

13 MARCH

Hon: V. der Walt.

Medium Term Expenditure Framework

Parliamentary comments on 2013/2014 budget and MTEF

Hon: SPEAKER.

Congratulations to Finance Minister Saara Kuugongelwa-Amadhila on a progressive budget. The proposed expenditure seeks to build skills and capacity in our country which augurs well for the future of this great nation.

My views on the budget are centered around the man in the street's views and how this budget affects our every-day lives also how we will be directly uplifted by budgetary announcements:

I laud the minister's plans for changes to the revenue, and in particular note the following:

The increase of the tax threshold and reduction of **Individual Income** Tax rates and brackets will certainly have a positive effect on individuals. Taxpayers will benefit not only in terms of disposable income but this will also uplift the spirits of salary and wage earners who struggle to come to terms with rising prices.

Many employees and private income earners at entry level positions, up to N\$50,000 per annum, need not worry about tax, but the benefits have also been passed onto all but the highest tax bracket.

The reduction in **transfer duty** brackets and rates will hopefully stimulate and allow more people to invest in their own piece of our land. First time homeowners are now able to purchase property up to N\$600,000 without worrying about the costs of transfer that is often not properly disclosed to first-time buyers when they are assessing affordability.

The **corporate tax rate** reductions will send a signal to corporates that the government is committed to promoting a fair and comparable environment for the private sector.

I am very excited about the introduction of the **environmental levy tax**. Harmful emissions are a major concern internationally, and those companies and individuals that are raping our environment should pay their share and be encouraged to find innovative ways to reduce their carbon footprint.

Budget deficit

The **Budget deficit** is to set to increase 6.4% of GDP compared to 2.8% of GDP in the 2012/2013 MTEF.

Although initially this raised alarm bells, when I delved deeper into the Minister's rationale for the deficit I began to see her point of view. Traditional Keynesian economists strongly believe that government counter-cyclical spending can reduce the time economies spend in recessionary cycles and some believe that this could also stimulate future super-growth by creating employment.

The main increases in spending certainly seem to support this view as MTEF growth in healthcare, education and infrastructure is prominent.

My concern would be that some of this deficit will be funded by **drawdown on cash reserves**, which although this always poses a risk relating to the balance of payments, hopefully the benefits in capital spend to raise and uplift our people and the economy over future years will be worth the chance.

Medium Term Expenditure Framework (MTEF)

In the MTEF framework I have identified a few of my key highlights which will directly impact the individual.

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