and by Eskom itself (around 45%) (Eskom, 2011b:1).

Municipalities impose a service fee on the supply of electricity (National Treasury, 2011c:36). Electricity service fees imposed by municipalities consist of Eskom tariffs⁹⁴ and a municipal surcharge (Eskom, 2011a:7; National Treasury, 2011c:42)⁹⁵. Municipalities are authorised in terms of sections 227 and 229 of the Constitution to impose surcharges on the supply of electricity to consumers. It is therefore necessary to analyse the substance of municipal surcharges imposed on the supply of electricity in terms of the criteria from Figure 1, to classify the surcharge as either a tax or as a user charge.

Table 53: Classification of municipal surcharges on the supply of electricity in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Municipal surcharges on electricity supply are provided for in terms of sections 227 and 229 of the Constitution and are governed in terms of the Municipal Fiscal Powers and

⁹⁴ For the purposes of this study, it is assumed that municipalities purchase all their electricity from Eskom, although some municipalities do generate electricity themselves. This assumption is based on the fact that Eskom supplies 95% of all electricity generated in South Africa. The substance of Eskom's tariffs is analysed in Section 3.22.3.1.

⁹⁵ Some municipalities also use inclining block tariff structures. This is dealt with in Section 3.22.1.1 and Section 3.22.3.1 in the discussion of Eskom's tariff structures.



Criteria from Figure 1	Yes/No	Rationale
		Functions Act (12 of 2007), the Local Government: Municipal Systems Act (32 of 2000), the Local Government: Municipal Finance Management Act (56 of 2003), and the Electricity Regulations Act (4 of 2006) (National Treasury, 2011c:36). Hence, municipal surcharges are deemed to be compulsory, because they can be imposed by municipalities in terms of legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Municipal surcharges on electricity are used to raise revenue for municipalities, in addition to revenue transfers from other government units (National Treasury, 2011c:36; Section 227 of the Constitution). Income from these surcharges is generally applied by municipalities towards the funding of public expenditure.
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	Yes	Municipalities provide a direct service in return to the taxpayers for paying the surcharge as part of the electricity service fees. This benefit takes the form of electricity supplied by government, available for the consumption of the persons making the payment.
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	No	Section 229 of the Constitution authorises municipalities to impose surcharges on the services provided by municipalities (National Treasury, 2011c:36). The purpose of municipal surcharges is to raise additional revenue for municipalities, over and above transfers received from the national and provincial governments (National Treasury 2011c:36-37). The fact that the purpose of the surcharges is not to recover the costs of supplying electricity, but to raise additional revenue for municipalities, strengthens the notion that municipal surcharges are in essence a tax and not a user charge.
<u>Conclusion:</u> Municipal surcharges on electricity, for the purposes of this study, are classified as taxes, based on the criteria above. Municipal surcharges on electricity are deemed to be compulsory imposts in terms of legislation: the purpose is to raise revenue for general municipal expenses, and although municipalities render direct benefits in return, service fees are deemed to be disproportionate to the cost of the service, mainly due to surcharges imposed by municipalities over and above the cost of		

Criteria from Figure 1	Yes/No	Rationale
these services.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	Municipal services are rendered on an on-going basis and therefore surcharges on electricity supply services are deemed to be recurrent taxes.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	These surcharges are imposed on the consumption of goods and services. These imposts are normally classified as indirect taxes (Gildenhuys, 1989:284; Steenekamp, 2012:166).
Conclusion: Municipal surcharges on electricity in terms of the criteria above are deemed to be imposed indirectly, on an on-going basis, on the consumption of electricity. Hence municipal surcharges on electricity are classified as indirect recurrent tax burdens.		

Important considerations related to the supply of electricity by municipalities:

- *Free basic electricity*

Some municipalities, for instance, the City of Tshwane, provide free basic electricity for some groups of residents in their municipal areas (Tshwane Metropolitan Municipality, 2011a:380). Hence, it is possible to argue that the benefit that persons who pay for their total electricity consumption receive is not an exclusive benefit as defined in this study.⁹⁶ Therefore, the portion of the revenue used to pay for the free basic electricity that some residents receive is deemed to be a tax imposed on persons who do not get the same benefit. This tax is classified as an indirect recurrent tax burden for these persons.

- *Inclining block tariffs on the consumption of electricity*

Some municipalities, for instance, the City of Tshwane, use inclining block tariff structures on the consumption of electricity (Tshwane Metropolitan Municipality, 2011a:380). Inclining block tariffs are based on the principle of the higher the consumption, the higher the tariff imposed. The purpose of block tariff structures is normally to provide a cross-subsidy for lower usage

⁹⁶ See Section 2.2.4.3.

customers (Eskom, 2011a:29). In terms of Criterion 4 in Figure 1, imposing inclining block tariffs on the consumption of electricity has the effect making the charge disproportionate to the cost of providing the service. Hence any inclining block tariff on electricity is deemed to be a tax for the purposes of this study, to be specific, an indirect recurrent tax burden in terms of Criterion 8 and Criterion 9 in Figure 1.

3.22.1.2 Water service fees

Water supply services in South Africa are divided into two kinds of services, namely water resources management, guided by the National Water Act (36 of 1998), and water provision services, regulated by the Water Services Act (108 of 1997). Water resource management⁹⁷ is the exclusive domain of the national level of government, while the water services provision is mainly the responsibility of the Department of Water Affairs, various water boards,⁹⁸ and municipalities (National Treasury, 2011c:125-129).

Municipalities in general purchase potable water in bulk from the water boards, although some municipalities do not depend on water boards for their water supply (National Treasury, 2011c:128). However, since 2007, the number of municipalities contracting water boards for the supply of bulk water has increased significantly (National Treasury, 2011c:128).

Municipalities impose a service fee for supplying potable water to consumers in their jurisdiction (National Treasury, 2011c:36). Municipalities purchase bulk water from the water boards and then impose a surcharge on the tariffs of the water boards, which then in total constitute the service fee for the water supplied to the consumer. However, as stated in the paragraph above, municipalities do not always depend on the Water Boards for their water supply, and in such instances it is also possible for a municipality to impose a surcharge on the cost of supplying the water itself. Municipalities are authorised in terms of

⁹⁷ Imposts on these services are analysed in Section 3.22.10.

⁹⁸ Services supplied by the Department of Water Affairs and water boards are analysed in Section 3.22.10.3.

sections 227 and 229 of the Constitution to impose surcharges on the supply of water to consumers. It is therefore necessary to analyse the substance of municipal surcharges on the supply of water in terms of the criteria in Figure 1, to classify the surcharge as either a tax or as a user charge.

Table 54: Classification of the municipal surcharges on the supply of water in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	Municipal services fees are provided for in terms of sections 227 and 229 of the Constitution and are governed in terms of the Municipal Fiscal Powers and Functions Act (12 of 2007), the <i>Local Government: Municipal Systems Act</i> (32 of 2000), the <i>Local Government: Municipal Finance Management Act</i> (56 of 2003), and the National Water Act (36 of 1998) (National Treasury, 2011c:36). Hence, municipal service fees are deemed compulsory imposts regulated in terms of legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Municipal surcharges on the water supply are used to raise revenue for municipalities, in addition to revenue transfers from other government units (National Treasury, 2011c:36; section 227 of the Constitution).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	Yes	Municipalities provide a direct service in return to taxpayers for paying the surcharge, in the form of potable water available for consumption.
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	No	Section 229 of the Constitution authorises municipalities to impose surcharges on the services provided by municipalities (National Treasury, 2011c:36). The purpose of municipal surcharges is to raise additional revenue for municipalities, over and above transfers received from the national and provincial governments (National Treasury, 2011c:36-37). The fact that the purpose of surcharges is not to recover the cost of supplying water but

Criteria from Figure 1	Yes/No	Rationale
		to raise additional revenue for municipalities strengthens the notion that municipal surcharges are in essence a tax, and not a user charge.
<p><u>Conclusion:</u> Municipal surcharges on the supply of water, for the purposes of this study, are classified as taxes, based on the criteria above. Municipal surcharges on the supply of water are deemed to be compulsory imposts in terms of legislation: the purpose is to raise revenue for general municipal expenses, and although municipalities render direct benefits in return, service fees are deemed to be disproportionate to cost of the service, mainly due to surcharges imposed by municipalities over and above the cost of the service.</p>		
<p>Question 2: Is it a recurrent or a random (direct or indirect) tax burden?</p>		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	Municipal services are rendered on an on-going basis and therefore surcharges on water supply services are deemed recurrent taxes.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	These surcharges are imposed on the consumption of goods and services. Such imposts are normally classified as indirect taxes (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<p><u>Conclusion:</u> Municipal surcharges on the supply of water, in terms of the criteria above, are deemed to be imposed indirectly on an ongoing basis on the consumption of water. Hence municipal surcharges on water are classified as an indirect recurrent tax burden.</p>		

Important considerations related to the supply of water by municipalities:

- *Free basic water*

Some municipalities, for instance, the City of Tshwane, provide free basic water for some groups of residents in their municipal areas (Tshwane Metropolitan Municipality, 2011b:412). Hence, it is possible to argue that the benefit received by persons who pay for their total consumption of water is not an exclusive benefit as defined in this study.⁹⁹ Therefore, the portion of the revenue used to pay for free basic water that some residents receive is deemed to be a tax imposed on other persons who do not get the same benefit. This tax is classified as an indirect recurrent tax burden for these persons.

⁹⁹ See Section 2.2.4.3.

- *Inclining block tariffs on the consumption of water*

As explained in Section 3.22.1.1, some municipalities use inclining block tariff structures on the consumption of electricity. However, inclining block tariff structures are also imposed by some municipalities on the consumption of water, for instance the City of Tshwane (Tshwane Metropolitan Municipality, 2011b:412). Similar to inclining block tariff structures for electricity, these imposts are also classified a recurrent indirect tax burden imposed on taxpayers.

