CHAMBER OF MINES
of South Africa

MEDIA STATEMENT

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CHAMBER NOTES BUDGET STATEMENT

Social good requires economic growth

Johannesburg, 22 February 2017: The Chamber of Mines of South Africa has noted the Budget statement by Finance Minister Pravin Gordhan this afternoon. Minister Gordhan has done an effective job of maintaining fiscal discipline with a budget deficit of 3.1% in these most trying of times. However, the 2017/18 Budget demonstrates the truism that sustaining and enhancing social good is dependent on the extent of economic growth that is enjoyed.

In particular, the Minister added flesh to the discourse on transformation in South Africa. Most importantly, he highlighted the mutual interdependence between the drive for competitive growth and greater social equity. That is something of which the mining industry is highly conscious in our own efforts to contribute to transformation in South Africa.

The Minister's recognition of the private sector's key role in driving growth is significant. We are committed to continuing to work with government, including through the CEO initiative with the Minister and President Zuma in the united efforts to achieve these goals, including the ongoing work to maintain South Africa's sovereign investment grade credit rating.

The speech and the Budget review makes repeated references to the critical importance of achieving policy and regulatory certainty as a condition for encouraging greater investment in mining, and in the economy more broadly. We would add that the policy and regulatory environment must, in addition to being certain, encourage competitiveness too. We agree on the critical need for finalizing amendments to

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the MPRDA and the finalisation of the Mining Charter which, equally, promotes competitiveness and transformation.

In this regard, we noted that, in recognising the impact of difficult economic conditions on the mining industry, Minister Gordhan also referred to the impacts on production of section 54 operational stoppages. The contributions by mining companies to the fiscus through company taxes and royalties is clearly an important feature of fiscal planning. Appropriate application of section 54s will contribute to both improved safety and enhanced contributions to the fiscus.

One potentially worrisome feature of the budget's revenue-enhancing measures is the increase in the dividend withholding tax rate from 15 per cent to 20 per cent. The combination or company tax and the dividend withholding tax raises the overall tax rate to above the OECD average, with potential negative impacts on investment.

We also note the intention to take steps on the issue of a carbon tax. As we have done before, we urge great caution about imposing additional costs on trade-exposed carbon intensive companies which have little scope for reducing their carbon emissions based on their input mix or their production processes in the short to medium term. We look forward to engaging with the National Treasury on offset and rebate measures.

There is also talk of consideration of an acid mine drainage tax. We invite the Minister and his tax staff to engage with us to hear our ideas and plans to address the issue in a manner that will not require additional taxes and will simultaneously ease water scarcity in many mining regions and potentially generate revenue to make them self-sustaining.

The Chamber notes the Minister's comments on governance at state-owned enterprises. Again, he was dealing with an issue critical to economic growth and transformation. We trust that 2017 will see improvements in this regard and are encouraged by the potential role the Minister sees for the private sector.

The industry, along with the rest of the country, has been pleased at the improved certainty of electricity supply in recent times. But we support the continued diversification of the supply base, including through contributions from independent power producer, as advocated in the speech.

The industry acknowledges the Minister's urging to employers to protect employees from the ravages of irregular emolument attachment orders against their earnings. We assure him of our continued commitment to eliminating this burden on South Africa's workers.

And finally, we are committed to working with the Minister to strengthen further the already strong globally-aligned systems that manage transfer mispricing and base erosion and profit shifting.

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