

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2822 [NW3125E]
DATE OF PUBLICATION: 12 OCTOBER 2018

2822. Mr N Singh (IFP) to ask the Minister of Finance:

With reference to the reply of the President of the Republic to a supplementary question to question 16 on 22 August 2018, wherein the President stated that the Minister of Finance will, during the process of public comments, consider and table before the Cabinet the proposal that taxes should be lowered on basic services such as water, electricity, transport and other necessary utilities, (a) what is the status and progress of the process of public comments and (b) what is the envisaged date at which the Cabinet will make an announcement in this regard?

NW3125E

REPLY:

- 1) The Honourable Member's interpretation of what the President stated in reply to a supplementary question to question 16 on 22 August 2018 differs from my interpretation, and would like to point out that, in any case, I am not at liberty to reveal what proposals I may have tabled in Cabinet. However, I will respond to his request more broadly.

Following hearings in the Standing Committee of Finance on the VAT increase, the Minister of Finance established an Independent Panel of Experts to consider and review the list of VAT zero-rated items. The Panel submitted their Report to the Minister of Finance on 6 August 2018. The Panel recommended, after considering public submissions including on water, electricity and liquid fuels, that the following items be considered for inclusion in the current basket of zero rated items:

- (i) White bread, bread flour and cake flour;
- (ii) Sanitary products, combined with the free provision of sanitary products to women and girls;
- (iii) School uniforms, subject to further investigation to clearly demarcate school uniforms; and
- (iv) Nappies, including cloth and adult nappies.

The Honourable Member will note that other basic such as water, electricity, transport and other necessary utilities were not recommended to be zero-rated.

The Minister of Finance Minister released the Report for public comment on 10 August 2018 and the comment period closed on 31 August 2018. The Report is accessible at: http://www.treasury.gov.za/comm_media/press/2018/2018081001%20VAT%20Panel%20Final%20Report.pdf

- 2) After seeking further public comment on the above Report, the Minister of Finance announced during the 2018 Medium Term Budget Policy Statement (MTBPS) that as of the 1 April 2019, government will zero-rate sanitary pads, bread flour and cake flour. These additional items were included in the Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill, which the Minister of Finance tabled during the MTBPS on 24 October 2018.
- 3) The Standing Committee on Finance (SCoF) deliberated on the additional items to be zero-rated following the MTBPS and tabling of the Bill, and formally adopted the Bill, which was then adopted by both Houses of Parliament. The Bills are now expected to be signed into law by the President shortly.