



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5372, Fax: +27 12 406 9055 • www.treasury.gov.za

MEDIA STATEMENT

MINISTER OF FINANCE CONSENTS TO ORDER SUSPENDING DECISION TO INCREASE VAT TO 15,5%

Today the Minister of Finance Mr Enoch Godongwana agreed to a court order suspending his decision of 12 March 2025 to increase the VAT rate by 0.5 percentage points.

The Minister of Finance and main respondents in the matter, the Democratic Alliance and the Economic Freedom Fighters (EFF), agreed to have the matter settled out of court, and the Western Cape High Court subsequently ratified the agreement on 27 April 2025.

Minister Godongwana welcomes the court order, as it is entirely consistent with his announcement on 23 April 2025 to suspend the VAT increase. Having already announced the withdrawal, the Minister felt that he would no longer have cause to continue with the court case.

The context to the suspension of the increase is set out in an affidavit filed earlier on Sunday by the Minister in response to the Democratic Alliance's ("the DA") supplementary affidavit filed on 25 April 2025.

Whilst the substance of the Minister's responding affidavit was to reply to the most contentious points raised by the DA in its submission, a secondary, equally important purpose was to further clarify the rationale behind the proposed increase to VAT, its subsequent withdrawal, and the procedural context that should determine the future processes.

Minister Godongwana maintains that his initial budget proposal of 12 March 2025 was constitutional and appropriate given the limited options available to balance fiscal sustainability with service delivery needs.



MEDIA STATEMENT

But having listened to the submissions made by political parties and the public and taken into careful consideration the various consultations with various stakeholders, the decision was made to withdraw the proposal, and the court gave effect to that.

For the benefit of the broader public and in the interests of setting the record straight, the Minister wishes to highlight the most salient points covered in the responding affidavit, which are as follows:

- Following the Speaker's letter of 21 April 2025, it became clear the VAT increase lacked the necessary political support. The Ministry subsequently announced plans to introduce legislation maintaining VAT at 15% from 1 May 2025.
- While proposed reluctantly, the VAT increase was considered less detrimental to economic growth and employment than alternatives examined by National Treasury.
- The withdrawal creates a medium-term revenue shortfall of approximately R75 billion, necessitating decreased government expenditure with likely impacts on service delivery.

The Minister welcomes the clarity and certainty provided by the court order. Equally, he remains committed to fiscal responsibility and will pursue alternative measures to ensure sustainable public finances.

Ends

For any media queries email Media@treasury.gov.za.

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