
REPUBLIC OF SOUTH AFRICA

EXPLANATORY MEMORANDUM

ON THE

**VARIOUS CLAUSES IN THE FINANCE
BILL, 1983**

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CLAUSE ONE

Clauses 1 (1) (a) and 1 (2) give effect to Budget proposals made by the Minister of Finance regarding expenditure from the surplus on the State Revenue Account as at 31 March 1983.

For the 1982-'83 financial year an amount of R300 million was shown as anticipated under-expenditure on the Vote: Defence in terms of section 1A of the Defence Special Account Act, 1974. At the request of the Chief of the S.A. Defence Force and in terms of the provisions of the relevant section, the Minister of Finance during the last week of March 1983 approved that commitments be entered into by the Defence Force to a maximum of R233 million. As proposed in the Budget Speech, the Minister of Finance intends utilizing the surplus on the State Revenue Account for, *inter alia*, extraordinary defence expenditures. Subclause 1 (1) (b) gives effect to this proposal and complies with the requirement of the said section that any commitment thus entered into, be appropriated as soon as possible.

CLAUSE TWO

The purpose of this clause is to give effect to a resolution of the Select Committee on Public Accounts, 1983, that certain expenditure reported as unauthorised by the Auditor-General be charged to the State Revenue Fund.

CLAUSE THREE

This clause gives effect to a further Budget proposal by the Minister of Finance that an amount transferred from the Stabilization Account to the Exchequer Account be paid to the Gold and Foreign Exchange Contingency Reserve Account in respect of losses sustained by the Reserve Bank on forward exchange contracts.

CLAUSE FOUR

During the early seventies a loan was granted from State funds to the Town Council of Leslie (now Leandra) for the acquisition of land and improvements registered in the name of Blacks in order to clear a Black spot within its area of jurisdiction. In terms of section 12 (1) of the Black Affairs Administration Act, 1971, the indebtedness later devolved upon the Administration Board for the Highveld Area.

The land in question is being redeveloped as an urban Black residential area which was reserved by the Minister of Co-operation and Development in terms of section 2 of the Blacks (Urban Areas) Consolidation Act, 1945 (Act 25 of 1945). The land is registered in the name of the said Administration Board and is an asset of the Board for which, in terms of current policy, it must pay.

Because the process described is a Government action connected with national policy, it has been decided to relieve the Administration Board of its indebtedness, excluding that part of the loan which was used for the acquisition of the land.

The clause gives effect to this decision.

CLAUSES FIVE, SIX AND SEVEN

The Local Loans Fund was established in terms of section 1 of the Local Loans Act, 1926, to grant loans to smaller local authorities for the financing of capital works as set out in section 7 of the Act. The Croeser Working Group which was appointed to evaluate the Browne Committee's findings and recommendations on the finances of local authorities, recommended, *inter alia*, that the Fund play a more active role in the future financing of local authorities. The Working Group also recommended that the Fund be granted borrowing powers to assist smaller local authorities to finance their capital expenditure at rates lower than those offered in the market place, and that the maximum level of loans be doubled. These recommendations have been accepted and the clauses give effect thereto. The further recommendations of the Working Group, which have also been endorsed by the Franzsen Committee of Inquiry into the Investments of the Public Debt Commissioners, will, however, be implemented at a later stage as they also relate to a more fundamental restructuring of the activities of the Public Debt Commissioners.

CLAUSES EIGHT, NINE AND TEN

It has been decided to establish a trading account for the South African Mint with effect from 1 April 1983. This account corresponds with those established in terms of section 11A of the Exchequer and Audit Act, 1975. The wording of clause nine has accordingly been cast in the same mould.

The effect of these amendments will be that all costs of the services rendered by the South African Mint; i.e. expenditure on metals for coinage and other services, running costs and the cost of capital equipment, will in future be defrayed from earnings. A complete picture of the income and expenditure of this service is reflected in Annexure A to Vote 7: Finance in the printed Estimate of Expenditure for the 1983-'84 financial year (R.P. 2—1983).

CLAUSE ELEVEN

Section 4 (6) of the Exchequer and Audit Act, 1975, has been repealed by the Exchequer and Audit Proclamation, 1979. The consequential amendment of section 4 (1) of the Act is therefore necessary.

CLAUSE TWELVE

The Select Committee on Public Accounts, 1982, has, according to evidence reflected in its printed report (S.C. 1A—'82), called for the Exchequer and Audit Act, 1975, to be suitably amended in order to impose upon accounting officers a requirement to report balances in suspense accounts which may eventually form a rightful charge against votes.

CLAUSE THIRTEEN

Proposed section 27C.

Various uneconomical services are provided by the South African Transport Services and the losses on these services place an unreasonable burden on other users.

After negotiations between the Department of Finance and the South African Transport Services, it was decided to grant relief on a permanent basis in this regard by exempting from interest a further portion of the loan capital invested in these services. To give effect to this decision the clause provides that an amount of R525 million of the total amount of loan funds provided by the Treasury to the South African Transport Services up to 31 March 1983, be deemed to be permanent capital. This concession will result in a loss of interest to the Exchequer of R51 million per annum.

Proposed section 27D.

A refrigerated container holding shed was erected at Table Bay Harbour at a cost of R18,32 million for which purpose the South African Transport Services obtained a loan from the Treasury. The Deciduous Fruit Board has been utilizing the shed since 9 December 1982.

Following representations by the Perishable Products Export Control Board that the increased export costs arising from the provision of the shed could not be absorbed by the deciduous fruit industry, a committee under the chairmanship of Dr. A. S. Jacobs of the South African Reserve Bank investigated the matter. The committee recommended that Treasury loans to the South African Transport Services amounting to R18,32 million for the erection of the shed be converted into permanent capital and this recommendation has been accepted by the Government. The conversion will result in the deciduous fruit industry, presently experiencing financial difficulties, being assisted to the extent that interest charges will no longer devolve upon users.

CLAUSE FOURTEEN

The prescription period of claims dealt with by the State Trust Board, as provided for in section 9 of the Information Service of South Africa Special Account Act, 1979, was extended by one year to four years by section 6 of the Finance Act, 1982 (Act 96 of 1982).

Since there is still a remote possibility that the Board will have to institute legal proceedings if negotiations which are presently being conducted do not have the desired result, it is necessary to extend the prescription period by an additional year.

CLAUSE FIFTEEN

This measure is necessary for the transfer, with effect from 1 April 1983, of the balance in the Rates Equalization Fund as at 31 March 1983 to the Accumulated Surplus and Deficit Account.