



A R20 saving on VAT by zero-rating cake flour and sanitary pads is not enough to protect millions of South African households from a deepening food affordability crisis.

We are extremely disappointed at the announcement of what National Treasury has accepted to implement out of the VAT Panel Recommendations. The VAT Panel recommended that the following items be zero-rated: white bread, bread flour and cake flour; sanitary pads; school uniforms; and nappies; including that strengthening the National School Nutrition Programme and increasing the Old-Age Pension and Child Support Grant be considered to mitigate the impact of the VAT increase on poorer households. Minister Mboweni in the Medium-Term Budget Policy Statement announced that government would just zero-rate cake flour, bread flour and sanitary pads.

In the face of the scale, depth and negative consequences of the food affordability crisis facing millions of South African households the measures proposed in the mini-budget are staggering. We see no urgent or substantial measures announced to protect millions of South Africans from a deepening affordability crisis.

Below we have calculated the savings to households living on low-incomes by zero-rating cake flour and sanitary pads. Note that women living on low incomes in Pietermaritzburg do not buy bread flour.

Zero-rating cake flour

In October 2018, the cost of foods in the Household Food Basket, a basket designed with women living on low incomes in Pietermaritzburg, was **R3 038,50**. Between September 2018 and October 2018 the Household Food Basket increased by **R18,22** (from R3 020,28 to R3038,50). Overall the VAT on the Household Food Basket in October 2018 was R219,38.

The Household Food Basket includes 10kg of cake flour. 10kg of cake flour in October 2018 cost R75,66. Zero-rating cake flour on our October 2018 figures would move the cost to R65,79. This would bring the cost of the Household Food Basket down to **R3 028,63 a month, a savings of R9,87**.

The cost of the Household Food Basket with a savings of around R10 moves the basket down to R3 028 per month. This is above the median wage for a Black South African worker is R3 000 a month; and this is just food (not transport or any other critical household expenses). Zero-rating a few foods does not materially bring down the cost of the food baskets of most South African households to a level which is affordable.

Zero-rating sanitary pads

In October 2018, the cost of products in the Household Domestic and Personal Hygiene Basket, a basket designed with women living on low incomes in Pietermaritzburg, was **R661,08**. Between September 2018 and October 2018, the Household Domestic and Personal Hygiene Basket increased by **R12,33** (from R648,75 to R661,08). Overall the VAT on the Household Domestic and Personal Hygiene Basket was R86,23.

The Household Domestic and Personal Hygiene Basket includes 2 big packs of sanitary pads. 2 big packs of pads in October 2018 cost R80,31 (R40,15 each). Zero-rating sanitary pads in our October 2018 figures would move the cost to R69,83, This would bring the cost of the Household Domestic and Personal Hygiene Basket down to **R650,60 a month, a savings of R10,48**.

The impact of zero-rating cake flour and sanitary pads on low-income households **means a potential savings of around R20 a month**. Zero-rating a few food items is not enough to address what we see as a deepening food affordability crisis in the homes of millions of South African households. VAT whilst it is exacerbating the food affordability crisis is not the only factor causing food not to be affordable. The crisis is being driven by our massive unemployment levels, our low-baseline wage regime and poverty-level social grants; and the substantial hikes in the costs of goods and services (transport via fuel hikes, electricity hikes and food hikes). Millions of South African households do not have enough money in their pockets. Millions of South Africans are struggling to put food on the table. The cost of securing the total basket of food, domestic and hygiene products is still far too much relative to the level of income coming into homes.

See *The October 2018 Household Affordability Index*: <http://pmbejd.org.za/wp-content/uploads/2018/10/October-2018-Household-Affordability-Index-PMBEJD.pdf>

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