

South Africa considers expanding VAT exemptions on food, including fruit and vegetables

In South Africa, the value-added tax (VAT) system, which imposes a 15% tax on goods and services, allows for certain exemptions, including a variety of basic food items. The government is considering an expansion of this list to alleviate financial burdens on citizens. Currently, VAT-exempt food products encompass staples such as brown bread, maize meal, and a selection of proteins and dairy items. Notably, fruits and vegetables are also exempt, alongside other essential goods and services like educational resources and public transportation.



President Cyril Ramaphosa and Mmamoloko Kubayi, head of the ANC's economic transformation subcommittee, have both advocated for broadening the range of VAT-exempt food items. This initiative aims to support low-income and middle-class families by making basic products more affordable. However, the National Treasury and experts like Charles de Wet from ENS Africa caution against the

complexity of expanding this list, highlighting the challenge of defining eligible items to prevent abuse. The debate includes whether to include meat products, with chicken being a significant point of contention due to its consumption prevalence and the difficulty in specifying which types of chicken would qualify.

Aside from food exemptions, South Africa's VAT system is under review for other significant changes. The Draft Taxation Laws Amendment Bill for 2024 proposes adjustments, such as reducing the period for VAT claim submissions by businesses and revising the VAT collection approach on cross-border electronic services. These proposed changes aim to streamline the tax system, particularly in the context of the growing digital economy, and enhance the efficiency of VAT collection on foreign electronic service providers.

The potential expansion of VAT-exempt items and other amendments to the tax laws reflect the government's efforts to refine the VAT system in response to economic challenges and technological advancements. These changes are part of a broader strategy to support South African citizens and adapt to the evolving global marketplace.

Source: BusinessTech (<https://businesstech.co.za/news/government/805636/big-vat-changes-in-south-africa-on-the-cards-in-2025/>)

Publication date: Tue 7 Jan 2025

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