



3 Rye Road Mowbray 7700

Cape Town South Africa

Tel: +27 21 685 7800

Fax: +27 21 686 8167

Email: qpc@qpc.org.za

Web: www.qpc.org.za

Non-Profit Organisation registration number 011-709 NPO
Public Benefit Organisation number 18/11/13/3083

February 23, 2018

By email to:

Standing Committee on Finance

Mr Allen Wicomb awicomb@parliament.gov.za

Ms Teboho Sepanya tsepanya@parliament.gov.za

Copy to: Mr Zolani Rento zrento@parliament.gov.za

**SUBMISSION TO THE STANDING COMMITTEE AND SELECT COMMITTEE ON
FINANCE**

The Quaker Peace Centre (QPC) is a registered non-governmental, non-profit public benefit organisation, based in Mowbray Cape Town. Its work is aimed at enhancing the capacity of ordinary people to resolve conflicts and differences without violence, and to work towards a just, equitable and democratic society.

It is for these reasons that we would like to raise concerns regarding the Budget Speech presented by Finance Minister the Honourable Malusi Gigaba on Wednesday February 21, 2018.

At the outset, we wish to acknowledge with appreciation that the budget contains a number of provisions which have pleased us. These include:

- The increase in excise duty on luxury goods;
- The provisions made for school feeding schemes; and
- The increases in social grants, in particular raising the Child Support Grant to R400 a month. However, we remain concerned at the consistent below-inflation increases to grants annually.

However, as Minister Gigaba noted in his Budget Speech, when referencing comments made by President Ramaphosa in his earlier State of the Nation address, the challenge of our time is to ensure direct action towards the achievement of the shared vision of Nelson Mandela and Albertina Sisulu of a better society by building "a South Africa in which all people have a decent standard of living, access to economic opportunities and opportunity to pursue their dreams."

There are a number of areas where the present budget, in our view, acts against this noble endeavour.

In general, QPC is concerned that, while engagement with the Budget has been sought, this is difficult due to an absence of detailed information on just how the measures proposed are going to be implemented. The time-frames are also, in our view, too short to allow for the necessary level of public engagement.

The proposed **increase in Value-Added Tax (VAT)** will have a significant impact on the large numbers of poor people in South Africa. Stats S.A. recently reported that half of all South Africans live in poverty, i.e. below the upper poverty line of R992 per person per month. One in three South Africans lives on less than R797 per month.¹

Despite the exemptions on certain basic goods, research has consistently proved that the poor pay a higher share of their income in VAT than the rich. This is due to the Marginal Propensity to Consume (poor people spend a higher proportion of their income, while rich people save a higher proportion). Increasing VAT is a regressive step.

The increase in the **fuel levy** will have the greatest negative impact on the poor, in increased public transport costs and food prices as the result of increases in transport costs.

The increase in VAT and the fuel levy will erode the already inadequate increases in social grants, leaving grant recipients with less money than before.

We believe that the issue of VAT increases should be preceded by a period within which civil society can engage with government and seek creative solutions to minimise the negative impact on the poorest South Africans.

While we are not in disagreement with the need to increase revenue, nor with the required amounts, we call on the committee to increase the timeframe for deciding on *how* the additional revenue will be raised.

We are deeply concerned about **service delivery**, particularly services to combat and protect children from violence. Minister Gigaba's claim "that the rising cost of servicing our national debt leaves less resources available to invest in services" is not an acceptable excuse. The problems with our growing national debt and servicing it link directly to the capture of the state and the industrial-scale of the corruption which besets our society. It is in recouping this money that funds should be sought to reduce the need to increase VAT.

¹ Stats S.A. 2017. *Poverty Trends in SA: An examination of absolute poverty between 2006 and 2011*. Pretoria: StatsSA.

Government should not be reducing expenditure in service delivery; NGOs delivering services that the state is constitutionally bound to provide are struggling to keep going in the face of dwindling resources. This is unacceptable.

As VAT impacts most severely on the poorest of the poor, it is our view that VAT increases should be a 'last resort' option.

If possible, QPC would like to make an oral submission when public hearings are held on February 28, 2017.

Thank you

A handwritten signature in black ink, appearing to read "Carol Bower".

Carol Bower

Chairperson: Quaker Peace Centre