



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

ESTABLISHMENT OF AN INDEPENDENT PANEL OF EXPERTS TO CONSIDER AND REVIEW THE CURRENT LIST OF VAT ZERO-RATED FOOD ITEMS

The increase in the Value-Added Tax (VAT) rate from 14 to 15% will take effect on Sunday, 01 April 2018 as announced in the 2018 Budget, and all VAT vendors are therefore expected to charge the higher rate of 15% from this date.

In order to ensure that VAT is not regressive, the current 19 zero-rate food items will continue to be zero-rated. In addition, the Minister of Finance has requested the chair of the Davis Tax Committee, Judge Dennis Davis, to appoint a panel of independent experts to review the current list of zero-rated items, and consider the most effective way to mitigate the impact of the increase in the VAT rate on poor and low-income households. The review will consider expanding the list of basic food items that are VAT zero-rated, and also consider how specific expenditure programmes can be improved to better target poor and low-income households (e.g. National School Nutrition Programme, food stamps etc.). This review process should be done within the confines of the current Fiscal Framework as proposed in the 2018 Budget, including for revenue and expenditure.

The Minister of Finance and Judge Davis have agreed to appoint Professor Ingrid Woolard to lead this process, together with prominent experts. A full list of panel members and comprehensive terms of reference will be published in the next fortnight, including a draft programme of work. The panel will take public comments, and convene hearings, and will engage with different stakeholders from civil society organisations, organised labour and business, and all interested parties.

The appointment of the Panel gives effect to a Cabinet decision of 28 February 2018 and the recommendations by Parliament when it considered the 2018 Budget and the underlying Fiscal Framework and Revenue Proposals.

The panel is expected to deliver an initial report with all the options and recommendations to the DTC and Minister of Finance by 30 June 2018, in time to be considered by Cabinet for incorporation in the draft tax legislation that will be



published in early July. Parliament will then consider the bills, and provide for its own public hearings.

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