Big VAT changes on the cards for South Africa

The Constitutional Court has reserved judgment on whether to confirm a High Court ruling that changes how VAT hikes in South Africa can be set.

The case concerns the March 2026 High Court ruling that effectively revoked the Finance Minister's unilateral authority to change the national Value-Added Tax (VAT) rate.

The Western Cape High Court declared Section 7(4) of the VAT Act of 1991 unconstitutional in a case brought by the Democratic Alliance (DA) and Economic Freedom Fighters (EFF) last year.

The court battle was triggered by the VAT and budget crisis of 2025, when Finance Minister Enoch Godongwana announced a 1 percentage-point VAT increase over two years.

The rate was set to rise from 15% to 15.5%, effective 1 May, 2025, with a further increase to 16% planned for 2026.

The announcement faced immediate and widespread political opposition in Parliament and deeply divided the parties in the Government of National Unity (GNU).

The VAT hike saga led to an unprecedented delay in the country's national budget that year and threatened to result in the first failed budget vote in South Africa's history.

It also exposed major pitfalls in South Africa's finance laws—specifically, that the laws allowed the Finance Minister to unilaterally announce changes to the VAT rate but provided no means to reverse them.

Since the Minister could not legally withdraw his budget speech announcement on his own, the DA and EFF filed an urgent court application to block the move.

Four days before the price increase was scheduled to take effect for South African consumers, the Minister agreed to a High Court order suspending the hike.

However, the court challenge was in two parts. The first was to block the immediate increase in the VAT rate, and the second was to block the Finance Minister from unilaterally adjusting the rate.

While the first part was settled promptly, the second part was only decided in March 2026, where the court declared Section 7(4) of the VAT Act of 1991 unconstitutional.

According to South African law, any ruling that declares a law unconstitutional must be confirmed by the highest court.

The DA approached the Constitutional Court to seek confirmation of the ruling. The case was presented to the Constitutional Court on 27 August, 2026.

The Finance Minister can change VAT rates with immediate effect

National Treasury, represented by the Minister of Finance, and SARS challenged the ruling.

According to South Africa's VAT Act of 1991, the Finance Minister is allowed to announce a change to the VAT rate during the budget speech.

When this happens, the change can take effect almost immediately, and Parliament may approve or reject it up to a year later.

The DA argued for the principle of "no taxation without representation," asserting that only Parliament, elected representatives of the people, should have the power to determine how citizens are taxed.

The party said that VAT is collected immediately from consumers at the cash register.

The DA argued that if a Minister raises VAT by decree and Parliament later rejects it, it becomes nearly impossible to refund low-income households who paid the increased tax on groceries.

The National Treasury and SARS argued that if the Minister cannot make these changes rapidly, the government might face delays that could exacerbate financial problems.

They argued that waiting for Parliament to debate and approve tax changes could lead to significant debt as the government tries to manage budget gaps that arise during emergencies.

Treasury and SARS argued for a more responsive approach to tax policy to maintain the government's financial stability during difficult times.

The Constitutional Court reserved judgment, meaning it is now deliberating before issuing its final, binding ruling on authority over tax revenue.

The National Treasury told BusinessTech that it has no comment at this stage.

"Following the hearing of the matter by the Constitutional Court, the Court's judgment must be awaited before the National Treasury will advise on next steps—if any," it said.