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THE SOUTH AFRICAN VALUE ADDED TAX RATE INCREASE: IS IT JUSTIFIABLE?

Mini-Dissertation by

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I dedicate this mini-dissertation to my late father Mr Salani Cannan Khuzwayo who passed on 23 June 2004, my mother Mrs Rittah Ntombile Khuzwayo, my siblings Miss Sthokozile Happiness Khuzwayo, Mr Mnqobi Khuzwayo, MrKhayelihle Khuzwayo and Miss Thalente Khuzwayo. I am proud to have you in my life and indeed to consider you my family.

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ABSTRACT

"Certain things in life are deaths and taxes" Benjamin Franklin.

The concept of Value Added Tax (VAT) can be considered to possess a duality of sort, particularly its practical manifestation. On the one hand, VAT is a tax added to the cost of a product or service and is levied for purposes of generating revenue for government. VAT is often referred to as a tax on consumption of goods or services, and is levied on the supply by a vendor of goods or services in the course or furtherance of any enterprise carried on by a vendor. This means that VAT cannot be levied if supplies are made not in the course of furtherance of any enterprise. On the other hand, VAT is applied at each and every stage of the production which is why it is also known as a multi-stage tax. In this regard, VAT is applied to the value that is added during the production process.

The aim of this study is to determine whether the VAT increase from 14 percent to 15 percent that was effected on 1 April 2018 in South Africa is/was justifiable. In order to reach an informed and sound conclusion, three countries with a VAT system have been carefully and deliberately chosen for the purposes of comparison. The selected countries are Japan, Greece and Zimbabwe. The rationale of choosing these countries is that they are located in different continents which are Asia, Europe and Africa and this relatively allows for a (modicum of) generalisation about VAT trends across the world.

Furthermore, this research study incorporates views about the VAT increase from different schools of thought. It also explores the reasons and factors that led to the VAT increase in South Africa. In addition, it focuses on the impact of the VAT increase on the poor. The in-depth discussion on the VAT increase, the motivations that led to the increase and the impact that resulted from the increase are dealt with in Chapter 4 of the study. The findings of the study show that poor governance at the South African Revenue Service (SARS) and irregular expenditure by certain government departments led to the VAT increase. Because the factors that

contributed to the upward readjustment of the VAT were within the control of the state officials, the conclusion drawn is that the 2018 VAT increase was not justifiable. Lastly, recommendations are deduced from the findings and compiled as part of the study for the benefit of South Africa and its citizenry, especially the poor.

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LIST OF ACRONYMS AND ABBREVIATIONS

ANC	African National Congress
BASA	Banking Association of South Africa
BRICS	Brazil, Russia, India, China and South Africa
CIT	Corporate Income Tax
COPE	Congress of the People
COSATU	Congress of South African Trade Unions
DA	Democratic Alliance
DTC	Davis Tax Committee
EEC	European Economic Community
EFF	Economic Freedom Fighters
ESEE	National Confederation of Hellenic Commerce
EU	European Union
GDP	Gross Domestic Product
GST	General Sales Tax
IMF	International Monetary Fund
JCT	Japanese Consumption Tax
M&G	Mail and Guardian
MOF	Ministry of Finance
MTBPS	Medium Term Budget Policy Statement
NGO	None Government Organisation
NHI	National Health Insurance
OECD	Organisation for Economic Co-operation
PIT	Personal Income Tax
SACP	South African Communist Party
SADC	Southern African Development Community
SARS	South African Revenue Service
STATS SA	Statistics South Africa
US	United States
VAT	Value Added Tax
VAT Act	Value Added Tax Act NO 89 of 1991
ZCT	Zimbabwe Council for Tourism
ZIMRA	Zimbabwe Revenue Authority

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CHAPTER ONE

INTRODUCTION

1 BACKGROUND

The Value Added Tax (hereinafter referred to a as VAT) was introduced in South Africa on 29 September 1991 when the Value Added Tax Act 89 of 1991(hereafter VAT Act) came into operation. The VAT system replaced the then General Sales Tax (hereafter GST) which had been in operation since July 1978.[1] VAT was initially introduced at the rate of 10 percent.

There are various reasons as to why South Africa changed from GST to VAT. The reasons are but not limited to the following:

1. The tax was generally only charged on the sale to the final consumer under GST system.
2. Since GST was a single stage tax collection system, this could easily result in tax evasion which would necessarily amount to a significant loss of revenue to the government.
3. VAT has been a fairly reliable method of raising revenue for the fiscus.[2]

A GST and VAT are both a type of consumption tax. For a layman, there is no difference between the GST and the VAT. Some may also think that there is no difference between the working of both taxes. However, there is some key difference between both taxes. The GST is the one that is imposed on the customers only at the final stage. VAT, on the other hand, is imposed on each and every step of production. Moreover, VAT is also applied to the imports of services and goods to ensure and maintain a proper working of tax.

South Africa changed from GST to VAT because, in VAT, the business owners or the companies act as the tax collector for the government. It is a more sophisticated form of tax.

[1] South African Reserve Bank. 2015. *Tax Chronology of South Africa: 1979-2015: Supplement to the South African Reserve Bank Quarterly Bulletin – March 2015*. Pretoria: South African Reserve Bank at 24.
[2] Silver, M. 2017. *Deliotte VAT Handbook.* 11th ed. Durban: Lexis Nexis.at 4.

Regarding its nature as one of the taxation instruments, VAT is an indirect tax that is imposed at each step along the chain of manufacturing and distribution of goods and services that are supplied in the country in the course or furtherance of an enterprise.[3] VAT is levied at a prescribed rate for such goods and services rendered. The VAT Act further categories certain goods or services as standard rated,[4] zero-rated,[5] and others as exempt supplies.[6]

In November 1994 the VAT rate was increased from 10 percent to 14 percent. The 14 percent VAT rate was recently increased by the then Minister of Finance Mr Malusi Nkanyezi Gigaba by 1 percent to15 percent.[7] It is worth noting that, it took National Treasury over two decades to increase the VAT rate. This study will determine the justifiability of the VAT increase in South Africa.

2 RATIONALE FOR THE STUDY

VAT forms an integral part of the South African tax system. In the financial year of 2015/16, it contributed an amount of R281.1 billion to the fiscus which equates to 26.3 percent of the total tax revenue collection, and that made it the second largest contributor of total tax revenue collection.[8]

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[3] Section 7(1) of the Value Added Tax Act 89 of 1991.
[4] *Supra* note 3, standard rated supplies are those goods or services which attract VAT liability at standard rate of 15 percent.
[5] Section 11 of the Value Added Tax Act 89 of 1991, zero rated supplies is those goods or services which also attract VAT liability but at zero percent, unlike standard rated supplies.
[6] Section 12 of the Value Added Tax Act 89 of 1991, exempt supplies are those goods or services which do not attract VAT liability at all, which means are free from VAT liability.
[7] Malusi Gigaba. Budget Speech 2018. [Online] Available from:http://www.treasury.gov.za/documents/national%20budget/2018/speech/speech.pdf [Accessed: 2018-05-08] at 11..
[8] South African Revenue Service. 2016. *Tax Statistics 2016.*[Online] Available from:http://www.sars.gov.za/Media/MediaReleases/Pages/29-November-2016---Tax-Statistics-for-2016.aspx [Accessed: 2018-05-08].

This study on the impact of VAT increase is important as VAT has a huge effect on lower-end consumers who are mostly poor and live in devastating poverty.[9] Therefore, the study is important as it seeks to determine whether the VAT increase is justifiable. Moreover, this research study is important because it also evaluates the likely negative effects the increase of VAT will have in the society which may render it unjustifiable. Notwithstanding, the government needs to collect more revenue in order to ensure that it fulfils its Constitutional obligations to render services to the public, e.g. to provide adequate education facilities, adequate health services, etc.

The study is also of critical importance as it will suggest possible solutions to manage the effect of increase in VAT. This includes the possible extension of zero-rated goods and/or services to give relief to lower-end consumers, in addition to the extension of the list of zero rated items announced in the Mid Term Budget Policy Statement (hereafter MTBPS) on 24 October 2018. The study will also identify risks and analyse possible mitigations thereof that are associated with VAT increase.

3 RESEARCH PROBLEM STATEMENTS

The VAT increase in South Africa developed into a controversial issue in the country to such an extent that opposition political parties and labour unions threatened to protest against it.[10] However, legislation was effected to ensure the increment in the VAT rate. While it is an absolute and incontrovertible fact that the rate of VAT has been increased from 14 to 15 percent in South Africa, it is not yet clear whether the increase is justifiable. Therefore, the research problem of the study is that the justifiability or lack thereof of the decision to increase VAT by the South African government is yet to be (adequately) explored, particularly juxtaposing this decision with its impact on industries, lower-end consumers and the general populace.

[9] This is in relation with the findings that the upper-bound poverty line increase from 53.2% to 55.5% in 2015. Statistics South Africa. 2017. *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2015*. [Online] Available from: http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf [Accessed: 2018-05-08].

[10] Motau, K. 2018. *EFF's Malema calls on SA to unite against VAT increase*. [Online] Available from: http://ewn.co.za/2018/03/22/eff-s-malema-calls-on-sa-to-unite-against-vat-increase [Accessed: 2018-05-02].

4 RESEARCH HYPOTHESIS

The VAT increase will have a negative effect on the lower-end consumers, as their tax burden increase in the challenges-riddled economy of South Africa with a projected economic growth of 0, 9% in 2018 financial year.[11]

5 RESEARCH OBJECTIVES

5.1 Primary research objective

The primary research objective of the study is to investigate, evaluate and discuss the justifiability of VAT increase in South Africa, considering that and as alluded to in the rationale section of the study, that the policy decision to increase VAT thrust South Africa into the centre of controversy and dismay

.

5.2 Secondary research objectives

The secondary research objective of the study is to focus on balancing the relationship between the government's needs to collect more revenue versus the taxpayer's tax burden.

It is prudent that this study thoroughly deals and answers these following research questions in order to achieve its intended objectives:

1. What brought the decision to increase VAT?

[11] Bloomberg, 2018. *IMF cuts South Africa's growth forecast for 2018 and 2019*.[Online] Available from:https://businesstech.co.za/news/finance/220451/imf-cuts-south-africas-growth-forecast-for-2018-and-2019/ [Accessed: 2018-05-09].

2. Is the VAT increase justifiable having regard both to the number of poor households and balancing the need for government to collect more revenue?
3. How other countries that increased VAT survived that and can South Africa learn from those countries?
4. Is (possible) poor governance at the South African Revenue Service to blame for the VAT increase?

5. What measures can be put in place to ease the increased VAT burden to poor households?

6.Has the irregular expenditure by certain government institutions to the VAT increase?

6 RESEARCH DESIGN

6.1 Research design

The study design falls within comparative research paradigm.[12] The study design is mainly qualitative research methods with a review of literature such as textbooks and journal articles. The comparative analysis will be conducted from other jurisdictions which increased VAT their rates and the impact thereof to give informed recommendations. The comparative study will involve Greece, Japan and Zimbabwe, but ultimately with the intention of linking to South Africa's experience(s) with the VAT system.

The rationale for choosing these countries is that they all use a VAT system similar to the South African VAT system. The chosen countries have also increased their VAT rate within the period of three years of conducting this study.[13] Other reasons which encouraged the researcher to conduct the VAT comparative study of the chosen countries are:

[12] Comparative study method will be fully discussed under 1.6.2. below.
[13] Zimbabwe increased it VAT rate on 1 February 2017, Greece increased it VAT rate on 1 June 2016, Japan increase it VAT rate on 1 October 2015.

1. Greece has increased its VAT rate on several occasions and this precipitated a profound economic downturn. Greece VAT is paid by the end consumer of goods and recipient of services and it applies to all stages of production and distribution of goods, provision of services and imports of goods from abroad just like South Africa.[14]
2. Japan is a big economy and has huge population; however, its economy had a downturn after the increase of its Consumption Tax in 2014. Japanese Consumption Tax is added on (shifted) to the price of goods and services offered by enterprises and ultimately borne by consumers, similar to South Africa.[15]

3. Zimbabwe is a member of the Southern African Development Community (hereafter SADC) states, a group in which South Africa also belongs. Zimbabwe has a weak economy, and it is beneficial for this study therefore of big interest to analyse the impact of VAT increase in weaker economies that are in the same third world group as South Africa.

Equally, it is important to determine the lessons South Africa can learn from these countries.

7 THE STRUCTURE OF THE MINI-DISSERTATION

The main outcomes of the study will be presented in the format of a mini-dissertation. There are five chapters that constitute the mini-dissertation, these being Chapter One, Two, Three, Four and Five. Firstly, Chapter 1 provides an introduction and background of the VAT system in South Africa. It sets out the rationale for the study, states the research problem, outline the research questions and the research objectives. The research design and methodology are briefly summarised and the

[14] Michalopoulou, V. 2018. *Indirect Taxes In Greece*. [Online] available from: http://www.greeklawdigest.gr/topics/tax/item/122-indirect-taxes-in-greece [Accessed: 2018-11-14].
[15] Chapter VIII of Consumption Tax 8/1 General.

chapter finally provides an overview of the structure of the mini-dissertation. Secondly, Chapter 2 identifies and defines the theoretical constructs that are relevant to the main and secondary objectives of the study. This chapter will discuss VAT in general and VAT in South African perspective.

