



INCREASE IN VAT DOESN'T COME UNEXPECTEDLY

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The VAT increase announced today reflects the price South Africans are paying for Zuma's years of corruption, wasteful spending and low growth.

VAT and the other tax increases are going to hurt, but we really have no option but to deal with the damage and set the scene for some healthy growth in the future.

The Chamber would have preferred deep cuts in government spending with a wage freeze for senior civil servants. That would bring in some extra revenue but, more importantly, it would concentrate the mind of the public service on the desperate situation and the need to take drastic action to reduce wasteful spending.

The increase in VAT was not unexpected. Our VAT rates are low by international standards but very difficult to increase because of strong opposition from trade unions and others. However we are in a crisis situation and still in danger of a credit downgrade so it was the time for Government to put the crisis to good use.

In the circumstances it was right that a Minister appointed by former President Zuma should make the unhappy announcement.

The zero rating of basic foods and an increase in social grants will cushion the blow for the poor, but the Chamber would like some basic canned foods exempted from VAT as the poor don't have fridges and they are forced to rely on canned goods.

The increase in the tax on fuel was expected, but we would like to see a different approach to diesel. Diesel is the fuel of industry and road transport. Heavy taxes on diesel have a far-reaching effect and increase food prices. Our rail system is in tatters and we desperately need to help public transport play a greater part in moving people and goods, both in cities and between Cities.

It was also an opportunistic increase as the stronger rand and weaker oil price would reduce the impact.



CAPE CHAMBER

OF COMMERCE & INDUSTRY

The increase in the Road Accident Fund levy was extremely disappointing. This is more money flowing through a government bureaucracy not known for its efficiency. We understand why there is need for more funds, but this does not address the fundamental problems of our high road death rate. A more effective long-term measure would be to deal with the municipalities which are 'selling' driving licences and putting some very dangerous people on the roads.

Another disappointment was the continued support for SAA. Most countries have learned that nationalised airways are not necessary and don't work. They have turned them over to the private sector with great success and it really is time South Africa got the message.

Janine Myburgh

President of the Cape Chamber

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