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FEDUSA SUBMISSION ON THE BUDGET
2011

The Joint Budget Portfolio Committee

Cape Town

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1 INTRODUCTORY COMMENTS ON THE 2011 BUDGET

The delivering of the budget speech on the 23rd of February 2011, came as the country and the world emerged from the worst economic recession since the great depression. The focus in the budget speech was on the need to establish a new growth path, not only to sustain economic recovery but also to meet the unique challenges of the South African economy.

In October 2010 Government in its MTBPS 2010 set out its expenditure and revenue plans for the next three fiscal years. A wide range of factors, ranging from the need to re-balance the economy after the deep recession, global developments and the need to make some inroads in our mass unemployment and poverty were addressed and also other issues such as the urgent need to step up service delivery and to eradicate corruption and fraud.

This year the budget 2011 updates and budget figures are aligned according to global and domestic economic developments and take on a more focused approach on job-creation based on the New Growth Path and the State of Nations Address.

2 ECONOMIC OUTLOOK

2.1 Global and economic developments

In hindsight it becomes clear that the so-called deep recession affected the South African economy to a much greater extent that was initially expected. Economic growth fell from 5.6 per cent in 2007 to 3.6 per cent in 2008 and –1.7 per cent in 2009. According to projections of National Treasury growth will only reach 4.4 per cent by 2013, in other words it will not reach its pre-recession levels of about 5 per cent after 2013. Growth in gross fixed-capita investment, which is actually an important source of employment creation, fell to –3.6 per cent in 2010 from 14 per cent in 2007 and will only reach 6.6 per cent by 2013. This resulted in a loss of more than 1 million job opportunities. As employment creation usually lags a recovery, it is clear that it will take time to bring total employment back to its pre-recession level and higher investment and growth to make some inroads in unemployment.

The lower tax revenue resulted in a change in the budget surplus of 1.7 per cent of GDP in 2007/08 to deficit of 6.6 per cent in 2009/10 which was one of the largest changes in the world next to the US. This resulted in an increase in public debt and debt-servicing cost. This healthy state of public finance prior to the recession however helped us to weather the recession. It will take a few years to lower our public debt to levels that existed before the recession.

Today, growth is recovering across the world. According to the latest IMF World Economic Outlook forecast global growth will be 4.5 per cent this year, which is actually higher than the average over the last decade. Strauss-Kahn, managing director of the IMF however pointed out that the recovery is unbalanced across countries.¹ In advanced countries growth remains below potential, while growth in developing and emerging countries are much faster and that some may even be overheating. Within countries recovery is unbalanced. Global unemployment remains at record highs with widening income inequality adding to social strains.

¹ Strauss-Kahn, Managing Director, International Monetary Fund Monetary Authority of Singapore, February 1, 2011

Government expects that our inflation rate will remain within the target range of 3 – 6 per cent during the MTEF period. This is in line with the Reserve Bank's forecast.² The Minister however warns that increasing food and oil prices represent risks to the inflation outlook. The current unrest in oil producing countries makes an increase more likely.

2.2 Economic policy issues

The manager of the IMF recently stressed the necessity to take a holistic approach to managing the economy if we want to get the recovery right.³ He is of opinion that countries should not only focus on standard macroeconomic and financial policies, but also on job creation and social protection. This implies that government should take a more active role in the economy, not by entering the production process but by initiating processes to direct the economy towards its broad socio-economic goals. In previous submissions on the budget FEDUSA has urged government to take a more active role, but by taking account of the proper roles of government and the private sector. Although it was done by government via different programs, it is probably the first time that government is taking lead in initiating job creation and poverty relief in such a focused way. FEDUSA wants to commend government on this.

FEDUSA also wants to commend government and the Reserve Bank for dovetailing fiscal and monetary policies effectively in a very delicate time of consolidating the economy after the deep recession. The policy of the Reserve Bank to focus on controlling inflation and fiscal policy on acting counter-cyclical within a sustainable long-term framework is the correct strategy and according to best economic policy practice.

Jobless growth, high unemployment with the resultant unequal income distribution and poverty remains South Africa's most serious socio-economic challenge. Despite success with some of the other broad goals of economic policy, such as growth, inflation and the balance of payments, the need to make inroads in unemployment and poverty has been echoed in all South Africa's socio-economic strategies, namely the RDP, GEAR and ASGISA. Job creation is also the central theme in the New Growth Path (NGP). Currently the unemployment problem is exacerbated by the slow return to a growth path after the deep recession.

