MEDIA STATEMENT
For Immediate Release
24 April 2025

No More False Choices – A Budget That Works for All Is Within Reach

The Budget Justice Coalition (BJC) welcomes the withdrawal of the proposed increase in VAT to 15.5, while raising concerns about the false choice between VAT and further social cuts.

This reversal is a testament to the power of public participation, broad social consensus in pursuit of more just and sustainable economic choices. It also reaffirms civil society calls repeatedly made for the establishment of robust fiscal policy participatory mechanisms that would enable more progressive, informed decision-making as envisaged by the South African Constitution.

From the beginning, we as the BJC have said: **South Africans should not be forced to choose between deeper poverty and reduced public services. We can - and must - build a budget that works for all.** A budget that protects the most vulnerable, builds an inclusive economy, and raises revenue fairly.

The Treasury's reversal of the VAT increase, which would have generated just R13.5 billion (or 0.5% of the total budget) or a net increase of R11.5 billion after accounting for the extension of zero-rating on essential items, reminds us and confirms that **there have always been alternatives to austerity and regressive taxation.** The decision reversal is a great starting point; but **it should also be a turning point toward protecting and deepening investment in public services**, and **embracing more transparent, accountable, equitable, and people-centred fiscal choices**.

Further cuts are not acceptable

Treasury's framing of this move as a trigger for further spending cuts is however concerning. That is neither inevitable nor acceptable. **A fair fiscal framework cannot be built on threats and false choices.** It requires real and frank engagement with Parliament, civil society and the public to develop progressive revenue measures and targeted spending that responds to the country's most pressing needs.

As such, we caution against any suggestion that the reversal of the VAT hike must now be offset by cuts to social and developmental spending. We strongly reject this false binary. As we have consistently argued in our submissions on the Division of Revenue Bill, a VAT increase would have likely eroded the real value of expenditure gains, particularly in pro-poor programmes in basic education and health. Moreover, as we have stated often in our submissions to Parliament, underspending and irregular, unauthorised, fruitless, and wasteful expenditure remain serious concerns and **the response must be to build capacity, address accountability gaps and improve implementation, rather than punish ordinary South Africans by rolling back essential services.**

We also note that SARS has stated that previous revenue collections were underestimated by R8.8 billion. This means that the shortfall that Treasury claims needs to be addressed through spending cuts is a lot smaller - approximately R2.7 billion. This reinforces our call to protect public spending: there is simply no justification for threatening vital services when progressive, evidence-based alternatives remain on the table.

Instead of resorting to severe and unnecessary cuts, **government should urgently explore progressive, evidence-based revenue alternatives** that civil society, BJC included,has long put forward. These options include proposals that are immediately implementable and others that can be explored in the medium to long term.

Immediately implementable proposals:

- **Sustainably drawing on available reserves**, particularly Gold and Foreign Exchange Contingency Reserve Account (GFECRA), which could **release R150–200 billion** without compromising the Reserve Bank's mandate.
- Temporarily freezing **Government Employees Pension Fund (GEPF) contributions** for the 2025/26 year, as a stop-gap measure to **free up R15-30 billion** while longer-term reforms are pursued.
- Reconsidering **retirement fund tax deductions** for those earning above R1 million. The government could have raised approximately R51 billion in 2022/23 (equivalent to R60.4 billion in 2024/25)
- Reinstating the **corporate income tax rate** to 28%, given the lack of evidence that the recent reduction has improved investment or job creation.

Longer-term proposals:

- Tackling **illicit financial flows and uncollected taxes**, estimated at over R800 billion.
- **Phasing out ineffective corporate tax incentives**, such as the Employment Tax Incentive, which could recover up to R27 billion.
- Introducing redistributive taxes, such as **wealth, luxury, and inheritance taxes**, with the potential to generate up to R160 billion.
- Implementing Zondo Commission recommendations, specifically focused on **streamlining domestic anti-corruption interventions** to safeguard public resources and improve accountability.

These measures provide a credible foundation for protecting public spending and advancing a more just, inclusive budget that works for all. More importantly, **the amount of revenue that could be sourced through these progressive alternatives is far greater than the amount needed to cover the shortfall in the budget** without sacrificing any health, education and social development line items.

South Africa deserves more than reactive policymaking and ideological rigidity. The role of civil society remains crucial in resisting regressive measures and pushing for a new consensus on how we raise and allocate public funds.

The scrap of the VAT decision is only the beginning of a fairer fiscal path that puts the country's people first.

ENDS

Media Contacts:

For media enquiries:

To arrange interviews with BJC representatives, contact Clotilde Angelucci on 0826815927