

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 426 [NW508E]
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426. Mr M H Redelinghuys (DA) to ask the Minister of Finance:

- (1) Whether, with reference to feminine hygiene and sanitary products, he could please indicate if the National Treasury (a) intends to conduct or (b) has conducted an impact study on waiving value-added tax (VAT) on the specified products; if not,
- (2) whether he (a) intends to or (b) will consider waiving VAT on the specified products; if not, why not?

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REPLY:

1. (a) and (b) No, National Treasury has not conducted an impact study on waiving VAT for feminine hygiene and sanitary products. The Treasury has previously conducted impact studies on VAT concessions (i.e. *The VAT Treatment of Merit Goods and Services in 2007*), and concluded for good reasons outlined below why this proposal cannot be accepted. Based on the above research, similar findings by the Katz Commission and international studies, there is no intention to undertake a specific study on feminine hygiene and sanitary products.
2. (a) and (b) No, there is no intention to consider waiving VAT on feminine hygiene and sanitary products. VAT is a broad-based consumption tax, and an effective VAT system should not be unduly compromised by well-intended but ill-informed concessions, which not only reduce government revenue, but also disproportionately benefit middle and higher income households. More targeted expenditure programmes aimed at poorer communities are generally more effective than concessions through the indirect tax system in achieving socio-economic objectives. Most of the current concessions in the VAT system were introduced based on concerns about the perceived regressivity of the system. However, providing more VAT concessions is both an unsound tax policy and ineffective social policy, as concessions:-
 - a) Erode the tax base and thereby reduces the ability of the VAT system to be optimal in generating the necessary tax revenues;
 - b) Create a precedent for interest groups to lobby for preferential treatment of goods and services on the grounds that differentiation may be merited (i.e. so-called merit goods);
 - c) Accomplish little in the way of redistribution; and
 - d) Increase the scope for abuse, and also results in increased administration and compliances costs.

- e) There might even be a case to remove some of the current VAT concessions, rather than introducing more VAT concessions.