ECONOMIC FREEDOM IN A TIME OF CRISIS

12 proposals to reduce the detrimental effects of government's response to the coronavirus

March 2020

FREE MARKET FOUNDATION

POLICY PROPOSAL
MARCH 2020

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12 PROPOSALS TO REDUCE THE DETRIMENTAL EFFECTS OF GOVERNMENT'S RESPONSE TO THE CORONAVIRUS

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ABOUT THE FREE MARKET FOUNDATION

The Free Market Foundation is an independent public benefit organisation founded in 1975 to promote and foster an open society, the rule of law, personal liberty, and economic and press freedom as fundamental components of its advocacy of human rights and democracy based on classical liberal principles. It is financed by membership subscriptions, donations and sponsorships.

OVERVIEW

The South African government's reaction to the 2019 coronavirus (COVID-19) outbreak, whilst likely necessary in many respects, will no doubt entail short- and long-term economic consequences that will be to the detriment of all South Africans. South Africa went into the pandemic in a state of recession and over ten million unemployed, with 'junk status' investment ratings looming large.

The Free Market Foundation is of the view that the detrimental consequences of government's response to the outbreak can be largely mitigated. These measures will take political will but are guaranteed to lessen the impact of COVID-19 on South Africans' wallets and economic prospects.

As such, the Free Market Foundation has answered National Treasury's call for proposals on how it could go about its own response to COVID-19, by outlining 12 simple and to the point recommendations.

These recommendations primarily concern lessening South Africans' tax burden, allowing them to keep more of the preciously little they have, putting the state's resources to better, more rational use, and abandoning ill-considered government policies that would otherwise compound the damage done to the economy by the COVID-19 response plan.

PROPOSAL 1

A **moratorium** on all pernicious taxes, including but not limited to estate duties, transfer duties, taxes on retirement funds, and capital gains taxes. This will **free up money** for citizens by eliminating double taxation.

PROPOSALS 2 & 3

The lowering of corporate income taxes and the exemption of all SMMEs from small business corporation taxes and turnover taxes.

A **moratorium** on all personal income taxes for at least six months.

A **moratorium** on all possible future bailouts, irrespective of whether it is for the payment of guaranteed loans or for further cash flow injections, to all state-owned enterprises (SOEs) that require them; and the **diversion/reallocation** of all bailout monies already allocated to SOEs in the 2020 budget to both the public and private healthcare sectors.

