

# Government, Fedhasa address VAT increase concerns across SA hospitality industry

The Federated Hospitality Association of South Africa (Fedhasa) has made progressive strides with government regarding the impact of the recent increase in Value-Added Tax, which has raised concerns across South Africa's hospitality establishments in serving its government clientele.



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For many years, the National Treasury has capped officials' spend on domestic accommodation and meals in the effort to manage and contain government spending.

"Increases in VAT are normally passed on to the consumer. However, there has been unease amongst hotels, including major chains, B&Bs and guesthouses. They have been facing the prospect of having to absorb the one percent hike in order to compete for or retain their government clients if there was no corresponding review of the restrictions," says Tshifhiwa Tshivhengwa, Fedhasa CEO.

## Facilitating on-going engagement

As part of its mandate to represent its members to the government with one united voice, Fedhasa has been involved in on-going engagements with the government to not only deal with the VAT issue but also the impact of the recently introduced Sugar Tax and rising inflation.

Following these discussions, Fedhasa can confirm that the National Treasury has published an addendum to its cost containment instruction. The revisions are between a two to three percent increase in the maximum allowable government spend on domestic accommodation and meals, which will cover the impact of the VAT and the Sugar Tax increases on the industry only. However, Tshivhengwa says this is not sufficient to cover the inflation adjustment that the sector faces, adding that the industry's input cost has risen by general inflation – the association implores National Treasury to consider the full extent of inflation and adjust the maximum capped rate to meet the Consumer Price Index.

"This is a good start for our members and the South African hospitality industry as a whole. In the interests of ensuring fairness and the sustainability of South Africa's vital hospitality businesses, Fedhasa will continue this process of lobbying government so that their cost containments also properly take the current inflation rates into account," comments Tshivhengwa.

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