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**The Presidency | Minister of Finance | National Treasury**

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Dear Sir/Madam

**RE: PROPOSED ZERO-RATING OF CHICKEN**

We are pleased to make this submission on behalf of the Association of Meat Importers and Exporters South Africa (“**AMIE SA**”) and the South African Poultry Association (“**SAPA**”). AMIE SA is an association that strives to promote fair trade and global access to the meat and poultry import and export industry in South Africa. SAPA is an organisation that represents the interests of the poultry industry in South Africa.

The purpose of this submission is to request that certain chicken products (being a vital nutritional source and basic food item) are included under Part B of Schedule 2 to the Value-Added Tax Act, 89 of 1991 (“**VAT Act**”), for purposes of the zero-rating in section 11(1)(j) of the VAT Act.

Our submission is a response and practical recommendation to give effect to the announcement by President Cyril Ramaphosa, in his opening of Parliament address in July 2024, that the newly formed Government of National Unity will (in line with the government’s prior commitments, especially in the context of the VAT rate increase that came into effect in April 2018) expand the basket of essential food items that are zero-rated to support poor South Africans amid rising food prices. The President’s announcement has received widespread support from various political groups and civil society.

A large portion of the South African population suffers from malnutrition and food insecurity. It is therefore unsustainable that the list of zero-rated food items contains limited animal-based protein items when an affordable animal-meat protein would both combat malnutrition in the most vulnerable of society (i.e. young children, (pregnant) woman and the elderly) and provide much needed food security to those most in need in

South Africa. The expansion of the list of zero-rated items is not merely a political talking point. It is a real and actionable poverty alleviation mechanism that has been objectively proven to ease the burden on poor and low-income households.

The **proposal** in this submission focuses on the inclusion of frozen bone-in chicken products and fresh and frozen offal on the list of basic food items that qualify for the zero rate.

As an **alternative** to, or together with, the proposals in this report, consideration could be given to:

1. expanding the definition of “chicken” for zero-rating purposes to include fresh bone-in chicken and other products to *inter alia*:
  - achieve a simpler definition of “chicken”;
  - limit the resources required to enforce and monitor the application of the zero rate to “chicken”;  
and
  - mitigate the potential market impact of changed spending patterns if only certain chicken products were to be zero-rated.
  
2. applying the standard rate of VAT to a deemed (reduced) consideration for all chicken products. This dispensation:
  - could operate in a similar manner to existing provisions in the VAT Act applicable to “commercial accommodation”, i.e. the definition of that term, read together with section 10(10), which apply to subject only 60% of the consideration for the supply of “commercial accommodation” to VAT at the standard rate of 15%. If this alternative proposal is implemented, it would achieve the outcome of a reduced VAT cost on chicken products without the need to change the structure of the VAT Act by introducing a VAT rate lower than the standard rate; and
  - would avoid the absolute *non-collection* of VAT from chicken sales (i.e. the fiscus would still collect a percentage of VAT from chicken sales), but poorer households would nevertheless benefit from a VAT cost savings, freeing up monthly spend to apply to other necessities.

The initiative in this report, led by AMIE SA and SAPA, has received widespread support from public stakeholders.

We urge the National Treasury to consider this proposal favourably. Should an engagement be required or useful to discuss any of the issues considered in this proposal, or alternatively to canvass relevant issues not raised in this proposal, we, together with representatives of AMIE SA and SAPA, would be more than happy to avail ourselves.

Thank you for considering this important proposal. We look forward to your positive response.

Yours faithfully

**EDWARD NATHAN SONNENBERGS INC t/a ENS**

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H Lombard (Nov 25, 2024 18:05 GMT+2)

**Charles de Wet | Riëtte Lombard | Jo Roman**

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## 1. Proposal and definition

- 1.1. We propose in this report that “chicken”, as defined below, be included under Part B of Schedule 2 to the VAT Act for purposes of the zero-rating in section 11(1)(j). We accordingly submit that “chicken”, as defined below, be zero-rated for the reasons discussed.
- 1.2. To determine the appropriate definition of “chicken” for this purpose, consideration was given to including products that are predominantly consumed by poorer households, and which can be simply defined and interpreted, i.e. a definition that can be practically applied, without uncertainties, and which would avoid abuse.
- 1.3. The proposed definition of “chicken” for purposes of Part B of Schedule 2 (new item 22) is therefore as follows:

*“fowls of the species Gallus Domesticus, in the following forms:*

- *frozen meat on the bone, including birds, whether whole or cut in any portion and carcasses; and*
- *fresh and frozen offal, including livers, feet and heads;*

*for human consumption and not treated in any manner except for purposes of preserving (including in brine) or further enhanced by means of spice, marinade, crumb or any other means”.*

- 1.4. The definition has taken account of the description contained in the Harmonized System (HS) Nomenclature in the schedules to Customs and Excise Act, 91 of 1964, to eliminate any uncertainties and avoid abuse.
- 1.5. The definition includes mainly “frozen” products. The products proposed to be excluded are consumed in higher rates by affluent or higher income households, and should on this basis be subject to VAT at the standard rate. Based on data collated by one of the largest grocery retailers in South Africa, only 0.1% of super-upmarket and 2.1% of upmarket consumers buy frozen chicken products.
- 1.6. The Poultry Regulations promulgated by the Minister of Agriculture, under section 22 of the Meat Safety Act, No. 40 of 2000,<sup>1</sup> define “frozen” as a product temperature of not higher than minus 12 degrees Celsius. This guideline can be used to regulate which products are considered frozen for purposes of applying the zero rate.
- 1.7. Paragraph 2 of Part B of Schedule 2 to the VAT Act would (based on the existing wording in the schedule) exclude any cooked or prepared variation of the “chicken” definition proposed above, or “chicken”, defined as proposed above, which is ready for immediate consumption (“**Existing Exclusion**”). The Existing Exclusion will exclude from the proposed zero-rated

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<sup>1</sup> Regulation No. R153 published in Government Gazette No. 8402, dated 24 February 2006.

treatment *inter alia* any chicken products purchased at restaurants, fast food restaurants, tinned chicken or cooked whole birds/pieces purchased in retail or other stores.

- 1.8. Uncooked livers that have been tinned for preservation purposes are included in the definition, given the reliance thereon by poorer households and also having regard to their use in existing feeding schemes implemented to alleviate child hunger, malnutrition and stunting (see 4 below).
- 1.9. The definition does not include fresh (i.e. unfrozen) meat on the bone as a zero-rated supply. This category of chicken has been intentionally excluded to limit the quantum of tax foregone to the fiscus, and on the basis that more affluent households purchase fresh (i.e. unfrozen) chicken products. While this exclusion may create challenges in relation to the application of the zero rate (for example, especially as regards previously frozen products), this issue should be accepted as an enforcement item to be closely monitored in order to achieve the benefit to the poor discussed throughout this report. The benefit to the poor as a result of the proposed zero-rating of “chicken”, defined as proposed above, should outweigh the potential risk of abuse if the decision is adopted to indeed exclude fresh bone-in products.

