



The Global Language of Business



CGCSA WELCOMES DECISION TO WITHDRAW PLANNED VAT INCREASE WITH CAUTION

Johannesburg, 24 April 2025 – The Consumer Goods Council of South Africa (CGCSA) has welcomed with caution, the decision by National Treasury to withdraw the planned 0.5 percentage point increase in VAT which was due to be effective from 1 May 2025 saying it will go a long way to ease the financial burden on particularly poor households.

CGCSA CEO Zinhle Tyikwe says while retailers had been working hard to exhaust best efforts to apply the VAT increase by ensuring systems compliance, shelf price labelling of each item and notification of consumers, to mention a few, the compliance readiness came at huge costs, which costs will now be further incurred to implement National Treasury's reversal of the VAT increase.

"The back and forth over the VAT issue came at a cost to retailers who have had to incur financial expenses while adjusting their systems. We're yet to quantify the cost by retailers but some have told us that it has been a significant expense both in terms of financial cost and hours spent to ensure they were compliant," says Tyikwe.

Linked to the reversal of the VAT increase is the withdrawal of the Minister of Finance's decision to expand the basket of VAT zero-rated food items to ease the burden of food costs on the poor and the vulnerable. In his budget statement, the Minister proposed expanding the basket of VAT zero-rated food items to include canned beans and peas, dairy liquid blends and certain organ meats (offal) from sheep, pigs, goats and poultry. In the VAT increase reversal statement of 24 April 2025, National Treasury announced that "the decision not to increase VAT means that the measures to cushion lower income households against the potential negative impact of the rate increase now need to be withdrawn and other expenditure decisions revisited".

"This is particularly concerning for the CGCSA and our members because many South Africans are hard hit by the cost of living and the zero-rating of the additional products would have gone a long way to not only cushion consumers but also improve healthy eating and healthy lifestyles and improve food security. Our members have and continue to find ways of ensuring that basic food items are sold at competitive prices, aware of the impact of food costs on their consumers, particularly the poor and disadvantaged. Expanding the basket of

GS1 SOUTH AFRICA

Block D | Pinmill Farm | 164 Katherine Street | Barlow Park | Sandton | Johannesburg | 2148
Tel: +27 (0)11 777 3300 Fax: +27 (0)86 685 2751 | Web: www.cgcsa.co.za
VAT No 4510 10 11 34 | Reg No 1982/006710/08

DIRECTORS

G Ackerman Co-Chairman - Chairman, Pick n Pay Stores Ltd | J Vorster Co-Chairman - Chief Executive Officer, Clover | Z Tyikwe Chief Executive Officer, CGCSA | D Smollan Chairman, Smollan Holdings | G Kirk Chief Executive Officer, Exclusive Books | C Maponya Chief Executive Officer, Maponya Group | P Spies Chief Executive Officer, The Beverage Company | R Behrens Independent NED | AJ Heyl Chief Executive Officer, Pepsico Inc. SSA | Tony Da Fonseca Chairperson, OBC Group | D Hele Chief Executive Officer, Famous Brands | N Kalla Managing Director, Amka Products(Pty) Ltd | R Gani Chief Executive Officer, Kit Kat Group | B Engelbrecht Chief Executive Officer, Clicks Group | P Schoenegge Chief Executive Officer, Red Bull | P Engelbrecht Chief Executive Officer, Shoprite Holdings Ltd | A Van Aswegan (alternate) Shoprite Holdings Ltd | J Apsey, Managing Director & Executive Vice President Southern Africa, Unilever | S Sacre, Chief Executive Officer, L'Oréal | Nicole Roos, Managing Director and Chairperson at Nestlé Eastern and Southern Africa Region, Nestlé (South Africa) (Pty) Ltd | L Ferrin, Chief Customer Officer, Tiger Brands | A Swarts, Group CEO, The SPAR Group Limited | G Mangozhe (alternate) Group Head of Corporate Affairs, Clicks Group | J Borrut Bel, Chief Executive Officer, Heineken Beverages | S Vieira, (alternate) VP of Franchise Operations South Africa, Coca-Cola | T Kruger, Chief Executive Officer, Tiger Brands | U Mhlatyana, Managing Director, Mondelez International | S Ngumeni, Chief Executive Officer, Woolworths | P Nieman, Chief Executive Officer, Kellanova/Kelloggs |

VAT zero-rated food items would have been beneficial to consumers,” Tyikwe says.

She however pointed out that CGCSA had been concerned about the expansion of the VAT zero-rated food items without the relevant legislation to enact the zero-rating, which is the Rates and Monetary Amounts and Amendment of Revenue Laws Bill (“the Draft Bill”). This legislation was necessary to ensure retailers zero rate designated food items effective from 1 May 2025.

While zero-rating provisions were expected to be promulgated with retrospective effect in terms of the Draft Bill (i.e. if the Draft Bill is promulgated at a later date but determines the commencement of the additional zero-ratings to be 1 May 2025), this was going to create uncertainty with regards to the VAT rate that must be applied in respect of the additional zero-rated foodstuffs in the interim period until the Draft Bill has been promulgated.

“This was going to cause a legal and tax dilemma for retailers and specifically whether they should zero-rate the additional zero-rated products from 1 May 2025. If they had zero-rated before the promulgation of the Draft Bill, retailers could have been breaking the law and if they did not, they were likely going to be liable for taxes or penalties following the retrospective adoption of the Draft Bill,” Tyikwe says.

To eliminate uncertainty, the CGCSA had proactively lodged a VAT ruling application to SARS, requesting confirmation that retailer members may commence the zero-rating of additional zero-rated foodstuffs with effect from 1 May 2025, regardless of whether the Draft Bill is promulgated only after that date. CGCSA had also sought clarity from SARS and National Treasury on the additional items proposed to be zero-rated for VAT purposes effective 1 May 2025.

It is important to highlight that government’s decisions have a significant impact from a practicality and implementation perspective. Our members have gone to great lengths to prepare for the VAT increase, including incurring unbudgeted exorbitant costs, which they have absorbed and not pass on to consumers. Tyikwe says that regulatory instruments that have significant implications to the industry need to be consulted, to enable Government to understand the practicalities of their decisions.

“While we understand that the Minister has withdrawn the VAT increase by issuing a public statement. Clarity is still sought on when the appropriate legislation will be passed to enable the reversal of the VAT increase” says Tyikwe.

Going forward, it critical that Government works speedily, in unity and in consultation with affected parties to eliminate unnecessary financial burdens, confusion and to promote regulatory certainty.

“Our retail members play a crucial role in ensuring national food security and as law abiding citizens, they always need certainty and clarity on critical issues that may affect them and consumers”, said Tyikwe.

.....End...