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The impact of quasi taxes from mining on economic growth in South Africa

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2018

https://hdl.handle.net/10539/26913

Miyambu, Musa Roderick (2018) The impacts of quasi taxes from mining on economic growth in South Africa, University of the Witwatersrand, Johannesburg, https://hdl.handle.net/10539/26913

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ABSTRACT

South Africa‘s economic growth has been declining since 2009. Mining contributes to economic growth in various ways, including foreign earnings and taxes. It contributes to the economy through direct, indirect and quasi taxes. Quasi taxes are near taxes that are imposed on mining projects in the national interests of protecting the environment and the social, cultural and economic needs of local communities. They have implications on tax design, they are often significant and are regulated by various Acts. They include contribution to local communities, foreign exchange control, environmental taxes, performance bonds and government equity in mining projects. Because of their implication on tax design and related aspects, the research was conducted to assess the extent which they contribute to the economic growth of South Africa, to assess how the country can enhance the effectiveness of quasi taxes on economic growth, to assess whether the country has a good mining tax regime, to assess their impact on mining investments decisions and planning. The research involved a literature survey for qualitative and quantitative data from various sources. These were various books, journals and others publications. It used an internet-based method of data collection and hard copies from various institutions, including libraries.

Annual reports of three mining companies that are mining in South Africa and are listed on the Johannesburg Stock Exchange, were randomly sampled and assessed, to gain an understanding of the manner in which these taxes contribute to economic growth. The work also used a Discounted Cash Flow model to assess the impacts of quasi taxes on mine planning and mine investments. It further assessed the extent to which quasi taxes can be applied to the determinants of economic growth. The findings are that quasi taxes contributed 0,77 percent (%) in terms of mining exports earnings per unit of GDP created, between the years 2007 to 2016 and R2 billion to community development in the year 2015. It was found that transparency and lack of clarity are some of the impediments to the contribution of quasi taxes to economic growth. A good mining tax regime is required in order to reap maximum benefit from these taxes. The country must also use Community Engagement Plans to manage expectations, to explain the level of benefit from mining, for clarity and transparency between interested and affected parties. Quasi taxes affect mine planning and investment decisions. Quasi taxes must also be used for clustered and sustainable projects in the form of the Public Private Partnership approach, in line with the determinants of economic growth.