



Tax & Legal – News Alert



Withdrawal of the proposed VAT increase

The Minister of Finance issued a Media Statement on 24 April 2025 in which it was indicated that the proposed increase in the Value Added Tax (“VAT”) rate, due to come into effect on 1 May 2025, would be withdrawn.

In his Annual Budget Speech delivered on 12 March 2025, the Minister of Finance announced the VAT rate would be increased from 15% to 15.5% with effect from 1 May 2025 and from 15.5% to 16% with effect from 1 April 2026.

Draft legislation to this effect was included in clause 5 and 6 of the Draft 2025 Rates and Monetary Amounts and Amendment of Revenue Laws Bill (the “Draft Rates and Monetary Amounts Bill”) released on 14 March 2025. The provisions of the Draft Rates and Monetary Amounts Bill would have amended section 7(1) of the Value Added Tax Act No 89 of 1991 (“the VAT Act”), which prescribes the rate at which VAT should be levied, with effect from the dates stipulated.

In terms of clause 7(4) of the VAT Act, if the Minister of Finance makes an announcement in the Annual Budget, that the VAT rate specified in section 7 is to be altered, that alteration will be effective from a date determined by the Minister of Finance in that announcement, and continues to apply for a period of 12 months from that date subject to Parliament passing legislation giving effect to that announcement within that period of 12 months. The VAT rate was therefore set to increase on 1 May 2025 notwithstanding the fact that the Draft Rates and Monetary Amounts Bill is still in draft form and has not been passed by Parliament.

In a Media Statement issued on 24 April 2025, the Minister of Finance indicated that National Treasury will be introducing a revised Rates and Monetary Amounts and Amendment of Revenues Laws Bill (the “Revised Rates and Monetary Amounts Bill”) in which the current 15% VAT rate will be maintained. The effect of the Revised Rates and Monetary Amounts Bill will be to withdraw the proposed VAT increase.

The Media Statement indicated that that “the measures to cushion lower income households against the potential negative impact of the rate increase now need to be withdrawn and other expenditure decisions revisited”. It is therefore likely that clause 7 of the Draft Rates and Monetary Amounts Bill which sought to expand the list of zero-rated goods contained in Schedule 2 of the VAT Act will also be removed in the Revised Rates and Monetary Amounts Bill.

Revised versions of the Appropriations Bill and Division of Revenue Bill will be released in the next few weeks and will indicate what adjustments to expenditure will be made.

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