

TAYFIN TAXTALK

ACCOUNTANTS & FORENSIC AUDITORS

“Your Empowered Insight into the World of Tax, Business and Personal Finance Issues.”

“TAXING THE WEALTHY INTO POVERTY”

“Where there’s smoke there’s fire”. The Government appears to be flirting with the concept of a wealth tax.

The designated name conveys a definitive message. It is a tax created only for the wealthy. This phenomenon is used throughout the world however some countries abolished its use for practical and other reasons.

A **wealth tax** (also called a **capital tax** or **equity tax**) is a levy on the total value of personal assets, including bank deposits, real estate, assets in insurance and pension plans, ownership of unincorporated businesses, financial securities, and personal trusts. Typically, liabilities (primarily mortgages and other loans) are deducted from an individual’s wealth, hence it is sometimes called a **net wealth tax**.

Wealth tax is generally imposed to correct the rising inequality of large concentrations of wealth held by a minority.

In considering wealth tax, Governments determine the political need to tax the rich to give to the poor. They attempt to preserve social stability and to further comply with the social contract with their citizens.

On face value, one cannot fault any Government for adopting and implementing this type of tax. The balancing of power is vital to the sustainability of any country. The wider the gap between the haves and have nots the greater the risk of political instability.

Recent images of xenophobia and opportunistic looting speaks to the concept of wealth tax. We draw the assumption that xenophobia was the excuse for the have nots to loot and conclude at least in their mind that these goods are spoils of war.

SA however will have a difficult time convincing its Taxpayers that the levying of wealth tax is appropriate in the circumstances. SARS cannot be lacking in awareness that there is currently a silent tax revolt in existence.

Taxpayers through SARS will punish the Government for its failure to curb corruption and its lack of success at state owned entities and municipalities. The ruling party is at odds with itself and these elements create uncertainty and apprehension amongst taxpayers.

The Government’s inability to provide a safe and a sustainable economic environment for its citizens is a breach of social contract. On the one hand Government tries to enforce a tax to comply with its social contract whilst simultaneously breaching the very contract by failing to govern properly. Taxpayers who are the financiers of SA Inc cannot be forced to pay additional taxes because Government squandered billions of tax Rands and now seeks to punish the wealthy for its negligence if not recklessness.

Morality Upheld

The only way to resolve this impediment is for Government to admit its mistakes and take Taxpayers into its confidence. SARS regrettably bears the task of restoring tax morality. To adopt a high-handed approach will be counter-productive as many wealthy taxpayers will simply create more debt to reduce their net asset value alternatively become more creative with their tax planning.

SARS contends that all taxpayers are treated equally and fairly yet penalizes wealthy taxpayers on capital that was already taxed. In essence this category of taxpayers will be paying taxes on the appreciation of their assets. SARS will have to consider the effect of capital gains tax on actual asset realization as that would translate to the Taxpayer being taxed for a third time.

The ruling party at the same time needs to reinvent itself from capitalist back to liberators, this time from an economic perspective and speak with one voice. Cadre deployment must be abolished, and fit and proper individuals must be appointed to the task at hand regardless of race or creed.

Employment and tender policies must be redefined to stimulate growth and burdensome red tape must be eased during this transitional period.

In the absence of these hard choices and we know that at times the hardest thing and the right thing are the same, Government will have to approach the IMF who will implement and dictate foreign (economic) policies as a condition to the loan.

SARS is therefore obliged to investigate the reasons that motivated so many first world countries to abolish wealth tax as a stream of tax revenue. Implementing it blindly will only strengthen taxpayers resolve to become more aggressive in tax schemes.

When plunder becomes a way of life for a group of men in a society, over the course of time they create for themselves a legal system that authorises it and a moral code that glorifies it.”

— **Frédéric Bastiat**

TAYFIN ERASMIA

TAYFIN SANDTON

TAYFIN RUSTENBURG

TAYFIN CAPE TOWN

For any comments or suggestions regarding this advert or future issues, please contact our offices at 014 592 3234 / management.rtg@taygro.co.za.

(Tayfin does not accept any responsibility for the accuracy of information published in the advertisement.

Professional advice should be obtained by all taxpayers.)

FORENSIC AND INVESTIGATIVE AUDITORS
LIQUIDATORS AND TRUSTEES

30 HEYSTEK STREET, RUSTENBURG, (TEL) 014 592 3234 (FAX) 086 601 1472

Tayfin
Insolvency
Practitioners



TAYFIN FORENSIC
PTY LTD

TAYFIN
Business Rescue
Practitioners



30 HEYSTEK STREET, RUSTENBURG, TEL (014) 592 3234/ 3237 /3022 FAX (086) 601 1472.

internal@taygro.co.za | management.rtg@taygro.co.za