3.22.1.3 Sanitation service fees

In terms of Schedule 5B of the Constitution, the provision of sanitation services is one of the functional areas of local government. Municipalities impose a service fee for these services (National Treasury, 2011c:36). Municipalities are authorised in terms of sections 227 and 229 of the Constitution to impose surcharges on the supply of sanitation services. However, it is assumed for the purposes of this study that municipalities in general do not add a surcharge to the cost of providing sanitation services. The reason for this assumption is the fact that sanitation services are normally not economically self-supporting and must be subsidised from property rates and other funds. This is evident when one looks at the sanitation services' operating expenditure budgets, for example, for the period from 2011 to 2012, which indicate that the operating expenditure is R9 451million (National Treasury, 2011c:135), while the budgeted income for sanitation services, for the same period, is R7 719 million (National Treasury, 2011c:58). It is therefore necessary to analyse municipal service fees according to the criteria in Figure 1 to classify the service fee either as a tax or as a user charge.

Table 55: Classification of municipal sanitation service fees in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of	Yes	Municipal services fees are provided for in sections 227 and 229 of the Constitution and



Criteria from Figure 1	Yes/No	Rationale
legislation?		are governed in terms of the Local Government: Municipal Fiscal Powers and Functions Act (12 of 2007), the Municipal Systems Act (32 of 2000), the Local Government: Municipal Finance Management Act (56 of 2003), and the National Water Act (36 of 1998) (National Treasury, 2011c:36). Hence, municipal service fees are deemed to be compulsory imposts regulated in terms of legislation.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Municipal service fees for sanitation services are used to raise revenue for municipalities in addition to revenue transfers from other government units (National Treasury, 2011c:36; Section 227 of the Constitution).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	Municipalities provide a direct service in return to taxpayers for paying the service fee, in the form of sanitation services.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	The service fees of municipalities are deemed to be below the cost of providing the service (see the discussion above under Section 3.22.1.3 regarding the operating expenditure and the income from sanitation services).
<i>Criterion 5:</i> Is the benefit exclusive to the persons making the payment?	No	The benefit from paying for sanitation services is deemed not to be exclusive to the persons making the payment. The reason for this is that some households in South Africa do receive the benefit of free basic sanitation services without paying for the services. In 2009 it was estimated that around 9.5 million households received free basic sanitation services (National Treasury, 2011c:133).
<p>Conclusion: Municipal service fees for sanitation services, for the purposes of this study, are classified as a tax, based on the criteria above. Municipal service fees for sanitation services are deemed to be compulsory in terms of legislation: the purpose is to raise revenue for municipal expenses, and although municipalities render direct benefits in return, the benefit is deemed not to be exclusive to those persons paying for sanitation services, based on the fact that the benefit is also available free of charge to others.</p>		
<p>Question 2: Is it a recurrent or a random (direct or indirect) tax burden?</p>		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	Municipal services are rendered on an ongoing basis and therefore service fees for

Criteria from Figure 1	Yes/No	Rationale
		sanitation are deemed to be recurrent taxes.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	These surcharges are imposed on the consumption of goods and services, a kind of impost normally classified as an indirect tax (Gildenhuis, 1989:284; Steenekamp, 2012:166).
<u>Conclusion:</u> In terms of the criteria above, municipal service fees for sanitation services are deemed to be imposed indirectly on an on-going basis, and therefore they are classified as indirect recurrent tax burdens.		

3.22.1.4 Refuse removal service fees

Refuse services in South Africa are primarily a local government function. Section 156(1)(a) of the Constitution, read with Schedule 5, assigns responsibility for refuse removal, the maintenance of refuse dumps, solid waste disposal and cleansing to municipalities (National Treasury, 2011c:176).

It is necessary to analyse municipal service fees according to the criteria in Figure 1 to classify the service fee either as a tax or as a user charge.

Table 56: Classification of municipal refuse removal service fees in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	Municipal services fees are provided for in terms of sections 227 and 229 of the Constitution and are governed in terms of the Municipal Fiscal Powers and Functions Act (12 of 2007), the Local Government: Municipal Systems Act (32 of 2000), the Local Government: Municipal Finance Management Act (56 of 2003), and the National Water Act (36 of 1998) (National Treasury, 2011c:36). Hence, municipal service fees are deemed to be compulsory imposts regulated in terms of legislation.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Municipal service fees for refuse services are used to raise revenue for municipalities in addition to revenue transfers from other government units (National Treasury,



Criteria from Figure 1	Yes/No	Rationale
		2011c:36; section 227 of the Constitution).
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	Municipalities provide a direct service in return to taxpayers for paying the service fee, in the form of refuse services.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	The service fees of municipalities for refuse services are deemed to be below the cost of providing the service. Waste removal and management services are deemed not to be economically self-supporting and must be subsidised from property rates and other funds (National Treasury, 2011c:184; Statistics South Africa, 2010:31).
<i>Criterion 5:</i> Is the benefit exclusive to the persons making the payment?	No	The benefit from paying for refuse services is deemed not to be exclusive to the persons making the payment, because some consumers in South Africa are subsidised and receive free basic refuse removal. It is estimated that during 2009 around 1.9 million consumers received free basic refuse services (National Treasury, 2011c:182-183).
<p>Conclusion: Municipal service fees for refuse services, for the purposes of this study, are classified as a tax, based on the criteria above. Municipal service fees for refuse services are deemed to be compulsory in terms of legislation: the purpose is to raise revenue for municipal expenses, and although municipalities render direct benefits in return, the benefit is deemed not to be exclusive to persons paying for the services. This is based on the fact that the benefit of refuse services is also available free of charge to other consumers.</p>		
<p>Question 2: Is it a recurrent or a random (direct or indirect) tax burden?</p>		
<i>Criterion 8:</i> Is it an activity-based tax?	Yes	Municipal services are rendered on an on-going basis and therefore service fees for refuse services are deemed to be recurrent taxes.
<i>Criterion 9:</i> Is it imposed directly on income or wealth?	No	These surcharges are imposed on the consumption of goods and services. Such imposts are normally classified as indirect taxes (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<p>Conclusion: In terms of the criteria above, municipal service fees for refuse services are deemed to be imposed indirectly on an on-going basis, and are therefore classified as indirect recurrent tax burdens.</p>		

3.22.2 Communication services in South Africa

Communication services in South Africa provided by market establishments consist of broadcasting services, broadcasting network services, telecommunication services, and postal services. These communication services are regulated in terms of the Broadband Infraco Act (33 of 2007), the Electronic Communications Act (36 of 2005), the Broadcasting Act (4 of 1999), the Telecommunications Act (103 of 1996) and the Postal Services Act (124 of 1998). The regulations are enforced in the form of licences issued in terms of the Acts referred to above.

Compliance with the Acts mentioned above and the conditions of licence agreements are monitored by the Independent Communications Authority of South Africa (ICASA), which was established in terms of the Independent Communications Authority of South Africa Act (13 of 2000). One of ICASA's main functions is to promote competition and the efficient provision of communication services at affordable and competitive tariffs (ICASA, 2011:19).

3.22.2.1 Broadband infrastructure rental tariffs

The long-distance broadband infrastructure in South Africa is provided and maintained by Broadband Infraco (Pty) Ltd. The main purpose of this company is to improve market efficiency in long-distance broadband connectivity, both national and international, and to provide capacity to stimulate private sector development and innovation in telecommunications services (Broadband Infraco, 2011). This company was established in terms of the Broadband Infraco Act (33 of 2007).

Broadband Infraco's broadband infrastructure is mainly rented to corporate entities, for instance, Neotel (Pty) Ltd in the communication industry (Broadband Infraco, 2011:11-12), and therefore Broadband Infraco's tariffs are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder

shifting. Therefore these tariffs were not analysed further for the purposes of this study.

3.22.2.2 Air broadcasting service tariffs

Broadcasting services in South Africa consist of both television and radio broadcasting services, which are regulated in terms of the Broadcasting Act (4 of 1999) and the Electronic Communications Act (36 of 2005).

The principal public entity that provides broadcasting services in South Africa is the South African Broadcasting Corporation Limited (SABC).¹⁰⁰ The main source of income for the SABC is tariffs imposed on airtime provided mainly for advertisements, both on radio and television (SABC, 2011:135). These tariffs are monitored and approved by ICASA, but are not determined by them (ICASA, 2011:19). Hence, and because the SABC is not the only licence holder for broadcasting services in South Africa,¹⁰¹ the SABC's tariffs are deemed for the purposes of this study to be determined on the basis of normal market forces and are therefore deemed inherently to constitute a user charge and not a tax. Because these airtime tariffs do not regulate access to a right or privilege (Criterion 6 of Figure 1), and the airtime is deemed to be consumed¹⁰² (Criterion 7 of Figure 1), the SABC's tariffs for airtime are classified as user levies for the purposes of this study.

3.22.2.3 Broadcasting network service tariffs

Broadcasting network services are regulated by the Electronic Communications Act (36 of 2005) in the form of licences issued in terms of this Act.

¹⁰⁰ See Section 3.4.4.2.

¹⁰¹ Other broadcasting licence holders that compete on an equal basis with the SABC include MNet and MultiChoice.

¹⁰² Entities or persons that use the SABC's broadcasting network do not purchase and consume the network, but only use the service.

Sentech Limited (Sentech) is the main public entity that provides broadcasting network services in South Africa (Sentech, 2010:4). Sentech mainly provides these broadcasting network services to corporate entities in the communication industry (Sentech, 2010:5-7), and therefore tariffs relating to Sentech services are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. Therefore these tariffs were not analysed further for the purposes of this study.

3.22.2.4 Telecommunication service tariffs

Telecommunication services are regulated in terms of the Telecommunications Act (103 of 1996) and the Electronic Communications Act (36 of 2005). Telecommunication services are regulated in the form of licences issued in terms of the Acts referred to above.

The principal public entity that provides telecommunication services in South Africa is Telkom SA Limited (Telkom).¹⁰³ Telkom's main source of revenue is tariffs imposed on telecommunication and data transfer services (Telkom, 2010:232). Telecommunication tariffs are monitored and approved by ICASA, but are not determined by them (ICASA, 2011:19). Hence, and because Telkom is not the only licence holder for telecommunication services in South Africa,¹⁰⁴ for the purposes of this study, Telkom's tariffs are deemed to be determined on the basis of normal market forces, and therefore they inherently constitute a user charge and not a tax. As Telkom's tariffs do not regulate access to a right or privilege (Criterion 6 in Figure 1), and the telecommunication services are deemed not to be consumed¹⁰⁵ (Criterion 7 in Figure 1), these tariffs are classified as user levies for the purposes of this study.

