



**Commission for Gender Equality**  
*A society free from gender oppression and inequality*

**SUBMISSION TO THE STANDING COMMITTEE ON FINANCE ON THE DRAFT  
RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE LAWS  
“VAT” BILL**

**20 APRIL 2018**

[Kamraj@cge.org.za](mailto:Kamraj@cge.org.za)



Commission for Gender Equality  
A society free from gender oppression and inequality

## **1. INTRODUCTION**

The Commission for Gender Equality (CGE) is a Chapter 9 Institution and in terms of the CGE Act 39 of 1996 as amended obliged, to evaluate any prospective legislation and to report thereon to any appropriate legislature. Accordingly, the CGE has evaluated the Draft Rates and Monetary Amounts and Amendment of Revenue Laws "VAT" Bill and we take pleasure in forwarding you our comments.

## **2. COMMENTS**

### **2.1 Clause 1**

The CGE observes that the rates of taxation on individuals in South Africa has become burdensome. This together with the high costs of living which includes the unacceptable high costs of land and accommodation is making it difficult for ordinary South Africans to save for their retirement, pay for education and health services let alone meet their day to day expenses such as transport and electricity. Furthermore, the growing number of single parent families headed by women and the exploitative labour practices in South Africa forces many men and women to live with high debt.

Accordingly, the CGE recommends a reduction of estate duty for individuals so as to allow ordinary South Africans to acquire property and related bequests without the burden of estate duties. In this regard the CGE recommends the following :



**Commission for Gender Equality**  
A society free from gender oppression and inequality

An amendment to Clause 1 by way of the following insertion :

**(A)** No estate duty will be payable in instances where the deceased is a natural person and 50% or more of the estate will devolve on a spouse or any other natural person.

**2.2 Clause 2**

The CGE does not support the proposed rates of tax applied on natural persons. The tax burden on individuals is very high in South Africa and is one of the highest in the world. Furthermore, ordinary workers and more especially individuals who earn R305 000 and above face abnormally high tax levels. This is borne out by the fact that it is these individuals who own homes and cars which attracts high amounts of direct and indirect taxes. It must be borne in mind that individuals who own cars tend to pay annual licence fees and fuel taxes in addition to VAT on all relevant goods and services. Therefore, in addition to the income tax that this category is liable for other taxes tends to impoverish them. They are then forced to live on credit which is unacceptable. That is why they cannot purchase homes due to an inability to save for deposits or high legal costs associated with home ownership.

Accordingly, the CGE recommends a more reasonable tax rate for natural persons such as :

A standard rate of 30 % for all persons who earn up to R1 million per annum. Thereafter, a marginal rate of 25% be applicable in addition to the 30% standard rate.



**Commission for Gender Equality**  
A society free from gender oppression and inequality

**(ii) The Tax Rate on Lump Sum Retirement Fund**

The CGE does not support a progressive rate of tax on lump sum payments as this once again has an impoverishing effect on one group of workers. Instead a more equitable distribution of tax should be levied. In this regard the CGE recommends the following :

- (a) A standard rate of 20 % tax on all lump sum retirement benefits up to R 1,5 million and thereafter an a marginal rate of 15% in addition to the 20%.
- (b) The tax base to be expanded to cover industries such as informal traders and the taxi industry.

**2.3 CLAUSE 8**

- (i) The CGE does not support the increase of VAT to 15 %. This is placing extreme hardship on families in South Africa. The Davis Tax Committee has indicated that the VAT increase would increase the inequality in South Africa.

Currently SA ranks as a country with one of the highest Gini Coefficient ( measure of inequality). The VAT increase does not help in addressing this deplorable situation.

The list of zero rated items does not include basics such as fresh meat, books, sanitary pads , medicines, school wear, water, electricity and baby food.



## Commission for Gender Equality

*A society free from gender oppression and inequality*

- (ii) The VAT increase also makes basic goods more expensive necessitating an increase in social grants and wages in order to maintain existing levels of buying power.

Accordingly, the CGE supports a retention of VAT at a level of 14% or even lower and expanding the list of zero rated items to include items such as : fresh meat, baby food, books, medicines, sanitary pads, school wear, water for domestic use, electricity for domestic use and air time.

### **3. CONCLUSION**

The CGE thanks the Standing Committee on Finance for the opportunity to comment on the Draft Rates and Monetary Amounts and Amendment of Revenue Laws "VAT" Bill.