## 2. Tax policy rationale

- 2.1. VAT is a tax on the domestic consumption of goods and services. The VAT system is modelled on the premise that inputs incurred by producers in the value chain are credited so that the eventual tax is not levied on an inflated cost-base. **Individual consumers, in real terms, bear the burden of the tax for mere consumption, regardless of their means.**
- 2.2. Levied at a single rate in respect of all taxable goods (except to the extent the zero rate applies), VAT is, for this reason, widely accepted as **regressive in effect**, with the poor spending a larger portion of their income to acquire **basic necessities**. The poor, therefore, in comparison to their means, contribute a larger portion of their income to the VAT.
- 2.3. VAT is a vital source of revenue collection in South Africa, consistently being one of the largest sources of collections (second only to personal income tax),<sup>2</sup> and outperforming the **profit-based** income tax imposed on corporates. With effect from years of assessment ending on or after 31 March 2023, the corporate income tax rate enjoyed a **rate reduction** of 1%.
- 2.4. In contrast, the VAT rate suffered an equivalent 1% **rate increase** on 1 April 2018, following the Minister of Finance’s announcement in the 2018/19 Budget Speech. The 2018 VAT rate increase was met with well-documented opposition,<sup>3</sup> prompting public hearings and extensive stakeholder engagement. The culmination of these consultations was several reports,

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<sup>2</sup> National Treasury “2024 Budget Review”, dated 21 February 2024.

<sup>3</sup> Standing Committee on Finance “2018 Fiscal Framework And Revenue Proposals”, dated 6 March 2018.

commissioned by Parliament, recommending the expansion of the list of zero-rated items to offset the negative consequences of the VAT rate increase.

- 2.5. Since the VAT rate increase, **only two items** (namely, cake wheat flour and white bread wheat flour) **have been added to the list of zero-rated food stuff**. Despite formal petitions, no new proteins have been added to the zero-rated list to alleviate the VAT burden borne by the poorest segments of South Africa's VAT base on protein essentials. It is an economic and a social justice imperative that the regressive impact of VAT on poorer households is addressed. Although government spend on, for example, social grants is a potential alternative to alleviating the VAT burden on the poor, there is an acknowledged risk of the misappropriation of funds allocated for this purpose before their disbursement to the intended recipients. This alternative solution therefore does not abdicate the government of its responsibility and undertaking to review the zero-rated food list.
- 2.6. Chicken is the animal protein that is most consumed, and prioritised in terms of budget spend, in lower income households (see 5 below). The zero-rating of chicken is therefore a targeted instrument to give effect to the government's obligation to review the basket of zero-rated food items. The zero-rating of chicken, as proposed herein, will disproportionately ease the burden on poor and low-income households that are reliant on chicken as a crucial and healthy source of animal protein.
- 2.7. Although the proposed expansion of the zero-rated list will come at a cost to the fiscus, the cost borne by the poorest segments of South Africa's VAT base to fund the increased VAT, with effect from 2018, on *all essentials* (such as chicken protein), is an untenable situation that was accepted only on the promise that the government would expand the list of zero-rated items to include more basic foodstuffs. This promise was reiterated in the 2024/25 Budget Speech.
- 2.8. While it is true that higher income households may benefit more from zero-rating generally on a Rand-for-Rand basis (including, specifically, as regards chicken, if the proposals in this report were adopted), this is merely because they spend larger amounts on groceries. Poorer households gain more from zero-rating in relative terms based on their means.<sup>4</sup>
- 2.9. While it is also true that other potential solutions may exist to facilitate the distribution of much-needed assistance to the poor and needy (refer 2.5 above), the zero-rating of basic food items remains a tool at the disposal of government that has been effectively implemented in the context of the foods currently included in the zero-rating list. Subject to a sharp about turn, the zero-rating of foodstuffs, at a principle level, is existing policy in South Africa. The proposals in this report therefore support and enhance South Africa's existing policy.

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<sup>4</sup> A Jansen, E Stoltz, D Yu "Improving the Targeting of Zero-Rated Basic Foodstuffs under Value Added Tax (VAT) in South Africa – an Exploratory Analysis", dated May 2012.

2.10. Owing to rising inflation and other adverse economic factors, the number of households requiring government relief continues to increase. Since no single means (including social grants) has proven to be *the* solution to give effect to the government's socio-economic obligations, zero-rating of foodstuffs remains part of a multi-pronged solution that can and should be deployed as a reprieve to the increased financial pressures of many households.

2.11. The government funding of zero-rated chicken will, amongst the other benefits discussed in this report:

2.11.1. **recalibrate** the VAT system to reduce **regressivity** and allow VAT to play a significant **redistribution** role in a country with unsustainable levels of poverty and inequality;

2.11.2. rely on existing policy and systems (i.e. the zero-rating of foodstuffs in terms of the VAT Act) to administer targeted relief to the poor. Reliance on these systems, audited by SARS (together with the mechanisms to avoid abuse discussed herein), will mean that **the cost of administering the relief will be borne largely by business** (being the suppliers of chicken) without necessarily introducing "new" complexity into the VAT system. These businesses already have systems and mechanisms to apply the zero rate to identified products;

2.11.3. **mitigate the real risk of the misappropriation of funds** allocated for government spend (which misappropriation was a leading and direct factor that necessitated the 2018 VAT rate increase) if the relief were in the form of, for example, a social grant; and

2.11.4. **ensure the intention of the relief** (i.e. to reduce the costs suffered by the poor on chicken protein essentials) **is achieved** by specifically and simplistically reducing the amounts charged by suppliers to consumers for chicken; an outcome that can be reasonably monitored.

### 3. **Mechanisms to monitor and ensure the zero-rating benefit accrues to the end-consumer**

3.1. Following the announcement of the VAT rate increase of 1% from 1 April 2018, the list of zero-rated food items (as applicable at that time) was considered and reviewed by an Independent Panel of experts in accordance with public submissions that were received. Chicken was one of the 66 food items that were debated.<sup>5</sup>

3.2. A concern was raised that the benefits of zero-rating chicken would potentially not accrue to the end customer, but could be absorbed higher up in the value chain. This is a general concern that exists for all items that are zero-rated and a factor that is easily monitored. The

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<sup>5</sup> Independent Panel of Experts for the Review of Zero Rating in South "Recommendations on Zero Ratings in the Value-Added Tax System", dated 6 August 2018.



concern is an accepted risk given the socio-economic obligation to improve the lives of poorer South Africans.