¹⁰³ See Section 3.4.4.2.

¹⁰⁴ Other telecommunication licence holders that compete with Telkom include Neotel, CellC, Vodaphone and MTN.

¹⁰⁵ Entities or persons who use the telecommunication network supplied by Telkom do not consume the network, but make use of it.

3.22.2.5 *Postal service tariffs*

Postal services in South Africa are regulated in terms of the Postal Services Act (124 of 1998). Compliance with the Postal Services Act and licence conditions is monitored by ICASA. One of the main functions of ICASA is to monitor postal tariffs imposed by licence holders to ensure that these tariffs remain competitive and affordable (ICASA, 2011:19).

The main public entity that provides postal services in South Africa is the South African Post Office Limited (SAPO).¹⁰⁶ The main source of revenue for the SAPO is income from tariffs imposed on postal and courier services (SAPO, 2010:126). SAPO tariffs are monitored by ICASA, but are not determined by this body (ICASA, 2011:19). Hence, and because SAPO is not the only licence holder for postal and courier services in South Africa,¹⁰⁷ SAPO's tariffs are deemed for the purposes of this study to be determined on the basis of normal market forces and therefore they inherently constitute a user charge, and not a tax. As SAPO's tariffs do not regulate the access to a right or privilege (Criterion 6 in Figure 1), and the postal and courier services are deemed not to be consumed¹⁰⁸ (Criterion 7 in Figure 1), SAPO's tariffs are classified as user levies for the purposes of this study.

3.22.3 Energy supply services in South Africa

Energy supply services in South Africa consist of electricity supply services, regulated in terms of the Electricity Regulation Act (4 of 2006), gas supply services, regulated in terms of the Gas Act (48 of 2001), and petroleum supply services, regulated in terms of the Petroleum Pipelines Act (60 of 2003). The regulations in these Acts are enforced in the form of licences issued in terms of these Acts. Compliance with these Acts, as well as with the conditions of the licence agreements, are monitored and enforced by the National Energy

¹⁰⁶ See Section 3.4.4.2.

¹⁰⁷ Other postal licence holders that are deemed to compete on an equal basis with the SAPO include Postnet and DHL couriers.

¹⁰⁸ Entities or persons who use SAPO's postal distribution network only use the network, but do not purchase or consume the network.

Regulator of South Africa (NERSA, 2011:7). NERSA was established in terms of the National Energy Regulator Act (40 of 2004). One of NERSA's main functions is to regulate and approve the tariffs imposed on energy supply services (NERSA, 2011:21-36).

Electricity, gas and petroleum are not the only sources of energy in South Africa. Nuclear energy, which is supplied by the Nuclear Energy Corporation Limited (NECSA),¹⁰⁹ is another source of energy used in South Africa. NECSA was established in terms of the Nuclear Energy Act (46 of 1999). NECSA is responsible, *inter alia*, for undertaking and promoting research and development in the field of nuclear energy and radiation sciences, as well as for processing source material, including uranium enrichment, and cooperating with other institutions, locally and abroad, on nuclear-related matters (NECSA, 2010:2).

It is necessary to examine the tariff structures of each of these energy sources to be able to classify these tariff structures as either a tax or a user charge in terms of the criteria set out in Figure 1.

3.22.3.1 *Electricity supply tariffs*

Electricity in South Africa is mainly generated by Eskom and is supplied directly to end-users, but may also be supplied indirectly to end-users through municipalities (Eskom, 2011b:1). Eskom's main source of revenue is income derived from the sale of electricity at regulated tariffs to municipalities, business corporations and individual users (Eskom, 2011a:1-2; 2011b:note 29). These regulated tariffs consist of various imposed components, each with a different purpose (Eskom, 2011a:3). These components, in combination, are referred to as Eskom's tariff structure.

Eskom's tariff structure and the category of user to which each of the components in the tariff structure applies are summarised in Table 57. It is

¹⁰⁹ See Section 3.4.4.2.

important to note that electricity to each of these categories of users can be supplied directly by Eskom or indirectly through municipalities (Eskom, 2011a:1-2).

Table 57: Eskom tariff structure for electricity supply in South Africa

Label of impost in the tariff structure	User category		
	Urban ¹¹⁰	Residential ¹¹¹	Rural ¹¹²
Service charge	✓		✓
Administration charge	✓		✓
Distribution network demand charge	✓		✓
Distribution network access charge	✓		✓
Network access charge	✓		✓
Transmission network charge	✓		
Active energy charge (Tou ¹¹³)	✓		✓
Active energy charge (non-Tou)	✓	✓	✓
Re-active energy charge	✓		✓
Electrification and rural subsidy (ERS)	✓		
Upfront connection charge/fee	✓		✓

Source: Eskom (2011a:3 & 11-12)

In order to determine whether each of the different imposts contained in Eskom's tariff structure is in essence a tax or user charge, it is necessary to measure each according to the criteria set out in Figure 1. The classification of these imposts is summarised in Table 58 overleaf.

¹¹⁰ 'Urban' refers mainly to large and small businesses in an urban area, and also includes churches, schools, old-age homes, and public lighting (Eskom, 2011a:13-21).

¹¹¹ 'Residential' refers to bulk home power (sectional titles and multiple housing units) and standard home power (residential houses) (Eskom 2011a:29-34).

¹¹² 'Rural' refers to users in rural areas. They can be either businesses or residences (Eskom, 2011a:35-43).

¹¹³ The abbreviation 'Tou' stands for 'time of use', which refers to a tariff that has different energy rates for different periods and seasons (Eskom, 2011a:3).

Table 58: Classification of imposts in the electricity tariff structure of Eskom

Impost included in the tariff structure of Eskom	<i>Criterion 1:</i>	<i>Criterion 2:</i>	<i>Criterion 3:</i>	<i>Criterion 4:</i>	<i>Criterion 5:</i>	Classification <i>Note 9</i>
	Compulsory?	Raise revenue?	Direct benefit?	Proportional?	Exclusive benefit?	
Service charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 6</i>	Yes <i>Note 8</i>	Consumer tariff
Administration charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 6</i>	Yes <i>Note 8</i>	Consumer tariff
Distribution network demand charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	No <i>Note 4</i>	→		Indirect recurrent tax burden
Distribution network access charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	No <i>Note 4</i>	→		Indirect recurrent tax burden
Network access charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	No <i>Note 4</i>	→		Indirect recurrent tax burden
Transmission network charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	No <i>Note 4</i>	→		Indirect recurrent tax burden
Active energy charge (Tou)	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 7</i>	Yes <i>Note 8</i>	Consumer tariff
Active energy charge (non-Tou)	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 7</i>	Yes <i>Note 8</i>	Consumer tariff
Re-active energy charge	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 7</i>	Yes <i>Note 8</i>	Consumer tariff
Electrification and rural subsidy (ERS)	Yes <i>Note 1</i>	Yes <i>Note 2</i>	No <i>Note 5</i>	→		Indirect recurrent tax burden
Upfront connection charge/fee	Yes <i>Note 1</i>	Yes <i>Note 2</i>	Yes <i>Note 3</i>	Yes <i>Note 6</i>	Yes <i>Note 8</i>	Consumer tariff

- Note 1: All electricity tariffs charged by Eskom are regulated in terms of the Electricity Regulation Act (4 of 2006) and the National Energy Regulator Act (40 of 2004). In terms of these Acts, all Eskom tariffs must be approved by NERSA (Eskom, 2011a:6). Hence all imposts that form part of the tariff structure are deemed to be compulsory imposts.
- Note 2: The purpose of these imposts is to generate revenue for Eskom as part of Eskom's tariff structure (Eskom, 2011b:note 29).
- Note 3: In return for paying the electricity tariffs, the person or entity making the payment is assumed to receive a direct return, in the form of the electricity supply from Eskom.
- Note 4: These network imposts recover costs associated with the provision of the electricity network. The costs of the network include capital, operations, maintenance and refurbishments (Eskom, 2011a:9-10). The main characteristic of these imposts is that the payment thereof does not bestow an exclusive benefit on those making the payment, because these imposts are used to maintain and expand the electricity network in South Africa to the common benefit of the general public (Eskom,2011a:9-10; NERSA, 2010:2-3). Hence, these imposts are deemed to be a tax and not a user charge.
- Note 5: Payment of this impost is deemed not to render a direct benefit, as this impost is used for subsidising electricity to other users (Eskom, 2011a:9). Therefore this impost is classified as a tax.
- Note 6: The purpose of these imposts is to recover costs (Eskom, 2011a:8-12), therefore, these imposts are deemed to be in proportion to the costs for the purposes of this study.
- Note 7: This impost refers to the charge per kilo-watt hour (kWh) of electricity used (Eskom, 2011a:11). For the purposes of this study, it is assumed that these imposts are in proportion to the cost to Eskom of providing the service.
- Note 8: These imposts provide a direct benefit to the person or entity paying them (refer to Note 3 above) and it is deemed that these direct benefits received in return are exclusive to the persons paying for them and legally exclude a person or entity who is not prepared to pay this impost.
- Note 9: Tax imposts on electricity are deemed to be an indirect recurrent tax burden, because these taxes are imposed indirectly on the consumption of electricity and not directly on income or wealth (Criterion 9 in Figure 1), and are deemed to be taxes imposed on an ongoing basis over a given period (Criterion 8 in Figure 1). Imposts classified as user charges are deemed to be consumer tariffs, because these charges do not regulate access to a right or privilege (Criterion 6 in Figure 1), and the electricity is consumed and needs to be replaced continuously (Criterion 7 in Figure 1).

Important consideration related to the supply of electricity by Eskom:

Since 24 February 2010, an inclining block tariff structure has been implemented by NERSA (Eskom, 2011a:29; NERSA, 2010:3). The inclining block tariff structure is based on the principle that the higher the electricity consumption, the higher the average energy tariff that is imposed. The purpose of the inclining block structure is to provide a cross-subsidy for lower usage customers (NERSA, 2010:3), in terms of the electricity pricing policy (EPP) (South African Electricity Supply Industry, 2008:position 48). In terms of Criterion 4 in Figure 1, the imposition of inclining block tariffs has the effect of rendering the energy charge for consumption in kWh to become disproportionate to the cost of providing the service. Hence any inclining block tariff imposed over and above the average energy charge (NERSA, 2010:3) is deemed to be a tax for the purposes of this study, to be specific, a recurrent indirect tax burden (see Note 9 to Table 58).

