

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 3677 [NW4344E]

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3677. Mr R A Lees (DA) to ask the Minister of Finance:

What amount of prospective tax revenue was forfeited for each specified (a) goods and (b) service which has been zero-rated for value-added tax in the (i) 2010-11, (ii) 2011-12, (iii) 2012-13, (iv) 2013-14 and (v) 2014-15 financial years?

NW4344E

REPLY:

(a)(b) Zero-rated supplies of goods and/or services are taxable supplies on which VAT is levied at a rate of 0%. Any VAT incurred to make zero rated supplies may be deducted as input tax.

Some examples of zero rated supplies include certain basic foodstuffs; fuel levy goods; paraffin; certain farming goods; the export of goods and services in certain instances; international transport and municipal property rates.

The zero rating of basic food items are intended to provide relief to low-income groups.

The list of zero rated food items includes the following:

<ul style="list-style-type: none">• Brown bread• Brown bread flour (excluding wheaten bran)• Dried mealies, and mealie rice• Samp• Maize meal• Dried beans• Lentils• Edible legumes.	<ul style="list-style-type: none">• Rice• Vegetable cooking oil (Excluding olive oil)• Fresh fruit and vegetables• Hen's eggs• Milk, cultured milk, milk powder and dairy powder blend• Pilchards or sardinella in tins or cans
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The zero-rate is also applicable to goods or services that are exported provided the relevant legislative provisions are met. This is in line with the destination principle of South Africa's VAT system whereby exports are free of domestic VAT as consumption of these goods and services takes place outside South Africa and the import of goods attracts VAT.

(i)(ii)(iii) The National Treasury publishes a tax expenditure estimate in the annual Budget Review. The tax revenue forfeited on zero rated items according to Budget 2015 for 2010-11, 2011-12 and 2012-13 are set out in the table below:

Tax expenditure estimates (R million)				
Fiscal Year	2009/10	2010/11	2011/12	2012/13
Value-added tax				
Zero-rated supplies				
19 basic food items ¹	14 258	15 497	17 106	18 628
Petrol ²	9 660	10 845	13 797	15 343
Diesel ²	903	1 107	1 532	1 759
Paraffin ²	519	367	585	611
Municipal property rates	3 973	6 032	7 568	9 598
Reduced inclusion rate for commercial accommodation	127	142	153	175
Subtotal zero-rated supplies	29 440	33 989	40 742	46 115

1. VAT relief in respect of basic food items based on National Treasury research of 2010/11 income and expenditure survey data

2. Based on fuel volumes and average retail selling prices

Because petrol, diesel and illuminating paraffin are zero-rated for VAT purposes, the resulting difference from a standard rating, when used by final consumers, is regarded as tax expenditure. It was assumed that 20 per cent of petrol sales was used for business purposes (by VAT vendors) and would have qualified as input tax should VAT have been levied at the standard rate. For diesel, it was assumed that 90 per cent of sales was used for business purposes and would have qualified for input VAT should VAT have been levied at the standard rate.

(iv)(v) 2013-14 and 2014-15 expenditure is not available as yet and is expected to only be tabled in the 2016 and 2017 Budget Reviews respectively.

The revenue foregone in respect of exports that qualify to be zero rated was not calculated.