Thirdly, Chapter 3 provides detailed comparative analysis conducted in the chosen three different jurisdictions (Japan, Greece and Zimbabwe) about their VAT system in general and the impact those jurisdictions faced after increasing VAT. Fourthly, Chapter 4 gives detailed views emanated from 2018 Budget Speech when the then Minister of Finance Mr Malusi Nkanyezi Gigaba announced the increase of VAT by 1 percent from 14 percent to 15 percent. The views are carefully selected from different aspects of the society which include opposition political parties, non-government organisations, and Trade unions as well as Academic views which include university Professors and Economists. Finally, Chapter 5 brings the study to its conclusion. The chapter summarises the findings and conclusions from the previous chapters and provides recommendations.

CHAPTER TWO: A GENERAL BACKGROUND OF VAT IN SOUTH AFRICA

1 INTRODUCTION

The objective of this chapter is to give an overview about the background of VAT in general. This chapter discusses how governments use VAT as a mechanism to increase revenue collection. This chapter also focuses on VAT from a South African perspective. In this context this chapter also discusses the VAT value chain, how VAT is levied, VAT taxation methods and how VAT is calculated.

2 THE ORIGINS AND EVOLUTION OF VAT

The origin of the VAT has never been conclusively settled, however one of two origins are regularly mentioned namely the German businessman Wilhelm Von Siemens in 1918, or the American economist Thomas S Adams in his writing between 1910 and 1921.[1] VAT was first introduced at a national level in France in 1954. Its original coverage was limited, and France did not move to full VAT that reached the broader retail sector until 1968. The first full VAT in Europe was introduced in Denmark 1967, although the country did not join the European Economic Community (hereafter EEC) until 1973.[2] VAT adoption progressed in two major phases. The first occurred mostly in Western Europe and Latin America during the 1960s and 1970s. The rise of the VAT in Western Europe was accelerated by a series of EEC directives requiring member states to adopt a harmonized VAT upon entry to the European Union (hereafter EU).[3]

The second phase of VAT adoption occurred from the late 1980s with the introduction of VAT in some high-profile industrialised countries outside the EU, such as Australia, Canada, Japan, and Switzerland to name but a few. This phase also witnessed the large expansion of VAT in transitional and developing economies, most notably in Africa and Asia.[4]

[1] Kathryn, J. 2011. Exploring the origins and global rise of VAT. *The VAT Reader (Tax Analysts),* 15-22 at 15.
[2] Silver, M. 2017. *Deliotte VAT Handbook.* 11th ed. Durban: Lexis Nexis at 15.
[3] Kathryn, *supra* note 1, at 16.
[4] Cnossen, S. 1998. Global Trends and Issues in Value Added Taxation. *International Tax and Public Finance,* 5(3) 399- 428 at 400.

The International Monetary Fund (hereafter IMF) and the World Bank are identified as key influences in the rapid adoption of VAT among these countries.[5] Less has been said about the significant role of the United States (hereafter US) policymakers and agencies in promoting VAT. This activity includes the pioneering, albeit unsuccessful efforts of the Shoup Mission to introduce VAT during the post- World War Two US occupation of Japan[6] and the prominent role played by the U S Agency for International Development in promoting VAT through the provision of funding and technical assistance to developing and transitional economies.[7]

Irrespective of attribution, however, the rapidity of the VAT's ascendancy is remarkable. Before the 1967 decision to adopt VAT as the common form of consumption tax in the EEC, less than a handful of countries had experimented with the tax in the form in which it is known today. Globally, VAT ranks as one of the most important taxes in terms of revenue collection. Thirty two (32) of the thirty three (33) member countries of the Organisation for Economic Co-operation and Development (hereafter OECD) have adopted a VAT system. From 1965 to 2009, VAT revenue as a share of total tax revenue rose from an unweighted average of 1.8 percent to 19.2 percent across the OECD.[8]

Nonetheless, it is among the developing and transitional economies that the growth of the VAT has been truly ascendant. Approximately three-quarters of the countries with VAT are low to middle-income countries,[9]and two-thirds of the least developed

[5] Ebrill, L. *et al*. 2001. *The modern VAT*. Washington D.C.: International Monetary Fund at xi, estimate that well over half of all countries that have introduced a VAT during the last 20 years have used IMF Fiscal Affairs Department advice in doing so. See also Keen, M. and Lockwood, B. 2007. The Value-Added Tax: its causes and consequences.*International Monetary Fund Working Paper* 07/183 at 18.

[6]. Report on Japanese Taxation by Shoup Mission (1949) and Second Report on Japanese Taxation by Shoup Mission (1950).

[7] Countries such as Jamaica, Egypt and Serbia have been assisted by USAID to introduce VAT in their tax systems. See *Case Studies -USAID Assitance in Fiscal Reform.*[Online] Available from: http://www.fiscalreform.net/index.php?option=content&task=section&id=9&Itemid=65 [Accessed: 2018-07-16].

[8]Organisation for Economic Co-operation and Development. 2012. *Consumption Tax Trends 2012: VAT/GST and Excise Rates, Trends and Administration Issues.* [Online] Available from: https://www.oecd-librabry.org/taxation/consumption-tax-trends-2012_ctt-2012-en [Accessed: 2018-11-22].

[9]Approximately 109 of the more than 150 countries with a VAT are classified as low, low-to-middle- or upper-middle-income countries. These income indicators are generally adopted as a rough proxy for developing countries. More than half of the 150 countries with VAT are low-income or low-to-middle-income economies. Estimates based on: Annacondia, F. and Van der Corput, W. 2012. Overview of General Turnover Taxes and Tax

countries in the world have VAT. There are now fewer countries in the world without VAT. The most prominent exception in the developed world is the US.[10]The pace and breadth of VAT reform means that the VAT rivals the income tax as an exemplar of twentieth-century tax policy convergence, so much so that one leading VAT commentator, Sijbren Cnossen, claims that 'the nearly universal introduction of the value added tax should be considered the most important event in the evolution of tax structure in the last half of the twentieth century'.[11]

One might think that the rapid rise and growing significance of the VAT has promoted much research on what has contributed to its remarkable rise. It is not arguable that the major reason that contributed to the significant growth of VAT is simply because of the need to raise revenue collection in the countries. It is indeed clear that VAT is one of the fundamental and important tax types; hence many countries have adopted it in order to strengthen their economic growth and revenue collection. However it is critical to make sure that implementation policies of VAT are carefully structured to mitigate excessive VAT burden on the poor households.

3 VAT: A SOUTH AFRICAN PERSPECTIVE

South Africa is located in Southern Africa with estimated population of 57, 7 million.[12] The gross domestic product (hereinafter referred to as GDP) of South Africa fell by 0.2 percent in the second quarter of 2018, compared to the previous quarter which had recorded 1.4 percent of GDP growth.[13] The GDP figure in the second quarter of 2018 was $ 67, 681 million.[14] South Africa's GDP from 2014 to 2018 is tabulated below. The South African government general national gross debt is also tabulated

Rates. *International VAT Monitor*, March/April (2), 2-10. See also World Bank. 2012. *Country and Lending Groups.* [Oniline] Available from: http://go.worldbank.org/D7SNoB8YUo [Accessed: 2018-07-12].

[10]Bird, RM. 2007. *The VAT in Developing and Transitional Countries*. New York: Cambridge University Press at 17.

[11] Cnossen*, supra* note 4,at 399.

[12] Statistics South Africa. 2018. *Mid-year population estimate 2018*. Statistical Release P0302. [Online] Available from: http://www.statssa.gov.za/?page_id=1854&PPN=P0302 [Accessed: 2018-11-19].

[13]Statistics South Africa. 2018. *Gross domestic product 2nd quarter* 2018. Statistical Release P0441. [Online] Available from: http://www.statssa.gov.za/?page_id=1854&PPN=P0441&SCH=7182[Accessed: 2018-11-19].

[14] South Africa GDP Gross Domestic Product, 2018: [Online] Available from: https://countryeconomy.com/gdp/southafrica [Accessed: 2018-11-16].

below. This information is for comparison purposes with the chosen countries in this research study.

Table 1: South African GDP 2018 first and second quarter

QUARTERLY GDP AT MARKET PRICES 2018		
YEAR	**Q. GDP**	**Q. GDP GROWTH (%)**
2018 1st quarter	$ 65, 557 million	0.7 %
2018 2nd quarter	$ 67, 681 million	0.2 %

Table 2: South African GDP from 2014 to 2017

EVOLUTION: ANNUAL GDP JAPAN		
DATE	**ANNUAL GDP**	**GDP GROWTH (%)**
2014	$ 350, 901 million	1.8 %
2015	$ 317, 698 million	1.3 %
2016	$ 295, 678 million	0.6 %
2017	$ 350, 000 million	1.3%

Table 3: South African general government gross debt

JAPAN EVOLUTION OF DEBT	
YEAR	**DEBT**
2014	$ 164, 828 million
2015	$ 156, 650 million
2016	$ 152, 508 million

South Africa introduced a broad-based VAT on 30 September 1991 when the Value Added Tax Act No 89 of 1991 came into operation. When VAT was initially introduced there were some questions on whether or not VAT can replace GST as a revenue source for government, to what extent VAT would increase inflationary pressures, and how regressive VAT would be.[15] When VAT was initially proposed in South Africa, the greatest controversy surrounding it was its effect on retail prices. If VAT increases, prices would also increase, however the magnitude of the increase in VAT would not necessarily be reflected to the same extent, in prices. The extent to which prices would increase solely depends on the ability of producers to shift the tax burden on the consumer, which in turn depends on the demand and supply elasticities.[16]

The VAT system replaced the then GST which has been in operation since July 1978.[17] VAT was initially introduced at the rate of 10 percent; the rate was increased to 14 percent in 1993 and to 15 percent in 2018. VAT is the second-largest contributor out of three main contributors to national revenue after personal income tax (hereinafter referred to as PIT), corporate income tax (hereinafter referred to as CIT) is the third contributor. The table below for illustrates this.[18]

Tax Type	**Contribution Scale**	**Percentage**
PIT	1st	37 %
VAT	2nd	25.3 %
CIT	3rd	17.9 %

There are various reasons as to why South Africa changed from GST to VAT. The reasons include the following;

1. The tax was generally only charged on the sale to the final consumer under the GST system.
2. Since GST was a single stage tax collection system, this could easily result in tax evasion and that is a great loss of revenue to the government.

[15] Kearney, M. 2003. *Restructuring Value-Added Tax in South Africa a computable general equilibrium analysis*. Unpublished doctoral thesis. Pretoria: University of Pretoria [Online] Available from: https://repository.up.ac.za/bitstream/handle/2263/27705/00front [Accessed: 2018-11-23].
[16] Go, D.S. *et al*. 2004. *An Analysis of South Africa's Value Added Tax*. Working paper at 6.
[17] South African Reserve Bank. 2015.*Tax Chronology of South Africa: 19179-2015: Supplement to the South African Reserve Bank Quarterly Bulletin – March 2015* Pretoria: South African Reserve Bank.
[18] Leoka, T. 2018. *Why the VAT increase is the safest way to get SA out of the quagmire*. [Online] Available from: https://www.businesslive.co.za/bd/opinion/2018-02-27-why-the-vat-increase-is-the-safest-way-to-get-out-of-the-quagmire/ [Accessed: 2018-04-25].

3. VAT has been a fairly reliable method of raising revenue for the fiscus.[19]

3.1 How VAT is levied in South Africa

The South African VAT system has three categories of supplies being standard rated supplies, zero rated suppliers and exempt supplies. The standard rated supplies are levied VAT at 15 percent rate including importation of goods and services. This is in accordance with the provisions of Part 2 of VAT Act. Part 2 of the VAT Act makes provisions for imposition of VAT under section 7. Exempt supplies are those supplies which do not attract imposition of VAT. This is provided for under section 12 of the VAT Act. Zero rated supplies do attract VAT however the VAT is levied at the 0 percent rate. This is provided for under section 11 of the VAT Act.

The provisions for both zero rated and exempt supplies decrease the burden of VAT liability on the end user customer. To reduce the regressiveness of VAT, various basic items were zero-rated from VAT when it was introduced. The question remains as to whether those basic items are enough, considering the recent VAT increase in 2018.[20]To answer this question, the current Minister of Finance Mr Tito Mboweni had announced on the MTBPS 2018 that the number of zero-rated goods will be increased.[21]Below is the table which illustrates the number of zero rated items before and after the MTBPS 2018 was delivered.

ZERO-RATED ITEMS IN SOUTH AFRICA	
Before MTBPS 2018	**Added items after MTBPS 2018 (with effect from 1 April 2019)**

[19] Silver, *supra* note 2, at 4.
[20]Kearney, *supra* note 15, at 21.
[21]Department of National Treasury. 2018. *Medium Term Budget Policy Statement Policy*. [Online] Available from*USAID Assitance in Fiscal Reform.* [Online] Available from: http://www.fiscalreform.net/index.php?option=content&task=section&id=9&Itemid=65http://www.treasury.gov.za/documents/mtbps/2018/mtbps/FullMTBPS.pdf [Accessed: 2018-11-23].