- 3.3. The risk that the benefit of zero-rating will be absorbed higher up in the value chain is also likely factually overstated: data collated by one of the largest grocery retailers in South Africa suggests that, for example, in the context of the recent zero-rating of sanitary pads with effect from 2018, there has been **no evidence that producers or retailers have absorbed the VAT cost reduction as additional margin**. There is accordingly no factual basis to allege that producers or retailers would seek to absorb the government relief aimed at assisting poor households should chicken qualify for zero-rating as proposed herein.
- 3.4. Nevertheless, a number of mechanisms exist already to monitor chicken pricing, including:
  - 3.4.1. Monitoring and reporting of prices to the Poultry Master Plan Steering Committee with the assistance of the National Agricultural Marketing Council (NAMC). The Poultry Master Plan Steering Committee is a body established as part of the Poultry Sector Master Plan, developed in 2019, in a close partnership between government and a number of stakeholders in the industry, drawn from poultry farmers, processors, exporters, importers and organised labour. The Poultry Sector Master Plan is, *inter alia*, aimed at driving domestic demand and promoting affordability.
  - 3.4.2. Oversight and reporting in the form of the Essential Food Pricing Monitoring Report published regularly (every two to three months) by the Competition Commission. The Competition Commission has monitored the price of essential foods (including chicken) since the COVID-19 pandemic in March 2020. The Essential Food Pricing Monitoring Report tracks essential foods prices (including chicken) and examines commodity cost drivers along the value chain. The Commission's work in certain instances culminates in enforcement actions against price gouging.
  - 3.4.3. Monitoring and reporting in the form of the Household Affordability Index published monthly by the Pietermaritzburg Economic Justice & Dignity Group. The Pietermaritzburg Economic Justice & Dignity Group has since August 2019 published the monthly Household Affordability Index which tracks the prices of 44 basic foods, including chicken, from 47 supermarkets and 32 butcheries, in Johannesburg (Soweto, Alexandra, Tembisa and Hillbrow), Durban (KwaMashu, Umlazi, Isipingo, Durban CBD, Hammarisdale and Pinetown), Cape Town (Khayelitsha, Gugulethu, Philippi, Langa, Delft and Dunoon), Pietermaritzburg, Mtubatuba (in Northern KwaZulu-Natal), and Springbok (in the Northern Cape). The report is based on data collected in respect of women in low income households from the above areas. The purpose of the Household Affordability

Index is to, *inter alia*, assure consumers that the price they pay reflects the true costs of food and that the food and retailer sectors are not unfairly increasing prices, nor holding back or constraining legitimate price drops.

3.4.4. Monitoring and reporting in the form of the Absa AgriTrends Report, released annually in September, providing an overview of the state of the agriculture sector in South Africa, including relating to chicken pricing, consumption and other market conditions.

3.5. Given the existing infrastructure, which includes the monitoring, reporting and enforcement mechanisms discussed above, it is clear that there is regular monitoring and reporting of chicken prices. This will play a fundamental role in the successful implementation of the zero rate as there is **accurate historical data against which future price fluctuations can be evaluated**. Not only will this ensure that there is an accurate starting point from which to evaluate prices following the implementation of the zero rate, but the infrastructure is sufficiently developed to ensure **ongoing accuracy and transparency of pricing information**. There is international precedent for relying on credible organisations (such as those discussed above) to monitor pricing throughout the value chain and to report periodically, in the public domain, on the effect of VAT on pricing in this regard.

#### 4. Why zero-rating chicken is important

##### Addressing malnutrition

##### *Stunting in South Africa*

4.1. It has been estimated that South Africa has one of the highest rates of stunting in the world among children under five<sup>6</sup>, with a rate in excess of 28.8%.<sup>7</sup> In poorer households, the stunting rate is even higher (36% in the poorest quintile vs 12% in the richest quintile).<sup>8</sup> Low household income has been identified as a primary risk factor for stunting.<sup>9</sup> The extent of stunting in South Africa is much greater than would be expected for a similar middle-income country and far higher than many comparable developing countries with similar Human Development Indices such as Gabon, Libya and Egypt.<sup>10</sup>

4.2. It was stated in the Household Affordability Index<sup>11</sup> that *“[o]n low incomes, women buy the core staple foods first so that their families do not go hungry and for basic meals to be prepared. **Where the money remaining is short, women have no choice but to drop foods**”*

<sup>6</sup> Kaldenbach S, Engebretsen IMS, Haskins L, Conolly C, Horwood C “Infant feeding, growth monitoring, and the double burden of malnutrition among children aged 6 months and their mothers in KwaZulu-Natal, South Africa. Maternal and Child Nutrition”, dated 29 November 2021.

<sup>7</sup> Human Sciences Research Council “National Food and Nutrition Security Survey National Report”, dated February 2024.

<sup>8</sup> National Department of Health (NDoH), Statistics South Africa (Stats SA), South African Medical Research Council (SAMRC), and ICF “South Africa Demographic and Health Survey, 2016”, dated January 2019.

<sup>9</sup> Wand, H., Naidoo, S., Govender, V. “Preventing Stunting in South African Children Under 5: Evaluating the Combined Impacts of Maternal Characteristics and Low Socioeconomic Conditions”, dated 28 February 2024.

<sup>10</sup> UNICEF “South Africa Nutrition Brief”, dated July 2020.

<sup>11</sup> Pietermaritzburg Economic Justice & Dignity Group “Household Affordability Index”, dated 23 October 2024 (“**Affordability Index**”).

*from their trolleys or reduce the volumes of nutritionally rich foods in their trolleys. This has negative consequences for health, well-being, and nutrition. As financial and economic circumstances worsen, so too does household health and nutrition. The gap between what women are able to buy and what they need to buy for proper nutrition widens” (our emphasis).*

#### *Impact of stunting*

- 4.3. Stunting is a largely preventable condition where a child's height is more than two standard deviations below the World Health Organization's (WHO) Child Growth Standards median.<sup>12</sup> Effectively this means that the child concerned is too short for their age. Stunting can cause irreversible physical and cognitive deficits which can affect a child's capacity to reach their full growth and development potential. Further consequences include poor educational attainment, low productivity and an increased life-long risk of nutrition-related chronic diseases.<sup>13</sup> Children who are stunted are more likely to drop out of school, face poorer health and economic outcomes and have stunted children themselves.<sup>14</sup>
- 4.4. It is generally acknowledged that stunting is the best indicator of a child's well-being and that a child's linear growth potential is largely determined by the time they turn two years old.<sup>15</sup> Access to nutritious foods by the child and mother (especially during pregnancy and in the first 1000 days of a child's life), leading to chronic or recurring malnutrition, is a key determinant of whether that child will be stunted or not.
- 4.5. Stunting has important economic consequences. It has been estimated that stunting in African and South-Asian countries causes a 9% lower gross domestic product (GDP) per capita than would be the case in the absence of stunting.<sup>16</sup> Stunting is the main reason that South Africa has been ranked 88th out of 130 countries on the World Bank Human Capital Index (“HCI”), which measures the amount of human capital that a child born today can expect to attain by age 18.<sup>17</sup> The HCI combines indicators of health and education into a measure of the human capital that a child born today can expect to obtain by her 18th birthday, and reflects the expected probability of a child being born today being as productive at 18 as a child who has had a complete education and is in full health.

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<sup>12</sup> World Health Organisation “Stunting in a nutshell”, dated 19 November 2015. Available at: <<https://www.who.int/news/item/19-11-2015-stunting-in-a-nutshell>> (last accessed: 13 November 2024).

<sup>13</sup> Supra note 12.

<sup>14</sup> Grow Great Campaign “Nutritional status of children under five: Descriptive profile of seven food vulnerable communities in seven South African Provinces”, dated December 2023.

