

Making chicken VAT-free should be a national imperative, says FairPlay founder

South Africa is processing a [new report](#) produced by an independent panel that reviewed the current list of items exempted from value-added tax (VAT). While experts on the panel noted that chicken is the largest staple protein for low-income households, the report ultimately advised against it.



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While the chicken industry said it would continue to lobby to have chicken pieces added to the basket of zero-rated goods, Judge Dennis Davis [commented to Fin24](#) that it's unlikely extra items will be added to the VAT free list, aside from the panel's recommendation.

"The problem about it is, that there's no money and it's about time people understood that, meaning we're running on empty...so the question is, if you're going to have an expansive range of zero-ratings, what was the point of the 1% [point increase] in the first place?," Davis, who chaired the Davis Tax Committee said.

Fairplay founder Francois Baird has issued a statement providing commentary on the matter:

Judge Dennis Davis, one of our foremost tax experts, says there is no money to remove VAT from chicken, because the income loss to the Treasury would be too great.

FairPlay has two responses to this. Firstly, the money must be found and secondly, there are ways of doing so.

Chicken has to be made VAT-free because it is the staple food of the poor. According to Stats SA, more than half the population – over 30 million people – live in poverty. These are the people who would benefit directly from VAT-free chicken. Stats SA has also reported that about a third of all children in Gauteng and the Free State are stunted as a result of chronic malnutrition. This is what malnutrition does – these children will never reach their full potential.

Chicken is a major food expense for lower-income households, it is popular and it is nutritious. Lower-income households buy a higher percentage of zero-rated goods. Removing VAT from chicken therefore directly targets the poor, which is the specific objective of VAT relief.

These are only some of the reasons why chicken should be VAT-free. There are so many that chicken should have been top of the list of new items to be zero-rated, not left off the bottom of the recommendations from the Woolard panel.



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As the arguments in favour of chicken are compelling, attention must therefore focus on ways to lessen the burden on the Treasury. Here are our top five considerations:

- *Review the existing list of zero-rated items. The Woolard panel was asked to do so, but lacked the time and resources. Removing some items from the list would make it easier to zero-rate chicken.*
- *Review the panel's recommendations on additional zero-rated items. When poor people need nutrition, chicken is a more obvious answer than white bread and cake flour.*
- *Focus on the chicken portions that are most consumed by lower-income households. Several suggestions have been made, and the panel itself gave serious consideration to Individually Quick Frozen portions, or IQF. The objective must be to benefit the poor, not the rich, and reducing the selection reduces the cost to the fiscus.*
- *Reduce the budgets of departments such as Defence, and divert money to helping to feed the poor.*
- *Look at the wider public interest. Reducing the price of chicken would increase demand, leading to expanded production, job creation, regional and national economic growth and higher tax revenues. The numbers are significant – the Woolard panel was told it could result in 11,000 new jobs, an additional R1bn in tax revenue and a R3.7bn boost to GDP.*

This is where the focus should be. Making chicken VAT-free should be a national imperative. Instead of saying it can't be done, we should be exploring the ways in which it can be done.

It is not too late – the parliamentary and government deliberations have only just begun. If they listen to all the arguments why chicken should be zero-rated, and look carefully at how to do so, they must end up by doing the right thing.