• Brown bread • Maize meal • Mealie rice • Dried mealies • Dried beans • Lentis • Pilchards/ Sardinella in tins • Milk powder • Dairy powder blend • Rice • Vegetables • Fruits • Vegetable oil • Milk • Cultured milk • Brown wheaten meal • Eggs • Edible legumes and pulses of leguminous plants	• Sanitary pads • White bread flour • Cake flour

The three additional zero-rated items will be effective on 1 April 2019.[22]

3.2 VAT Taxation Methods

There are three methods that may be used to impose VAT, namely the subtraction, invoice or also known as the credit method and cash flow methods. The most common method used to impose VAT is the invoice (credit) method where VAT is calculated on total sales at each stage of the production process, and where a credit for any VAT paid on inputs in the production is allowed.[23] South Africa uses the

[22] Id
[23] Go,*supra* note 16, at 25.

invoice (credit) method to calculate VAT liability. Under the invoice method each trader charges output tax on sales.[24]

3.3 Calculation of VAT

The VAT Act makes provisions on how VAT is calculated on the value chain of supplies. A registered VAT vendor collects VAT on behalf of SARS when taxable supplies are made on or after the commencement date in the course or furtherance of any enterprise carried on by him.[25]

There are two concepts that must be noted regarding VAT calculations which are "output tax" and "input tax". Output tax- is the value added tax that the vendor calculates and charges on sales of goods and services made by him in accordance to the provisions of section 7 of the VAT Act.[26]Input tax- is the value added tax added to the price when the vendor purchases goods or services liable to VAT in accordance with the provisions of Section 7 of the VAT Act.[27]

In general, the output tax less input tax equals VAT liability. If the value is negative, that amount is refunded to the vendor by SARS. If the value is positive, VAT is due to SARS by the vendor. The VAT Act makes provisions for adjustments, a concept which is outside the scope of this study.

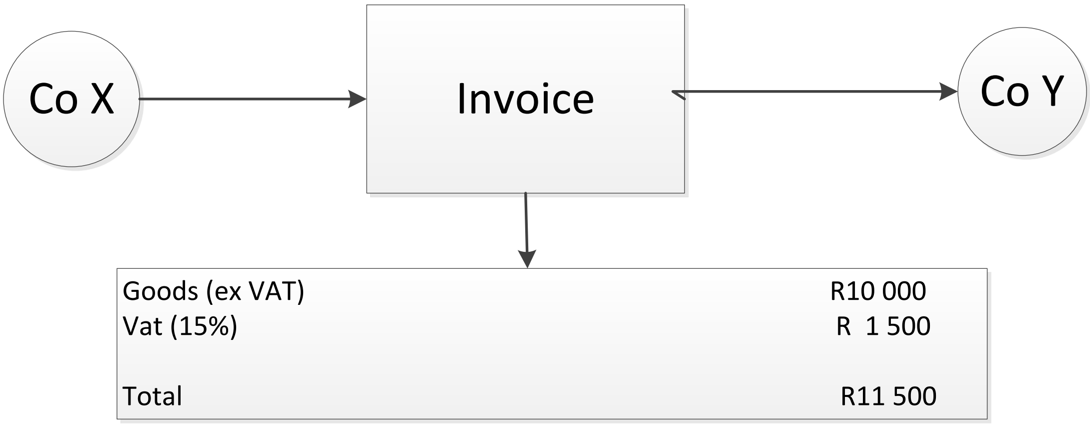
Below are the examples on how VAT is calculated as mentioned above. The examples below illustrate how input tax and output tax are calculated in different scenarios.[28]

Example 1.1.

Co X is a registered VAT vendor**. Co X** sells goods at a cost of R10 000 (ex VAT) to **Co Y** who is not a registered VAT vendor.

Calculation of the total Output Tax and Input Tax for both **Co X** and **Co Y**.

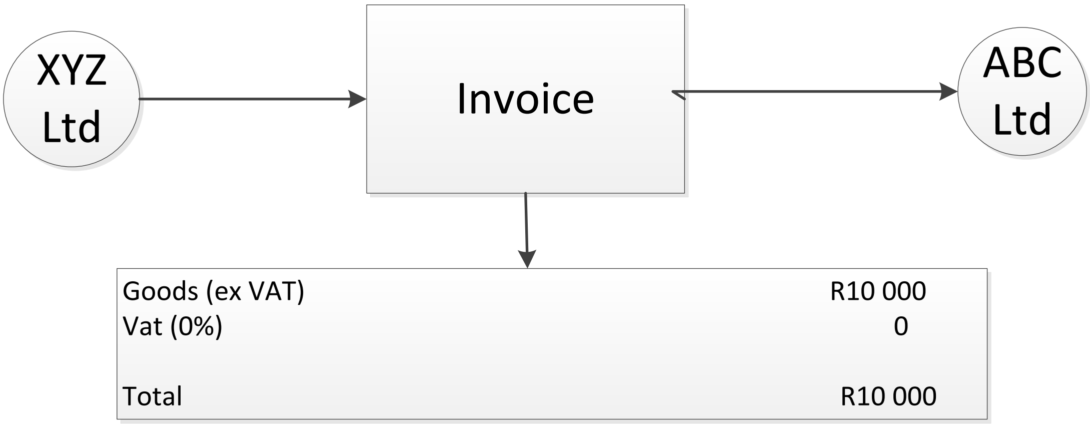
[24] Silver, *supra* note 2, at 180.
[25] Section 7 (1) of the Value Added Act No. 89 of 1991.
[26] Section 1 of the Value Added Tax Act No. 89 of 1991.
[27] Id.
[28] These scenarios are based on a Lecture by Du Toit, R. Undated. VAT: Part 1 lecture examples.



SOLUTION		
DESCRIPTION	**CALCULATIONS/EXPLANATION**	**R**
Co X OUTPUT TAX		
	Can be calculated as: R 10 000 x 15% or	
Sale of goods	R 11 500 x 15/115	R 1 500
Co Y INPUT TAX	**Co Y** cannot claim any Input Tax as:	
Purchase of goods	**Co Y** is not a registered VAT vendor	0

Example 1.2.

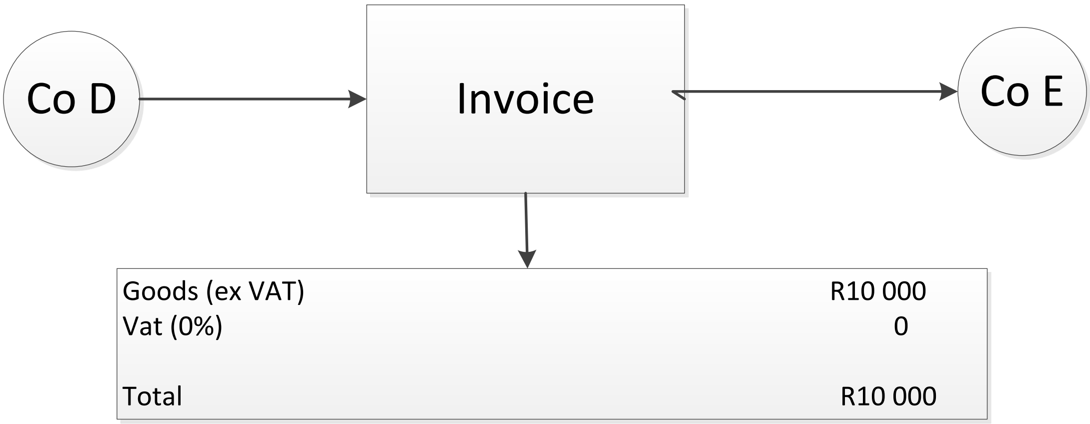
XYZ Ltd is a registered VAT vendor**. XYZ Ltd** sells goods at a cost of R10 000 (ex VAT) to **ABCLtd** who is not a registered VAT vendor. The goods sold by **XYZ Ltd** are considered a zero-rated supply. Calculation of the total Output Tax and Input Tax for both **XYZ Ltd** and **ABC Ltd**.



SOLUTION		
DESCRIPTION	**CALCULATIONS/EXPLANATION**	**R**
XYZ Ltd OUTPUT TAX		
Sale of goods	Can be calculated as: R 10 000 x 0% or R 10 000 x 0/100	0
ABC Ltd INPUT TAX	**ABC Ltd** cannot claim any Input Tax as:	
Purchase of goods	**ABC Ltd** is not a registered VAT vendor	0
NOTE:	Please note that there is VAT on the invoice. It has just been calculated at 0% instead of the usual 15%.	

Example 1.3.

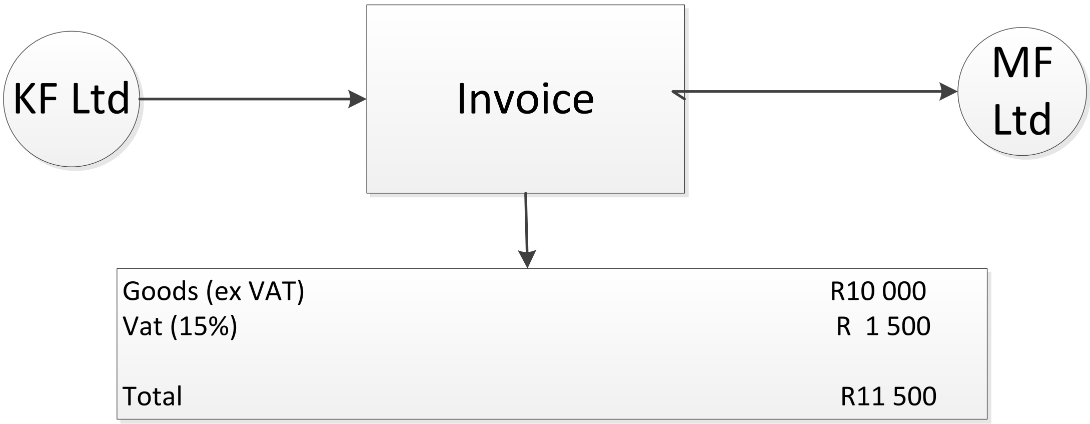
Co D is a registered VAT vendor**. Co D** sells goods at a cost of R10 000 (ex VAT) to **Co E** is not a registered VAT vendor. The goods sold by **Co D** are considered a zero-rated supply. Calculation of the total Output Tax and Input Tax for both **Co D** and **Co E**.



SOLUTION		
DESCRIPTION	**CALCULATIONS/EXPLANATION**	**R**
Co D		
OUTPUT TAX		
	No VAT as this is an exempt supply.	
Sale of goods		
		0
Co E		
INPUT TAX	**Co E** cannot claim any Input Tax as:	
Purchase of goods	**Co E** is not a registered VAT vendor	
		0
NOTE:	Please note that in this example no VAT calculated at all because exempt supply does not trigger VAT liability.	

Example 1.4.

KF Ltd is a registered VAT vendor**. KFLtd** sells goods at a cost of R10 000 (ex VAT) to **MFLtd** is a registered VAT vendor. Calculations of the Output Tax and Input Tax for both **KF Ltd** and **MF Ltd**.



SOLUTION		
DESCRIPTION	**CALCULATIONS/EXPLANATION**	**R**
KF LTD		
OUTPUT TAX		
	Can be calculated as:	
	R 10 000 x 15% or	
Sale of goods	R 11 500 x 15/115	R 1 500
MF LTD		
INPUT TAX	**MF Ltd** can claim Input tax as he is a registered VAT vendor.	
Purchase of goods		
	Output tax and Input tax are calculated using	
NOTE:	the same formula:	
	-R 10 000 x 15% or	
	-R 11 500 x 15/115	R 1 500

4 CONCLUSION

This chapter discussed the historical background of the VAT system and its development in general. This general historical background was subsequently linked with a discussion of VAT in the South African context. The chapter highlighted how the tax system transited from GST to VAT, and it also provided an account of the concerns by academics on whether VAT could do the balancing act of achieving government's desired goal to collect more revenue without having negative bearing on retail prices. Lastly, the chapter concluded by discussing how VAT is levied in

South Africa in context of categories of supplies that exist within the South African VAT system. It also discussed VAT taxation methods applicable in South Africa as well as VAT calculations by illustration through examples.

CHAPTER THREE: THE IMPACT OF VAT INCREASE IN JAPAN, GREECE AND ZIMBABWE.

1 INTRODUCTION

The aim of this chapter is to explore the VAT system of three different countries with VAT systems that are similar to that of South Africa. This chapter deals with the VAT systems of Japan, Greece and Zimbabwe. These countries were carefully chosen as examples in order to assist in answering the research question of this study which centres around the justifiability or lack thereof of the 2018 VAT rate increase in South Africa. It has to be noted that Japan is by far a developed country compared to Greece, Zimbabwe and South Africa. The economic factors such as GDP and general government's debt will also be looked at in this chapter. Consideration of these factors will also assist in the formulation of recommendations for the study.

2 VAT AND THE CASE OF JAPAN

Japan is located in Asia with a current estimated population of 127,185,332.[1]. The Japanese GDP rate from 2014 to 2018 is tabulated below. In the second quarter of 2018 compared to first quarter, GDP of Japan grew by 0.7 percent rate which is higher than the first quarter where it was 0.2 percent.[2]The GDP figure was $ 889, 424 million during the second quarter.[3]The Japanese government general national gross debt is also tabulated below.