<sup>15</sup> DG Murray Trust “Western Cape Baseline Stunting Survey: Malnutrition, stunting and overweight/obesity remain a concern”, dated 2 June 2023. Available at: <<https://dgmt.co.za/western-cape-baseline-stunting-survey-malnutrition-stunting-and-overweight-obesity-remain-a-concern/>> (last accessed: 13 November 2024).

<sup>16</sup> DG Murray Trust “Grow Great”, undated. Available at: <<https://dgmt.co.za/project/grow-great/>> (last accessed: 13 November 2024).

<sup>17</sup> Kraay, A “Methodology for a World Bank Human Capital Index”, dated 25 September 2018. Available at <<https://ssrn.com/abstract=3255311>> (last accessed: 13 November 2024).

## *Stunting and nutrition*

- 4.6. Malnutrition is a well-established risk factor for childhood growth failure, including stunting.<sup>18</sup> Stunting is not determined solely by the number of calories consumed by children but also by the quality and diversity of their and their pregnant or breast-feeding mothers' diets.
- 4.7. Nutrients that are important for preventing stunting include zinc, iodine, iron, vitamin A, vitamin D, vitamin B12, folic acid and protein. **Low protein intake is a risk factor for stunting.** Children with low protein intake are estimated to be four times more likely to be stunted than children with adequate protein intake.<sup>19</sup> **Protein can help stunted children catch up on growth.** Studies suggest that protein intake of 2.8 to 5.4 grams per kilogram per day can help with catch-up growth.
- 4.8. **Essential amino acids, derived from protein, are critical to growth as well as other processes.** They are important in childhood because they are needed for, amongst other things, the repair of damaged body tissues, muscle building, biochemical regulating, serum formation, haemoglobin, enzymes, hormones, antibodies.<sup>20</sup>
- 4.9. Researchers in Malawi found a significant association between stunting and low levels of essential amino acids in blood circulation. They postulated that this was due to low animal protein intake.<sup>21</sup> Another study found that children who consumed adequate animal-based protein were not stunted, while children who consumed inadequate animal-based protein were twice as likely to be stunted. A pooled analysis of 39 Demographic and Health Surveys found that dietary diversity and animal source food consumption were negatively associated with stunting.<sup>22</sup>
- 4.10. By allowing chicken to be zero-rated, poor households will be in a position to (1) afford more of a protein rich and nutritious product that prevents stunting in children and malnutrition and/or (2) gain access to protein-rich chicken that would potentially otherwise have been beyond their means.

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<sup>18</sup> Martorell R, Zongrone A "Intergenerational influences on child growth and undernutrition", dated 28 June 2012. Available at: <<https://onlinelibrary.wiley.com/doi/10.1111/j.1365-3016.2012.01298.x>> (last accessed: 13 November 2024).

<sup>19</sup> Fikawati S, Syafiq A, Ririyanti RK "Energy and protein intakes are associated with stunting among preschool children in Central Jakarta, Indonesia: a case-control study", dated 2021. Available at <<https://doi.org/10.31246/MJN-2020-0074>> (last accessed: 13 November 2024).

<sup>20</sup> Hardinsyah P, Supariasa IDN "Infant and toddler nutrition", dated 2016.

<sup>21</sup> Semba RD, Shardell M, Sakr Ashour FA "Child Stunting is Associated with Low Circulating Essential Amino Acids", dated 19 February 2016.

<sup>22</sup> Krasevec, J, An, X, Kumapley, R "Diet quality and risk of stunting among infants and young children in low- and middle-income countries", dated 15 October 2017.

## Nutritional value of chicken

- 4.11. Carbohydrates, proteins, and fats are the three main macronutrients that the body needs in large amounts:
- 4.11.1. Carbohydrates are the body's preferred source of energy. They are broken down into glucose, which signals to the pancreas to release insulin, helping cells absorb the glucose for energy.
  - 4.11.2. Proteins are needed for cells to perform critical functions and can also be used for energy. Protein also takes longer to digest than other types of nutrients, thus making you feel fuller and more satisfied for longer.
  - 4.11.3. Fats are broken down into fatty acids, which the body uses to make energy, build cell structures, absorb vitamins, and protect organs.
- 4.12. The US Department of Agriculture recommends that adults get 10 – 35% of their calories from protein, 45 – 65% from carbohydrates, and 20 – 35% from fat. The amount of daily calories that each adult person needs depends on age, weight, height, activity level, and health goals, but the general guideline is 2000 calories a day. This equates to 200 – 700 calories from protein, which is approximately 50 – 175 grams of protein per day.
- 4.13. In other terms, the Recommended Dietary Allowance (RDA) for protein is 0.8 grams of protein per kilogram of body weight. This is viewed as the minimum amount needed to prevent the onset of illness. This means that an average male, who weighs 75 kilograms, is required to consume, at a minimum, 60 grams of protein a day.
- 4.14. The recommended daily protein for children is as follows<sup>23</sup>:

1 – 3 years	14 g
4 – 8 years	20 g
9 – 13 years (boys)	40 g
9 – 13 years (girls)	35 g
14 – 18 years (boys)	52 g
14 – 18 years (girls)	46 g

<sup>23</sup> Only About Children “Protein for Kids”, undated. Available at <<https://www.oac.edu.au/news-views/protein-for-kids>> (last accessed: 20 November 2024).

- 4.15. While the current list of basic food items contains multiple items that are high in carbohydrates (such as brown bread, maize meal, samp, mealies, rice, certain vegetables, fruit, brown wheaten meal, cake white flour and white bread wheat flour, etc); it contains limited items that are protein rich (currently included: beans, lentils, pilchards, milk and dairy/milk powder, eggs), and even fewer products that contain healthy fats (currently included: eggs, vegetable oil, pilchards, milk).
- 4.16. Chicken does not only contain high volumes of the macro nutrients protein and fat, but also various other micro nutrients imperative to human development, such as iron, vitamin B and magnesium.
- 4.17. Illustrated below is the approximate comparative protein content of chicken and other products currently on the zero-rated basic food item list (limited to items that are considered higher in protein):

Table 2: Approximate comparative protein content <sup>24</sup>	
Product	Protein per 100g of cooked product
Chicken	24g – 32g, depending on the cut
Beans	9 g
Lentils	8.8 g
UHT full fat milk	3.3 g
Pilchards	15 – 19 g, depending on the brand and type
Egg (approx. 2 medium whole eggs)	13 g

- 4.18. Chicken is higher in protein than any of the products currently on the zero-rating list. If chicken is more affordable for poor consumers by virtue of the zero-rating, more chicken is likely to be consumed. **The increased consumption of chicken should increase the ability of South Africans to reach daily protein targets, preventing stunting and malnutrition.**

<sup>24</sup> US Department of Agriculture “Food Data Central”, undated. Available at <<https://fdc.nal.usda.gov>> (last accessed: 19 November 2024); Fatsecret, undated. Available at <<https://www.fatsecret.co.za/>> (last accessed: 19 November 2024).

## Price comparison

### Cost per gram of protein

4.19. The following table illustrates the approximate price (R) per gram of protein. This takes into account the refuse (i.e. bone or shell) percentage of bone-in chicken, instant quick frozen (IQF) chicken and eggs.