3.22.3.2 Nuclear energy supply tariffs

Nuclear energy in South Africa is regulated by the National Nuclear Regulators Act (47 of 1999). In terms of this Act, a National Nuclear Regulator (NNR) was established. The role of the NNR in terms of the Act is to provide for the protection of persons, property and the environment against nuclear damage (NNR, 2010:2).

The supply of nuclear energy products and services in South Africa is the responsibility of NECSA, and is regulated by the Nuclear Energy Act (46 of 1999), as well as by the National Nuclear Regulators Act (47 of 1999). NECSA engages in commercial business mainly through its wholly owned commercial subsidiaries, NTP Radioisotopes (Pty) Ltd, which is responsible for a range of radiation-based products and services for healthcare, life sciences and industry, and Pelchem (Pty) Ltd, which supplies fluorine and fluorine-based products. Both subsidiaries supply local and foreign markets (NECSA, 2010:2). It is assumed, for the purposes of this study, that NECSA provides nuclear energy

products and services mainly to corporate entities and not to individual taxpayers. Therefore, tariffs and prices relating to NECSA's products are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. These tariffs and prices were therefore not analysed further for the purposes of this study.

3.22.4 Human settlement services

According to the Housing Consumers Protection Measures Act (95 of 1998), all home builders in South Africa are obliged to register with the National Home Builders Registration Council (NHBRC) and to pay the prescribed fees (levies), (NHBRC, 2010:57). The NHBRC is a regulator body of the home building industry with the purpose of assisting and protecting housing consumers against building contractors who deliver housing units of substandard quality (NHBRC, 2010:6-7). The prescribed fees are imposed on both corporate entities and individual persons acting as home builders in South Africa. Therefore, from the point of view of individual taxpayers, it is necessary to analyse and classify this impost in terms of the criteria in Figure 1.

Table 59: Classification of the NHBRC levies on home builders in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	These levies are imposed in terms of the Housing Consumers Protection Measures Act (95 of 1998), and therefore, the impost is deemed to be compulsory for the purposes of this study.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of these levies is to fund the activities of the NHBRC, and also to provide funding to the government in order to protect consumers against unscrupulous home builders (NHBRC, 2010:6-7)
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	No	Home builders who pay these levies do not receive any direct goods or services from the public entity in return for paying the impost, as the benefit is actually derived by the home

Criteria from Figure 1	Yes/No	Rationale
		owners who are protected against home builders who do substandard work (NHBRC, 2010:6-7).
<u>Conclusion:</u> In terms of the criteria above, the levies imposed on home builders in South Africa by the NHBRC are classified as a tax and not a user charge.		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	Yes	These imposts are of a recurrent nature in the sense that builders have to register each new home before the commencement of the project and have to pay the prescribed levies (section 7 of the Housing Consumers Protection Measures Act).
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	Yes	These levies are imposed directly on the income of the homebuilder.
<u>Conclusion:</u> In terms of the criteria above, the NHBRC's levies imposed on home builders are deemed to be imposed directly, on an ongoing basis, and are therefore classified as a direct recurrent tax burden.		

3.22.5 Public order and safety services

The sale of military goods and services by Armscor (2010) is deemed for the purposes of this study not to relate to individuals *per se*, and due to the nature of the goods and services, it is assumed that the clients are corporate, and may be the governments of other countries. The basis for this assumption is that ARMSCOR is the officially appointed acquisition organisation for the South African Department of Defence, and with the approval of the South African Minister of Defence also renders a professional acquisition service to other government departments and public entities (Armscor, n.d.). Therefore this source of government revenue was not analysed further in this study.

3.22.6 Air transport services in South Africa

Air transport services provided by government and public entities in South Africa consist mainly of air traffic and navigation services, airport services, and airline services. These services are provided primarily by large public entities. Although some of these services may also be provided by the Gateway Airport

Authority Limited¹¹⁴ and some municipal airports,¹¹⁵ this study only analysed the services rendered by the major public entities. The reason for this is that the services rendered by the major business enterprises are deemed to be those that are most generally available to all individual taxpayers in South Africa, and these are also the services that are considered to have the biggest general impact on the tax burden of individual taxpayers in South Africa.

3.22.6.1 Air traffic and navigation service fees

Air traffic and navigation services in South Africa are the responsibility of the Air Traffic and Navigation Services Company Limited (ATNS), which is regulated by the Air Traffic and Navigation Services Company Act (45 of 1993).

In terms of section 1 of the Act, air traffic services refer to services related to airport control, aircraft approach control, flight information, and air traffic advice; while air navigation services refer to the planning, provision and maintenance of air navigation infrastructure. The ATNS raises revenue mainly from tariffs imposed on air traffic and navigation services provided to airline companies (ATNS, 2011:113; National Treasury, 2011b:852-853). Hence, ATNS's tariffs imposed on air traffic and navigation services are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. Therefore these tariffs were not analysed further for the purposes of this study.

3.22.6.2 Airport service fees

Airport services in South Africa are provided by the Airports Company of South Africa (ACSA) at all major government-operated airports in South Africa. ACSA was established by and is regulated in terms of the Airports Company Act (44 of 1993). ACSA's main source of income is tariffs imposed on airport services

¹¹⁴ A provincial government business enterprise (see Section 3.4.4.4).

¹¹⁵ Municipal airports are not a main function of municipalities (National Treasury, 2011c:33), although they do exist, for instance, the Wonderboom Airport, which belongs to the Tshwane Metropolitan Municipality (Wonderboom, 2009).

rendered to both airlines and air travelling passengers who use the airport (ACSA, 2011:81).

- *Airport services to airlines*

Airport services provided by ACSA to airlines in terms of section 1 of the Airports Company Act refer mainly to services related to the landing, parking, and taking-off of aeroplanes from various airlines that use the major South African airports. Hence, ACSA's tariffs imposed on airlines for airport services are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. Therefore ACSA's tariffs imposed on airlines were not analysed further for the purposes of this study.

- *Airport services to air travelling passengers*

Airport services provided by ACSA to air travelling passengers in terms of section 1 of the Airports Company Act refer mainly to services in connection with passengers' arrival at, or departure from, one of the major airports in South Africa. ACSA's tariffs imposed on air travelling passengers are in essence a direct impost on individual taxpayers. Hence, it is necessary to analyse the substance of these tariffs to be able to classify the tariffs as either a tax or a user charge using the criteria in Figure 1. The results of the analysis are summarised in Table 60.

Table 60: Classification of imposts on airport services in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	ACSA's imposts on airport services are imposed in terms of the Airports Company Act (44 of 1993), and they are therefore deemed to be compulsory imposts.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of these imposts is to fund ACSA's activities (ACSA, 2011:76). ACSA is a public entity and therefore the entity's expenses are public-related.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	ACSA's services are deemed to be provided directly to passengers arriving and passengers departing from airports in South



Criteria from Figure 1	Yes/No	Rationale
		Africa.
<u>Criterion 4</u> : Is the impost in proportion to the cost of the goods and services?	No	<p>ACSA is a major public entity classified as a market establishment. There are not really any competitors in the market for providing airport services in South Africa, and therefore ACSA is deemed to operate in a monopolist environment where tariffs are not structured by normal market forces. In addition, it is possible to assume that one of ACSA's objectives is to generate profits from the tariffs imposed on airport services. This assumption is supported by the fact that ACSA's operating profit for 2011 was 24% and for 2010 it was 36% (ACSA, 2011:76).</p> <p>Based on ACSA's monopoly and profit objective with tariffs, it is possible to assume that the tariffs from ACSA can be divided into a surcharge (tax) portion and a portion for the recovery of costs (user charge) of rendering the services.</p>
<u>Conclusion</u> : Based on the criteria above, ACSA's surcharge imposed on air travelling passengers for airport services is classified as primarily a tax and not as a user charge.		
Classification of the tax imposed by ACSA on its services		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8</u> : Is it an activity-based tax?	Yes and no	This classification depends on the specific circumstances of the air passengers. Some passengers may be frequent flyers, and for them the impost may be of a recurrent nature. Other passengers may rarely fly (non-frequent flyers) and for these taxpayers the impost can be classified as a random tax.
<u>Criterion 9</u> : Is it imposed directly on income or wealth?	No	This is an impost on the consumption of goods and services and therefore it is deemed to be an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<u>Conclusion</u> : Depending on each taxpayer's unique circumstances, ACSA's tax on air passengers can be classified as an indirect recurrent tax burden for frequent flyers, and as an indirect random tax burden for non-frequent flyers.		
Classification of the user charge imposed by ACSA on its services		
<u>Criterion 5</u> : Is the benefit exclusive to the persons making the payment?	Yes	It is possible to argue that the service upon arrival and departure of air travelling passengers are exclusive to the persons

Criteria from Figure 1	Yes/No	Rationale
		paying for the service.
<u>Criterion 6</u> : Does the user charge regulate access to a right or privilege?	No	The purpose of ACSA's charges is not to regulate goods or services.
<u>Criterion 7</u> : Are the goods and services consumed?	No	The infrastructure provided by ACSA in support of passengers is normally not consumed by the passengers, but rather used by them.
<u>Conclusion</u> : Based on the criteria above, the cost recovery portion of ACSA's tariffs is classified as a user charge, specifically, as a user levy.		

3.22.6.3 Air passenger transport fares

Airline charges in the form of tickets are paid to public business enterprises, referring to South African Airways (Pty) Limited (SAA) and South African Express (Pty) Limited (SAExpress). These public entities operate in a competitive market with other airlines. Therefore it is assumed that air ticket prices imposed by SAA and SAExpress are determined in line with normal business practices. Thus the fees paid for tickets sold by these entities are deemed to be similar to fees paid to any other airline. Hence, the fee is classified neither as a tax nor as a user charge for the purposes of this study.