Table 4: Japan GDP 2018 first and second quarter

QUARTERLY GDP AT MARKET PRICES 2018		
YEAR	**Q. GDP**	**Q. GDP GROWTH (%)**
2018 1st quarter	$ 836, 759 million	0.2 %
2018 2nd quarter	$ 889, 424 million	0.7 %

Table 5: Japan GDP from 2014 to 2017

[1] Worldometers population. [Online] Available from: http://www.worldometers.info/world-population/japan-population/ [Accessed on 2018-11-12].
[2] Japan GDP – Gross Domestic Product, 2018: [Online] Available from: https://countryeconomy.com/gdp/japan [Accessed 2018-11-16].
[3] Id.

EVOLUTION: ANNUAL GDP JAPAN		
DATE	ANNUAL GDP	GDP GROWTH (%)
2014	$ 4,850, 414 million	0.4 %
2015	$ 4,394, 977 million	1.4 %
2016	$ 4,949, 272 million	0.9 %
2017	$ 4,900, 000 million	1.7%

Table 6: Japan general government gross debt

JAPAN EVOLUTION OF DEBT	
YEAR	DEBT
2014	$ 11, 447, 364 million
2015	$ 10, 162, 717 million
2016	$ 11, 664, 882 million

2.1 Japanese Consumption Tax and its Increase

It is important for the success of this study to focus from the period Japanese Consumption Tax (hereinafter referred to as JCT) was introduced in Japan till to date in order to evaluate its effect thereafter and glean lessons which South Africa can learn from. In Japan VAT is called JCT and is similar to the South African VAT system. It was introduced through an enabling legislation called the Consumption Tax Law which took effect on 1 April 1989 at the -rate of 3 percent.[4]

Long before the introduction of the Consumption Tax, the Ministry of Finance (hereinafter referred to as MOF) repeatedly emphasised the beneficial role the Consumption Tax would play in bolstering the economy.[5] It must however be noted that, unlike in most other countries, JCT is single flat rate with a relatively small number of exemptions.[6]A flat rate implies that a change in tax rate hardly affects the

[4] Beyer, V and Ishimura, K 1993 The Progress of the Japanese National Consumption Tax. *Revenue Law Journal*, 3(2) [Online] Available From:http://epublications.bond.edu.au/rlj/vol3/iss2/3 [Accessed on 2018-11-16] at 115.
[5] Id.
[6] Exemption includes transfer of lease or land, transfer of securities and transfer of means of payment, interest on loans and insurance premiums, transfer of postal and revenue stamps, fees for government services,

relative prices among goods and services that are subject to the tax, making it easier to identify the inter temporal substitution and income effects associated with the rate increase.[7]Although the Japanese government recognised that the shift from direct to indirect taxation was necessary for the nation's long-term fiscal health, achieving such reform proved politically difficult because of Japan's prolonged recession from 1991 to 1993, which followed the bursting of the economic burble.[8] After almost one decade the Japanese government increased the JCT rate from 3 percent to 5 percent in April 1997 and again in 2014 to 8 percent.[9] The interesting part is that, the announcement of the first JCT increase was undertaken during the year of national elections. As a result, the new JCT rate of 5 percent was scheduled to become effective in April 1997.[10]Having judged the economy to have sufficiently recovered, the ruling Liberal Democratic Party moved quickly in June 1996 to pass the JCT rate increase.

JCT became an issue in the fall of 1996 during the elections for the Lower House of the Diet.[11] Legislation was passed through the Upper House on 25 June 1996, and the JCT rate increase was scheduled to become effective on 1 April 1997.[12]The legislation also stated that the rate increase would only be imposed if the economy had sufficiently recovered[13], Despite that, on 1 April 1997 JCT was indeed raised from 3 percent to 5 percent yet the economy had not sufficiently recovered.

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international postal money orders, foreign exchange, medical care under the Medical Insurance Law, social welfare services specified by the Social Welfare Services Law, midwifery service, burial and crematory service, transfer or lease of goods for physically handicapped persons, tuition, entrance fees, and examinations fees of schools designated by the Articles of the School Educational Law, transfer of school textbooks, and the lease of housing units. Despite these exemptions, Japan's VAT is one of the broadest in the world.

[7] Cashin, D & Takashi, U. 2011. *The Intertemporal Substitution and Income Effects of a VAT Rate Increase: Evidence from Japan.*[Online] Available from: https://core.ac.uk/download/pdf/6387563.pdf [Accessed: 2018-09-06] at 6.

[8] Id

[9] Cashin & Takashi, *supra* note 7

[10]Cashin, D & Takashi, U. 2012. *Short-run Distributional Effects of VAT Rate Change: Evidence from a consumption tax rate increase in Japan*. [Online] Available from:https://www.rieti.go.jp/jp/publications/dp/12e029.pdf [Accessed: 2018-09-06].

[11] Diet is Japan's bicameral legislature, it is composed of a lower house called the House of Representatives and upper house, called the House of Councillors, both houses of Diet is directly elected under parallel voting system.

[12] Id

[13]*Supra* note 11.

Before the April 1997 JCT increase, the Japanese economy was enjoying what appeared to be a promising recovery from the bursting of major asset-price bubble in the early 1990.[14] In April to the June quarter of that year, GDP – the total value of goods and services produced – expanded 4.3 percent in real annualised terms according to the cabinet office.[15] Business spending and housing investment were rising at double-digits rates. And that followed a solid 3 percent GDP growth in the previous quarter. These numbers were comparable with the revised 3.8 percent figure released for the same quarter in 2013.[16]

2.2 Effects of the Japanese Consumption Tax Increase

It was discovered that the Japanese government sustained a revenue loss as a result of pre-announcement of the rate increase, which amounted to 0,26 percent of the fiscal year 1997 VAT revenue.[17]After the government increased the JCT to 5 percent in April 1997, the economy sank into recession.[18] According to the Economic Planning Agency, the peak of economic recovery following the collapse of the bubble was in March 1997, while relapses in the economic indicators began in April following the JCT increase.[19]It was for the first time since 1955 when the then statistical methods were adopted after World War 2, personal consumption, which represents about 60 percent of GDP, dropped by 1.2 percent from the previous year.[20] Because the JCT increase triggered the recession, one might expect the countercyclical policy to include a consumption decrease.

Japan increased the Consumption Tax in 2014 for the second time which was urgently needed to plug the giant hole in Japan's finances. But the gamble did not pay off. Japanese consumers stopped spending and the economy was back in

[14] Nakamichi, T. 2013. Learning from 1997 Tax Hike: [Online] Available from: https://blogs.wsj.com/japanrealtime/2013/09/09/learning-from-1997-tax-hike/ [accessed 2018-09-03].
[15] Id.
[16] Nakamichi, *supra* note14.
[17]Cashin & Takashi, *supra* note 7 at 23.
[18] Fumitoshi,T. 1999. Manipulation behind the Consumption Tax Increase: The Ministry of Finance Prolongs Japan's Recession.*The Journal of Japanies Studies,* 25(1): 91.
[19] Id
[20]Nakamichi, *supra* note14

recession.[21] The most pertinent question is why this occurred. This happened because the fall in the yen gave a huge cash windfall to Japanese exporters. The huge stock market rise only benefited a minority of rich people. 80 percent of Japanese people do not own shares, instead their incomes are stagnant or falling, and the tax raise made them even poorer. Hence they stopped spending.[22]

The increase of the Consumption Tax rate led to a fall in consumer confidence and consumption saw a sharp slump. It increased the cost of living index and the impact on households was large. Another important fact is that Japan had planned to increase its VAT for the second time from 8 percent to 10 percent in 2015; however that was postponed for 2017.[23] It was postponed again in 2017 for 2019 because the economy had not recovered as anticipated when VAT was increased in 2014. JCT increase caused the government to be in huge debt as there was a slow GDP growth. Before 2014 JCT increase IMF predicted that the economy would grow by 1.6 percent over the 2014 calendar year, but that was far off the mark of the actual growth of 0.3 percent that resulted. Additionally, the cabinet office, which conducted its analysis using the fiscal year, predicted 1.4 percent but the economy ended up to 0.3 percent downturn. Clearly both organisations were wrong. They failed to see the extent to which consumption would slump as individuals' tightened their purse strings due to higher prices.[24]

2.3 Lessons from Japan

South Africa can learn from the above discussion that a VAT rate increase cannot be politically motivated. It can also learn that a thorough economic study must be conducted before increasing VAT because thumb-sucking the future economic growth is not ideal. South Africa can find itself in similar situation as Japan where the predicted economic growth did not yield the anticipated results. This affects the poor consumers because they are affected by the high retail prices.

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[21] Baird, C. 2018. To what extent will Japan's 2014 downturn repeat with the new tax hike? The Japantimes, 5 November: 1 [Online] Available from: https://www.japantimes.co.jp/news/2018/11/05/reference/extent-will-japans-2014-downturn-repeat-new-tax-hike/#.W-nFgNIzbIU [Accessed 2018-11-12].
[22] Id.
[23] Baird, *supra* note 21

[24] BBC News. 2014. Japan's economic shrinks after sales tax rise. [Online] Available from: https://www.bbc.com/news/business-28767708 [Accessed 2018-11-12].

3 VAT AND THE CASE OF GREECE

Greece is the 97th largest nation in the world and it is located in Western Europe with an estimated population of 10, 767,827.[25]Greece GDP grew 0.2 percent in the second quarter of 2018 compared to the previous quarter where it grew by 0.9 percent.[26] The estimated GDP figure was $ 54, 022 million during the second quarter.[27] Please also note that the tables below are for illustration purposes only as GDP changes from one year to another.

Table 7: Greece GDP 2018 first and second quarter

QUARTERLY GDP AT MARKET PRICES 2018		
YEAR	**Q. GDP**	**Q. GDP GROWTH (%)**
2018 1st quarter	$ 55, 537 million	0.2 %
2018 2nd quarter	$ 54, 022 million	0.9 %

Table 8: Greece GDP from 2014 to 2017

EVOLUTION: ANNUAL GDP GREECE		
YEAR	**ANNUAL GDP**	**GDP GROWTH (%)**
2014	$ 237, 406 million	0.7%
2015	$ 195, 640 million	-0.4%
2016	$ 192, 770 million	-0.2%
2017	$ 200, 000 million	1.5%

Table 9: Greece general government gross debt

GREECE EVOLUTION OF DEBT	
YEAR	**DEBT**
2014	$ 424, 627 million

[25] Worldmap, Europe, Greece. [Online] Available from: https://www.worldatlas.com/eu.gr/where-is-greece.html [Accessed 2018-11-12].
[26] Greece GDP Gross Domestic Product, 2018: [Online] Available from: https://countryeconomy.com/gdp/greece[Accessed: 2018-11-16].
[27] Id.

2015	$ 345, 859 million
2016	$ 348, 686 million
2017	$ 358, 583 million

3.1 Greece VAT and its Increase

Greece introduced VAT on 1 January 1987 by the then Minister of Finance Dimitris Tsovolas at a rate of 18 percent through the enabling legislation known as the Code of VAT law.[28] The standard VAT rate is 24 percent which took effect on 1 June 2016; the standard rate applies to all goods and services for which lower rates are not defined.[29] From the start of 2010 Greece has been in the throes of a severe financial and economic crisis-with no doubt, the worst in recent memory.[30]The VAT had been increased in a number of occasions in an attempt to raise more revenue since the country was in serious financial debts for a number of years. It was first increased on 25 March to 19 percent, on 3 March 2010 to 21 percent, on 1 July 2010 to 23 percent and again on 1 June 2016 to 24 percent.[31]

The standard rate of VAT was raised from 19 percent to 21 percent in two steps between March and May 2010. Base and reduced rates were also increased from 4.5 percent to 5.5 percent and from 9 percent to 11 percent respectively. Other indirect taxes also went up: excise duty on tobacco, alcohol and fuel by 30 percent, taxes on luxury items by 20 percent.[32] The major reason for VAT increase in Greece was because the country was in severe financial debts and economic crisis[33]

[28] Greece VAT Guidebook-*Tax Representative Alliance*. 2016. [Online] Available from: https://tra.org/wp-content/uploads/2016/02/Greece-VAT-Guidebook.pdf [Accessed 2018-09-08].
[29] Value-added tax (VAT) rates in Greece. 2010. [Online] Available from: http://livingingreece.gr/2010/07/01/vat-fpa-taxes-greece/ [Accessed 2018-09-08].
[30] Monastiriotis,V. 2011. *The Greek crisis in focus: Austerity, Recession and paths to Recovery*: The London School of Economics and Political Science.[Online] Available from: http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/pdf/GreeSE/GreeSE%20Special%20Issue.pdf [Accessed 2018-09-13] 6.
[31] Value Added Tax (VAT) rates in Greece. 2010.[Online] Available from: http://livingingreece.gr/2010/07/01/vat-fpa-taxes-greece/ [Accessed on 2018-09-08].
[32]Monastiriotis,*supra* note 30.
[33] Supra note 75.