FEDUSA naturally welcomes the attention that job creation receives in this year's budget. A whole chapter in the Budget Review is set aside to highlight the unemployment problem.

Government indicated in its Budget Review (p 44) that it could promote growth in two ways. Firstly, by economic policies that are conducive to private sector growth and investment. Secondly, government makes a direct contribution by public sector employment and targeted job-creation programmes. FEDUSA agrees with this.

2.3 Social protection

In a recession the poor are those who suffer most. FEDUSA welcomes the increase in the monthly state old age grant and the disability grant by R60 a month to R1 140 and to R1 160

² The Outlook for the South African Economy: Address by Gill Marcus, Governor of the South African Reserve Bank, Pretoria, 4 February 2011

³ Strauss-Kahn, Managing Director, International Monetary Fund, Monetary Authority of Singapore, February 1, 2011

for pensioners older than 75. Also the increase in foster care grants by R30 to R740 and the child support grant from R250 to R260 in April and to R270 in October this year.

Social protection form a large part of the budget and will amount not less than R147 billion this fiscal year to R172 billion in 2013/14 and 15 million citizens receive social grants. In his State of the Nation Address the President made it clear that South Africa is not a welfare state but a developmental one and that ways will have to be find to lower this number by bringing people into employment. The basic reason for the high dependency rate is that these citizens do not belong to a retirement or medical scheme. The starting point is therefore to bring more people to provide for their retirement.

2.4 The Fiscal framework

Table 1 below show that the projected budget deficit will be higher than foreseen at the time of the MTBPS at 3.8 per cent in 2013/14 instead of the initially projected 3.2 per cent. This is because of lower revenue and higher expenditure over the MTEF period.

(R million)	2010/11 (Revised)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)
Revenue	755 023 (761.0)	824 466 (843.0)	908 714 (931.7)	1 017 187 (1040.2)
Percentage of GDP	28.3% (28.4)	28.3% (28.7)	28.4% (28.9)	28.8% (29.1)
Expenditure	897 376 (904.1)	979 265 (977.2)	1 061 582 (1059.1)	1 151 773 (1154.2)
Percentage of GDP	33.6% (33.7)	33.6% (33.3)	33.2% (32.8)	32.6% (32.3)
Budget balance	-142 353 (-143.1)	-154 799 (134.2)	-152 868 (-127.4)	-134 586 (-114.0)
Percentage of GDP	-5.3% (-5.3)	-5.3% (-4.6)	-4.8% (-3.9)	-3.8% (-3.2)

Source: MTBPS 2010 and Budget Review 2011

The table shows that expenditure by consolidated government will fall 33.3 per cent of GDP in 2011/12 to 32.3 per cent in 2013/14, while revenue will increase from 28.3 per cent to 28.8 per cent, bringing the budget down from 5.3 per cent of GDP to 3.8 per cent.

Over the MTEF period R94.1 billion will be added to the baseline figure .to finance the programmes referred to above. Not less than R26.3 billion is to cover the carry-through cost of the 2010 public-sector wage agreement. The wage adjustment is 3.4 percentage points higher than the inflation rate. The Minister pointed out that the public sector salary bill has doubled over the past 5 years from R156 billion to R413 billion.

Priority expenditure in job creation, skills, health and education would receive an additional R23.9 billion over the MTEF period, while R40.8 billion will be adjustments to baselines for existing programmes over the MTEF period, including health, public safety and social protection. The provision for flood relief is R3.1 billion.

From a macroeconomic point of view the composition between current and capital spending should be such that there is a proper balance between public service delivery and the need to contribute to economic growth without fueling inflation.

As is the case with a personal finance, the basic principle in public finance is that borrowing to acquire capital goods is sound as it increases wealth and adds to future income generation. Borrowing to finance consumption creates debt obligations that must be paid back long after funds have been spend. In public finance terms this could imply shifting the debt to future generations.

Over the last 30 years or so the pool of savings in South Africa to finance investments has decreased. It is a matter of concern that government is currently using scarce savings to finance higher current expenditure on wages, interest and goods and services. The danger is always there that given the small pool of savings, govern investment can crowd out private investment once the economy picks up. As the pool of savings from the private sector, government and business is low, government had to rely on capital inflows, which is a very uncertain form of finance.

