



Closing Statement

Government of the Republic of South Africa on the occasion of the 64th Session of the Committee on Economic, Social and Cultural Rights - 3 October 2018

Madam Chairperson,

Vice-chairperson and members of the Committee,

Distinguished guests,

1. On behalf of our delegation, we would like to thank you, the distinguished Committee members and, in particular, the Rapporteur, Mr De Schutter, for the effective and conducive manner in which this dialogue took place. It is heartening for us to see the levels of insight and the interest shown by this Committee in the work we are doing in our country.
2. We also want to thank civil society for their inputs and continued commitment to the enjoyment of socio-economic rights for all.
3. We appreciate the many observations and comments, made during this dialogue, regarding our efforts towards the realisation of rights enshrined in the Covenant.
4. A specific question was asked during the deliberations as to whether the ratification of the Covenant has made a difference in the realization of socio-economic rights in our country.
5. The short answer to that question, Madam Chair, is yes, in every way – whether it's a court judgment that refers to the Covenant, or whether a particular right finds its expression because of the influence of the Covenant, or whether it's civil society that holds us as government to account in terms of our obligations in terms of the Covenant.
6. South Africa's commitment to treating economic, social and cultural rights on par with civil and political rights - even prior the ratification of the Covenant - has also been illustrated in its leadership on Human Rights Council Resolution 4/7 of 30 March 2007.

7. This resolution decided to initiate a process to rectify, in accordance with international law, the legal status of the Committee on Economic, Social and Cultural Rights, with the aim of placing the Committee on par with other core treaty monitoring bodies. As a State Party to the Covenant, we look forward to advancing this important priority and welcome the engagement of the Committee on this matter.
8. We have taken considerable note of the questions posed and have found this process to be conducive to assisting us to further improve our socio-economic and cultural rights' policies and programmes.
9. I think it is important to stress that we view the Covenant as a living document – and therefore our positions as Government are also not static or cast in stone. For example, we have undertaken to, following this process, engage further with civil society organisations to, where appropriate, reconsider our positions with a view to further strengthening our commitment to the Covenant.
10. We hope that we were able to answer the questions addressed to us in a comprehensive manner.
11. A crucial question which was asked by the Committee relates to taxation and socio-economic spending priorities. In short, how do we budget for socio-economic rights?
12. In this regard, as you are aware, our VAT rate was increased from 14% to 15% to ensure the sustainability of public finances after large revenue shortfalls in previous years and substantial expenditure pressures, such as the introduction of free higher education for those from lower income households.
13. This was the first VAT increase since its inception. The VAT increase comes after substantial increases in personal income taxes in previous years, with a 1 percentage point increase in all the brackets and the introduction of a new top higher rate of 45% on taxable incomes above R1.5 million (90 500 euro).
14. This is in addition to higher capital gains tax rates, an increase in the dividend withholding tax rate from 15% to 20%, higher taxes on luxury goods from an increase in the ad-valorem tax rate from 7 to 9% and a higher estate duty rate of 25% for high value estates.
15. The increase in the value-added tax rate was one of the last tax measures to be employed and the revenues to be raised from the increase will ensure a sustainable debt trajectory over the medium term.
16. An independent panel has been established and has finalized a report to review and increase the zero rating of items to mitigate the impact of the VAT increase and their recommendations are currently being considered by government.
17. There have been questions as to why we have not raised the corporate tax, whilst raising VAT and other taxes. This must be seen within our country's historical and current economic and financial architecture. South Africa is young democracy and a developing country, linked to a global financial system. Given the current state of our economy the risks involved in increasing corporate tax are substantial and could result in a drastic loss of investments by domestic and foreign capital – this resulting in job losses and weakening our economy.

18. The national budget is strongly aligned with socio-economic imperatives: about two-thirds of the 2018 Budget being allocated to functions dedicated to realising constitutionally mandated social rights such as education, healthcare, social security and housing. The budget is highly redistributive in favour of the poor and low income families. It also redistributes substantial resources from the urban economy to fund services in rural areas. The division of revenue formula used to distribute resources to provinces and municipalities are governed by a transparent, rules-based arrangement.
19. Regarding the issue of building programs with National Treasury and SARS on the connection between human rights and revenue generation: we have already been advised that this will be submitted to the Minister of Finance and the acting SARS Commissioner.
20. We have also already received a response from Treasury that it will give specific consideration to incorporating human rights impact assessments into its budget-making process, including in the Budget Review, as well as further considering a costing exercise to calculate the resources necessary to implement measures to realize rights and ensure that revenue targets are based on meeting these costs.
21. Budgeting is but one of many important issues which have been raised by the Committee.
22. The other questions upon which we can provide more detailed information, we will endeavour to submit in writing and we look forward to receiving the Concluding Observations.
23. As this has been our Initial Report, we will be engaging further with both civil society and our National Human Rights Institutions.
24. We also look forward to engagement with the Committee on the Simplified Reporting Procedure as we embark on the follow-up and preparation for the next reporting cycle.

I thank you.