

VAT hike could have been avoided if corruption had been cut, Judge Dennis Davis says

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A hike in the value-added tax (VAT) rate, which kicks in at the end of March, could have been avoided, Judge Dennis Davis, chair of the Davis Tax Commission, said.



Judge Dennis Davis

Davis headed a committee that was appointed in 2013 to review SA's tax policy framework. A finding from the committee was that a one percentage point increase in the VAT rate from 14% to 15% could raise R20bn in revenue.

In February, the government was forced to turn to a VAT hike - the first in 23 years - to plug a nearly R50bn revenue gap.

Davis, speaking at the Small Business Indaba in Bryanston, raised the topic of the total amount of money lost to corruption and state capture, allegedly masterminded by the Gupta family, saying: "Ask yourself, would we really needed to have collected R20bn in VAT if we, even to a small extent reduced corruption?"

"To put up VAT by 1% is difficult," he added.

Even more alarming was the unauthorised and wasteful expenditure amounting to between R60bn and R80bn that the

auditor-general's office recently highlighted, he said.

"If we cut that down by 25%, in other words, if we said 'okay we'll give you R40bn to waste and we'll save R20bn, we wouldn't have had to increase VAT. That is exactly why we can't talk about small-and medium-sized businesses without looking more holistically at the location of where we are in SA."

Davis said while the climate under new president Cyril Ramaphosa suggested that SA had turned a corner, "It's perfectly obvious we've got a hell of a long way to go."

His comments come as the Treasury intends to proceed with a plan to convene a panel of experts to investigate the possibility of expanding the basket of zero-rated food items, to reduce the effect of the VAT hike on the poor.

A Treasury spokesperson said: "The details of public hearings will be communicated in due course and the public will be invited to make submissions."

Source: *Business Day*

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