In an effort to bring public finances back under control, the government announced a first round of austerity measures in March 2010,[34] followed by tax reform on April 2010.[35] When these failed to placate the markets, in May 2010 the government negotiated an unprecedented 110 billion Euros rescue package with the EU and IMF. In return for the rescue package, the government signed up a three-year Memorandum of Economics and Financial policies, which committed the Greek government to sweeping spending cuts and revenue increase at the same time, second austerity measures were also announced.[36] Under the terms of austerity measures, public sector pay and pension benefits were cut. Nominal reduction was compounded by rising inflation, caused by the VAT increase.[37]

3.2 Effects of Greece VAT Increase

The National Confederation of Hellenic Commerce (hereinafter referred to as ESEE) head Mr Vassilis Korkidis said that "[t]he VAT nightmare is unfortunately continuing".[38] This was said after Greece increased its VAT rate in June 2016. He based his statement on the following sectors that were and still are affected most as the results of VAT hike;

1. The VAT increase affected supermarkets, fuel, apparel, transportation, tourism and restaurants and the ESEE estimated the VAT revenue from wholesale, retail and car sales in 2016 would be 389 million Euros, less than the 437 million Euros the Greek government expected.[39]

2. The increase of tax on transport, energy and other primary inputs costs hurt businesses which were already struggling to survive, and Greece struggled to compete with countries with lower rates such as Germany and Cyprus with

[34] Austerity measures are reduction in government spending, increase in tax revenues, or both. These harsh steps are taken to lower deficits and avoid debt crisis, government is unlikely to use austerity measure unless forced to do so by bond market or other lenders. Like the case of Greece.
[35]Monastiriotis,*supra* note 30.
[36]Monastiriotis,*supra* note 30..
[37]Monastiriotis,*supra* note 30.at 7.
[38] ESEE is a confederate organisation which is representing Greek Commerce on both domestic and International levels.
[39]Georgiopoulos,G. *Greece's VAT tax hike is counterproductive-trade association*. 2016 [Online] Available from: https://uk.reuters.com/article/uk-greece-vat-tax-hike-is-counterproductive-trade-association-idUKKCNOYF1DN [Accessed on 2018-07-13].

VAT at 19 percent, Spain with 21 percent, and Bulgaria and Romania with 20 percent.[40]

As a result of the above mentioned issues, an economist at Athens-based Eurobank, Mr Platon Monokroussos indicated that, "There is little doubt that the tax increases will be recessionary. However, what is more important at this stage is finalising the bailout review to swiftly stabilise sentiment and help a gradual improvement in GDP dynamics".[41]National Bank Economist Nikos Magginas also concurred with Planton Monokroussos by saying that "With more than 60 percent of goods and services facing a 24 percent VAT rate, there is bound to be some recessionary impact".[42]

The additional tax had added to financial hardship of Greece's poorer citizens.[43] Higher tax on food is particularly regressive, the poor are hit hardest as they struggle to substitute many of the products and end up paying a larger share of their income on VAT than the rich.[44] There are nearly 80 percent of Greek households that have already reported difficulty in making ends meet since 2013, compared to 9.1 percent of German households, according to Eurostat as a result of VAT increase.[45] It is also reported that, there has been anecdotal evidence to suggest that many retailers are taking a hit on profit margins to maintain business and plan to cut staff numbers rather than pass on the increase in prices to customers.[46] Some may be tempted not to fully declare sales to the authorities.[47]

3.3 Lessons from Greece

[40] Id
[41]Georgiopoulos,*supra* note 39.
[42]Georgiopoulos, *supra* note 39.
[43] Bloomberg Intelligence, 2016. *Why Greece's VAT increase is unlikely to work*. [Online] Available from: https:///www.bloomberg.com/professional/blog/why-greece-vat-increase-is-unlikely-to-work/ [Accessed on 2018-07-13].
[44] Id.
[45] Kotzeva, M, Brandmuller, T and Onnerfors, A (eds) 2017.*Eurostat regional yearbook* 2017 27th ed.European Union, Luxembourgh. [online] Available from: https://ec.europa.eu/eurostat/documents/3217494/8222062/KS-HA-17-001-EN-N.pdf [Accessed on 2018-09-08] 199.
[46] Id.
[47] Kotzeva, Brandmuller, and Onnerfors, *supra* note 45.

It is clear from the above that several VAT increases did not achieve their intended goal of getting Greece out of debt. Instead, the increases caused more harm to the country's economy since the country is still in debt and a large number of businesses were affected. Poor people were and are still suffering the burden of a high VAT rate. South Africa can learn from Greece that a country can be caught up in a series of VAT rate increases that end up with a massive rate that affects the poor. It can also be learnt that businesses can suffer which may cause them to either close down or cut their capacity/employees. Consequently that increases the rate of unemployment which is already high at 27.5 percent.[48]

This is evident as Statistics South Africa (hereinafter referred to as STATS SA) announced on 4 September 2018 that the country had entered recession with the GDP growth down by 0.7 because of Government's recent interventions such as VAT increase.[49]

4 VAT AND THE CASE OF ZIMBABWE

Zimbabwe is located in Southern Africa with an estimated population of 16,781,721.[50] Zimbabwe's GDP grew by 3.4 percent in 2017 compared to 2016 where it grew by 0.6 percent.[51] The GDP figure in 2017 was $ 18, 000 million.[52] As in other countries mentioned above the GDP figures table below assists for illustration purposes.

Table 10: Zimbabwe GDP from 2014 to 2017

EVOLUTION: ANNUAL GDP ZIMBABWE		
DATE	**ANNUAL GDP**	**GDP GROWTH (%)**

[48] Statistics South Africa, 2018: *Quarterly Labour force survey* [Online] Available from: http://www.statisticssa.gov.za/publications/PO2113rdQuarter2018 [Accessed 2018-11-19].
[49] Feketha, S. 2018. Government's recent interventions such as VAT and the sugar levy blamed for country's slide into recession. The Star, 5 September: 1.
[50] Zimbambwe population, 2018 [online] Available from: https://countrymeters.info/en/Zimbabwe [Accessed 2018-11-13].
[51] Zimbabwe GDP - Gross Domestic Product [Online] Available from: https://countryeconomy.com/gdp/zimbabwe [Accessed 2018-11-17].
[52] Id.

2014	$ 13, 834 million	2.8%
2015	$ 16, 072 million	1.4%
2016	$ 17, 000 million	0.6%
2017	$ 18, 000 million	3.4%

Table 11: Zimbabwe general government gross debt

ZIMBABWE EVOLUTION OF DEBT	
YEAR	**DEBT**
2014	$ 7, 853 million
2015	$ 8, 346 million

4.1 The Zimbabwean VAT and its Increase

The Zimbabwean government introduced a VAT system in January 2004 to replace sales tax.[53] VAT in Zimbabwe is imposed under VAT Act chapter 23:12 of 2003 as amended, on every taxable supply of goods and services made in Zimbabwe, and on every importation of goods into Zimbabwe or taxable supply of imported service.[54] Prior the introduction of VAT in Zimbabwe, the country was implementing a single-stage sales tax, which had been in place since 1976.[55]

The sales tax was applied on all goods sold locally, including services at the rate of 15 percent. By the year 2000, preparatory work had already commenced towards introducing the VAT that was pencilled for 2000.[56] In 2003, the IMF revealed that Zimbabwe was well advanced with preparations for the introduction of a VAT system in 2003, which the authorities expected to address weaknesses of the then existing sales tax system.[57] A VAT system was eventually introduced in 2004, replacing the

[53] Madzivanyika, E. 2017. A diagnosis of the deficiencies in the Zimbabwean value added tax system.*Public andMunicipal Finance*, 6(2):16.
[54]Duve, M. 2016. Transparency of Value-Added Tax System and Audit Risk: A case of the Retail Sector in Masvingo Urban, Zimbabwe.*Journal of Accounting and Finance*, 16(7) 114.
[55] Id.
[56]Madzivanyika, *supra* note 53 at 19
[57] Id.

sales tax system.[58] The Zimbabwean VAT system was adopted from the Zambian, South African and New Zealand VAT system.[59]The main reason for introducing VAT in Zimbabwe was to curb the gross abuse of sales tax numbers by registered operators and the need to raise more revenue for the government, since VAT is a wider tax base than the sales tax.[60]VAT is levied at a standard rate of 15 percent on the value of the taxable supply of goods and services imports.[61] Zero-rated supplies are taxable at the rate of 0 percent.[62]

4.2 VAT Contribution towards Zimbabwe Revenue Collection for 2017

The figures below are taken direct from Zimbabwe Revenue Authority (hereinafter referred to as ZIMRA) statistics delivered and published to the public domain by ZIMRA during the revenue performance report for the year ended 31 December 2017. VAT in Zimbabwe remains the third contributor on revenue collection based on the information below.[63]

4.2.1 VAT on Local Sales

Gross VAT on local sales for the year 2017 amounted to US$913.41 million against a target of US$666.24 million, resulting in a positive variance of 37.10 percent. VAT refunds for the year 2017 amounted to US$226.33 million, which translated to the net collections of US$687.08 million.[64] Net revenue collections surpassed the target by 3.13 percent and revenue grew by 14.28 percent from the US$601.22 million collected in 2016.[65] However it is stated that VAT refunds continued to negatively

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[58]Madzivanyika, *supra* note 53
[59]Madzivanyika *supra* note 53 at 17.
[60]Madzivanyika *supra* note 53 at 17.
[61] Sharara, M. 2017. Zim Faces 15% hike in basic foods with new VAT rules. City Press News 24, 31 January. [Online] Available from: https://www.theindipendent.co.zw/2017/02/01/zim-faces-15-hike-basic-foods-new-vat-rules/ [Accessed 2018-05-11].
[62] Id
[63] Sharara, *supra* note 61.
[64] Zimbabwe Revenue Authority 2017: *Revenue Performance Report For The Year Ended 31 December 2017*.[Online] Available from: https://www.google.co.za/search?q=Zimbabwe+Revenue+Authority+2017%3A+Revenue+Performance+Report+For+The+Year+Ended+31+December+2017.+at+11.&rlz=1C1CHBD_enZA747ZA747&oq=Zimbabwe+Revenue+Authority+2017%3A+Revenue+Performance+Report+For+The+Year+Ended+31+December+2017.+at+11.&aqs=chrome..69i57.3310172j0j7&sourceid=chrome&ie=UTF-8 [Accessed 2018-06-19].
[65] Id.

affect that revenue.[66] The refunds bill went up by 6.69 percent to US$226.33 million from the US4211.60 million that was refunded in 2016.[67]VAT on local sales debt amounted to US$1.297 billion, as compared to US$1.020 billion in the prior year.[68]

4.2.2 VAT on Imports.

Annual revenue collections amounted to US$387.92 million, surpassing the target of US$345.90 million by 12.15 percent.[69] Revenue collections under VAT on imports grew by 8.28 percent from the US$358.25 million realised in 2016 to US$387.92million in 2016.[70] The continued importation of VAT attracting goods, including raw materials and finished goods, as well as increased foreign currency availability, enhanced the performance of the revenue head.[71]

4.3 Effects of VAT Increase in Zimbabwe

It is of critical importance to note that the following analysis exclude the period from 22 November 2017, since that is the period after the then Zimbabwean President Robert Mugabe had announced his resignation from being a President on the 21st November 2017. Therefore it will not be justifiable to do impact analysis based on the current Zimbabwe government administration under the new President Emmerson Mnangagwa. Below are reported negative impacts that emanated from VAT increase in 2016. The then Minister of Finance Patrick Chinamasa introduced the VAT on foreign tourists' payments for accommodation and tourism-related services, which were previously exempted and that announcement caused the following negative impact on tourism industry:

1. Zimbabwe's 15 percent value-added tax on foreign tourists, introduced in 2016 impacted on tourists arrivals and revenue flows.[72]
2. The then Zimbabwe Council for Tourism (hereinafter referred to as ZCT) Chief Executive, Paul Matamisa said that, "[d]uring the first month of the

[66] Zimbabwe Revenue Authority,*supra* note 54 at 11.
[67]Zimbabwe Revenue Authority,*supra* note 54 at 11.
[68]Zimbabwe Revenue Authority,*supra* note 54 at 11.
[69]Zimbabwe Revenue Authority,*supra* note 54 at 11.
[70]Zimbabwe Revenue Authority,*supra* note 54 at 11.
[71]Zimbabwe Revenue Authority,*supra* note 54 at 11.
[72] The Insider, 2016. Tax impacts on tourism Sector. [Online] Available from: https://www.insiderzim.com/tax-impacts-on-zimbabwe-tourism-sector/ [Accessed 2018-09-09].

introduction of the 15 percent vat, one operator in Victoria Falls lost over $50000 worth of business in one month. We are continuously getting letters and emails of business that is being lost from our resorts"[73]

3. The decrease in profitability due to absorbing the costs per tour operator was estimated to range between 10 percent and 15 percent, and depended on whether the operator absorbed all the additional costs, or only 50 percent of the additional costs.[74] During that period alone hotels and lodges on average registered a decline in profit by 27 percent compared to the same period the previous year.[75]

Tourism is one of Zimbabwe's main foreign currency earners, generating $827 million in 2014, down from $856 million in 2013.[76] The then president of ZCT, Francis Ngwenya concurred with the Chief Executive by saying that, "[t]he country remained an expensive destination compared to its regional peers because of high cost drivers such as taxes".[77]

4.4 Lessons from Zimbabwe

.In South Africa accommodation falls under the category of exempt supplies as provided in section 12 of VAT Act. However, it is important that South Africa must not follow suite of Zimbabwe by amending section 12 of VAT Act and remove accommodation from exempt supplies list. Accommodation like hotels is mainly used by tourists and as such, if tourists are also charged VAT this can have the unintended effect of dissuading them from considering South Africa as a holiday destination. Tourism plays a pivotal role in boosting the economy of the country therefore South Africa must not even think of following the Zimbabwe route in this regard.