However, airline tariffs in South Africa do contain other government imposts. These imposts were analysed in this study under other categories, namely the aircraft passenger safety charge (see Section 3.17.10), air passenger tax (see Section 3.18.3), and the airport service fees (see Section 3.22.6.2).

3.22.7 Rail transport services in South Africa

Rail transport services in South Africa consist of passenger rail services and freight rail services. Passenger rail services in South Africa are rendered by the Passenger Rail Agency of South Africa (PRASA) (National Treasury, 2011b:846), whereas the freight rail services are the responsibility of Transnet (Transnet, 2010:1).

3.22.7.1 Passenger rail transport fares

PRASA is responsible for passenger rail transport in South Africa. This agency is a public business enterprise and provides urban passenger rail services under the name Metrorail, and long-distance passenger rail services under the name of Shosholozza Meyl (National Treasury, 2011b:215 & 846). PRASA is governed by the Legal Succession to the South African Transport Service Act (9 of 1989) (PRASA, 2011:9).

Table 61: Classification of passenger rail transport fees in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	PRASA is governed under legislation, namely the Legal Succession to the South African Transport Service Act (9 of 1989), and therefore any tariffs imposed by PRASA are deemed to be compulsory.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	PRASA uses revenue from imposts on rail passengers to raise revenue for its operations (PRASA, 2011:97-100), which are public-related, based on the fact that this is a public entity.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	PRASA provides a direct benefit, in the form of rail travel, in return for payment of the tariff imposed on the service.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	Although the Rail Agency is a business enterprise, the entity is not economically self-supporting, and it receives more than 50% of its funding from government transfers (National Treasury, 2011b:846; PRASA, 2011:79). Based on this, it is assumed for the purposes of this study that any fees paid towards urban and long-distance rail travel are below or in proportion to the cost of the service.
<i>Criterion 5:</i> Is the benefit exclusive to the persons making the payment?	Yes	The benefit is deemed, for the purposes of this study, to be exclusive, as only paying passengers are allowed to use the service.
<i>Criterion 6:</i> Does the user charge regulate access to a right or privilege?	No	The purpose of the impost on rail passengers is not to regulate a right or privilege, but to impose a tariff on the use of rail travel services.

Criteria from Figure 1	Yes/No	Rationale
<u>Criterion 7</u> : Are the goods and services consumed?	No	For the purposes of this study, it is deemed that the passengers merely make use of the rail network for transport and do not purchase and consume the network itself.
<u>Conclusion</u> : Based on the criteria above, the tariffs imposed by PRASA on passenger rail travel are classified as user charges, to be specific, user levies.		

3.22.7.2 Freight rail transport tariffs

Transnet is the largest freight transporter in South Africa (Transnet, n.d.). For the purposes of this study, it is possible to assume that Transnet's freight consists mainly of bulk transport services for corporate entities. This assumption is supported by the fact that the major customers of Transnet using freight rail services include corporate entities, for instance, BP Southern Africa, Shell SA, Engen, Sasol Oil, Caltex, Total SA, Afrox, BMW, Ford, Nissan, Eskom, BHP Billiton, and a number of others (Transnet, n.d). Hence, tariffs relating to Transnet's freight rail services are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. Therefore these tariffs were not analysed further for the purposes of this study.

3.22.8 Road transport services in South Africa

Public road transport services provided by the government in South Africa mainly consist of toll roads, which attract a toll fee from persons who use these roads, and public road transport services, which attract a fare from persons who use the service.

3.22.8.1 Toll fees

The impost on the use of roads in South Africa is referred to as toll fees. The South African National Roads Agency (SANRAL) receives revenue from toll fees imposed on motorists who use designated roads. Toll fees in South Africa are regulated in terms of the South African National Roads Agency Limited and National Roads Act (7 of 1998).

In terms of section 28 of the South African National Roads Agency Limited and National Roads Act, SANRAL is authorised to enter into agreements with third parties. In terms of these agreements, the third parties are authorised to impose toll fees in exchange for managing and maintaining particular roads on behalf of SANRAL. Currently there are three such concessions, namely Trans Africa concessionaires (TRAC), N3 Toll concessions (N3TC), and Bakwena concessionaires (Bakwena) (SANRAL, n.d.) However, for the purposes of this study, it is irrelevant which entity or party imposes toll fees, because the substance of toll fees itself is deemed to remain the same.

Table 62: Classification of toll fees in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Toll fees in South Africa are imposed and regulated in terms of the South African National Roads Agency Limited and National Roads Act (7 of 1998), and they are deemed to be compulsory because they originate from legislation.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	Toll fees are used to fund the operational expenses of SANRAL, as well as the management and maintenance of specific roads (SANRAL, 2011:106; section 28 of the South African National Roads Agency Limited and National Roads Act). This strengthens the argument that these fees are imposed to raise revenue for government to fund public expenditure in South Africa.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	It is possible to argue that government returns a direct benefit to the person paying the toll fee, namely the right to immediately use a particular national road after paying or accruing the toll fee.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	No	Toll fees are deemed to be in proportion to the cost of providing these services. The basis for this assumption is the fact that SANRAL, for the financial years 2009 and 2010, did not make a profit from toll roads (SANRAL, 2011:156).

Criteria from Figure 1	Yes/No	Rationale
<u>Criterion 5</u> : Is the benefit exclusive to the persons making the payment?	Yes	Toll fees are currently levied on all users of toll roads and hence it is possible to assume that the benefits of using the toll roads are exclusive to the persons paying the toll fees. However, in proposals for implementing an E-toll system in Gauteng, one of the key considerations is exempting public transport (mini-taxis and buses) from these fees (SabinetLaw, 2012). If such proposals are implemented by SANRAL, it is possible to classify the toll fees on these roads as a tax on the users of the toll road who are not exempt. For the purposes of this study, these proposals are not accepted yet and therefore the present toll fees are classified as user charges and not taxes.
<u>Criterion 6</u> : Does the user charge regulate access to a right or privilege?	No	The purpose of toll fees is not to regulate the access to a right or privilege, but rather to recover costs in the supply of public goods.
<u>Criterion 7</u> : Are the goods and services consumed?	No	The toll road infrastructure itself is in essence not consumed by the users of the road, but is used by the motorists.
<p><u>Conclusion</u>: Based on the criteria above, toll fees are classified as a user charge, specifically, as a user levy.</p> <p>However, if some persons are exempt from paying the toll fees imposed on a toll road, the imposts are in essence a tax which affects the recurrent tax burden indirectly.</p>		

3.22.8.2 Passenger road transport fares

Passenger road transport services are mainly provided by government in the form of bus transport services. Urban passenger bus transport services are normally provided by provincial government entities¹¹⁶ and municipalities¹¹⁷ (National Treasury, 2011c:33), whereas long-distance bus transport services are provided by PRASA (PRASA, 2011:9). PRASA is the public entity that provides long-distance bus passenger transport services in South Africa. These

¹¹⁶ For the purposes of this study, the public entity is referred to at a provincial level as Mayibuye Transport Corporation (see Table 16).

¹¹⁷ Municipal transport services are not deemed to a major municipal service, and hence it was not analysed further for the purposes of this study (see Section 3.22.1).

services are provided under the name of Autopax (National Treasury, 2011b:215,846; PRASA, 2011:9).

Table 63: Classification of passenger road transport fares in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	PRASA is governed by the Legal Succession to the South African Transport Service Act (9 of 1989), and therefore it is deemed that any tariffs imposed by PRASA are in essence compulsory.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	PRASA uses revenue from imposts on road travelling passengers to raise revenue for its operations (PRASA, 2011:97-100).
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	Yes	PRASA provides a direct benefit, in the form of road travelling, in return for payment of the tariff imposed on the service.
<u>Criterion 4:</u> Is the charge in proportion to the cost of the goods and services?	Yes	Although PRASA is a business enterprise, the entity is not economically self-supporting, and it receives more than 50% of its funding from government transfers (National Treasury, 2011b:846; PRASA, 2011:79). Based on this, it is assumed for the purposes of this study that any fees paid towards long-distance road travel services provided by PRASA are below or in proportion to the cost of providing the service.
<u>Criterion 5:</u> Is the benefit exclusive to the persons making the payment?	Yes	For the purposes of this study, the benefit is deemed exclusive, as only paying passengers are allowed to use the service.
<u>Criterion 6:</u> Does the user charge regulate access to a right or privilege?	No	The purpose of the impost on road passengers is not to regulate a right or privilege, but to impose a tariff on the use of the long-distance road travel services provided by Autopax.
<u>Criterion 7:</u> Are the goods and services consumed?	No	For the purposes of this study, the passengers are deemed merely to use the road transport infrastructure provided by Autopax, but not necessarily to consume the service.
<u>Conclusion:</u> Based on the criteria above, the tariffs imposed by PRASA on passenger long-distance road travelling are classified as user charges, to be specific, as user levies.		

3.22.9 Marine transport services in South Africa

Transnet is responsible for providing and managing port terminal services in South Africa (Transnet, n.d.). These port terminal services relate to container terminals, car terminals, and multi-purpose terminals. The main customers of the port terminal services provided by Transnet are the shipping industry, vehicle manufacturers, agriculture, timber and forest products, the mining industry and exporters of minerals, metals and granite (Transnet, n.d.) Although it is possible to argue that not all clients who use these services are corporate entities, it is possible to assume that most of the customers who use these services are corporate entities. Therefore, for the purposes of this study, it is assumed that Transnet's port terminal services consist mainly of services to corporate entities. Hence, tariffs relating to Transnet's port terminal services are deemed to be shifted to individual taxpayers as part of payroll, price, and/or shareholder shifting. Therefore these tariffs were not analysed further for the purposes of this study.

3.22.10 Water supply services in South Africa

Water is a scarce resource in South Africa. Its supply is regulated under the Water Services Act (108 of 1997) and the National Water Act (36 of 1998). In South Africa, there are different categories of water consumers, including households, farms, businesses and mines. Each of these categories of consumers pay a different tariff for water, depending on factors such as the purpose of the water use, the type of water services rendered and the geographic area, according to section 10 of the Water Services Act. Households normally consume potable water, the supply of which is one of the priority functions of municipalities (National Treasury, 2011c:33).

