



MEDIA STATEMENT

Release for public comment: Report by the Independent Panel on the review of the current list of zero-rated VAT items

The Minister of Finance today releases the report by the Independent Panel on the review of the current list of items that are zero-rated for VAT purposes for public comment by 31 August 2018. The Minister appointed the panel after the announcement in the budget in February of the increase in the rate of value-added tax (VAT) from 14 to 15 per cent effective from 1 April 2018.

The panel submitted its report to the Minister on Monday, 6 August 2018. It recommends that the following items also be zero-rated:

- White bread, bread flour and cake flour;
- Sanitary products;
- School uniforms; and
- Nappies, including cloth and adult nappies.

The panel further recommends that government should expedite the provision of free sanitary products to the poor and that the zero-rating of school uniforms be done only if they can be separated from general clothing. For each of the recommended items, the panel suggests that National Treasury does further work to “ensure that the benefits of zero-rating accrue to consumers and are not captured by producers”.

The report also highlights some programmes on the expenditure side which would assist poorer households, such as the strengthening of the National School Nutrition Programme and increases in the Child Support Grant and Old Age Pension.

The panel was mandated to:

- Evaluate the current list of zero-rated food items,
- Consider the inclusion of additional zero-rated items, and

- Consider other measures (i.e. expenditure programmes) to mitigate the impact of the increase on poorer households.

As was the case with the reports of the Davis Tax Committee, the panel's report provides the Minister of Finance with a set of recommendations. These recommendations are subject to further public comment, including comments to be made during Parliamentary hearings. Taking the recommendations and the public comments, as well as the evaluation of the recommendations by National Treasury and the South African Revenue Service (SARS), the Minister of Finance will then decide which of the panel's recommendations to implement. Some of the changes may still be included in the draft tax legislation that is currently being processed by parliament's Standing Committee on Finance.

Comments in response to the panel's recommendations would be very helpful if they included consideration whether:

- The recommendations will significantly benefit poor households, and whether such benefit can best be achieved through other means, for example, through government expenditure programmes;
- All significant aspects of the revised terms of reference dated 29 May 2018 have been explored in the report;
- The panel's recommendations are consistent with other relevant government policy objectives (e.g. that the food items recommended for zero-rating are consistent with the Department of Health's policy on nutrition); and
- The recommendations are consistent with the fiscal framework adopted by Parliament.

The Minister would like to thank members of the Independent Panel, under the guidance of the chair Professor Ingrid Woolard, for the report, which was prepared under very tight deadlines.

Closing date for public comments

All public comments must be submitted in writing, by no later than the close of business on 31 August 2018, to vatsubmissions@treasury.gov.za.

Issued by National Treasury

Date: 10 August 2018