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[73] The insider, *supra* note 72.
[74] Zimbabwe Council for Tourism, policy brief 2016. *Impact of the 15 percent Value Added Tax (VAT) On Accommodation for Foreign Tourist in Zimbabwe.* [Online] Available from:http://www.zeparu.co.zw/sites/default/files/2018-03/Policy%20Brief%20impact%20of%2015%25%20VAT%20on%20accomodation%20for%20foreign%20Tourists.pdf [Accessed 2018-09-11] at 4.
[75] *Supra* note 74..
[76] The insider, *supra* note 72.
[77] The insider, *supra* note 72.

5 CONCLUSION

The research study in this chapter, which is carefully done about the VAT system of Japan, Greece and Zimbabwe shows the adverse impact a VAT increase can have if it is not implemented with caution. It is evident that Japan was too quick to increase its Consumption tax in 1997 and this was done through political influence.[78] The governing political parties in various countries must understand and appreciate that for an economy to be sustainable, narrow political agendas must shunned as any ill considered VAT decisions could severely affect the economy. Regarding Greece and indeed upon reflection on the Greek VAT system, one can draw a conclusion that during the time before the outbreak of the economic and fiscal crisis in 2009, the average burden of indirect taxation remained remarkably stable despite various tax reforms. However, changes in its distribution appear to have benefited wealthier groups. Households at the lower end and the middle of the welfare distribution paid a slightly higher proportion of their total expenditure in indirect taxes while richer households gained in relative terms. As it stands today, Greece requires a bailout in order to relieve the debt it has with the EU and IMF.

In 2018 Zimbabwe witnessed a political transition after President Robert Mugabe was pressured to resign after a military coup, with his erstwhile deputy, Emmerson Mnangagwa, taking over as the president of the country. There is guarded hope across Zimbabwe and the SADC region that the new administration under Mnangagwa will be able to rebuild Zimbabwe, in particular its economy which has been shattered by decades of mismanagement and misrule. It is highlighted in this study that the Zimbabwean VAT system was only examined for the periods that preceded the new or current administration. With the new administration in place, there is expectation that the government will revisit the tax laws with a view to make amendments in order to set the economy on a growth path.

[78] *Supra* note 1 1.

CHAPTER FOUR: DIFFERENT WORLDVIEWS ABOUT THE VAT INCREASE

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1 INTRODUCTION

This chapter focuses on the different views that emanated from the announcement of VAT increase in South Africa during the 2018 Budget Speech by the then Minister of Finance Mr Malusi Nkanyezi Gigaba. South Africa as a democratic republic sets itself the standard of always considering the views of citizens as they emanate from within the democratic spaces. The views outlined herein are those from the media, civil society, trade unions, academia and political parties within the country. For every social, political and economic change or development a country experiences there are always often divergent schools of thought seeking to make sense of such a phenomenon. The success of this study, especially the comprehensiveness dimension, also partly depends on exploration of these views.

Tax is a global measure imposed on citizens to fund government services, informed as it is by the aspiration on the part of state to contribute directly to the economic and social development of the country.[1] Bearing this in mind, it is not always possible for the National Treasury of a country to fill up the tax void. The then Minister of Finance Mr Gigaba announced that the standard rate of VAT will increase from the then 14 percent to 15 percent with effect from 1 April 2018.[2] In terms of section 7(4) of the VAT Act[3], the increased rate will apply from the effective date as announced by the Minister and the rate in section 7(1) of the VAT Act must be amended by Parliament to 15 percent before 31 March 2019 to give effect to the rate in the Minister's announcement.[4]

2 RATIONALE OF VAT INCREASE

[1] Croome, B.J. 2010*Taxpayers' Rights in South Africa*. 1st ed.Cape Town, Juta. at

[2] Badenhorst, G. 2018. Special Edition Alert, Budget Speech Tax & Exchange Control 2018.*Increase in VAT Rate to 15%.*[Online] Available from:https://www.cliffedekkerhofmeyr.com/export/sites/cdh/en/news/publications/2018/Tax/Downloads/Tax-and-Exchange-Control-Alert-Budget-Speech-2018-21-February-2018.pdf [Accessed 2018-10-11]

[3] Section 7(4) of the Value-Added Tax Act, No 89 of 1991.

[4] Badenhorst, *supra* note 2 at 13.

The VAT rate increase was motivated as being necessary to meet spending commitments and to prevent further erosion of public finances.[5] The VAT rate increase was preferred over the PIT and increase in the CIT rate. A concern was raised that an increase in PIT would constrain growth and investment and the companies may respond to a CIT rate increase by raising prices, lowering wages or retrenching workers.[6] The question that one can ponder on is why a higher VAT rate was not only imposed on luxury goods? But the answer to that is mainly found on the Davis Tax Committee's (hereinafter referred to as DTC) findings that there is no global evidence that luxury goods VAT rate would meaningfully improve equity in the VAT system.[7]

VAT is the second largest driver of revenue collection in South Africa after Income Tax[8]. It is thus believed that the VAT rate increase is expected to raise an additional R22, 9 billion, which is nearly two thirds total additional tax revenue expected from all tax proposals that were announced in the budget speech.[9] The VAT increase has caused vexed views on the subject matter, which warrant further examination.

3 VIEWS OF SOUTH AFRICAN POLITICAL PARTIES ON VAT INCREASE

After the announcement of the VAT increase during the 2018 Budget speech, the fight against the VAT hike became a controversial issue. Several non-governmental organisations (hereinafter referred to as NGOs), trade unions, civil society organisations and political parties geared up to fight the increase in the VAT rate. The news was not well received by labour unions and other industry bodies.

The Democratic Alliance (hereinafter referred to as DA) political party released the statement that the VAT increase would add to the burden of the poor.[10] The DA's leader Mr Musi Maimane further stated that the "[t]ax increase could be avoided

[5]Badenhorst, *supra* note 2 at 13.
[6]Badenhorst, *supra* note 2 at 13..
[7] THE DAVIS TAX COMMITTEE, 2018. *Final Report on VAT for the Minister of Finance*. At 39.
[8]Leoka, T. 2018. *Why the VAT increase is the safest way to get SA out of the quagmire*. [Online] Available from: https://www.businesslive.co.za/bd/opinion/2018-02-27-why-the-vat-increase-is-the-safest-way-to-get-out-of-the-quagmire/ [Accessed: 2018-04-25].
[9]Badenhorst, *supra* note 2 at 13.
[10] Niselow, T and Omarjee, L. 2018. The Fight against the VAT hike is on.*Fin24*, 2 February. [Online] Available from: https://www.fin24.com/Budget/the -fight-against-the-vat-hike-is-on-20180228 [Accessed 2018-05-02].

through targeted intervention such as a comprehensive government expenditure review to ensure that expenditure is brought down to manageable levels and waste is stopped as a matter of urgency". The DA had gone as far as launching the national petition against VAT increase.[11] It further mentioned that the increase of VAT, along with a huge increase in fuel levies, will cause an increase in food and transport costs for all South Africans.[12] The DA placed the blame on the African National Congress (hereinafter referred to as ANC) led government for the VAT increase, with its leader saying that, "[t]he ANC cannot make the poor pay for their looting of public money, and we will fight this increase in VAT on behalf of the poor and the unemployed". However the then Minister of Finance Gigaba responded on his defence and for the ANC led government by saying that, "[i]ncreasing the VAT rate by one percentage point is estimated to have the least detrimental effects on economic growth and employment over the medium term". He emphasised that it was unavoidable, given the already significant burden carried by individuals.[13]

Similarly, the VAT increase has left other opposition parties dissatisfied.[14] The Congress of the People (hereinafter referred to as COPE) leader Mr Mosiuoa Lekota shared similar sentiments to those of the DA leader and said he was highly disappointed that the burden placed on the poor would increase.[15] For its part, the Congress of South African Trade Unions (hereinafter referred to as COSATU) also rejected and condemned the increase of VAT rate in the strongest possible terms and called for parliament to defend workers and reverse the legislation that effected the rise.[16] It further expressed its disagreement by saying that, "[w]e would have at least expected government to announce an increase in the number of basic foods that would now be VAT exempt as a gesture to assist workers to cope with VAT, fuel and income tax hikes".

[11] Id.
[12] Staff Reporter. 2018.Independent. Maimane determined to oppose VAT increase.*Business Report*, 24 February. [Online] Available from: https://www.iol.co.za/business-report/economy/maimane-determined-to-oppose-vat-increase-13452101 [Accessed 2018-05-02].
[13] Id.
[14]Staff Reporter, *supra* note 12.
[15]Staff Reporter, *supra* note 12.
[16] Niselow, and Omarjee, *supra* note10.

The governing ANC's alliance partner, the South African Communist Party (hereinafter referred to as SACP), also joined forces in expressing their disagreement with the VAT increase. The General Secretary of the SACP Dr Blade Nzimande said that their party was against 1 percent VAT increase.[17] Moreover, Dr Nzimande charged that VAT will continue to increase as long as taps remain open for state capture.[18] The SACP further showed their unhappiness with the VAT increase and stated that, it marks the possible beginnings of socio-economic regression.[19] SACP highlighted some key points which brought about its unhappiness about the VAT increase below;

1. While some basic foodstuffs are zero rated, the working class and poor do not live on bread and pap alone.[20]
2. Children of the poor do not go to school dressed in staple foods.[21]
3. It is simply untrue to argue, as the then Minister of Finance Gigaba did, that the 20 percent poorest will be unaffected by the VAT increase.
4. Overall, the macro-economic impact of the VAT increase will dampen demand, impact on GDP growth, and have negative implication for employment creation.[22]

Like its counterparts, the Economic Freedom Fighters (hereinafter referred to as EFF) political party also followed suit in the rejection of the VAT increase. The EFF released a statement which detailed their views and it is summarised below;

1. The VAT increase is aimed at the protection of capitalist accumulation which has not led over the past 24 years to any meaningful investments.[23]

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[17] Makungo, M. 2018. SACP against 1% VAT increase. *SABC News*, 26 February. [Online] Available from: http://www.sabcnews.com/sabcnews/sacp-1-vat-increase-nzimande/ [Accessed on 2018-05-02].
[18] Id
[19] SACP Statement, 2018. We are extremely unhappy with VAT increase- SACP. *Politicsweb*, 21 February. [Online] Available from: http://www.politicsweb.co.za/politics/were-extremly-unhappy-with-vat-increase--sacp [Accessed 2018-05-02].
[20] Id
[21] SACP Statement,*supra* note 19.
[22] SACP Statement, *supra* note 19.
[23] Ndlozi, MQ. 2018. EFF Statement on the budget vote by the liar Malusi Gigaba. [Online] Available from: https://www.effonline.org/single-post/2018/02/21/EFF-STATEMENT-ON-THE-BUDGET-VOTE-BY-THE-LIAR-MALUSI-GIGABA [Accessed 2018-05-02].

2. This is evident by the government refusal to raise CIT, instead of punishing consumers by raising VAT, fuel levies as well as PIT.[24]
3. An economic strategy that will lead to a massive breakthrough in economic development lies in the nationalisation of banks to ensure the redirection of liquid capital stored in private banks into job-creating industries in our country.[25]
4. South Africans cannot survive the VAT increase, especially those who are receiving social grants.[26]
5. The EFF demanded a CIT increase, because of a belief that, big companies are stealing money in South Africa and they are putting it outside South Africa.

In addition to political parties, the popular newspaper Mail and Guardian (hereinafter referred to as M&G) also showed its dissatisfaction on the VAT increase and stated that it could be avoidable. It stated the reasons as to why it believes the VAT increase was avoidable which are summarised below;

1. VAT is a regressive tax, it is widely recognised that taxes on goods and services (such as VAT) are regressive tax measure because they are charged irrespective of how much somebody earns.[27] This is different from PIT, where those earning more face a higher tax rate.[28]
2. Naturally, because wealthier South Africans earn and spend more, the majority of VAT revenue comes from them.[29] However, the ability of different income groups to afford the extra tax differ, as does the share of their monthly budget spent on such taxes, important consequences for poverty and inequality.[30]
3. Increase in social grants will not offset the VAT increase.[31]

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[24] Id.
[25]Ndlozi,*supra* note 23.
[26] Dentlinger, L, Magwedze, H and ed Regter, S. 2018. EFF'S Malema calls on SA to unite against VAT increase.*Eyewitness News*, no date [Online] Available from: http://ewn.co.za/2018/03/22/eff-s-malema-calls-on-sa-to-unite-against-vat-increase [Accessed 2018-05-02].
[27]Isaacs, G and Madonko, T. 2018. No, Minister. Increasing VAT was avoidable.*Mail&Guardian*, 23 February. [Online] Available from:https://mg.co.za/article/2018-02-23-00-no-minister-vat-was-avoidable[Accessed on 2018-05-10].
[28] Id.
[29] Isaacs, and Madonko, *supra* note 27.
[30]Isaacs, and Madonko, *supra* note 27.

