

How Will the Suggested Funding Methods of the South African National Health Insurance Potentially Affect the Individual Taxpayers?



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Abstract The constitution recognises health care as a fundamental right; however, transformation is still required in the health sector. To try and rectify the challenges faced by this sector, the government is therefore proposing the implementation of a National Health Insurance (NHI) that will cover the costs of healthcare for its national population irrespective of their socio-economic status. In doing so, some of the funds to provide to the NHI financial system is theoretically said to come from surcharge of income tax from individuals, introduction of NHI in payroll tax as well as an increase in Value Added Tax (VAT). The increase in these taxes may have a direct or indirect impact on taxpayers. The study design is based on a qualitative methodology and scenario-based approach. The qualitative literature review aims to explore the potential effects of the proposed NHI implementation through the analysis of the impact of increasing VAT. While the scenario-based approach illustrates the impact of the introduction of NHI in payroll taxes as well as the impact of VAT increase on an individual South African taxpayer. The findings suggest that the current South African tax base is narrow and the burden of funding the NHI will add to an already strained tax base. Without these contributions from taxpayers towards the fund, it may not be feasible for the government to implement the NHI.

Keywords National Health Insurance · Funding · Individual tax · Tax base · Health care · Value added tax

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1 Introduction

1.1 Background

According to the Department of Health (2020), the National Health Insurance (NHI) in South Africa has long been a goal of public policy intended to provide universal access to healthcare. In simple terms, the aim of the NHI is to provide good healthcare for all individuals by dividing the money available for healthcare among all individuals residing in South Africa. An individuals' eligibility for health care will no longer be determined by their financial status. Furthermore, the NHI will establish a single public health fund with sufficient resources to effectively prepare for and address the health needs of the entire South African population, and not just a small portion of it.

There has been talks and suggestions in the development and strategic implementation of the NHI in South Africa and several studies including policy papers have been published documenting these developments. An overview of South Africa's NHI's history must be provided in order to comprehend the reasoning for the implementation of the NHI in the country. The historical background of the NHI is provided below.

1.2 Overview of South African NHI

Early Concepts and Policy Changes: The African National Congress (ANC) Health Plan of 1994 is where the concept of a universal health system in South Africa first emerged. Over the years, numerous policy documents and reports have emphasized the necessity of ensuring everyone has access to healthcare and have suggested various methods to do so (Department of Health NHI policy, 2011).

The South African government published the Green Paper on NHI in 2011, outlining the suggested structure for putting universal healthcare into place. It placed a strong emphasis on the values of cross-subsidization, social solidarity, and gradual implementation (Department of Health NHI policy, 2011).

The government launched a number of pilot projects between 2012 and 2019 to test various NHI components, such as contracting arrangements, payment systems, and service delivery models. These pilots were conducted in chosen districts to investigate the feasibility and problems of implementing the NHI in practice (Parliamentary Monitoring Group (PMG), 2020).

PMG (2021) focused on the NHI Bill and the Legislative Process: The NHI Bill was introduced to Parliament by the government in 2019. The law provides the governance, financial, and service delivery frameworks as well as the legal basis for the creation of the NHI Fund. The measure underwent a parliamentary procedure that included committee reviews and public hearings.

According to the National Health Insurance Bill (2019) the NHI's main goal is to fulfill the promise mentioned in the Constitution which state that: "All South Africans should constitutionally be provided access to high-quality healthcare". This study aims at addressing key factors that highlights the impact of NHI funding on a South African individual taxpayer based on the law mentioned above. Therefore, a brief overview of the constitutional right is discussed below as it establishes the measures that government have to adhere to when introducing a new policy that has to be financed.

1.3 Constitutional Right

According to the highest law in South Africa, which is the Constitutional Law, lists the Bill of Rights S27ss (1)(2)(3) in chapter 2. The Bill states that:

1. "Everyone has the right to have access to –
 - (a) Health care services, including reproductive healthcare.
 - (b)
 - (c)
2. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights.
3. No one may be refused emergency medical treatment."