As already explained in Section 3.22.1.2, the water supply in South Africa consists of services related to water resource management, and services related to water provision. The services related to water resource management

are mainly the responsibility of the national government, while the water supply services are primarily a joint function of municipalities, the water boards, and the national government (National Treasury, 2011c:125). In Section 3.22.1.2, the surcharges imposed by municipalities on the supply of potable water were analysed. Potable water is purchased in bulk from the water boards. This section of the study analyses the substance of the water board tariffs imposed on municipalities, as well as on other consumers of bulk water supplied by these water boards. This analysis was extended to include all other imposts by the national government on the management and supply of bulk water in South Africa, in other words, all imposts in the water supply chain in the country, as considered in this study.

A logical point of departure for analysing imposts on the water supply chain is the point of origin, or where the process of water supply in South Africa starts. The Department of Water Affairs is responsible for ensuring that the country's water resources are protected, managed, developed, conserved and controlled (National Treasury, 2011b:864). In fulfilling its mandate, the Department of Water Affairs uses different public entities, such as the Water Trading Entity, the Trans Caledon Tunnel Authority, and various water boards (National Treasury, 2011b:86-897). The imposts by government on the water supply chain generally consist of a water management charge, a consumptive water use charge, a charge on the sale of bulk water, a Trans Caledon Tunnel Authority charge, and a surcharge imposed by the water boards. The substance of each impost by government was examined to classify each as either a tax or a user charge. These imposts were examined based on the public entity to which each applies.

3.22.10.1 Water Trading Entity

In terms of the National Water Act (36 of 1998), the Department of Water Affairs is responsible for regulating water use in South Africa, and makes provision for the recovery of the cost for services provided to water users by the Department. To be able to recover these costs, the Department uses the Water Trading

Entity, which is basically a fund under the control of the Department. The Water Trading Entity is funded from the National Revenue Fund, as well as from imposts on various water schemes in the country. These imposts consist of water management charges, consumptive charges on water usage and the sale of bulk water (Department of Water Affairs, 2011:61-62).

Table 64: Classification of imposts by the Water Trading Entity in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1:</u> Is the impost compulsory in terms of legislation?	Yes	The National Water Act (36 of 1998) regulates the use of water in South Africa. This Act makes provision for the recovery of costs from consumers, and therefore these imposts on consumers are deemed compulsory.
<u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of imposts by the Water Trading Entity is to recover the government's expenses in providing water.
<u>Criterion 3:</u> Is there a direct return of specific goods and services by government?	Yes	The person or entity paying the Water Trading Entity's imposts receives a direct return from the government, namely raw bulk water (National Treasury, 2011b:884).
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	Yes	The imposts by the Water Trading Entity are below or in proportion to the cost of providing bulk raw water. The reason is that in terms of section 57(5) of the National Water Act, no charge in terms of the Act may be imposed as a tax, levy or duty. It is therefore assumed for the purposes of this study that charges by the Water Trading Entity are in proportion to the cost of rendering the services.
<u>Criterion 5:</u> Is the benefit exclusive to the persons making the payment?	Yes	It is possible to argue that the benefit is not exclusive to those that pay for raw bulk water, due to unauthorised usage of raw water, but it is assumed for the purposes of this study that the benefit is theoretically exclusive. The reason for this assumption is the fact that the National Water Act applies to all users of raw water, and therefore everyone is obliged to pay towards these imposts by the Water Trading Entity for the

Criteria from Figure 1	Yes/No	Rationale
		benefit of using raw water.
<u>Criterion 6</u> : Does the user charge regulate access to a right or privilege?	No	The purpose of the Water Trading Entity is in essence the management of water resources and the supply of water infrastructure (National Treasury, 2011b:883). Hence the user fees imposed by the Entity are deemed not to be a regulatory charge, but a consumer charge.
<u>Criterion 7</u> : Are the goods and services consumed?	Yes	For the purposes of this study, the raw bulk water is deemed to be consumed on a continuous basis.
<u>Conclusion</u> : Based on the criteria above, the imposts (the water management charges, the consumptive charges on water use, and the sale charge of bulk water) by the Water Trading Entity are classified as user charges, to be specific, as consumer tariffs.		

3.22.10.2 The Trans Caledon Tunnel Authority

The Trans Caledon Tunnel Authority is regulated in terms of the National Water Act (36 of 1998). It is classified as a major public entity in Schedule 2 of the Public Finance Management Act (1 of 1999). This authority is mandated to raise off-budget finance with the aim of developing bulk raw water infrastructure for industry and consumers in a cost-effective manner (National Treasury, 2011b:886-887).

Table 65: Classification of the Trans Caledon Tunnel Authority impost on the supply of water in South africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1</u> : Is the impost compulsory in terms of legislation?	Yes	The National Water Act regulates the use of water in South Africa. This Act makes provision for the recovery of costs from consumers, and therefore these imposts on consumers are deemed compulsory.
<u>Criterion 2</u> : Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose is to raise revenue to fund the activities of the Trans Caledon Tunnel Authority (National Treasury, 2011b:889).
<u>Criterion 3</u> : Is there a direct return of specific goods and services by government?	Yes	The person or entity paying towards the bulk water supplied by the Trans Caledon Tunnel Authority receives a direct return from

Criteria from Figure 1	Yes/No	Rationale
		government, namely raw bulk water (National Treasury, 2011b:888).
<u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?	Yes	The imposts by the Trans Caledon Tunnel Authority are deemed to be below or in proportion to the cost of providing bulk raw water, because, according to section 57(5) of the National Water Act, no charge may be imposed as a tax, levy or duty. It is therefore assumed for the purposes of this study that charges by the Trans Caledon Tunnel Authority are in proportion to the cost of rendering the services.
<u>Criterion 5:</u> Is the benefit exclusive to the persons making the payment?	Yes	It is possible to argue that the benefit is not exclusive to those that pay for raw bulk water, due to unauthorised usage of raw water, but it is assumed for the purposes of this study that the benefit is theoretically exclusive. The reason for this assumption is the fact that the National Water Act applies to all users of raw water, and therefore everyone is obliged to pay towards these imposts of the Water Trading Entity for the benefit of using raw water.
<u>Criterion 6:</u> Does the user charge regulate access to a right or privilege?	No	The purpose of the Trans Caledon Tunnel Authority is in essence the supply of water infrastructure (National Treasury, 2011b:888). Hence, the user fees imposed are deemed not to be a regulatory charge, but to be in fact a consumer charge.
<u>Criterion 7:</u> Are the goods and services consumed?	Yes	For the purposes of this study, the raw bulk water is deemed to be consumed on a continuous basis.
<u>Conclusion:</u> Based on the criteria above, the imposts by the Trans Caledon Tunnel Authority on the supply of raw bulk water are classified as a user charge, to be specific, a consumer tariff.		

3.22.10.3 Water boards

Water boards are government business entities that provide potable water to municipalities, mines and industries, and are governed by the Water Service Act (108 of 1997). There are a number of water boards – Rand Water and Umgeni Water are the biggest (National Treasury, 2011b:895).

The tariffs of water boards consist of the tariff paid to the Water Trading Entity, and, in some instances, also to the Trans Caledon Tunnel authority, for the purchase of bulk water, and a ‘surcharge’ imposed on the cost of the bulk raw water (National Treasury, 2011b:896). This ‘surcharge’ imposed by water boards is used to fund the activities of the water boards, but also to make a profit on the sale of bulk water (National Treasury, 2011b:896). It is therefore important to analyse the substance of the ‘surcharge’ imposed by the water boards to determine whether it is a tax or a user charge in terms of the criteria set out in Figure 1. The remaining portion of the water board tariffs (without the surcharge) is deemed to be in relation to the costs recovered for the services rendered by the water boards. Hence these imposts are classified as user charges. Their purpose is not to regulate a right or a privilege (Criterion 6). Because the water is consumed by the persons paying for it (Criterion 7), these imposts are specifically classified as consumer tariffs.

Table 66: Classification of surcharge by water boards in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	The National Water Act regulates the use of water in South Africa, and water boards are also regulated in terms of the Water Services Act. Hence any impost by water boards is deemed to be compulsory, as regulated in terms of legislation.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose of imposts by water boards on the supply of bulk potable water is to raise revenue for their activities (National Treasury, 2011b:896). Because these are public entities, it can be argued that their expenses are public-related.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	The person or entity paying for the bulk potable water supplied by the water boards receives a direct return from government, namely bulk potable water (National Treasury, 2011b:895).
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	No	As business enterprises listed in Schedule 3B of the Public Finance Management Act (1 of 1999), these entities are classified as market establishments that sell bulk potable



Criteria from Figure 1	Yes/No	Rationale
		<p>water at economically viable prices. The tariffs applied by the water boards determine the substance of the impost. The tariffs can be analysed by using Rand Water, the main water board in South Africa (National Treasury, 2011b:895), as a test case. Rand Water's gross profit percentage on the sale of water was an average of 52% from 2008 to 2010, and the average net profit after tax for the same years was 12.8% (Rand Water, 2010:97,103). Hence, tariffs imposed by water boards are deemed to be out of proportion to the cost of supplying bulk water.</p> <p>This is also supported by the fact that the gross profit percentage in essence consists of a surcharge on the tariff that water boards pay for purchasing raw water from the Water Trading Entity. It may be argued that the purpose of tariffs charged by the water boards to the municipalities is to recover costs, but it is also possible to argue that as a market establishment, the purpose of a water board is to make a profit, which is confirmed in the case of Rand Water by its 12.8% average profit margin.</p>
<p>Conclusion: Based on the fact that imposts by water boards are out of proportion to the supply of costs, the surcharge imposed by water boards is classified as a tax and not as a user charge.</p>		
<p>Question 2: Is it a recurrent or a random (direct or indirect) tax burden?</p>		
<p><i>Criterion 8:</i> Is it an activity-based tax?</p>	<p>Yes</p>	<p>Due to the nature of water, the impost is deemed to be a tax imposed on a continuous basis over a given period on the consumption of water.</p>
<p><i>Criterion 9:</i> Is it imposed directly on income or wealth?</p>	<p>No</p>	<p>This is an impost on the consumption of goods and services and therefore it is deemed an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).</p>
<p>Conclusion: Based on the criteria above, the surcharge imposed by water boards is classified as an indirect recurrent tax burden.</p>		

3.23 ADMINISTRATIVE SERVICES

These charges usually take the form of a fee charged for services by government relating to regulatory or administrative services. These fees are normally not levied on the value of the transaction, but are levied as a fixed amount for the service (IMF, 2001:54; National Treasury, 2009c:44). Administration fees are levied, for instance, in the form of licenses, permits, and other fees for miscellaneous services. Administration fees for miscellaneous services refer to fees charged for issuing identity documents and passports, examination fees, and any other fees charged for administrative services rendered by the government (National Treasury, 2009c:44).