4. In addition, because of aggressive tax planning on the part of the wealthy, more and more of their income is being disguised.[32] Examples of this include setting up shell companies, putting money in overseas bank accounts in countries with lower tax rates, and taking part of their compensation in stock options.[33]

Unfortunately, the then minister of finance also misled South Africans by claiming that CIT is high by international standards. However, the World Bank's Doing Business index shows that our corporate income taxes are below our emerging-market peers and is the fifth-lowest in the African continent.[34]Several other civil society organisations also submitted to Parliament that the VAT increase will make the tax regime more regressive and stands to exacerbate already unacceptable high levels of poverty and inequality.[35]

In their presentation which was tabled to Parliament by the group which include Equal Education, Section 27 and the Institute for Economic Justice, argued that the cumulative share of indirect taxes paid by the lowest 70 percent of income earners exceeds their cumulative share of disposable income.[36] They further stated that the poor are not adequately shielded from the VAT increase through existing zero rating measures using data to indicate that less than half of poor's basket is spent on zero-rated goods and other items should be included in this category, such as canned beans, margarine and soap.[37]

4 THE VIEWS OF ACADEMICS ON VAT INCREASE

According to Carla Rossouw, the VAT increase was unavoidable. He applauded the 2018 budget speech delivered by the then Minister of Finance Gigaba. He stated that given the country's stretched finances, without big cost cuts the minister had little

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[31]Isaacs, and Madonko, *supra* note 27.
[32]Isaacs, and Madonko, *supra* note 27.
[33]Isaacs, and Madonko, *supra* note 27.
[34]Isaacs, and Madonko, *supra* note 27.
[35] Omarjee, L and Niselow, T. 2018. The fight against the VAT hike is on. *Fin24*, 28 February. [Online] Available from: https://www.fin24.com/Budget/the-fight-against-the-vat-hike-is-on [Accessed 2018-05-02].
[36] Id.
[37] Omarjee, and Niselow,*supra* note 35.

choice but to increase VAT.[38] He further stated that South Africa's CIT rate compared to our international peers is already high, therefore to increase the same further would push investments to countries with more attractive rates.[39] He further stated that VAT rate increase to 15 percent increased the cost of living for all household, but zero rating of certain basic foods does reduce the impact on the poor as well as above-inflation increase in social grants.[40] Taking zero-rated goods into consideration, VAT becomes slightly progressive, that is, higher-income earners pay a slightly higher proportion of income on VAT. The percentage point increase in VAT is expected to raise R22.9 billion.[41]

Lesley O'Conell, a VAT partner at PwC also followed suit in support of the VAT increase.[42] Although the higher VAT rate will be a challenge for household budgets, the analyst said it was the correct way for government to go about raising tax revenue. Since there has been a reported R48.2 billion shortfall in revenue collection in 2017/2018 financial year, the VAT increase will result in additional costs for consumers as they will now have to pay an additional VAT on any purchases of goods and services from VAT vendors.[43] However, according to O'Connell, "The reliance on indirect taxes is the correct approach to take, as this raises large amounts of revenue with relatively small increases in rates due to its broad base and economic efficiency".[44]

In a similar vein, the managing director of the Banking Association of South Africa (hereinafter referred to as BASA) Cas Coovadia said that the budget showed government's willingness to take hard decisions to restore fiscal stability. He added that the VAT increase will be a drag on consumer spending, which is a major source of economic activity in South Africa.[45] Thus, considering this, the smaller increase of

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[38] Rosouw, C. 2018. VAT increase unavoidable. [Online] Available from: https://www.allangray.co.za/latest-insights/personal-investing/vat-increase-unavoidable/ [Accessed 2018-04-19].
[39] Id.
[40] Rosouw,*supra* note 38.
[41] Rosouw, *supra* note 38.
[42] Omarjee, L. 2018. Rasing VAT rate the right approach.*Fin24*, 21 February. [Online] Available from: https://www.fin24.com/Budget/Budget-and-Economy/raising-vat-rate-the-right-approach-analyst-20180221-3 [Accessed 2018-04-30].
[43] Id.
[44]Omarjee,*supra* note 42.
[45]Omarjee, *supra* note 42.

VAT was a reasonable decision. The Cape Chamber of Commerce and Industry president Janene Myburgh gave her views as well, arguing that the higher VAT rate is/was the cost of former president Jacob Zuma's years of corruption, wasteful spending and low economic growth.[46] She further said that, although the VAT increase is painful, it will set the scene for healthy growth in the future. She is of the view that the country is in a crisis and still in danger of a credit downgrade, so it was time for government to put the crisis to good use.[47]

However, Robert Vivian, Professor of Finance & Insurance at the University of Witwatersrand was against the VAT increase way before the 2018 budget speech. His views were based on the principles of canons of taxation by Adam Smith. Tax is imposed on the taxable income.[48] This fundamental principle was applied from the introduction of income tax in 1799 in Britain until the People's Budget in the early 1900s when the marginal tax system was introduced.[49] The marginal tax system opened the way for a class war since tax could thereafter be differentiated.[50]The roll out of Income Tax in 1799 introduced a direct tax on all income.[51] According to Professor Robert, this should have meant that all other forms of taxation become redundant since all income was taxed.[52] Their continued existence amounted to double taxation. In theory, indirect taxes or consumption taxes as they were then called should have been abolished.[53] On his statements, he is of the view that the poor should not been taxed at all. His argument was that, at current levels all those who earn less than the amount needed to cover the necessities of life, which in 2006 was estimated to be R120, 000 per annum for a single person, should be exempt from all taxes.[54] Based on these reasons, there should thus not be any VAT on the poor at all. The only rationale for the existence of VAT would be that everybody should bear some of the burden of taxation but in this case VAT should not be a

[46]Omarjee, *supra* note 42.
[47]Omarjee, *supra* note 42.
[48] Vivian, R. 2015. South Africa needs to raise taxes: why a VAT increase would be a bad idea.[Online] Available from: https://theconversation.com/south-africa-needs-to-raise-taxes-why-a-vat-increase-would-be-a-bad-idea-44871 [Accessed 2018-05-02].
[49] Id.
[50]Vivian, *supra* note 48.
[51]Vivian, *supra* note 48.
[52]Vivian, *supra* note 48.
[53]Vivian, *supra* note 48.
[54]Vivian, *supra* note 48.

significant revenue source.[55] To the extent that VAT exists it is to fulfil the purpose of being the income tax of the poor.[56]

Professor Robert was correct on his view. If, for example, someone earns the minimum of R120, 000 per annum and VAT is levied at 10 percent, that person would pay R12, 000 per annum. That person then does not earn enough to cover the necessities of life. The VAT is paid at the expense of purchasing food, clothing and shelter. The tax burden on the lower income earners because of VAT is infinite. Tax burden is the ratio of tax paid to the taxable income. Since in this case the taxable income is zero, the ratio is infinite and the tax burden is infinite.

Judge Dennis Davis of the DTC addressed Parliament’s Standing Committee on Finance, which held hearings on the VAT rate increase from 14 percent to 15 percent that came into effect on 1 April 2018.[57] It has to be borne in mind that, civil society organisations and opposition political parties have slammed the VAT increase, saying poor people will suffer the most.[58] As a result of VAT increase, the independent panel on VAT was considering, among other things, whether the zero-rated list should be expanded to include more foods as well as other commodities.[59] Judge Davis stated that “[i]n 2015 the cost of zero-rating the 19 food items was about R23 billion. If you work it out that R23 billion goes mainly to wealthy people because we all buy the same foods. So the question is, is the most efficient way of getting R23 billion to poor people through zero-rating or through some other system and I think we should talk about it”. Judge Davis said that the VAT increase was regrettable, but that the government had to urgently raise the billions needed to cover the revenue shortfall, caused by, *inter alia* the introduction of fee-free tertiary education.[60]He further emphasised that, it was the only option that would cause the

[55]Vivian, *supra* note 48.
[56]Vivian, *supra* note 48.
[57] Davis, D. 2018. Does zero-VAT rating of food items help those needing money most*?*[Online] Available from: https://ewn.co.za/2018/04/25/does-zero-vat-rating-of-food-items-help-those-needing-money-most [Accessed 2018-09-17].
[58] Supra note 10, 17, 19, 23, 26 and 27.
[59]Davis,*supra* note 57.
[60]Davis, *supra* note 57.

least damage to the economy but stressed it won't be an option available to the government next year (2019).[61]

Professor Raymond Parsons of the North West University School of Business and Governance also defended the VAT increase. He stated that the decision to raise VAT in 2018 Budget was 'inevitable', but risks of continuing to raise various taxes in the face of weak growth in why South Africa needs much higher economic growth rates.[62] He also mentioned that, "[y]et the fact that the National Treasury has grasped the nettle of raising VAT, together with softening of its impact on the poor, thus avoiding having to increase direct tax rates, has showed a willingness to make difficult decisions in present economic circumstances. It is in line with the findings of the Davis Committee on tax reform". He is of the view that, there is a better chance now that South Africa will be given more time to get its house in order and implement the necessary reform measures to turn the economy around.[63] What again ultimately comes through all the fiscal challenges in the latest budget is the overwhelming need for a radical and sustainable boost in South Africa's flagging growth rate.[64]

The DTC provided an interim report on VAT with figures showing high-income earners pay slightly more VAT as a proportion of their income than the poor.[65] But a 2015 study from the World Bank showed poor South Africans paid more for indirect taxes, including VAT, the fuel levy and excise tax, than the rich.[66] The Davis Committee was clear on the impact of increasing VAT. However, an increase in VAT would have a greater negative impact on inequality than an increase in PIT or CIT.[67] Now that the VAT rate had been increased it is important for fiscal authorities to think carefully on compensatory mechanisms for the poor who are adversely affected by the increase.

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[61] Davis, *supra* note 57.
[62] Professor Parsons, R. 2018. Budget 2018, MTBPS, VAT. [Online] Available from: https://www.moneymarketing.co.za/budget-2018-comment-decision-to-raise-vat-inevitable/ [Accessed 2018-09-17].
[63] Id.
[64] Professor Parsons, *supra* note 62.
[65] Nicolson, G. 2018. Budget VAT rise will hurt poor, despite mitigating efforts. *Daily Maverick*, 23 February. [Online] available from: https://www.dailymaverick.co.za/article/2018-02-23-explainer-budget-vat-rise--will-hurt-poor-despite-mitigating-efforts/#.WtX_9RubIU [Accessed 2018-04-17].
[66] Id.
[67] Nicolson, *supra* note 65.

Professor Thabo Legwaila of the University of Johannesburg said that the negative impact of the VAT increase is minimal. He said the key questions are what the poor spend their money on and whether the efforts by Treasury to mitigate the negative effects of the VAT increase are enough.[68] The budget allocated an extra R2.6 billion towards social grants to mitigate the negative effects of the VAT increase on the poor and maintained the zero-rating on certain staples that are not subject to VAT. Professor Nicholas Ngepah, an economist from the University of Johannesburg said that there is a need to research on how the poor spend their money, but inflationary increase associated with the rise of VAT will likely outweigh the benefits of zero-rated products.[69] He said that, "[i]ncreasing VAT is an area that is not for poor". This is because the interim VAT report of the DTC suggested that the current zero-rating is equivalent to a generalised subsidy which mostly favours the richest sectors of the population, at a high cost for public finances.[70]

Lastly and ultimately, the DTC recommended that while there would be a negative impact on GDP and employment, particularly in the short term, the impact of VAT increase on these two variables [GDP and employment] would be less severe than that of a rise in PIT or CIT.[71]

5 REASONS BEHIND VAT INCREASE IN SOUTH AFRICA

The collection of revenue in South Africa is entrusted to SARS. This institution collects revenue and submits it to the National Treasury which in turn distributes the monies to all government departments to operate. These government departments are there to provide services to the public in order to fulfil government constitutional obligations to provide services to the public. Any poor governance within SARS can or may lead to SARS failing to fulfil its mandate to effectively and efficiently collect revenue.

After the current President of South Africa Cyril Ramaphosa took office in February 2018 he has established/ appointed a commission of inquiry which is tasked to look

[68]Nicolson, *supra* note 65.
[69]Nicolson, *supra* note 65.
[70]Nicolson, *supra* note 65.
[71]Nicolson, *supra* note 65.

deeply at SARS governance issues. This was a result of shortfall revenue collection by SARS by amount of R48.2 billion.[72] The president appointed the retired judge Robert Nugent; hence the commission is called the Nugent Commission. At the Nugent Commission, the deputy director general at National Treasury Ismail Momoniat[73] told the Commission that Treasury would not have needed to increase VAT by one percentage point to 15 percent in April 2018 if not for the revenue shortfall at the SARS.[74]

According to Momoniat, Treasury hopes to raise R25 billion from the VAT rate increase in the 2018/2019 financial year if no further zero-rated items are added to the basket of goods that are levied at 0 percent VAT.[75] Another reason was the unexpected announcement of fee-free education in the institutions of higher learning which was announced by the former President Zuma in December 2017.[76]

Free education in the institutions of higher learning will cost the state about R56 billion over the medium term, together with a rising debt to GDP ratio of 53.3 percent, therefore this left the Treasury with very little choice but to cut expenditure and increase taxes, including VAT, on the one hand.[77] On the other hand, Judge Dennis Davis who headed a committee that was appointed in 2013 to review SA's tax policy framework, in his personal capacity he said that VAT increase could have been avoided, he stated that the unauthorised and wasteful expenditure which amounted to between R60 billion and R80 billion that the Auditor General highlighted were one of the reasons that prompted Treasury to increase VAT.[78]He based all this through

[72] Supra note 45.
[73] Ismail Momoniat is the head of tax and financial sector policy at treasury who testified alongside other treasury officials at the commission probing administration and governance at the tax agency.
[74] Niselow, T. 2018. Sars shortfall to blame for VAT hike-Treasury.*Mail&Guardian*, 29 August. [Online] Available from: https://mg.co.za/article/2018-08-29-sars-shortfall-to-blame-for-vat-hike-treasury [Accessed 2018-09-05].
[75] Id.
[76]Leoka, *supra* note 8.
[77]Leoka, *supra* note 8.
[78] Speckman, A. 2018 VAT hike could have been avoided if corruption had been cut, Judge Dennis Davis says. *BusinessDay*, 14 March. [Online] Available from: https://www.bizcommunity.com/Article/196/512/174920.html [Accessed on 2018-09-17].

corruption and state capture, allegedly masterminded by the Gupta family.[79] Judge Davis was speaking at the Small Business Indaba in Bryanston.

