

Strike fuels prospects of tax on super-profits

By [Carol Paton](#)

19 Jun 2014

The prospect of a tax on mining super-profits and other measures that would see more state intervention in the mining sector remain squarely on the agenda of the African National Congress (ANC) and South African Communist Party (SACP) in light of the protracted platinum strike.



Economic Transformation Committee Chairman Enoch Godongwana wants super-tax on mines to be debated and finalised. Image: [Our Campaigns](#)

The recent ANC national executive committee meeting again emphasised the importance of moving ahead with the recommendations in its 2012 Strategic Intervention in the Mining Sector (Sims) discussion paper.

Economic Transformation Committee Chairman Enoch Godongwana said this week that two specific issues in the report were emphasised. The first related to the designation of "strategic minerals", which was dealt with in the amendments to the Mineral Resource and Petroleum Development Bill, and the second was the tax issue.

"One of the things we are trying to do is simplify the tax structure. The Davis Committee is looking at this. Arising from that we will decide what is an appropriate level of taxation," he said.

The Sims report proposed the designation of certain minerals as "strategic" and a 50% resource rent tax on higher-than-normal returns on investment. A "normal return" is defined as "the Treasury long bond rate plus 7%" - equivalent to returns higher than 15%.

Calls for mining indaba

In the time since the ANC endorsed the paper in 2012, discussion has died down.

The SACP also returned to the mining theme in its first central committee meeting since the elections. The party called on the government to convene a mining indaba to "take forward the resolutions of the ANC-mandated Sims policy package".

The SACP last week published an article by researcher Paul Jourdan titled "Resource rents, the strikes and the people" in its journal Umsebenzi.

Jourdan argued that "resource rents" - the extra value received by the owner of the resource above a "normal return" - belong to "the people as a whole rather than to mining companies or mine workers".

He said the imposition of a resource rent tax would result in more rational wage demands and executive remuneration.

Last week, Judge Dennis Davis said his tax committee had established a sub-committee on mining. The Chamber of Mines said it would make a submission to the committee.

For more, visit: <https://www.bizcommunity.com>