

# Minister appoints panel to review zero-rated products

Finance Minister Nhlanhla Nene has appointed a panel that will review the current list of VAT zero-rated products.



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This follows on Minister Nene's 29 March announcement to appoint an independent panel of experts - under the Davis Tax Committee - to review Value Added Tax (VAT) zero-rated items.

South Africa's VAT increased by 1% to reach 15% in April, as announced in the national Budget in February.

"The panel's mandate is to review the current list of VAT zero-rated items and consider the most effective way to mitigate the impact of the increase in the VAT rate on poor and low-income households. This review process should be done within the confines of the current Fiscal Framework, as proposed in the 2018 Budget, including for revenue and expenditure," said Treasury.

Currently, South Africa's VAT system includes 19 basic food items that are zero-rated.

The review will consider expanding the list of basic items that are VAT zero-rated, and consider how specific expenditure programmes can be improved to better target poor and low-income households.

"While the focus of the panel will be on food items to be included for zero-rating, it will also identify any other items that should be considered to achieve the policy intention of providing relief to poor and low-income households. The appointment of the panel also gives effect to the recommendations made by the Standing Committee and the Select Committee on Finance and the statement of Cabinet of 28 February 2018," said Treasury.

The nine-member panel is expected to deliver an initial report with recommendations to the Davis Tax Committee and the Minister by 30 June 2018.

## Composition of the panel

The panel will be chaired by Professor Ingrid Woolard. Other members of the panel are: Ayabonga Cawe, Professor Ada Jansen, Dr Thabi Leoka, Dr Neva Makgetla, Lynn Moeng, Cecil Morden, Prenesh Ramphal and Professor Imraan Valodia.

The panel will take public comments, convene hearings and engage with different stakeholders from civil society organisations, organised labour and business, and all other interested parties. The panel will publish further details on its public consultation process.

VAT is the second largest source of tax revenue after personal income tax (PIT). VAT contributed approximately 25.3% to the total tax revenue collected during 2016/17.

The 19 basic food items that are currently zero-rated are:

- dried beans
- samp
- maize meal
- rice
- brown bread
- vegetables
- fruits
- vegetable oil
- mealie rice
- pilchards in tins
- edible legumes and pulses of leguminous plants
- eggs
- milk
- dried mealies
- dairy powder blend
- lentils
- cultured milk
- milk powder
- brown wheaten meal

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