The substance of these fees can be analysed in terms of the criteria set out in Figure 1.

Table 67: Classification of administration fees in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<i>Criterion 1:</i> Is the impost compulsory in terms of legislation?	Yes	Administration fees are normally all imposed in terms of relevant legislation, and therefore they are deemed compulsory imposts on the specific services provided by the government.
<i>Criterion 2:</i> Is the purpose to raise revenue for government either to fund or recover public expenditure?	Yes	The purpose is normally to raise revenue towards the funding of government expenditure.
<i>Criterion 3:</i> Is there a direct return of specific goods and services by government?	Yes	The person or entity paying towards the regulatory services normally receives a direct return from government, in the form of a right or a privilege.
<i>Criterion 4:</i> Is the impost in proportion to the cost of the goods and services?	Yes	For an impost to be classified in this category, the impost must be below or in proportion to the cost of the service, otherwise it is classified as a tax (see Section 2.2.4.2).
<i>Criterion 5:</i> Is the benefit exclusive to the persons making the payment?	Yes	These services are deemed to provide exclusive benefits to the person paying the impost, and exclude persons who are not

Criteria from Figure 1	Yes/No	Rationale
		willing to pay for the benefits.
<u>Criterion 6</u> : Does the user charge regulate access to a right or privilege?	Yes	These imposts are normally used to control the access to some or other privilege (National Treasury, 2009:c44)
<u>Conclusion</u> : Based on the criteria above, administration fees are, for the purposes of this study, classified as user charges, to be specific, as administration fees.		

3.24 INCIDENTAL SALES BY NON-MARKET ESTABLISHMENTS

Incidental sales by non-market establishments refer to revenue from the sale of goods and services produced or partially produced by a government unit, but the fee charged is below the cost of providing the service, and the sale of the goods and services is incidental to the usual social or community activities of the government unit in question (IMF, 2001:61; National Treasury, 2009c:44-45).

The main categories referred to in this study are healthcare fees, public school fees, and tertiary tuition fees, income from medical research contracts, grants and services, and laboratory service fees (see Table 17). Services rendered relating to medical research and laboratory services are deemed, for the purposes of this study, to be normally rendered to corporate entities, and therefore do not affect the tax burden of individual taxpayers directly.

The substance of these kinds of fees can be analysed in terms of the criteria set out in Figure 1.

Table 68: Classification of incidental sales by non-market establishments in South Africa

Criteria from Figure 1	Yes/No	Rationale
Question 1: Is the impost a tax or a user charge?		
<u>Criterion 1</u> : Is the impost compulsory in terms of legislation?	Yes	Healthcare service fees are regulated in terms of section 41 of the National Health Act (61 of 2003), and fees are prescribed in the Uniform Patient Fee Schedule (UPFS) (Department of Health, 2009). As these fees originate from legislation, they are deemed to



Criteria from Figure 1	Yes/No	Rationale
		<p>be compulsory imposts.</p> <p>School fees are compulsory imposts for parents of pupils in most public schools in terms of section 40 of the South African Schools Act (84 of 1996), and therefore they are deemed to be compulsory in nature, as they are imposed on the basis of legislation.</p> <p>Tertiary education fees are imposed and regulated in terms of section 40 of the Higher Education Act (101 of 1997), and therefore are deemed to be compulsory imposts for the purposes of this study, as they originate from legislation.</p>
<p><u>Criterion 2:</u> Is the purpose to raise revenue for government either to fund or recover public expenditure?</p>	<p>Yes</p>	<p>The purpose with these kinds of impost is normally to raise revenue towards the recovery of the entity's expenditure (National Treasury, 2009c:44-45). As these are government-related entities, it is possible to argue that the fees imposed on such services are used for funding public expenditure.</p>
<p><u>Criterion 3:</u> Is there a direct return of specific goods and services by government?</p>	<p>Yes</p>	<p>The person or entity paying a fee towards these services normally receives a direct return from the government unit, for instance, hospital services, school education, and/or tertiary education.</p>
<p><u>Criterion 4:</u> Is the impost in proportion to the cost of the goods and services?</p>	<p>Yes</p>	<p>It is assumed for the purposes of this study that such service fees are normally below or in proportion to the cost of providing the services (IMF, 2001:61; National Treasury, 2009c:44). The underlying assumption is that these entities normally receive a substantial subsidy from the government to assist in funding their activities.</p>
<p><u>Criterion 5:</u> Is the benefit exclusive to the persons making the payment?</p>		<p>It is necessary to analyse each service separately to determine whether the benefits are exclusive to the persons paying for the specific services.</p>



Criteria from Figure 1	Yes/No	Rationale
	No	<u>Healthcare services</u> In terms of the UPFS (Department of Health, 2009:2-3), some patients who receive public health care are exempt from paying for public healthcare services. Hence, the benefit of public healthcare services in South Africa is not exclusive to the persons paying for service. Therefore, if a person pays for public healthcare services, the impost is classified as a tax on the person who makes the payment and not as a user charge.
	No	<u>Public school fees</u> Although school fees for public schools are compulsory in terms of section 40 of the South African Schools Act (84 of 1996), some parents of pupils are exempt from paying school fees for public schools in terms of Regulation 1052 issued by the Department of Education (Department of Education, 2006). Hence, parents who are not exempt from paying these public school fees do not receive an exclusive benefit for the payment of these school fees, and therefore the impost of public school fees is classified as a tax and not as a user charge.
	Yes	<u>Tertiary education fees</u> Government introduced a national student financial aid scheme (exclusively to assist some students with their education fees) (National Treasury, 2011b:357-358), however, the fees themselves for tertiary education services in South Africa in essence render an exclusive benefit to the person paying for the service. Hence, these fees are deemed to be user charges and not taxes.
<u>Conclusion:</u> Based on the criteria above, payments towards government-supplied healthcare services and public school fees are deemed in essence to be taxes, and not user charges. Tertiary education fees are classified as user charges.		

Criteria from Figure 1	Yes/No	Rationale
Classification of public healthcare service fees and public school fees		
Question 2: Is it a recurrent or a random (direct or indirect) tax burden?		
<u>Criterion 8:</u> Is it an activity-based tax?	No	<u>Healthcare services</u> In the case of hospital fees, it is possible to argue that such payments do depend on the occurrence of specific events in a person's life (becoming ill), and thus the impost is normally not recurrent over time.
	Yes	<u>Public school fees</u> In the case of public school fees, it is possible to argue that these kinds of fee are paid on a continuous basis over a period of time, and that these payments do not depend on a specific event or transaction.
<u>Criterion 9:</u> Is it imposed directly on income or wealth?	No	This is an impost on the consumption of goods and services and therefore it is deemed to be an indirect tax (Gildenhuys, 1989:284; Steenekamp, 2012:166).
<u>Conclusion:</u> Based on the criteria above, public healthcare fees are classified as an indirect random tax burden, and public school fees are classified as an indirect recurrent tax burden.		
Classification of tertiary education fees		
<u>Criterion 6:</u> Does the user charge regulate access to a right or privilege?	No	The purpose of this kind of impost is not to regulate something, but rather to recover costs for public services rendered by government.
<u>Criterion 7:</u> Are the goods and services consumed?	No	The students do not consume the tertiary education services <i>per se</i> , but rather use the services to obtain an education.
<u>Conclusion:</u> Based on the criteria above, fees imposed on tertiary education are classified as user charges, specifically, as user levies.		

3.25 FINES, PENALTIES, AND FORFEITS

Government revenue from this category is based on compulsory transfers imposed by courts of law, or quasi-judicial bodies, for violations of laws or administrative regulations (IMF, 2001:61; National Treasury, 2009c:47).

Although penalties and fines are compulsory imposts by government, the purpose of the impost is not to raise general or specific funds for government.

Their main purpose is to deter unlawful acts by raising assessments for infringements of laws and regulations (IMF, 2001:61; Weier, 2006:6). Hence, these imposts are classified in this study as penalties, and not as a tax.

This category of income, although compulsory, does not have the purpose of raising revenue for general public expenditure or for specific earmarked funds. Hence, this kind of payment is not defined as a tax or as a user charge for the purposes of this study, but is classified as a penalty. This type of impost is not normally charged on an ongoing basis, but depends on specific events or transactions which can usually be avoided, and is therefore categorised as a random economic burden.

3.26 VOLUNTARY TRANSFERS AND MISCELLANEOUS INCOME

Government revenue in South Africa from taxes and user charges are supplemented by incidental income from voluntary transfers and miscellaneous income that, for instance, includes the sale of capital assets (see Table 10, for example). These sources of income are in essence not taxes, user charges, or penalties, and therefore these sources of income were not analysed further for the purposes of this study.

3.27 IMPOSED TAX BURDEN IN SOUTH AFRICA

The imposed tax burden criteria in Figure 1 were used to classify all the identified government imposts in South Africa. The results are summarised in Table 69, overleaf, which provides a theoretical framework of taxes and user charges in South Africa that is used in this study as a basis for measuring and evaluating the imposed tax burden of an individual as a taxpayer in South Africa.

