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BUDGET IMPASSE

# ANC ponders backing down on VAT hike

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THE ANC is expected to abandon its push for a Value Added Tax (VAT) increase in the budget, following intense opposition from its coalition partners in the Government of National Unity (GNU) and other political parties.

The decision comes after a series of meetings between the ANC and various parties, including the DA, where it became clear that there would be little to no support for the VAT hike.

The DA and ANC met on Saturday to discuss the ongoing budget impasse with the aim of finding a solution to the country's fiscal crisis and although both parties described the discussions as constructive, the DA remains resolute that it will not back a VAT hike.

The ANC was able to pass the budget in the National Assembly recently with the assistance of smaller parties in the GNU, and others including ActionSA and Build One South Africa after the DA and the Freedom Front Plus voted against the ANC's budget proposal.

But ActionSA and BOSA were also adamant that they did not support a VAT hike and Finance Minister Enoch Godongwana had to find alternatives to contribute to the country's fiscus.

A senior ANC member who was part of the series of meetings with other parties, admitted that the party had failed to convince others to support the VAT hike,



HELEN Zille said the DA and ANC held a constructive meeting over the Budget impasse. | **ARMAND HOUGH** Independent Newspapers

saying that all the parties vehemently opposed the VAT hike.

"If we are going to keep the GNU going and not alienate other organisations I think it's time we listen... we can't go at it on our own. It's time we realise that we are in the GNU with other parties that also have opinions. However they have to come up with solutions."

The DA's Federal Chairperson Helen Zille, in a statement after Saturday's meeting said that the two parties, which lead the GNU, held a constructive meeting.

"The engagement was productive, with both sides speaking respectfully and frankly about resolving the budget impasse," Zille said.

She reiterated the DA's opposition to the VAT increase, citing concerns about its impact on economic growth and job creation.

She said despite their differences, both parties were committed to enhancing co-operation within the GNU.

ANC spokesperson Mahlengi Bhen-gu-Motsiri did not respond to questions.

With the VAT hike likely off the table, the ANC is now under pressure to find alternative ways to ease the government's revenue crisis.

The source said Godongwana will need to come up with a new plan to plug the R13.5 billion hole in the budget if the VAT increase is scrapped, saying this should happen before the end of the month because of the May 6 National Assembly meeting.

Cosatu spokesperson Matthew Parks, has welcomed the potential scrapping of the VAT hike, saying it would place a burden on millions of workers already struggling with the rising cost of living.

"We welcome the government and Parliament's endorsement of Cosatu's call for progressive alternatives that will ensure the state has the resources it needs to deliver quality public services, stimulate the economy and tackle unemployment," Parks said.

Economist Duma Gqubule suggested that the government should consider an emergency budget, similar to that implemented during the Covid-19 pandemic.