FEDUSA is pleased that this "borrowing to finance groceries" is not a permanent feature of government finances and the situation will be reversed once the economy picks up. The country would however for a long time experiences the consequences of the larger deficit his as it will take a long time to reverse the situation.

The fiscal guidelines, provided by National Treasury to ensure long-term sustainability, are welcomed by FEDUSA.

2.5 Infrastructure spending

FEDUSA noted with concern that in Chapter 4 : Fiscal policy on Page 57 of the Budget Review 2011, the reasons for under-spending on infrastructure are noted as :

National government	<ul style="list-style-type: none"> ▪ Lack of critical skills to plan, manage risk and execute projects ▪ Service-level agreements between departments and implementing agents that are difficult to enforce ▪ Lack of flexibility in choosing procurement and project implementation agents that would ensure delivery of projects on time and on budget
Provincial government	<ul style="list-style-type: none"> ▪ Lack of integrated planning for health, education, housing infrastructure ▪ Poor supply chain management, inadequate risk management ▪ General lack of skills, especially in project

	management
Local government	<ul style="list-style-type: none"> ▪ Unrealistic financial targets result in cost overruns and funding shortfalls ▪ Inefficient supply-chain management ▪ Subdued revenue levels ▪ Lack of capacity to plan and meet requirements for conditional grants
Non-financial public enterprises	<ul style="list-style-type: none"> ▪ Recession – Downward revisions in plans and a postponement of projects, higher borrowing costs, delays in drawing down World Bank loan to Eskom ▪ Signoff deadlines on agreements between departments and commercial project partners not met or treated with urgency ▪ Delays in procurement of inputs ▪ Inclusion of projects on budget that are not yet ready for implementation ▪ Decline in construction material costs, leading to lower budgets

These are alarming as it reflects on capacity and service delivery within various government departments which needs to be addressed as an urgent matter within the service delivery framework.

3 TARGETED JOB CREATION INITIATIVES IN THE 2011 BUDGET

3.1 Youth unemployment

The table below clearly illustrates the dire situation that the youth in our country find themselves in today. Only 35% of learners who started grade 8 in 2006 passed matric in 2010. What happened to the remaining 65%? Some 15% failed matric, but that leaves another 50%. Most of them are probably unemployed. This begs the question whether legislation that allows learners to drop out of school before acquiring a matric or equivalent should be revisited. To exacerbate the situation even more, is that these youth most probably is not receiving any form of education or training. So what are they doing with themselves? How are they, as the future generation and leaders preparing themselves to take this country forward?

Young People aged between 18 and 24 years who are Not Employed, and Not in Education or Training (Community Survey, 2007)								
	18	19	20	21	22	23	24	Total
Unspecified	2,595	2,457	3,786	4,762	4,998	4,054	4,699	27,351
Primary or less	61,056	64,285	70,496	78,564	73,575	75,261	77,425	500,662
Secondary education less than Grade 10	51,192	59,643	73,194	79,050	83,367	81,502	80,649	508,597
Grade 10/Std 8 or higher but less than Grade 12	65,228	94,608	132,158	164,596	176,733	174,325	183,146	990,794
Grade 12/ NTCIII (no exemption)	47,447	65,190	89,292	99,797	100,711	96,139	100,080	598,657
Grade 12/Std 10 (with E)	10,226	13,526	14,778	14,259	16,910	13,869	14,766	98,335
Certificate with Gr 12	2,732	4,025	6,299	8,157	9,672	8,340	7,811	47,035
Diploma with Gr 12	388	1,151	2,464	3,461	6,103	5,733	5,995	25,294
Bachelors degree	188	322	430	1,774	1,460	2,831	2,347	9,352
BTech	6	126	192	312	78	654	414	1,780
Post grad diploma			244	405	400	581	867	2,498
Honours degree			60	220	383	694	337	1,695
Masters/PHD			48	77	110	135	50	420
Total	241,056	305,333	393,441	455,434	474,501	464,119	478,587	2,812,871

3.2 FEDUSA Recommendations to the Portfolio Committee on Finance on Youth

Unemployment

1. The Government's New Growth Path must seriously address the huge challenge of unemployment of the youth if we wish to reach the Millennium Development Goal of 2014, of halving unemployment and poverty.
2. The compulsory age for education should be increased to 18, which will increase employability and skills, reduce the youth unemployment rate and eventually assist with successful school-to-work transition.
3. Government should through legislation changes ensure that those who failed to complete matric remain in the educational system by providing them with opportunities to enrol for learnerships and apprenticeships to make them more employable, as well as entrepreneurial skills programmes so that they can set up their own enterprises and become self-employed.

