

MEDIA RELEASE **PSA concerned about proposed exorbitant tax increases to fund government programs**

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The Public Servants Association (PSA) strongly objects to proposed significant tax increases anticipated for South Africa to support the National Health Insurance scheme and basic grants. Taxpayers could face value-added tax of 21.5% and steep increases in personal income tax.

Such measures would have a detrimental impact on public servants and broader society, exacerbating existing financial strains and hindering economic recovery. Public servants are the backbone of the nation's administration and essential services, including healthcare, education, and public safety. Any proposed tax hikes will erode their already stretched incomes, leading to a decrease in morale and potentially affecting the quality of service delivery. With the rising cost of living, additional tax burdens will make it increasingly difficult for public servants to meet their basic needs, secure their financial futures, and maintain a decent standard of living.

The ramifications of these tax hikes extend beyond the public sector. Higher taxes will reduce disposable income for all South Africans, leading to decreased consumer spending and stalling economic growth. Small and medium-sized businesses, which are crucial for job creation and economic diversification, will suffer from reduced consumer demand and increased operational costs. This could result in business closures and higher unemployment rates.

At a time when South Africa is striving to recover from the economic effects of the COVID-19 pandemic, imposing significant tax hikes is counterproductive. Economic recovery requires stimulating growth, encouraging investment, and supporting households and businesses. Increased taxation will have the opposite effect, potentially plunging the economy into a deeper crisis and delaying recovery efforts.

The PSA urges the in coming government to reconsider this approach and engage in meaningful dialogue with all stakeholders, including public-sector unions, business representatives, and civil-society organizations. Alternative measures should be explored to enhance revenue without disproportionately burdening workers. Options such as improving tax-collection efficiency, curbing corruption, and reducing wastage in government expenditure should be prioritised.

The PSA stands ready to collaborate with government in finding balanced and sustainable solutions to the country's fiscal challenges. The Union can, however, not support measures that place undue hardship on public servants and citizens. It is imperative that government adopts a holistic and equitable approach to fiscal policy to ensure the well-being of all South Africans, continued delivery of essential public services and economic recovery.

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