Product	Price per g of protein <sup>26</sup>
Chicken livers	R 0.23
Chicken IQF	R 0.41
Pilchards	R 0.42
Whole chicken	R 0.44
95:5 Pork Mince (no additives)	R 0.50
Eggs	R 0.51
80:20 Beef mince (no additives)	R 0.60

4.20. Chicken and pilchards provide consumers with the most protein content per Rand spent. It is noteworthy that pilchards are already zero-rated, but not in the core food basket as discussed at 5 below.

### National School Nutrition Programme (“NSNP”)<sup>27</sup>

4.21. One of the measures currently implemented to alleviate child hunger (and therefore stunting) is the NSNP. The NSNP is a government programme that provides nutritious meals to all learners in poorer primary and secondary schools, improving their ability to learn.

<sup>25</sup> This analysis disregards the value of the other nutrients in the particular food item.

<sup>26</sup> Statistics South Africa “CPI Average Prices Provinces (202410)”, dated 18 September 2024. Available at: <[https://www.statssa.gov.za/?page\\_id=1854&PPN=P0141&SCH=73815](https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73815)> (last accessed: 20 November 2024). National Agricultural Marketing Council “South African Poultry Products Price Monitor”, dated June 2024. Available at: <<https://www.namc.co.za/wp-content/uploads/2024/06/Poultry-products-price-monitor-June-2024-FINAL.pdf>> (last accessed: 19 November 2024).

<sup>27</sup> Department of Basic Education “National School Nutrition Programme Food Specifications”, dated 22 July 2024. Available here: <<https://www.education.gov.za/Portals/0/Documents/Publications/2024/2024%20NSNP%20Food%20Specification%20Guidelines.pdf?ver=2024-10-29-120705-197>> (last accessed: 13 November 2024).

- 4.22. The protein sources within the NSNP include pilchards, eggs, maas/UHT milk, chicken livers, NSNP soya mince, lentils and beans. It is noteworthy that all of the protein sources on the list are currently zero-rated, save for chicken livers and soya mince.
- 4.23. Liver is classified as organ meat, which contains more nutritional content than regular red or white muscle meat. Humans benefit more from livers than red meat because it contains high quality protein, low contents of fat, cholesterol and high iron. Livers are widely consumed due to their low cost, high nutritional value, and short preparation time. They have essential amino acids and minerals such as iron, copper, and zinc, which are sometimes higher, compared to muscle tissue.
- 4.24. Chicken livers are therefore an important food source not only in relation to the family food basket generally, but also specifically in the context of government-targeted school feeding initiatives. The zero-rating of chicken, defined as proposed in this report, will therefore have a direct impact on reducing the cost of existing government feeding schemes (including the NSNP), or alternatively freeing up spend so that more of the allocated budget is applied to poverty alleviation and not a VAT contribution.

#### *Impact on the poultry industry*

- 4.25. The poultry industry is a vital sector of South Africa's agricultural economy, providing jobs and supporting rural development. By zero-rating chicken, the price of chicken at retail level will decrease by 15%, and **demand will increase**.<sup>28</sup> Zero-rating chicken will thus stimulate demand, encourage growth in the industry, leading to likely job creation and other positive economic developments across the supply chain (i.e. from farming to processing and distribution).

## 5. **Accessibility, affordability and reliance on chicken in South Africa**

### **The significance of chicken in South Africa**

- 5.1. Despite its relatively small share of the total gross domestic product, agriculture is an important sector in the South African economy. It is a significant provider of employment, especially in rural areas and a major earner of foreign exchange.<sup>29</sup> Importantly, agriculture in South Africa services the basic food needs of the population, and can contribute significantly to household food security.

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<sup>28</sup> M Delpont, M Louw, T Davids "Evaluating the demand for meat in South Africa: an econometric estimation of short term demand elasticities", dated 2017.

<sup>29</sup> Department of Agriculture, Land Reform and Rural Development "Economic Review of the South African Agriculture 2022", dated 2022.



- 5.2. In the 2022/23 period, animal products represented approximately 42% of the gross value of agricultural products within the agricultural sector, with fowls slaughtered making up 34% of those animal products and in excess of 14% of the total gross value of all products.<sup>30</sup>
- 5.3. From data tracked for the period 1990/91 to 2022/23, nett human consumption of chicken in South Africa has more than tripled, and currently significantly exceeds human consumption of red meat.<sup>31</sup>
- 5.4. The above statistic is supported by the following data collated by one of the largest grocery retailers in South Africa, which suggests that purchasers of frozen chicken, based on a basket affinity analysis,<sup>32</sup> purchase a range of *other* chicken products as part of their typical basket:

IQF chicken drumsticks	6.1
IQF chicken quarters	6.1
Frozen chicken wings	6.1
Frozen turkey	6.1
IQF chicken thighs	6.0
IQF chicken breasts	5.9
Frozen wors	3.1
Vacuum packed mutton	2.9
Bread crumbs	2.8
Spice cabinet	2.7

<sup>30</sup> Department of Agriculture, Land Reform and Rural Development “Economic Review of the South African Agriculture 2024”, dated 2024.

<sup>31</sup> *Supra* note 30.

<sup>32</sup> Basket affinity, also known as market basket analysis, is a modelling technique based on the theory that if you buy a certain group of items, you are more likely to purchase another group of items. For example, someone purchasing peanut butter and bread is far more likely to also want to purchase jam.

<sup>33</sup> Confidential retail industry source.

Curry powder packet/box	2.7
Cube stocks	2.5
Packet soups	2.3
Mayonnaise	2.2
Pilchards	2.2

### Consumer statistics: the average monthly food basket for low income households

5.5. The total average “Household Food Basket”<sup>34</sup> for October 2024 costs **R5 348.65**, made up as follows:

Foods tracked	Quantity tracked	Oct_24
Maize meal	30kg	R319,66
Rice	10kg	R179,29
Cake Flour	10kg	R127,63
White sugar*	10kg	R212,88
Sugar beans*	5kg	R227,16
Samp <sup>#</sup>	5kg	R66,87
Cooking oil	5L	R153,76
Salt <sup>#</sup>	1kg	R15,69
Potatoes	10kg	R138,97
Onions	10kg	R101,16
Frozen chicken portions*	10kg	R394,26
Curry powder <sup>#</sup>	200g	R38,29
Stock cubes <sup>#</sup>	24 cubes x2	R46,11
Soup <sup>#</sup>	400g x2	R53,98
Tea <sup>#</sup>	250g	R30,88
Full cream milk	6L	R98,09
Maas <sup>#</sup>	4L	R60,82
Eggs	60 eggs	R169,56
Chicken feet <sup>#</sup>	2kg	R78,47
Gizzards*	2kg	R91,42
Chicken livers <sup>#</sup>	2kg	R73,59

<sup>34</sup> Affordability Index *supra* note 10. The Affordability Index defines the “Household Food Basket” as having “been designed together with women living on low incomes in Johannesburg (Soweto, Alexandra, Tembisa and Hillbrow), Cape Town (Gugulethu, Philippi, Khayelitsha, Langa, Delft, Dunoon), Durban (KwaMashu, Umlazi, Isipingo, Durban CBD, Hammarsdale, Pinetown), Pietermaritzburg, Mtubatuba (in Northern KwaZulu-Natal), and Springbok (in the Northern Cape). It includes the foods and the volumes of these foods which women living in a family of seven members (an average low-income household size) tell us they typically try and secure each month. The basket was designed through a pilot project which ran from April 2020 to August 2020. It cannot however be considered the basket for every family living on a low income in each area and for all areas covered. It is however considered a **reasonable proxy for a food basket which women identified as including the most important typical foods which most households try and buy each month, given affordability constraints**” (our emphasis) (page 1).