3.3 Deficiencies in education and training contribute to skills mismatches

All young people have to offer is their years of education and the education itself. Some 85% of 15 to 24 year olds never had a job and this is the case, sixteen years after democracy in South Africa. The vast majority of the unemployed (especially young people) are in this category.

There is a mismatch between labour demand and supply, which means people are unable to take up the jobs on offer. There has been a massive growth in the services industry, but the demand is still for skilled labour. The unemployment rate has increased since 1994 and the key reason is not only the notion of jobless growth. The number of entrants into the labour market has increased far faster than the ability to create jobs.

There are some worrying trends when we look at youth unemployment by education. Something is amiss in our schooling system if the rate of unemployed learners with Grade 12 has increased. Someone in the 15 to 24 age group with incomplete secondary school

education has a 75% chance of being unemployed, dropping to 66% if they have Matriculated. Those who have a tertiary qualification, but not a degree have a 50% chance, while those with a degree have a 17% chance of not having a job. So early school leavers make up the bulk of the jobless. They should be entering Further Education and Training (FET) and that's a key policy question. What is happening there? The FET sector is in a crisis but still funding are allocated but no performance is monitored.

We are focusing on the overall Grade 12 pass rate, but the pass rates for university entrance are much lower. Inappropriate fields of study mean that a university degree is not a sound condition for employment. There is also a malfunctioning labour market information system and young people find it hard to access information about jobs and careers. There is very little communication between client and consumer. FEDUSA would like to make the following recommendations on skills mismatch to Government namely:

1. FEDUSA believes that a broad dialogue is needed between employers and learning institutions. One just needs to question the number of students that our colleges have placed in employment?
2. Companies must do more to create employment for young people in order to address the challenge of youth unemployment;
3. We therefore have to increase the supply of skilled workers dramatically;
4. Universities need to produce enough appropriately skilled and qualified people in disciplines central to the needs of industry. A differentiated government subsidy system aimed at making courses delivering scarce skills inexpensive and those with an abundance of skills very expensive should be considered – as argued in the section dealing with skills development;
5. The Social Partners should develop a general minimum wage for young people between the ages of 18 and 23 in order to create opportunities to gather job experience and assist employers in placing young employees;
6. In the case of unemployed graduates, special measures such as temporary placements in companies or the public sector, to gather experience should be investigated. Such programmes could be partly subsidised by SETAs;
7. Consideration should be given to making social security claims conditional to proof of skills development enrolment and acquiring such skills;
8. In order to incentivise employers to train more unemployed persons, additional skills grants should be made available to those employers who exceed a certain agreed national benchmark in training programmes.

3.4 Youth Employment Incentives to be a Training-Based Wage Subsidy

Government is developing a range of incentives to promote youth employment. The Youth Employment subsidy which is hoped will raise the employment levels of young school leavers by an additional 500 000 by 2013.

Finance Minister Pravin Gordhan announced the broad outline of the wage subsidy plan in 2010 that is aimed at dealing with the youth unemployment problem. The subsidy's

estimated cost announced in 2011 is R5 billion over the three-year spending period. Under the proposed scheme employers will be reimbursed for the wages they pay a young employee who has no previous work experience. The youth employment subsidy scheme will be run by SARS and will allow companies who are tax compliant to benefit from the scheme, as long as they still adhere to minimum labour standards.

However, FEDUSA is of the opinion that South Africa already has a wage subsidy in place, in that a R50 000 tax rebate is available to all employers who implement apprenticeship and learnership programmes. Furthermore, FEDUSA remains concerned that the proposed youth employment subsidy would create a two-tier labour market open to misuse by employers who seek to maximise profit and improve their bottom line. The problem with the youth employment subsidy is the deadweight losses that have beseeched other countries that attempted to implement it, as well as the substitution and the so-called "auntie factor" by employing superficial family members who are not productive in the enterprise and then claiming the youth employment subsidy. FEDUSA Recommendations on the youth employment subsidy determine the following aspects namely:

1. This Training-Based youth employment Subsidy scheme should encourage and facilitate the entry of young unemployed people into the labour market, assist with providing them with the necessary knowledge and skills to be productive workers, and in the longer-term reduce their future dependency on welfare benefits;
2. Such as subsidy should also be applicable to unemployed graduates who lack workplace experience, through for instance internship programmes; and
3. It should be only be applicable to tax-compliant companies, while a special dispensation should be developed to cater for NGOs and other tax-exempt organisations to enable them to employ youth.

