

Yes to BIG, no to wealth tax



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With poverty, unemployment and inequality at record levels, the idea of a basic income grant (BIG) is in the news again.

Why not help those who are struggling? It's the humane, right thing for any caring government to do. And if money doesn't grow on trees, the easiest source of funding must be to tax the rich. Obvious?

Unwise. The rich already pay high taxes. Burdening them further will encourage more to leave South Africa, reducing the tax base. They take with them their capital, skills and experience. Their departure will also lead to further unemployment because many wealthy people are employers.

For these reasons, imposing extra taxes on the wealthy will be like killing the goose that lays the golden egg. In the modern age, one of Aesop's fables cautions us not to destroy a source of income through short-sighted action.

Political analyst Dawie Scholtz, reflecting on the recent ANC policy conference, said opposition parties should "handle the BIG/wealth tax topic with a ton of care".

His gut feel is that BIG is a popular idea. Indeed it is popular, not only among the poor but among rich politicians seeking more ways to get their hands on other people's money.

With South Africa's record of state capture, corruption, fraud, unauthorised expenditure and mismanagement, no one can guarantee that money raised through extra taxes on the rich will be spent on the poor.

It is more likely to be stolen. We haven't forgotten President Cyril Ramaphosa's hollow reassurances about funds allocated to fight the

Covid pandemic. Before long, people in his own office – and in Cabinet – were stealing millions.

A further wealth tax with the same bunch of crooks in charge will add to the exodus of high-net-worth individuals (HNWIs). Last year, billionaire Rob Hersov warned that SA's rich are fleeing the country.

Magnus Heystek of Brenthurst Wealth wrote in *Biznews*: "This has now been confirmed by a report from Knight Franks that SA's already under-pressure HNWIs shrank from 603 to 561 during 2021, a reduction of seven percent, mainly due to emigration and declining local fortunes".

Yet, despite this negativity, a basic income grant remains a good idea – if it is funded in the right way and administered with fairness and honesty.

This year, Democratic Alliance shadow finance minister Dion George said the party's version of the national budget would see an additional R105 billion over the next three years for the introduction of a conditional BIG.

However, the grant would not be funded from any additional tax.

BIG would be made available only when revenue generated from gross domestic product growth is available.

While the proposed ANC BIG model would kill the economy by driving away wealth, an alternative plan would be to grow the economy sufficiently to allow for the grant.

How? By containing debt, managing expenditure, attracting investment capital, and encouraging savings. Energy and water security would also help. In all these tasks the ANC has proved inept. Therefore, if you want a sustainable BIG that won't kill the economy, vote out the ANC.