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REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

AMENDMENT TO THE TERMS OF REFERENCE FOR THE INDEPENDENT PANEL OF EXPERTS FOR THE REVIEW OF CURRENT LIST OF VAT ZERO RATED FOOD ITEMS

On 25 April 2018, the Minister of Finance published the Terms of Reference for the Independent Panel of 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. Following hearings in Parliament on 25 April 2018, and the concerns regarding the scope of work and the composition of the Panel as expressed at the hearings or thereafter by letter from some civil society organisations, the Minister has decided to amend the Terms of Reference.

The amended Terms of Reference allows the Panel more flexibility to make proposals that may alter the fiscal framework for the 2019/20 financial year and beyond, as they can be taken into account in the 2019 February Budget. Similarly, the Panel may also receive and consider submissions on the zero-rating of non-food items.

The sections relating to discussion on potential government expenditure programmes that can assist poor and low income households have also been broadened, to allow further comments and suggestions from the Panel. Because of these adjustments, and at the request of the Chair of the Panel to allow the Panel further time to consider these issues, the deadline for the final report of the Panel has been extended to 31 July 2018. The deadline for the public submissions to the Panel is also extended to 01 June 2018.

The Minister has considered the structure and membership of the Panel and has decided that it is not necessary to alter the composition of the Panel. The current Panel is made up of nine capable, professional and highly regarded experts equipped to provide independent fact-based analysis and reporting. The Panel is not under any pressure to agree with government policy when making their proposals, and we are





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assured that they will provide a critical and objective perspective on these issues. The Panel does not have the power to make decisions, but merely recommendations to the Minister of Finance.

The Minister will then consider the report, and table a bill in Parliament containing the appropriate tax legislative provisions, if necessary. Parliament would then convene further hearings through its two finance committees before the final adoption of the bill. The Minister of Finance will also make the report of the Panel available to the general public.

Written submissions, and any other queries, can be submitted via e-mail to vatsubmissions@treasury.gov.za

Issued by National Treasury

Date: 29 May 2018