Table 69: Classification of government imposts in South Africa

Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
Revenue from imposts on income:											
<i>Imposts on income and profits:</i>											
• Income tax (Section 3.5.1)				✓				✓			
• Dividends tax (Section 3.5.3)				✓						✓	
<i>Imposts on payroll and workforce:</i>											
• Skills development levy (employers) (Section 3.6)				✓					✓		
Revenue from imposts on wealth:											
<i>Imposts on capital gains:</i>											
• Capital gains tax (Section 3.7)				✓						✓	
<i>Recurrent imposts on immovable property:</i>											
• Property rates (Section 3.8)				✓				✓			
<i>Imposts on estates, inherences, and donations:</i>											
• Estate duty (Section 3.9.1)				✓						✓	
• Donations tax (Section 3.9.2)				✓						✓	
<i>Imposts on financial and capital transactions:</i>											
• Transfer duties (Section 3.10.1)				✓						✓	
• Securities transfer tax Section 3.10.2)				✓						✓	
Revenue from imposts on consumption:											
<i>Imposts on value-added transactions:</i>											
• Value-added tax (consumer goods) (Section 3.11)				✓					✓		



Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
• Value-added tax (user goods) (Section 3.11)				✓							✓
<i>Imposts on turnover:</i>											
• Turnover tax for micro businesses (Section 3.12)				✓				✓			
<i>Excises:</i>											
• Specific excise duties (Section 3.13.1)				✓					✓		
• <i>Ad valorem</i> excise duties (Section 3.13.2)				✓							✓
<i>Imposts on the use of motor vehicles:</i>											
• Imposts on motor vehicles:											
○ <i>Ad valorem</i> excise duties on motor vehicles (Section 3.15.1.1)				✓							✓
○ CO ₂ tax - motor vehicle emissions (Section 3.15.1.2)				✓							✓
○ Motor vehicle licences – initial registration/ annual renewal (Section 3.15.1.3)				✓				✓		✓	
• Imposts on fuel:											
○ Basic fuel price (Section 3.15.2)						✓					
○ Inland transport cost and delivery (Section 3.15.2)						✓					
○ Wholesale and retail margins (Section 3.15.2)						✓					
○ Slate levy (Section 3.15.2)						✓					
○ Equalisation fund levy (Section 3.15.2)						✓					
○ General fuel levy (Section 3.15.2.1)				✓					✓		
○ Road accident fund levy (Section 3.15.2.1)				✓					✓		
○ Specific excise duties on fuel (Section 3.15.2.2)				✓					✓		
○ Demand side management levy (Section 3.15.2.2)				✓					✓		



Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
3.15.2.3)											
o Illuminating paraffin dye levy (Section 3.15.2.4)				✓					✓		
• Imposts on drivers of motor vehicles:											
o Drivers' licences – initial/renewal (Section 3.15.3.1)	✓			✓					✓		
o Fines for traffic (Section 3.15.3.2)					✓						
<i>Imposts on the use of goods and on the permission to use goods, or on the permission to perform services:</i>											
• Firearms licences – initial/renewals (Section 3.16.1)	✓			✓				✓			
• Liquor licences – initial/renewals (Section 3.16.2)	✓			✓				✓			
• Business licences– initial/renewals (Section 3.16.3)	✓			✓				✓	✓	✓	✓
• Television licences– initial/renewals (Section 3.16.4)				✓				✓		✓	
<i>Other imposts on the use of goods and services:</i>											
• Electricity environmental levy (Section 3.17.1)				✓					✓		
• Plastic bags levy (Section 3.17.2)				✓					✓		
• Incandescent light bulb levy (Section 3.17.3)				✓					✓		
• Minerals and petroleum royalties, prospecting fees and surface rentals (Section 3.17.4)				✓				✓			
• Levy on educators (Section 3.17.6)				✓				✓			
• Levy on suppliers of private security services (Section 3.17.9)				✓				✓			
• Aircraft passenger safety charge (Section 3.17.10)				✓					✓		✓
• Aviation fuel levy (Section 3.17.11)				✓					✓		
• Maritime safety levy (Section 3.17.12)				✓					✓		✓



Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
<ul style="list-style-type: none"> Water research levy (Section 3.17.13) 				✓					✓		
<i>Customs and import duties:</i>											
<ul style="list-style-type: none"> Customs duties specific excise duties (Section 3.18.1) 				✓					✓		
<ul style="list-style-type: none"> Customs duties <i>Ad valorem</i> excise duties (Section 3.18.1) 				✓							✓
<ul style="list-style-type: none"> Diamond export levy (Section 3.18.2) 				✓				✓			
<i>Other imposts on international trade and transactions:</i>											
<ul style="list-style-type: none"> Air passenger tax (Section 3.18.3) 				✓					✓		✓
Revenue from social contributions:											
<i>Social security contributions:</i>											
<ul style="list-style-type: none"> Contributions to the Unemployment Insurance Fund – employees (Section 3.19.1) 				✓				✓			
<ul style="list-style-type: none"> Contributions to the Unemployment Insurance Fund – employer (Section 3.19.1) 				✓					✓		
<ul style="list-style-type: none"> Contributions to the Compensation Fund – employers (Section 3.19.2) 				✓					✓		
<i>Other social contributions:</i>											
<ul style="list-style-type: none"> Contributions to the GEPF – employees (Section 3.19.3) 			✓								
Revenue from grants:											
<ul style="list-style-type: none"> Government transfers (Section 3.20) 						✓					
Revenue from property:											
<ul style="list-style-type: none"> Interest, dividends and rent (Section 3.21) 						✓					



Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
Revenue from the sale of public goods and services:											
<i>Sales by market establishments:</i>											
• Municipal services:											
○ Surcharge on electricity supply services (Section 3.22.1.1)				✓					✓		
○ Free basic electricity (Section 3.22.1.1)				✓					✓		
○ Inclining block tariffs on electricity consumption (Section 3.22.1.1)				✓					✓		
○ Surcharge on water supply services (Section 3.22.1.2)				✓					✓		
○ Free basic water(Section 3.22.1.2)				✓					✓		
○ Inclining block tariffs on water consumption (Section 3.22.1.2)				✓					✓		
○ Sanitation service fees (Section 3.22.1.3)				✓					✓		
○ Refuse service fees (Section 3.22.1.4)				✓					✓		
• Communication services:											
○ Air broadcasting service tariffs (Section 3.22.2.2)			✓								
○ Telecommunication service tariffs (Section 3.22.2.4)			✓								
○ Postal service tariffs (Section 3.22.2.5)			✓								
• Energy supply services: Eskom electricity supply tariffs:											
• Service charge (Section 3.22.3.1)		✓									
• Administration charge (Section 3.22.3.1)		✓									
• Distribution network demand charge (Section 3.22.3.1)				✓					✓		



Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
• Distribution network access charge (Section 3.22.3.1)				✓					✓		
• Network access charge (Section 3.22.3.1)				✓					✓		
• Transmission network charge (Section 3.22.3.1)				✓					✓		
• Active energy charge (Tou) (Section 3.22.3.1)		✓									
• Active energy charge (non-Tou) (Section 3.22.3.1)		✓									
• Re-active energy charge (Section 3.22.3.1)		✓									
• Electrification and rural subsidy (ERS) (Section 3.22.3.1)				✓					✓		
• Upfront connection charge/fee (Section 3.22.3.1)		✓									
• Inclining block tariffs on electricity (Section 3.22.3.1)				✓					✓		
<i>Human settlement services:</i>											
• Levy on home builders (Section 3.22.4)				✓				✓			
<i>Air travel services:</i>											
• Airport service fees on air passengers (Section 3.22.6.2)			✓	✓					✓		✓
• Air passenger transport fares (Section 3.22.6.3)						✓					
<i>Rail transport services:</i>											
• Passenger rail transport fares (Section 3.22.7.1)			✓								
<i>Road transport services:</i>											
• Toll fees (Section 3.22.8.1)			✓								
• Passenger road transport fares (Section 3.22.8.2)			✓								

Government impost	Admin fee	Consumer tariff	User levy	Tax	Penalty	None		Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden
<i>Water supply services:</i>											
• Bulk water tariffs (Section 3.22.10.1)		✓									
• Trans Caledon Tunnel Authority impost (Section 3.22.10.2)		✓									
• Water Boards tariffs (Section 3.22.10.3)		✓		✓					✓		
<i>Administration fees:</i>											
• Permit, licence, certification and registration fees (Section 3.23)	✓										
• Administration fees (Section 3.23)	✓										
• Examination fees (Section 3.23)	✓										
<i>Incidental sales by non-market establishments:</i>											
• Health care service fees (Section 3.24)				✓							✓
• Public school fees (Section 3.24)				✓					✓		
• Tertiary tuition fees (Section 3.24)			✓								
Revenue from fines, penalties, and forfeits:											
• Fines, penalties, and forfeits (Section 3.25)					✓						
Revenue from voluntary transfers and miscellaneous income:											
• Voluntary transfers (Section 3.26)						✓					
• Miscellaneous income (Section 3.26)						✓					

Source: Results from Chapter 3, based on the criteria in Figure 1.

3.28 CONCLUSION

The results from examining the imposed tax burden in South Africa, using the criteria in Figure 1 as an underpinning, indicate that the questions of whether government provides a direct benefit in return for an impost,¹¹⁸ and of whether the impost is in proportion to the cost of the benefit,¹¹⁹ generally emerged as the main decisive criteria for classifying a government impost in South Africa as either a tax or a user charge. The classification of government imposts in South Africa in Table 69 provides a basis from which the imposed tax burden of a taxpayer in South Africa can be determined and evaluated. This study does not claim that this is the only possible interpretation of the imposed tax burden of individual taxpayers in South Africa, but rather proposes that the conceptual framework developed in this study can form a basis from which the phenomenon of the tax burden in South Africa can be debated and researched further.

The imposed tax burden in South Africa may not necessarily reflect how taxpayers regard and estimate the tax burden. The concept of the fiscal illusion held by taxpayers in South Africa is a highly contentious issue in the media, but one that has – to date – not really been researched. Prior studies in South Africa have mainly focused on determining people’s perceptions and attitudes towards tax (Oberholzer, 2008; HSRC, 2000, 2004). These studies did not fully explore the factors that contribute to the creation of taxpayers’ perceptions in South Africa and the effect these factors may have on how taxpayers’ regard and estimate the tax burden imposed on them. It was therefore necessary and important not just to refer to the **imposed tax burden** when evaluating the tax burden, but also to consider how taxpayers regard and estimate their imposed tax burden, which is referred to as the **perceived tax burden** for the purposes of this study. The theoretical construct of the perceived tax burden is clarified in the next chapter.

¹¹⁸ See Criterion 3 in Figure 1.

¹¹⁹ See Criterion 4 in Figure 1.