<sup>35</sup> *Supra* note 11.

Beef liver*	2kg	R106,21
Beef*	2kg	R178,46
Wors*	2kg	R145,53
Inyama yangaphakathi*	2kg	R97,15
Fish*	2kg	R121,90
Tomatoes	6kg	R134,02
Carrots <sup>#</sup>	5kg	R43,38
Butternut	10kg	R99,68
Spinach	8 bunches	R107,72
Cabbage <sup>#</sup>	2 heads	R40,96
Green pepper <sup>#</sup>	2kg	R65,62
Cremora <sup>#</sup>	800g	R61,42
Tinned pilchards	400g x6	R153,85
Canned beans*	410g x6	R88,89
Bananas <sup>#</sup>	4kg	R70,22
Apples <sup>#</sup>	3kg	R49,71
Oranges <sup>#</sup>	7kg	R74,65
Margarine <sup>#</sup>	1kg	R41,59
Peanut butter* <sup>#</sup>	400g x2	R81,50
Polony* <sup>#</sup>	2.5kg	R66,72
Apricot jam**	900g	R38,78
White bread*	25 loaves	R416,67
Brown bread	25 loaves	R385,51
<b>Total household food basket</b>		<b>R5 348,68</b>

\*Foods subject to VAT.

<sup>#</sup>Foods less than R83.18 i.e. less than the VAT attributable to chicken products (discussed below).

- 5.6. The basic Household Food Basket tracks the cost of foods required for balanced nutrition, viz. the foods and the cost of these foods for families to ensure their health and nutrition and for children to grow and develop properly.
- 5.7. It includes the foods and the volumes of these foods which women living in a family of seven members (an average low-income household size) advise they typically try and secure each month. The basket was designed through a pilot project which ran from April 2020 to August 2020.
- 5.8. It is considered **a reasonable proxy for a food basket which women identified as including the most important typical foods which most households try and buy each month, given affordability constraints.**

#### *The average earnings of low income households*

- 5.9. At R27.58 per hour, the National Minimum Wage means a **maximum monthly wage** for a general worker of **R5 074.72**. This wage is generally used not only to sustain the worker

themselves, but it is also used to support a family. For Black South African workers, a single wage-earner must typically support 4.1 people.<sup>36</sup>

- 5.10. Even if a worker were able to ignore other basic needs (which needs typically rank higher in terms of spending priority, such as electricity and transport), the maximum monthly wage is **5.12% short** of the average Household Food Basket as at October 2024.

#### *VAT in the basket*

- 5.11. Of the 44 items that make up the Household Food Basket, 22 items are subject to VAT. Foods subject to VAT make up 46% of the total cost of the Household Food Basket, and the VAT component of those foods amounts to **R323.53** as at October 2024.<sup>37</sup>
- 5.12. **6% of the total Household Food Basket is therefore simply a tax contribution by low income households** whose food spend is already stretched to cover the typical number of dependents reliant on that basket for sustenance.
- 5.13. The Affordability Index suggests that the R323.53 tax contribution by poor households is approximately the same cost of 30kg of maize meal per month (30kg maize meal cost in October 2024: R319.66), sufficient for the needs of a large household.

#### *How (zero-rated) chicken fits into the basket*

- 5.14. Of the 44 items that make up the Household Food Basket, four items are chicken products, amounting to R637.74 (i.e. 11.92%) of the total basket spend:
- 5.14.1. Frozen chicken portions (10kg): R394.26 (7.37%)
  - 5.14.2. Chicken feet (2kg): R78.47 (1.47%)
  - 5.14.3. Gizzards (2kg): R91.42 (1.71%)
  - 5.14.4. Chicken livers (2kg): R73.59 (1.38%)
- 5.15. The VAT attributable to the chicken products in the Household Food Basket is R83.18.
- 5.16. Of the R323.53 VAT contribution by poor households from the Household Food Basket, chicken products (although only 11.92% of the basket) make up just over a quarter of the tax paid at 25.71% of the VAT contribution.
- 5.17. 17 out of the 44 items in the Household Food Basket are prioritised and bought first. These may be referred to as “core foods”, being the foods that ensure families do not go hungry.

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<sup>36</sup> *Supra* note 11.

<sup>37</sup> *Supra* note 11.

Table 6: Core foods – prioritised and bought first <sup>38</sup>		
Foods tracked	Quantity tracked	Oct_24
Maize meal	30kg	R319,66
Rice	10kg	R179,29
Cake Flour	10kg	R127,63
White sugar*	10kg	R212,88
Sugar beans*	5kg	R227,16
Samp	5kg	R66,87
Cooking oil	5L	R153,76
Salt*	1kg	R15,69
Potatoes	10kg	R138,97
Onions	10kg	R101,16
Frozen chicken portions*	10kg	R394,26
Curry powder*	200g	R38,29
Stock cubes*	24 cubes x2	R46,11
Soup*	400g x2	R53,98
Tea*	250g	R30,88
White bread*	25 loaves	R416,67
Brown bread	25 loaves	R385,51
<b>Total household food basket</b>		<b>R2 908,77</b>

\*Foods subject to VAT.

- 5.18. 54% of the total cost of the Household Food Basket (at an average cost of **R2 908.76** in October 2024) is attributable to the core foods which are prioritised and bought first, being the primary basis for meals.
- 5.19. Of the 17 core food items, **nine of the items are subject to VAT** at the standard rate, with the VAT attributable to those items amounting to **6.44% (R187.29)** of the core food basket.
- 5.20. **Chicken makes up 13.55% of the core food basket**, second only to white bread at 14.32% of the core food basket as at October 2024. **Chicken is the only animal protein in the core food basket.** There are neither red meats nor seafood included in the core food basket.
- 5.21. The above data is corroborated by the statistics from the sophisticated scientific modelling of one of the largest grocery retailers in South Africa, in terms of which 75% of price sensitive customers buy instant quick frozen (IQF) chicken, 60% buy laundry soap and 50% buy bread.
- 5.22. It therefore appears a significant oversight that no animal proteins (other than pilchards, which do not form part of the core food basket) are included in the list of zero-rated foodstuffs.

<sup>38</sup> *Supra* note 11.

