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For Immediate Release

## **FISCAL FRAMEWORK PASSED DESPITE VAT HIKE REJECTION BY MOST PARTIES - THE BJC CONTINUES TO CALL FOR FAIRER ALTERNATIVES**

In a country marked by the [highest levels of inequality in the world](#), the Budget Justice Coalition (BJC) notes with disappointment the adoption of the 2025/26 Fiscal Framework by the National Assembly. However, we also note that the proposed VAT increase was explicitly rejected by the majority of political parties in Parliament. We also note that those who supported the fiscal framework despite their opposition to VAT, did so on the basis of the recommendation made by the [Standing and Select Committees on Finance](#), that the Finance Minister, within 30 days, reviews and considers alternatives to this regressive funding measure.

We therefore reiterate our call for the Government of National Unity (GNU) and National Treasury to **urgently explore and implement alternative revenue-raising proposals** which we have consistently tabled; proposals that are equitable, redistributive, and grounded in the lived realities of South Africans.

The BJC is furthermore concerned that, while alternative revenue-raising measures are being considered, the VAT hike is due to come into effect on 01 May. **Therefore, we suggest that the Finance Minister returns to Parliament within 10 days with his revised revenue proposals, to ensure sufficient time for meaningful amendments before 01 May.**

While we welcome real-term increases in social spending on health, education and early childhood development, these gains are overshadowed by the regressive revenue measures used to finance them. These gains are also insufficient to counteract years of underfunding and the resulting constitutional deficit. VAT is a blunt instrument that [disproportionately burdens low-income households](#), eroding the purchasing power of families already struggling to afford food, healthcare, transport and education. We are particularly concerned that despite a

commitment to gender-responsive budgeting (GRB), such a regressive tax will be felt most by women-headed households which [are most represented in poverty statistics in our country](#).

It is also crucial to note that the 2018 VAT increase from 14% to 15% did not yield the expected revenue gains. Instead, it [led to a 0.7% decline in consumer spending and contributed to a 0.5% rise in inflation](#), indicating that such tax hikes can dampen economic activity and disproportionately affect lower-income households. This illustrates that VAT hikes are not always efficient tools for revenue collection. While zero-rating certain basic food items was introduced as a mitigating measure, [it has proven to be a limited and inadequate intervention](#) that fails to fully shield economically vulnerable South Africans from the broader inflationary and regressive effects of VAT increases.

Furthermore, we are deeply concerned that the gains from increased allocations to education and health facilities will be offset by inflationary pressures introduced by the VAT hike, effectively diminishing the real value of these investments and constraining service delivery.

In our written and oral [submissions to the Committees on Finance](#), we emphasised that the VAT increase was not the only available option. Like most other stakeholders presenting, we proposed several credible alternatives to raise revenue more equitably, including:

1. Addressing illicit financial flows and uncollected tax revenue, which currently sits at an estimated R800 billion
2. Phasing out ineffective corporate tax incentives, such as the Employment Tax Incentive which could claw back [up to](#) R27 billion
3. Reinstating the corporate income tax rate to 28% as there is no clear evidence that the 1% reduction has led to improved investment or job creation outcomes
4. Exploring redistributive tax proposals including wealth, luxury and inheritance taxes which could generate [up to](#) R160 billion.
5. Sustainably drawing from available reserves such as GFECRA (up to [R150-200 billion without jeopardising the Reserve Bank mandate](#))
6. Government Employment Fund pension contribution freeze as a stop-gap measure for the 2025/26 year to free up [between R15 billion and](#) R30 billion while alternative revenue-raising measures are investigated and spending plans are realigned to support government's Medium Term Development Plan.

The BJC wasn't alone in raising concerns and alternative solutions. The Committees held public hearings on 25 March 2025 and received an unprecedented [51 submissions](#). It is crucial to note that [49 of these were opposed to the VAT increase](#).

Despite the finance minister's [acknowledgement that austerity has failed](#), this budget continues to rely on fiscal decisions that push the burden onto the poor while leaving wealth largely untapped.

The BJC will continue to advocate for fiscal policy that builds an inclusive economy and public sector that upholds constitutional rights and places people at the centre of the economy. We

urge Parliament and National Treasury to take this opportunity to listen to the people: **abandon the VAT hike and implement alternative, progressive revenue-raising measures** to close the corresponding budget gap.

**View our full submission to Parliament on the 2025 Fiscal Framework at:** [https://pmg.org.za/files/250325\\_BJC\\_submission\\_fiscal\\_framework\\_and\\_revenue\\_proposals\\_2025\\_26.pdf](https://pmg.org.za/files/250325_BJC_submission_fiscal_framework_and_revenue_proposals_2025_26.pdf).

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**ABOUT THE BUDGET JUSTICE COALITION:**

The organisations that make up the BJC are: Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education (EE), Equal Education Law Centre (EELC), HEALA, the Institute for Economic Justice (IEJ), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Treatment Action Campaign (TAC), the Legal Resources Centre (LRC), Centre for Child Law (CCL), Youth Capital, 350.org, Open Secrets, Public Affairs Research Institute (PARI), My Vote Counts (MVC), Amandla.mobi, Black Sash as well as friends of the coalition.

The purpose of the Budget Justice Coalition is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way.