SPOTLIGHT

on mining tax

by M.C. VAN BLERCK*

This Spotlight gives a brief summary of the proposed 1991 tax amendments of relevance to mines and mining houses. It should be read together with the author's article *South African mining tax in the 1990's'*, which appeared in the August 1990 issue of this *Journal*.

A number of tax amendments of relevance to the mining industry were proposed by the Minister of Finance in his March 1991 budget speech. In addition, certain other measures that may be implemented were set out in the budget review document released at the same time.

A word of caution is necessary: these measures will become law only if and when they are enacted in the appropriate legislation. When this legislation is tabled in June, it may not contain all of the measures discussed below, some of the measures may appear in modified form, and other measures not discussed at the time of the budget may well appear.

Unless otherwise stated, the 1991 tax amendments will affect companies with years of assessment ending in the twelve-month period to 31st March, 1992.

- The *ordinary company tax rate* is to drop from 50 to 48 per cent. This is the first step in a programme to reduce the rate to 40 per cent within a period of 5 years.

- As far as gold-mining companies are concerned, the *gold mining tax formula* recommended by the Marais Committee is to be implemented immediately for tax years ending during the twelve-month period to 31st March, 1992. This formula is

  $$y = 61 - (61 \times 5)/x.$$

  Should the recommendations of the Marais Technical Committee be followed through, the *a* factor in the formula (represented by the figure 61 above) will be progressively reduced as the ordinary company rate drops, so that it remains approximately 1,22 times the ordinary company rate. Since the 61 factor is based on an ordinary company rate of 50 per cent, and since this rate has now dropped to 48 per cent, it is expected that the factor will drop to 59 or 58 next year.

- The *non-gold-mining tax rate* (which applies to all mining companies other than those which mine gold) will drop from an effective 54,5 per cent to an effective 50,88 per cent calculated as follows:

	1991	1992
	%	%
Basic rate	50	48
Surcharge	9	6
Effective rate	54,5	50,88.

- The *ring-fencing* of mining capital expenditure by individual mines is under review, but no announcements on this measure had appeared at the time of writing.

- *Capital gains tax* is once again under investigation and, on a related note, the ten-year *safe haven* provisions in terms of which listed shares may be disposed of free of tax will perhaps be extended to shares previously exchanged in terms of arrangements made under section 24A. There is also a possibility that the qualifying period may drop from 10 years to 5 years.

- *Value-added tax (VAT)* is to be introduced at a rate of 12 per cent on 30th September, 1991. A full input credit for all costs (whether of a capital- or working-cost nature) will be allowed.

- A *levy* of 0,75 per cent of gross interest income may become payable by 'financial institutions' when VAT is introduced. It is not yet clear whether mining houses and mines will be liable to pay this levy, and the levy's base may well be something other than interest income.

- *Marketable securities tax* dropped from 1,5 to 1 per cent from 1st April, 1991, in the first step of a three-phase abolition of this tax. Stamp duty on the transfer of unquoted securities drops similarly, at the same time.

- *Transfer duty* will no longer be payable on transactions that are subject to VAT.

- The proposal to introduce an *interest withholding tax* on domestic interest has been placed on hold at present, as has the proposed *self-assessment* system. The latter may well be implemented in the near future, while the former can by no means be ruled out in the medium term.

- The *import surcharge* has been reduced as follows, with effect from 20th March, 1991:

	Previously	Now
	%	%
Capital goods	10	5
Intermediate goods	7,5	5.

* Group Tax Consultant, Anglo American Corporation of South Africa Ltd, P.O. Box 61587, Marshalltown 2107; also author of the book *Mining tax in South Africa*, which is described elsewhere in this issue.