PROPOSAL 4

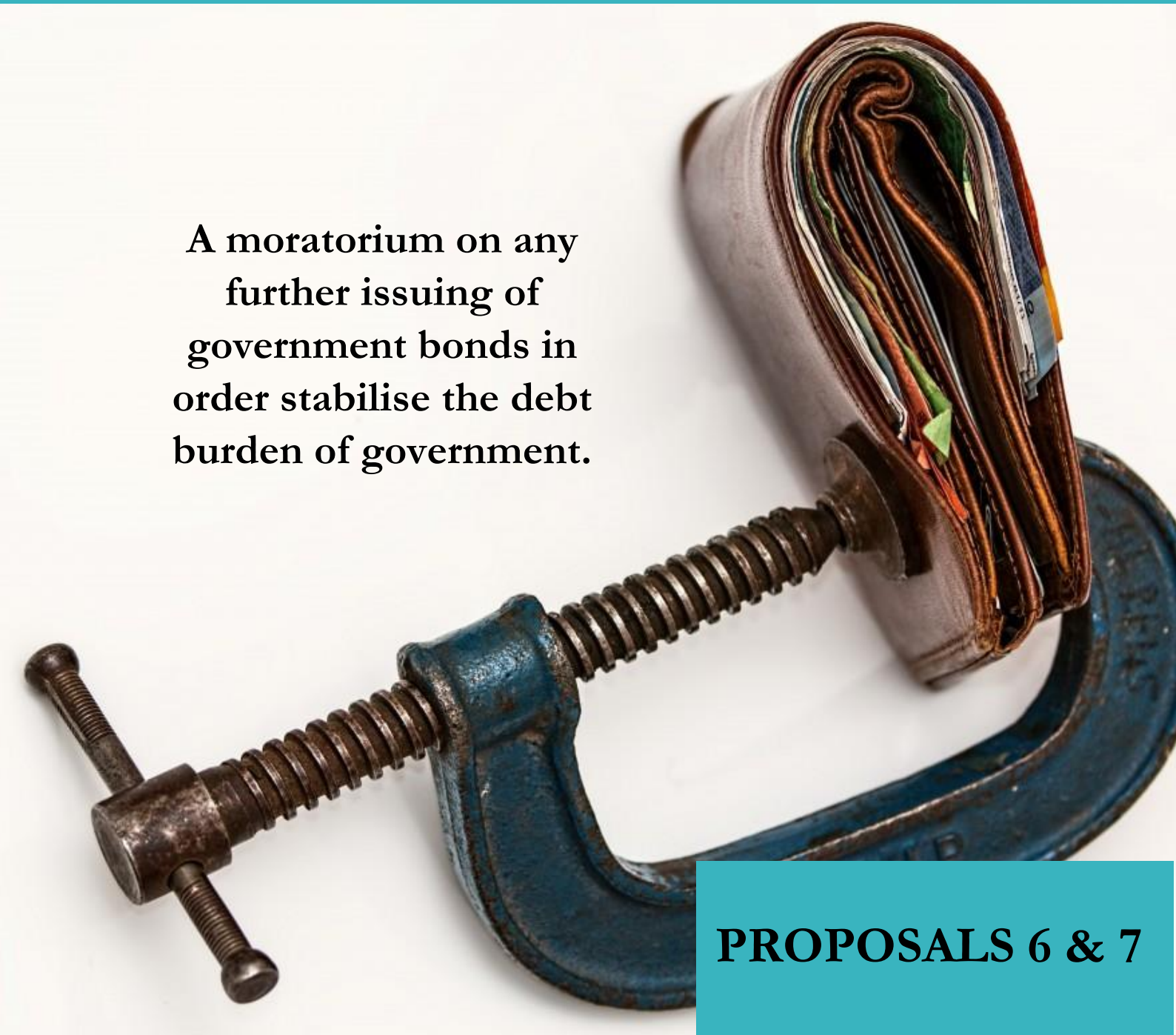
A **moratorium** on any **new economic regulations** that could make doing business more burdensome.*

** Noting that National Treasury does not control all regulations, we urge them to put pressure on other departments to not enact any new such regulations.*

PROPOSALS 5 & 6

An immediate **exemption** from VAT for all goods and services that are related to the following areas: **health, telecoms, and energy**.

An immediate revocation of announced **price controls** to ensure that market price signals pertaining to the abundance or scarcity of certain goods and services are not distorted. Alternatively, National Treasury must exert pressure on other departments to do so.



A moratorium on any further issuing of government bonds in order stabilise the debt burden of government.

PROPOSALS 6 & 7

PROPOSALS 8 & 9

Drastic reductions in ministers' and top civil servants' salaries and benefits in order to free up funds.

The reallocation of all budgets allocated to non-essential ministries, such as the Department of Sport and Recreation and the Department of Arts and Culture, to the Department of Health.

Given the inevitable GDP and tax decline, a review by National Treasury on the budgetary impact of all measures that have been taken so far, with the goal of **keeping to the previously announced fiscal consolidation**.

PROPOSALS 10 & 11

Engage with the Presidency to persuade the administration to abandon the commitment to amend the Constitution to enable expropriation without compensation. The economy cannot bear any more stress and, if the economy crumbles, it will have a direct negative effect on government revenue.

Treasury must restore **certainty** in the healthcare sector by demonstrating that the proposed nationalisation of the healthcare sector is both **unworkable and unfeasible**. Given the significant amount of financial and human resources located within the private healthcare sector, the continuation and expansion of this sector is of **vital importance** to South Africa's overall health and welfare.

PROPOSAL 12