SHARES LESS ATTRACTIVE INVESTMENTS AFTER THE BUDGET

The recent budget speech by Finance Minister Pravin Gordhan was a master class in tightrope walking. He was under enormous pressure to reduce the country's budget deficit whilst finding money to increase infrastructure spending. In addition, he made the point that we need to encourage South Africans to save more and we all need to tighten our belts so that we can create jobs and undo some of the inequalities of the past. On balance, I think this was a good budget but it contained some politically cheap shots that might haunt our economy in the years ahead.

BEWARE THE LAW OF UNINTENDED CONSEQUENCES, ESPECIALLY IN ECONOMICS AND POLITICS

The 50% increase in dividends tax and the effective 33.3% increase in Capital Gains Tax (CGT) was a politically easy tax to implement. Sadly, the timing and magnitude of the changes were ill-considered. Our reputation as an investment destination has taken a severe beating over the last few years. Issues such as the Nationalisation debate, increased corruption and politically connected individuals attempting to hijack business has caused us real damage. Fortunately, the nationalisation debate has now ended and the pillaging of Limpopo has been halted which were very positive events. We hope to see more concrete steps from Government in the near future. One would have hoped that given the events of the last few years, our Government would have done everything possible to ensure that we are seen as investor friendly. The significant increases in CGT and dividends tax are decidedly investor unfriendly. Those companies that have invested billions in South Africa will now be getting reduced returns on their capital which immediately and permanently devalued the value of their investments. The changes were made without consultation or warning which is also unsettling to investors. Using the rationale that we are now in line with international norms is not logical. We need to compete with other countries for investment capital and therefore we should make ourselves more attractive to investors.

These changes are also detrimental to local businesses. The incentive to start new businesses and to run them profitably has been reduced. Small and medium sized businesses are usually started by individuals with their own capital and they will be the engine that creates employment, they should be incentivised not discouraged.

IS OUR CAPITAL TREATED WITH DUE CARE

The Finance Minister has repeatedly made the point that we all need to tighten our belts to ensure that we create jobs and redress some of the inequalities caused by past. No one can argue this point and most South Africans would agree with this sentiment, especially business owners and people with capital. After all, we (investors and business owners) are the people who made the decision to commit our own resources to this country when we could have allocated them elsewhere. Most of us are prepared to take the pain if we feel that our capital will be wisely used to move our wonderful country forward.

Sadly, the last few years have shown us that our capital is not being treated with due care, wasteful spending and corruption are now daily occurrences and the amounts involved are astronomical. In my personal capacity as a business owner and investor in South Africa, I would have taken the "medicine" meted out in this budget much more easily if our senior politicians were shown to be taking similar pain. It would have been great to see announcements that senior politicians were no longer allowed to stay in five star hotels and drive luxury German cars. Citing “safety concerns” for these massive expenses seems nonsensical. Surely a vehicle that costs R500,000 is safe enough to transport any politician? This budget did nothing to alter the perception that our senior politicians use our resources to fund extravagant lifestyles whilst telling us to think of the past before we complain.