VAT increases have been discussed for several years, despite being politically sensitive. The urgency for an increase in VAT rate escalated towards the end of 2017 when the then Finance Minister Gigaba announced in the MTBPS that there would be R50.8 billion tax revenue shortfall in the 2017/2018 financial year. That was excluding the cost of fee free tertiary education for low-income households, announced in December of last year as mentioned,[80] and National Health Insurance (hereinafter referred to as NHI), both of which are critical to mitigate the structural inequalities in South Africa.[81]

6 CONCLUSION

In conclusion, as stated at the introduction of this chapter, there are varied views on the issue of VAT increase, with some against the increase and others in favour.[82] It is usually expected that when the current government make changes or introduces new developments in government structures or its operational model, opposition parties will always criticise and act against such conduct. However, that is not new because everyone is gunning for political gains. In this matter, it is a different situation though because even the ANC led government alliances which are SACP and COSATU are against the VAT increase. Therefore, it is clear that the majority of the country is against the VAT increase.

Only the majority of academics support the VAT increase. It is believed that they have a better understanding of economic principles. But the reality of government wasteful expenditure and state capture cannot be ignored. As it stands, there is a Zondo Commission of Inquiry which is under way to investigate the alleged state capture and those implicated in it. Through this Zondo Commission the Minister of Finance Mr Nhlanhla Nene resigned from this portfolio after his testimony in the commission. The fact that government is spending a lot of money in this Commission

[79] Id.
[80] Speckman, *supra* note 18.
[81] Marias,H. 2018. VAT Shocks: The good and the bad. [Online] Available from: https://www.bowmanslaw.com/insight/tax/budget-2018-vat-shocks-good-bad/ [Accessed 2018-04-20].
[82] See para 1 of Introduction.

cannot be overlooked and that leaves a question as to whether the country would be able to achieve its desired outcome in increasing VAT? The country just came out of a recessionary state recently, which points to a general fragility of the South African economy.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

1 INTRODUCTION

It is a known fact that no country will function without tax collections. This chapter ties up knots and concludes by providing the findings on the South African Value Added Tax increase, effectively completing the study. Accordingly, it structures the conclusion by commenting around the findings on the 2018 South African VAT increase as the primary focus of the inquiry, referring to its achievements, shortfalls, and also makes reference to the objectives of the study and the perceptions of stakeholders as discussed in Chapter Four. Moreover, this chapter also explores the lessons that South Africa can learn from Greece and make recommendations that would be of relevance for consideration in an instance where South Africa decides to amend its VAT rate and/or a related study is undertaken. In summary, the study and its findings have both theoretical and practical relevance.

2 DEDUCTIONS

The issue of the VAT increase has been discussed for several years, despite being a politically sensitive domain. Within the South African context, the desire for an increase in the VAT rate became patently clear towards the end of 2017 when the then Finance Minister Mr Malusi Nkanyezi Gigaba announced in the Medium Term Budget Policy Statement that there would be R50.8 billion tax revenue shortfall in the financial year 2017/18. This excluded the cost of the then recently adopted policy position on free tertiary education for low-income households, which was proclaimed by (former) President Zuma in the second half of 2017. In addition, the shortfall also disregarded consideration of the universal healthcare policy proposal of the government, the costly National Health Insurance (NHI) which aims to improve the poor’s experience of healthcare service in South Africa. In light of the aforesaid, it became undoubtedly obvious that the South African government needed to explore other avenues of broadening its taxation pull and thereby improve the fiscus by closing or reducing the R50.8 billion budget deficit. Considering that other tax instruments/methods such as PIT were viewed as already overstretched, the government regarded increment of the VAT rate as the most viable course. Indeed, in view of the history of VAT in general and in the context of VAT system in South

Africa, it is clear that, this type of tax is significant for governments in different jurisdictions for collecting more revenue and closing the gap in the fiscal.

That being said, however a very critical and robust engagement with different stakeholders of that particular government is crucial, notwithstanding the needs of government to satisfy service delivery. The vexed issue of VAT increase in South Africa is one of the most debated issues lately. During the 2018 budget speech VAT was increased and other levies, but in the past 3 months there has also been a growing and widespread outcry all over South Africa about the rise of fuel. The rise in the cost of fuel impacts not only motorists but society as a whole, and often retailers increase the prices of goods and services in response to pressures exerted by rising fuel costs. Fuel impacts the entire production value chain in a sense that automated production requires fuel (i.e. machines run on fuel) and so is transportation of goods. Therefore, it is important for government to contemplate measures or interventions that would curb the high cost of living.

In Chapter 3, the research study focused on the cases of Japan, Greece and Zimbabwe and how VAT has been implemented in these countries. It was found the cases of Japan, Greece and Zimbabwe, the increase of VAT had an adverse impact as it was not implemented with caution. It is evident that Japan was too quick to increase its Consumption tax in 1996 and this was done through political influence. Any and indeed all governing political parties must know that political expediency ought to be not a consideration when issues of tax and the economy in general are dealt with.

In the case of Greece's VAT system, a summation can be made that during the time before the outbreak of the economic and fiscal crisis in 2009, the average burden of indirect taxation remained remarkably stable despite various tax reforms. However, changes in its distribution appear to have benefited wealthier groups. Households at the lower end and middle of the welfare distribution paid a slightly higher proportion of their total expenditure in indirect taxes while richer households gained in relative terms. As it stands, Greece requires a bailout in order to address or mitigate debt that the country has with international finance institutions such as the EU and IMF. Zimbabwe recently experienced a change of leadership, from Mugabe to

Mnangagwa as occasioned by a military coup and legitimised by the 2018 Presidential Election, and the effect of this change of government has been to usher new optimism regarding the economic future of the country. It is highlighted in this study that the Zimbabwean VAT system was only assessed at a point before the ascendance of Mnangagwa as president of that country.

Regarding South Africa, the government and other interested parties in the issue of VAT increase, it is always expected that when the current government make changes or introduces new developments in government structures or its operational model, opposition parties will always criticise and act against such conduct. However, that is not new because everyone is gunning for political gains. In this matter, it is different though because even the ANC's alliance partners SACP and COSTU are against the VAT increase that has been introduced by the ANC government. Accordingly, it is clear that the majority of the country's population is against the VAT increase. Interestingly and while many political parties and trade unions oppose the VAT increase in South Africa, the majority of academics whose on the matter were explored support the VAT increase and this is because they have a better understanding of economic principles.

The recently launched Zondo Commission of inquiry seeks to investigate the alleged state capture and those implicated in it. As previously indicated and as part of consequences of the Zondo Commission, the Minister of Finance Mr Nene resigned from the treasury portfolio after his testimony in the commission. The fact that government is spending a lot of money in this Commission cannot be overlooked and that leaves a question as to whether the country would be able to achieve its desired outcome in increasing VAT? The country is in recession state currently, but one can hope for better after the conclusion of the Zondo Commission of inquiry.[1]

3 RECOMMENDATIONS

Other findings of the study proves that the major causes that led to VAT increase emanated from SARS poor governance which contributed to the shortfall of revenue collection, government irregular expenditures, alleged state capture and VAT fraud.

[1] See chapter 4 at 4.5

The National Treasury flouted its own policies and regulations, incurred nearly R770 million in irregular expenditure and paid another R67 million for goods and services that were not received.[2] According to Auditor General Kimi Makwetu, Treasury received an unqualified audit opinion on irregular expenditure of R786.9 million as it did not follow tender processes and did not properly approve its expenditure. During the financial year 2017/18 Auditor General observed that contracts were awarded to suppliers whose tax matters had not been declared by SARS.

The following is recommended;

SARS must employ mechanism to improve its governance and effectiveness. In addition, the tax agency must improve its tax collection system, and streamline processes to counteract wastage and VAT fraud. There is also an outcry about SARS withholding refunds and that cause businesses to collapse (mostly small business), consequently tax collection is hindered. In an instance where SARS is able to adopt and implement best tax practices, the finances of the country are likely to reach stability and as a result the likelihood of VAT increase in the foreseeable future diminishes significantly. Revenue collection shortfall causes the state to borrow funds from World Bank and repayment is accompanied by sizeable interest. If SARS collect revenue effectively and efficiently South Africa will not have to borrow funds.

The government must improve efficiencies to eliminate irregular expenditure; therefore it is important to recover monies irregularly spent on employees and entities that benefited from that irregular spending. Government must also do away of financial bailing out of state-owned enterprises such as Denel and the South African Airways as this affect the financial position of the country. On the alleged state capture, government work is intended to serve the general populace and not to enrich private entries or individuals. Therefore and upon completion of the State Capture Commission of inquiry, those implicated and proved to have benefited from state capture must pay back the money to the state.

[2] Sidimba, L. 2018. Treasury bends own rules, incurs R770m in irregular expenditure: AG. *IOL News*, 12 October.[Online] Available from http://www.msn.com/en-za/money/treasury-bends-own-rules-incurs-r770m-in-irregula-expenditure-ag/ar-BBOh4w3?ocid=ientp [Accessed 2018-10-12].

The increase of VAT to 15 percent will also cost the state more in its purchase of goods and services adding to the pressure facing the public sector, which is already experiencing budget cuts. It is for these reasons, amongst others, that the argument for VAT increase seems weak, seeing that the majority of financial difficulties that South Africa finds itself in are self-imposed.

For example, it is in the public knowledge that South Africa has had four different finance ministers in a space of four years, which essentially signals existence of political uncertainty and heightened political risk. This affects the economic growth of the country. It is important that as a country South Africa discards tendency of appointing ministers based on their political affiliations, and focus more on appointing ministers based on their qualifications and competences within that sector.

In light of the above reasons and findings, I come to the conclusion that increasing VAT to 15 percent is not justifiable. This has also recently been proven by the current minister of finance Mr Mboweni on his 0MTBPS when he announced that, during the financial year of 2018/19 there will be R27.4 billion shortfalls anticipated from the revenue collection[3]. The GDP growth has decreased from 1.5 percent in February 2018 to 0.7 percent in October 2018.[4]

It is therefore clear that, 15 percent VAT increase is and will not assist in closing the revenue gap; instead it becomes a burden to the poorer. Lastly, many households are dependent on social grants in South Africa because of higher rate of unemployment; instead of increasing the basket of zero-rated items the government could have increased the social grants so poorer could curb the burden of VAT increase. Furthermore on the conclusion it is recommended that South Africa can be assisted if it can do the following on top of recommendations given in this chapter;

[3] Mertem, M. 2018. SARS-R20bn VAT refund backlog wipes out revenue expected from the VAT hike. *Daily Maverick*, 26 October. [Online] Available from: http://www.msn.com/en-za/money/politics/sars-%e2%80%93-r20bn-vat-refund-backlog-wipes-out-revenue-expected-from-the-vat-hike/ar-BBOUytQ?ocid=ientp [Accessed 2018-10-26].

[4] Id.

- **Manage debts**- South Africa cannot rely on debt and increased taxes to fund our state, especially when that money is being mismanaged by our government. To borrow from Churchill, you cannot tax your way to prosperity. If South Africa wants to get itself out of debt trap, we need to do so through accelerating economic growth.
- **Increase savings**- A higher gross savings ratio is linked to a stronger economic growth. The South African savings rate currently stands at 16.2 percent, the lowest of the Brazil, Russia, India, China, and South Africa (hereinafter referred to as BRICS) nations and well below what is considered adequate for high growth rates.[5] South Africa needs to increase the savings rate to at least 20 percent in order to sustain a higher growth trajectory that will result in significant job creation.
- **Eradicate corruption**- South Africa is ranking 67 in the list of countries with corruption internationally.[6] This problem has to be addressed in South Africa as corruption saps the fiscus of billions in lost revenue.
- **Limit the ballooning public sector wage bill**- currently, one potential "holy cow" that is throwing a spanner in the spending works is the Public Servants wage bill. It accounts for more than 35 percent of government's total spending. The 2018 public-service wage agreement exceeds budget baselines by about R30.2 billion at the current term and government have not allocated additional money for this.[7] Even though public sector employees have a right to fair wage, but this must be linked to productivity and outcomes.

There is hope and belief that, South Africans will not experience any VAT increase during the financial year 2018/19 or in a near future and that the government will clean its house for the benefit of all South Africans, mostly the poor house-holds.

[5] Church, P. 2015.Five lessons we should learn from Greece. [Online] Available from: https://www.da.org.za/2015/07/five-lessons-we-should-learn-from-greece/ [Accessed 2018-05-10].
[6] Id.
[7] MTBPS 2018: The good, the bad and the ugly. [Online] Available from: http://www.msn.com/en-za-/money/politics/mtbps-2018-the-good-the-bad-and-the-ugly/ar-BBOPqMJ?ocid=ientp [Accessed 2018-10-25].

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