

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 3678 [NW4345E]

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3678. 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 exempted from value-added tax in the (i) 2010-11, (ii) 2011-12, (iii) 2012-13, (iv) 2013-14 and (v) 2014-15 financial years?

NW4345E

REPLY:

(a)(b) Exempt supplies are supplies of goods or services where VAT is not chargeable at either the standard or zero rate. A person who only makes exempt supplies is not allowed to register as a vendor, charge VAT on supplies over deduct input tax incurred on its acquisitions.

Some examples of exempt supplies include:

- Financial services, including life insurance policies
- Residential accommodation in a dwelling;
- Passenger transport in South Africa by taxi, bus or train;
- Educational services provided by recognised educational institutions;
- Childcare services provided at crèches and after-school care centres;
- Services supplied by a bargaining council to any of its members; and
- Goods and services supplied by a political party to the extent of membership contribution.

The National Treasury publishes a tax expenditure estimate in the annual Budget Review. Included in this tax expenditure is the estimated cost of exemption of VAT in respect of public transport and education. The estimated cost reflects the net of the VAT that would have been charged and the input tax that is not refunded.

Estimates are not available for the other exemptions. It should be noted however that financial services is not purely exempt. South Africa introduced VAT on certain supplies of fee based financial services in 1996 which has resulted in a net output tax payable by the affected financial institutions.

The tax revenue forfeited on public transport and education according to Budget 2015 amounted to:

- (i) 2010-11 - R999 million
 - (ii) 2011-12 - R1 088 million
 - (iii) 2012-13 - R1 175 million
- (iv)(v) 2013-14 and 2014-15 is not available as yet and is expected to only be tabled in the 2016 and 2017 Budget Reviews respectively.