4 TAX PROPOSALS

This year there is some good news for taxpayers, but the good news will probably be overshadowed by the minister's hint of a tax increase to finance National Health Insurance.

For individuals, this year's budget makes provision for personal income tax relief, the conversion of monthly deductible contributions to tax credits, the treatment of employee contribution to retirement funds as fringe benefits and a withholding tax on gambling winnings somewhat lower transfer duties and capital gains tax

FEDUSA welcomes the personal income tax relief of R8.850 billion to compensate for fiscal drag as well as the increase in the monthly monetary threshold for tax-deductible contributions to medical schemes.

As indicated above, the low level of savings is a serious problem in South Africa. There are little incentives for savings in South Africa and therefore the increase in the threshold for tax-free interest income for individuals of R22 300 to R22 800 for individuals below 65 and from R32 000 to R33 000 for individuals 65 and over are welcomed.

FEDUSA also welcomes the increase in the transfer duty exemption threshold as well as the increase in the capital gains tax exclusion amounts.

The conversion of the deductions and out-of-pockets medical expenses into tax credits will favour the lower income groups and imply somewhat higher tax of taxpayers in the higher income categories. The shift could however be defended as it is more equitable.

4.1 Taxation on Retirement Funds

From 1 March 2012 contributions of employers on behalf of employees to retirement funds will be treated as fringe benefits in the hands of the employee. The employee will be allowed to deduct 22.5 per cent of taxable income for contributions to retirement funds. A minimum deduction of R12000 and an annual maximum deduction of R200 000 will be established. The actual tax implication will differ from person to person. The basic principal in public finance is that for equity reasons, all forms of income should be brought under the tax umbrella.

FEDUSA would like to bring your attention to the following example of how a person earning R450 000 per annum will be effected with the new tax treatment of contributions as fringe benefits. From 1 April 2012 dividends will be treated as ordinary income and will be taxable as well as income from dividend schemes.

The main aim of the new proposed amendments is to encourage lower- and middle-income taxpayers to save more for retirement while limiting the ability of the rich to use the system to reduce their tax obligations by placing a R200 000 cap on contributions from both you and your employer that are deductible from taxable income. The cap will be reached on annual taxable income of R888 888.

Currently you can claim deductions against taxable income up to 7.5 percent of your pensionable income used for contributions to an occupational retirement fund plus up to 15 percent of any non-pensionable income contributed to a retirement annuity (RA) fund.

Employers can currently make tax deductions for amounts up to 20 percent of your pensionable income for such things as your retirement savings, group risk life and disability assurance benefits and medical scheme contributions. The contributions are not taxed as income in your hands until you receive them as income in retirement or you cash in your savings when you change jobs.

Finance Minister Pravin Gordhan announced in the National Budget that, from March 1 2012, occupational pension fund and retirement annuity fund savings will be subject to the same tax system on contributions. Proposed changes include:

1. An employer's contribution on behalf of an employee will be deemed a taxable fringe benefit in the hands of the employee.
2. You will be allowed deductions up to 22.5 percent of taxable income for contributions to pension, provident and RA funds. So if the amount currently paid by your employer and what you contribute make up less than 22.5 percent of your total income, you will be in exactly the same financial position as you are now. However, if you contribute the maximum 7.5 percent and your employer contributes more than 15 percent, any total amount over 22.5 percent will be disallowed as a deduction.
3. Two thresholds are proposed – a minimum annual deduction of R12 000 and an annual maximum of R200 000.

4. The distinction between pensionable and non-pensionable income falls away, with the tax-deductible amount based on a percentage of taxable earnings.

Example

The table is based on the following assumptions: annual taxable income of R450 000 (R300 000 retirement funding (pensionable) and R150 000 non-retirement funding); employer contribution of 6.5 percent to an occupational fund; employee contribution of 6.5 percent and 15 percent of non-pensionable income to an RA fund.

