



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

MEDIA STATEMENT ON REVERSAL OF VAT INCREASE

The Minister of Finance will shortly introduce the Rates and Monetary Amounts and the Amendment of Revenue Laws Bill (Rates Bill), which proposes to maintain the Value-Added Tax (VAT) rate at 15 per cent from 1 May 2025, instead of the proposed increase to VAT announced in the Budget in March.

The decision to forgo the increase follows extensive consultations with political parties, and careful consideration of the recommendations of the parliamentary committees. By not increasing VAT, estimated revenue will fall short by around R75 billion over the medium-term.

As a result, the Minister of Finance has written to the Speaker of the National Assembly to indicate that he is withdrawing the Appropriation Bill and the Division of Revenue Bill, in order to propose expenditure adjustments to cover this shortfall in revenue. Parliament will be requested to adjust expenditure in a manner that ensures that the loss of revenue does not harm South Africa's fiscal sustainability.

The decision not to increase VAT means that the measures to cushion lower income households against the potential negative impact of the rate increase now need to be withdrawn and other expenditure decisions revisited. To offset the unavoidable expenditure adjustments, any additional revenue collected by SARS may be considered for this purpose going forward.

The Minister of Finance expects to introduce a revised version of the Appropriation Bill and Division of Revenue Bill within the next few weeks.



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The initial proposal for an increase to the VAT rate was motivated by the urgent need to restore and replenish the funding of critical frontline services that had suffered reductions necessitated by the country's constrained fiscal position.

There are many suggestions, however some of them would create greater negative consequences for growth and employment and some of them, while worthwhile, would not provide an immediate avenue for further revenue in the short term to replace a VAT increase.

The National Treasury will, however, consider these and other proposals as potential amendments in upcoming budgets as mechanisms to increase the resources available.

For any media queries email media@treasury.gov.za.

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