

VAT review report due next month

The panel established to review a list of zero-rated food products will submit its report next month, said Finance Minister, Nhlamhla Nene, when he tabled the Treasury's budget vote at the National Assembly.



Nhlamhla Nene, minister of finance. Photo: The South African

As part of measures to address a budget shortfall, the National Treasury announced an increase in value-added tax (VAT) from 14% to 15% in February, which took effect on 1 April.

“We have established an independent panel of experts to review the list of 19 zero-rated food products and consider how best for government to mitigate the impact of the VAT increase on poor and indigent households.

“I have also requested the panel to consider whether key poverty-alleviating expenditure programmes like the School Nutrition Programme might be better at supporting the vulnerable.

“The panel is expected to submit an initial set of proposals to me by the end of June this year,” he said.

Nene said the National Treasury will continue to engage all relevant stakeholders to ensure that the VAT increase will not have an adverse impact on poor and indigent households.

“The next major step therefore towards strengthening public finances is to restore public confidence in the SA Revenue

Service (Sars).

“In this regard, President [Cyril] Ramaphosa is finalising the appointment of the commission of inquiry into Sars,” he said.

New grant to support struggling municipalities

Nene said, meanwhile, that the National Treasury allocates grants to provinces and municipalities because they are the coal face of service delivery for South African households and businesses.

He said in this regard, a new grant will be allocated to poor performing municipalities.

“A new grant will be introduced in the 2019 Medium Term Expenditure Framework (MTEF) to support turnaround strategies in municipalities which have been poor performers but who demonstrate a commitment to implementing the necessary reforms to turn themselves around,” he said.

He said while cities finance most of their budgets from their own revenue, the national government is committed to further strengthen their ability to raise additional funding.

“This is a precondition if they are to be able to invest in the infrastructure needed to overcome the spatial inequalities of apartheid and ensure true transformation.

“This year, we will table an amendment to the Municipal Fiscal Powers and Functions Act to allow for improved regulation of development charges.

“We are also reviewing our policy on municipal borrowing, to support responsible borrowing for long-term infrastructure investment by credit-worthy municipalities.

“Financial solutions alone cannot, however, compensate for those municipal councils that allow corruption, mismanagement and non-delivery,” he said.

He said that to ensure better accountability and strengthen financial oversight of municipalities, the National Treasury and the Department of Cooperative Governance and Traditional Affairs have signed a Memorandum of Understanding to clarify their roles and responsibilities.

“Monitoring, oversight, support and reporting on audit outcomes for municipalities now resides with National and Provincial Treasuries. Efforts to raise capacity and ensure legal alignment are being undertaken,” he said.

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