The table shows that from a tax deduction point of view the two systems are equal on a rand-for-rand basis. However, the maximum rand amount deductible in the example under the current system is R22 500 (7.5 percent of pensionable income) plus R22 500 = R45 000 (15 percent non-pensionable).

Under the proposed structure the maximum amount deductible from taxable income would be R105 637 (22.5 percent of R469 500). So you will be able to make up the difference with additional contributions to substantially reduce your annual tax liability and to enjoy a comfortable retirement.

4.1.1 Beginning of the phasing out of provident funds

The government intends making the first moves to phase out provident funds and they could come as early as next year. However, the government says there will be "grandfather clauses" protecting existing rights, and implementation will be subject to thorough consultation with trade unions and other interested parties.

It says in its latest tax proposals: "To protect workers' savings, government proposes to subject lump-sum withdrawals from provident funds to the one-third limit applying to pension and retirement annuities." So, as with pension funds, two-thirds of the retirement savings of provident fund members will have to be used to buy a pension for life.

Currently, provident fund members may take the entire amount of their retirement savings as a lump sum, but they cannot deduct their contributions from taxable income. However, at retirement their contributions are added to the tax-free portion of the lump sum. The consequence is that many provident fund members spend their retirement benefits on other things – with the result that they become dependent on the state old-age grant.

4.1.2 More pressure on you to retain retirement money

The government is stepping up the pressure on retirement fund members to retain their retirement savings for retirement.

In a previous retirement reform document, the government signalled its intention to force retirement fund members to preserve their retirement savings until retirement. However nothing was done apart from making the taxation on the withdrawal of lump sums before retirement more onerous than at retirement.

In terms of the 2010/11 lump-sum tax tables, the first R22 500 of a lump-sum withdrawal before retirement is tax free. Any amount between R22 501 and R600 000 is taxed at 18 percent, the

next R300 000 at 27 percent and any amount above R900 000 at 36 percent. This remains unchanged for the 2011/12 tax year.

However, the tax treatment of lump sums at retirement has been enhanced, making it even more attractive to keep your savings invested until retirement. It is proposed that the first R315 000 (up R15 000) of a lump sum at retirement be tax free, the next R315 000 be taxed at 18 percent, the next R315 000 be taxed at 27 percent and any amount over R945 001 be taxed at 36 percent.

	Current 2010 dispensation	New 2011 proposed dispensation
Taxable Income	450 000.00	450 000.00
Fringe Benefit – contribution	-	19 500.00
Gross Taxable Income	450 000.00	469 500.00
Contribution Deduction		-
Occupational Fund: 6.5% of Pensionable Income (300 000)	19 500.00	-
Retirement Annuity Fund: 15% of non pensionable income (150 000)	22 500.00	-
Retirement Funding Deductions: 22.5% of Taxable income (R469 500) but limited to R200 000	-	61 500.00
Total Deduction	42 000.00	61 500.00
Net Taxable Income	408 000.00	408 000.00

Tax changes include:

- 1) Where an employer makes contributions on behalf of an employee this will be deemed as a taxable fringe benefit.
- 2) The employee will be allowed a deduction up to 22.5% of their taxable income for the contributions to a pension, provident and RA funds.
- 3) If the contribution by the employer and the employee is less than the 22.5% of their total taxable income they will be in exactly the same financial position as they were before. (See above example)
- 4) If the employee contributes the maximum of 7.5% and the employer 15% any total amount over 22.5% will be disallowed as a deduction.
- 5) The employee will be entitled to a taxable deduction of R42,000.00 plus R19,500.00 to a total amount of R61,500.00.

The table above shows that from a deduction point of view the two systems are equal on a rand-for-rand basis.

4.2 National Health Insurance

The Minister announced that government expects that national insurance will be phased in over 14 years and that announcements about specific funding instruments will be made in the 2012 budget. Financing of such a scheme can be by way of a payroll tax, higher VAT, a surcharge on taxable income. Co-payments or user charges would also be considered. As too little is known of such a scheme, it is pre-mature to react at this stage. FEDUSA would like to use the opportunity within NEDLAC to actively comment on the proposals contained in the Budget review.

5. CONCLUSION

Unemployment reduction and poverty relief will take time. In the long haul the only viable solution for our unemployment problem is to increase job-creating growth by investing in education and skills. People must be given the tools they need to prosper in the highly competitive global economy of today.

FEDUSA applauds the more focused approach of government in this year's budget and attention given to job creation, education and skills development.