5.23. If chicken (defined as proposed in this report) were zero-rated, this would result in:

- 5.23.1. an **overall saving of R83.18 per Household Food Basket** (as at October 2024) that could be used to increase the monthly basket spend. This amount is equal to or more than the cost of **at least 20 of the 44 total basket items** (see Table 5 at 5.5 above), including samp, full cream milk, maas, eggs, chicken feet, chicken livers, bananas, apples, oranges and peanut butter in a monthly basket;
- 5.23.2. an overall saving of R51.43 for core foods in the Household Food Basket (as at October 2024); or
- 5.23.3. otherwise viewed, **a reduction of the gap between the Household Food Basket** (reduced by the VAT component of R83.18 attributable to chicken in the basket) **and the maximum monthly wage by 1.49% to 3.63%.**

## 6. Economic impact and estimated loss to the fiscus

### Financial implication

#### *Estimated impact on government revenue*

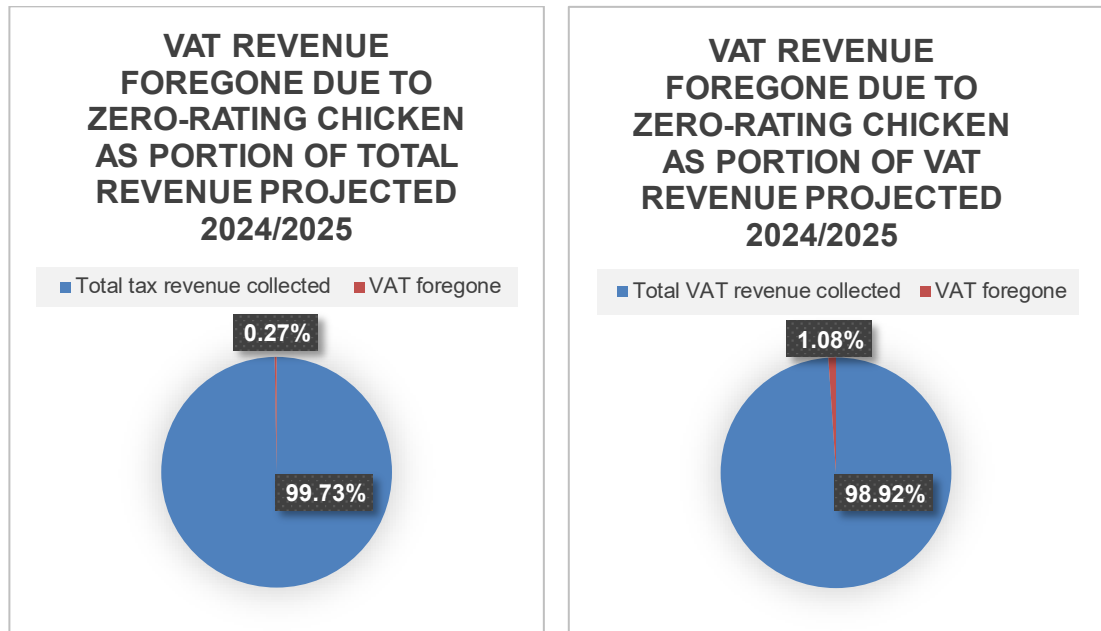
- 6.1. Based on our calculations<sup>39</sup>, if chicken, as defined in 1.3 of this report (i.e. excluding chicken products purchased at quick service shops, value-added cuts or cooked whole birds/pieces purchased in retail or other stores), were to be zero-rated, the estimated VAT revenue that the fiscus may forego is approximately **R 4.9 billion**.
- 6.2. The inclusion of fresh chicken products (which make up approximately 15% of the total market), in the definition for zero-rated chicken, would increase the estimated VAT revenue foregone (referred to above) by approximately **R 1.1 billion**.
- 6.3. The above foregone revenue amount was calculated using the SAPA domestic consumption volumes, with imports adjusted to exclude mechanically deboned meat (MDM), split between chicken products and offal, including livers, feet and heads, for the purposes of applying the producer sales price to each component. Thereafter, taking account of the product mix, food service (product supplied to outlets that provide cooked chicken), value-added and other products were excluded, with the balance being split between frozen and fresh.
- 6.4. The foregone revenue in context:<sup>40</sup>
  - 6.4.1. The total gross tax revenue collected during the 2023/2024 financial year was R1 740 billion, with VAT making up R 447.5 billion thereof.

<sup>39</sup> Calculations based on producer prices.

<sup>40</sup> National Treasury "2024 Medium Term Budget Policy Statement", dated 30 October 2024.

6.4.2. The total estimated gross tax revenue collection for 2024/2025 financial year is R1 840.8 billion, with VAT making up R 463.4 billion thereof.

6.4.3. A reduction of R4.9 billion in the estimated gross tax collections is **approximately 0.27% of total revenue** projected, or **1.08% of the total VAT collection projected** for the current fiscal year.



6.5. Further considerations:

6.5.1. Had the list of zero-rated food items been updated commensurately with the VAT rate increase, the “loss” to the fiscus discussed above would have been substantially lower as basic food items, such as chicken, would have never been subject to VAT at the increased rate of 15%, i.e. revenue collections would have never become dependent on VAT levied on basic food items, such as chicken, at the rate of 15%.

6.5.2. The perceived or any actual loss of revenue to the fiscus cannot be unjustifiably privileged above securing affordable nutritious food for the benefit of lower income households. As demonstrated in this report, the zero-rating of chicken will have a direct impact on improving access to protein rich food which will have health benefits discussed in 4 above.

6.5.3. Although relief in the form of grants to poorer households may be a suitable alternative to the zero-rating of additional basic food items (i.e. this is an argument that despite the regressivity of VAT, the way to counter the regressive effect of the tax is via the expenditure side of the budget), this alternative solution assumes the *effective deployment* of expenditure. Until such time that expenditure is proven to be deployed more efficiently, without leaks attributable to

mismanagement of funds, the relief to poorer households to mitigate the regressivity of a non-discriminatory VAT base must include expanding the list of zero-rated items. Moreover, recent indications suggest that government may decrease social grant relief by *inter alia* discontinuing the COVID-19 social relief of distress grant, and scrapping plans to provide a basic income grant.<sup>41</sup> There therefore appears to be no indication from government that additional expenditure will in fact be laid out in the form of grants to achieve targeted poverty alleviation.

6.5.4. Zero-rating chicken will increase demand in the industry, as discussed at 4.25 above. Increased demand will likely result in higher turnover for suppliers and therefore an increase in government revenue (corporate taxes) collected from suppliers, reducing the ultimate cost of the “foregone” revenue to the fiscus attributable to zero-rated chicken.

6.5.5. There is urgent pressure on government to provide financial relief to the poor. Regardless of whether the relief is provided by way of expanding the list of products subject to the zero rate, increasing social grants, or implementing feeding schemes or projects (or any combination of these options), ultimately, there will be a cost to the fiscus.

**7. Public and stakeholder support for the initiative**

7.1. A list of the members of AMIE SA and SAPA, respectively, is attached hereto as Annexure A.

7.2. AMIE SA and SAPA have received widespread general support for the submissions in this report.

7.3. AMIE SA and SAPA have also received specific support in the form of letters (attached hereto as Annexure B) from the following stakeholders:

<b>Table 7: Stakeholder support</b>	
Ministry of Agriculture, Economic Development and Tourism: Western Cape	The Western Cape Department of Agriculture, Economic Development and Tourism aims to enhance the productive and competitive capability of the provincial economy, by promoting economic growth and employment creation.

