

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 12 [CW15E]

12. Mr D R Ryder (Gauteng: DA) to ask the Minister of Finance:

Considering the Value-Added Tax increase from 14% to 15% from 1 April 2018, how much (a) was the cost for the SA Revenue Service to (i) adapt systems, (ii) inform users, (iii) ensure compliance and (iv) any other costs that were incurred to give effect to the increase and (b) additional revenue has been collected so far as a result of the increase?

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REPLY:

(a)(i)(ii)(iii)(iv) SARS had to effect some changes to its systems, which was executed by internal resources and within its normal maintenance agreements. Communication cost, compliance and other cost was not separately planned for and managed as part of the normal operational budget.

(b) Tax proposals for the 2018/19 financial year included R22.9bn to be collected from a 1 percentage point increase to the Value-Added Tax (VAT) rate.

Growth in VAT collections is generally impacted by (amongst others) growth in consumption, the number of registered VAT vendors, the compliance rate of all registered VAT Vendors, available disposable income and also in this instance, the elasticity of demand for taxable supplies to the VAT rate change.

Multiple moving parts such as these make it very difficult to exclusively attribute a Rand value contribution or growth percentage to any of these components.

The last full-year double-digit growth of 10.5% for VAT was attained in the financial year 2013/14. Growth for the previous five consecutive years to 2017/18 averaged 6.8% (ranging from 2.9% to 10.5%).

The 1 percentage point increase in the VAT rate came into effect during the fiscal year 2018/19 i.e. since 1 April 2019 (proceeds and effect realised from May 2019). VAT collections for the full 2019/20 financial year recorded growth of R22.0bn (9.0%).