

Removing VAT off peanut butter, an excellent source of protein and fats on children's sandwiches, is not going to send our economy into the ashes. Neither is subsidising eggs, Maas, brown bread and maize meal. Nor is paying workers and pensioners a living wage. Nor is increasing the Child Support Grant so mothers can feed their children a proper nutritious diet. Nor is reducing the cost of electricity and transport. Nor is regulating the retailers and the prices on supermarket shelves. All these would be good for society and provide the possibility for an economic recovery.

South African households are facing an affordability crisis. No amount of tinkering around the edges of our economic framework which has caused these problems is going to change this. Families cannot afford to eat properly.

Given this context, the scope and the timeline given by Treasury to the Expert Panel was too narrow and too short to deal sufficiently with the hardship caused to low income households by the increase of VAT from 14% to 15% and the magnitude of the food affordability crisis. The resultant recommendations bear this out.

While removing VAT off white bread, cake flour, sanitary pads, school uniforms and nappies may offer a slight relief to struggling households; it is not going to address the fundamental affordability crisis. It would have been better if the focus was on the cause of the affordability crisis and the consequent nutritional implications; and how to decisively deal with this crisis affecting millions of South Africans.

Affordability is related to income and the cost of goods and services. Wage levels are too low and the cost of goods and services are too high. Dealing with the food affordability crisis requires finding ways to increase wages and reduce the cost of all goods and services households require.

In August 2018, the cost of foods in the Household Food Basket, a basket designed with women living on low incomes, was R3 009.65. The median wage for Black South African households is R3 000. In August 2018 households are underspending on proper nutritious food by 26% (see attached August 2018 Household Affordability Index).

Zero-rated foods do not guarantee affordability and inflation on these foods tends to run higher than foods subject to VAT. Over the last 3 months (June 2018 to August 2018), whilst food prices have declined in the Household Food Basket: zero-rated foods came down by a lower -0.3% (-R3.47) compared to foods subject to VAT, which came down by a higher -2.2% (-R37,46). Lower levels of inflation may drive households to switch to buy more foods subject to VAT.

Overall the VAT on the Household Food Basket in August 2018 was R215.77, which is 7.2% of the total Household Food Basket. If white bread and cake flour are zero-rated in line with Panel recommendations; the savings on the Household Food Basket would be R40,81 per month (R31,46 on 25 loaves of bread and R9.35 on 10kg of cake flour). This would bring the cost of the Household Food Basket down to R2 968.84 a month. This amount is almost equivalent to the median wage for a Black South African household; and this is just food (not transport or any other critical household expenses).

We are facing probably our greatest crisis and we are still unable to conceptualise the problem within the broader political economy and deal with its cause. We cannot deal with our food affordability crisis by limiting analyses to losses to the fiscus and evaluating a few chosen goods and services within such a narrow framework of evaluation. It is not useful to approach problems in isolation or by using the entry point of analysis as "whether (we) can afford this?" or "what will the loss to the fiscus be (for us)?"

Tax policy should focus on collecting tax from those who can afford it. We suggest that all VAT be removed from food and that food be deemed a public good. If there is a need to recover revenue from food, then it is better if it be recovered off luxury foods which working class households do not buy and the wealthy do buy.

Food is not a commodity. It is better for all of us if we are all able to eat properly and be healthy. Without proper nutrition none of our developmental outcomes will come to fruition. Our education outcomes will continue to be dire, our health sector will continue to collapse as more and more people get sick; and with very little money in the pockets of the majority of South Africans; and child stunting levels at 25% for girl children and 30% for boy children under the age of five years; we can have no future workforce or political stability, or reasonable economic recovery.

Ignoring millions of South African's everyday lived experience to the violence of a deepening affordability crisis; and a fast deteriorating nutritional situation is going to lead to social disorder and chaos.

For information and media enquiries, contact: Julie Smith on 072 324 5043 and julie@pmbejd.org.za; and Mervyn Abrahams on 079 398 9384 and mervyn@pmbejd.org.za. Website: www.pmbejd.org.za.