<sup>41</sup> L Ensor, “Treasury Says State Not Looking at Basic Income Grant”, dated 11 November 2024. Available at: < [https://www.businesslive.co.za/bd/national/2024-11-11-treasury-says-state-not-looking-at-basic-income-grant/#:~:text=There%20are%20no%20discussions%20within,of%20wealth%20in%20the%20country](https://www.businesslive.co.za/bd/national/2024-11-11-treasury-says-state-not-looking-at-basic-income-grant/#:~:text=There%20are%20no%20discussions%20within,of%20wealth%20in%20the%20country>)> (last accessed: 11 November 2024).



**Table 7: Stakeholder support**

Grow Great	Grow Great is a national campaign that aims to mobilise South Africa to halve stunting in young children by 2030. Grow Great tackles the drivers of stunting in young children, pushing for national change while supporting local action.
AECI Animal Health	AECI Animal Health is a key role player in the South African animal feed industry, that specialises in manufacturing animal feed premixes of the highest quality for all species.
Albrecht Machinery (Pty) Ltd	Albrecht Machinery (Pty) Ltd are agents for a number of world leading suppliers of food processing equipment and manufacture a range of their own machines
Animal Feed Manufacturers Association	AFMA is the official industry representative body of the South African feed industry in the livestock feed sector and larger agricultural environment.
Astral Operations Limited	Astral is South Africa's leading integrated poultry producer. Astral has operations country wide and is a key provider of affordable chicken to the South African consumer. Astral's key activities comprise the manufacturing of animal feed, broiler genetics, the production and sale of day-old chicks and hatching eggs, breeder and broiler production, poultry meat processing operations, and the sales and distribution of various key poultry brands.
Boxer Superstores (Pty) Ltd	Boxer is one of the fastest growing discount supermarkets in Southern Africa. It aims to cater for the needs of the enlarged middle to lower income consumer market. Boxer is a fully fledged retailer across all its formats, selling products and services at discounted prices.
Country Bird Holdings (CBH)	CBH is one of the largest poultry and animal feeds producers in Africa. Aiming to provide customers with a complete range of services, CBH extended their operations to cover all aspects of the industry, encompassing breeders, broilers, eggs, hatcheries, feed, abattoirs, distribution, and logistics.
Ceva Animal Health (Pty) Ltd	CEVA Animal Health is part of a global veterinary health company focused on the research, development, production and marketing of pharmaceutical products and vaccines for pets, livestock and poultry.
Chemuniqué	Chemuniqué provides feed and food producers with innovative animal performance solutions, enabling their clients to advance the efficiency of production.
Crown Chickens (Pty) Ltd t/a Sovereign Foods	Sovereign Foods is the third largest poultry producer in South Africa.
Daybreak Foods (Pty) Ltd	Daybreak Foods is a supplier of both fresh and frozen poultry products. Their value chain includes farming, growing, processing broilers in their abattoirs, and providing feed from their feed mill.

**Table 7: Stakeholder support**

DFS Process Solutions (Pty) Ltd	DFS Process Solutions (Pty) Ltd represents leading manufacturers of food processing equipment for poultry, meat, fish as well as pet food, fruit and vegetables in South Africa.
Fourie's Poultry Farms (Pty) Ltd t/a Chubby Chick	Chubby Chick is a large chicken producer based in the North West.
Food & Allied Workers Union (FAWU)	FAWU is a trade union in South Africa.
Grain SA	Grain SA is an autonomous and voluntary commodity organisation acting collectively in the interests of the economic welfare of the grain producers of South Africa, and is the combined voice of grain producers to address commodity matters and issues with the government and other role-players in the industry.
Henwil Chickens (Pty) Ltd	Henwil Chickens (Pty) Ltd is a producer of poultry and poultry products just outside Lichtenburg, North–West, currently licensed to slaughter 65,000 chickens per shift.
Huvepharma South Africa (Pty) Ltd	Huvepharma is a global pharmaceutical company that develops, manufactures, and markets products for human and animal health and nutrition.
Merlog Foods (Pty) Ltd	Merlog Foods is committed to being Southern Africa's leading supplier and distributor of high and consistent quality frozen and chilled food products to the retail, wholesale and food-service sectors, with their primary focus on frozen meat and chicken.
Munters (Pty) Ltd	Munters provides climate control and air treatment solutions for a variety of industries, including agriculture, manufacturing, and pharmaceuticals.
National Federation of Meat Traders	The National Federation of Traders (NFMT) represents the interests of the distributive meat trade at a national level. NFMT is the only recognized organization that is representative of all the role players in this sector of the red meat industry.
Phakisa Holdings (Pty) Ltd	Phakisa Holdings is a human resources solutions provider in South Africa that offers a variety of services, including in the poultry industry.
Plasson South Africa (Pty) Ltd	Plasson is a world-leading manufacturer and supplier of complete turnkey solutions for poultry and livestock farming such as complete drinking, feeding, and climate control systems for Broilers, Breeders, Layers, Turkeys and Ducks.
RCL Foods Consumer (Pty) Ltd trading as RAINBOW	RAINBOW is one of South Africa's largest Chicken Producers. RAINBOW is a fully integrated broiler producer, leading the industry in all stages of chicken.
Roots Buying Group	A meat retailer and wholesale supplier that offers top-quality beef, poultry and seafood.

## 8. Summary of findings

- 8.1. There is urgent pressure on government to provide financial relief to the poor. It is an economic and a social justice imperative that the regressive impact of VAT on poorer households is addressed. The zero-rating of chicken is a targeted instrument to give effect to the government's obligation to review the basket of zero-rated food items and assist the poor in poverty alleviation.
- 8.2. Chicken is higher in protein than any of the products currently on the zero-rating list. It appears a significant oversight that no animal proteins (other than pilchards, which do not form part of the core food basket) are included on the list of zero-rated foodstuffs.
- 8.3. The zero-rating of chicken, as proposed herein, will disproportionately ease the burden on poor and low-income households reliant on chicken as a crucial and healthy source of animal protein. If chicken is more affordable for poor consumers by virtue of the zero-rating, more chicken is likely to be consumed. The increased consumption of chicken should increase the ability of South Africans to reach daily protein targets, preventing stunting and malnutrition in especially children.
- 8.4. If "chicken", as defined in 1.3 of this report, were to be zero-rated, the estimated VAT revenue that the fiscus may forego is approximately R4.9 billion, i.e. approximately 0.27% of total revenue projected, or 1.08% of the total VAT collection projected for the current fiscal year.
- 8.5. The perceived or any actual loss of revenue to the fiscus cannot be unjustifiably privileged above securing affordable nutritious food for the benefit of lower income households.
- 8.6. To ensure that the benefits of the proposed zero-rating accrue to the poor, there are existing measures for the monitoring and reporting of chicken prices. Not only will this ensure that there is an accurate starting point from which to evaluate prices following the implementation of the zero rate, but the existing infrastructure is sufficiently developed to ensure ongoing accuracy and transparency of pricing information.

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