

Treasury will tread carefully with corporate tax, says Deputy Finance Minister Mondli Gungubele

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Deputy Finance Minister Mondli Gungubele has defended the recently announced VAT increase, while giving an assurance that Treasury will tread carefully with corporate tax.



Mondli Gungubele, deputy minister of finance. Photo: ANC Today

An increase in VAT was the easiest way to plug the hole in the fiscus, he said..

"We had to move right into tax and work very carefully within that area. VAT was the easiest way to deal with those problems and will bring in no less than R36bn."

While the economy had recently shown an improvement, and investor confidence had soared after a period of uneasiness due to several areas of political and policy uncertainty, he said Treasury still had to acknowledge the picture painted by the medium-term budget policy statement, including rocketing debt.

"This called for a special intervention in our budget this year which forced us as government to respond to certain measures," he said.

There was a focus on cutting down on expenditure and investing in education.

"The graduate sector has around 3% unemployment. If you invest there you will see a net benefit of contribution to tax revenue," he said.

Treasury would tread carefully with corporate tax, he said, adding that a collaboration between the public and private sector was of critical importance.

"We must not do anything that must undermine this partnership. We don't have much going forward in dealing with socioeconomic uncertainty without the private sector."

The role of this partnership could be further supported by improved economic growth and investor sentiment, he said.

Last week, Treasury and business officials went on an investor road show in the UK and the US.

Echoing Finance Minister Nhlanhla Nene, Gungubele said investors' interrogation was positive, although there was pressure to answer tough questions - particularly on state-owned entities.

"Importantly, they saw SA as one of the strategic countries in the continent."

Source: *BDpro*

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