According to Rautenbach and Malherbe (2003) the bill of rights protects these rights because they are typically violated when people lack or have insufficient access to competent healthcare services. These rights must be protected, promoted, and upheld by the state, and they may not be violated. First and foremost, the rights contain the obligation for the state and everyone else not to obstruct or restrict access to the facilities and services they refer to. Second, the state is required under section 7(2) to safeguard these rights by taking steps to stop outsiders from obstructing access. Thirdly, it is the state's responsibility to uphold rights.

The goal of implementing this NHI is to do away with the current tier system, which favors individuals who have access to healthcare, and the affordability thereof. The implementation should increase everyone's access to high-quality healthcare services and offer financial risk protection from catastrophic medical expenses (Department of Health NHI policy, 2011). To achieve the success of the NHI, there must be a stable financial vehicle which will fund the NHI, as stressed in s27(2) of the bill of rights. Furthermore, s27(2) laid out the guidance that the government should follow when determining which finance vehicle to use and these are: *Reasonable legislation and other measures, Progressive realization and Available resources*. Section 27(2) of the Bill of Rights stresses the different concepts as follows:

- “*Reasonable legislation and other measures*” mean the state must create programs that are cohesive, assign duties and obligations to the various levels of government, ensure that the necessary resources are available, and carry out their implementation in a reasonable manner.
- “*Progressive realization*” refers to the recognition that rights cannot be realized right away but that the state must work as quickly and efficiently as possible to get there.
- “*Available resources*” we imply that the number of resources available will determine how quickly the goal is reached as well as how appropriate the tactics taken will be (Rautenbach & Malherbe, 2003).

As stated in section 27(2) above, resources must be provided in order to achieve the goal of NHI implementation, and the primary resource is financing. The proposed funding methods for the NHI are discussed below.

1.4 Proposed Funding Methods

According to HealthMan (2017) the government released the White Paper on NHI in 2017, which offered a more thorough roadmap for the NHI implementation. A single NHI Fund would be created, according to the White Paper, using funds from increasing several kinds of sources, such as VAT, tax revenue, payroll tax, and perhaps a surcharge on personal income. The government has suggested these prospective sources as a way to help the NHI financial system to generate revenue. An increase in these taxes may have a direct or indirect impact on taxpayers (Businesstech, 2022a, b). This could possibly pose a threat to s27(2) of the bill of rights when it comes to the availability of the resources. Any potential increase in taxes, in which the exact amount is uncertain at the moment, will need to consider applying reasonable measures of the amendments of various taxation systems when implementing those potential increases. The progressive realization element will be realized as the government is planning on implementing the NHI in phases. For the purpose of this present study the funding methods that are focused on, are the increase in VAT and the introduction of NHI in the payroll tax. The following are the reasons why only the above-mentioned taxes were discussed in this study:

- i. Both VAT and the new NHI tax directly impact an individual regardless of their social status.
- ii. They each had specific proposed percentage increases that the government would need to implement in order to fund the NHI.

2 Literature Review

The South African NHI is a proposed universal healthcare system that aims to provide quality healthcare services to all South Africans (Department of Health, 2020). The funding for the NHI will come from a range of sources, including general taxes, VAT, payroll taxes, and a surcharge on taxable income. The potential impact of these funding methods on individual taxpayers remains a topic of interest among policymakers, researchers, and the public (Department of Health, 2020).

Several studies have been published that discuss NHI, but there is no study that has paid adequate attention to the impact that the proposed NHI funding will have on an individual South African taxpayer that has been found. A study conducted by Masuku et al. (2020) analysed the finance mechanics of the proposed NHI Bill and the implications within the development context. The study found that increasing both income taxes and consumption-based taxes could result in a loss of welfare to society at large because labour will be discouraged from working and the poor will be further disadvantaged through increase in taxes such as VAT.

Tu and Turner (2019) concentrated on the opinions of experts regarding the best tax or combination of taxes that the South African government may utilize as a potential source of funding for the proposed NHI. According to their research, an increase in VAT is seen as being justifiable, fair, and efficient, whereas an increase in personal income taxes or the introduction of a payroll tax is not. According to their expert respondents, who included tax professionals and others, a ringfenced fund for NHI would strengthen accountability and prevent funds from being expropriated during the budgetary process.

A study by the Council for Medical Schemes (2019) also analysed the potential impact of the NHI on medical scheme members and taxpayers in South Africa. The study found that the implementation of the NHI could result in a reduction in medical scheme membership and an increase in taxes for individual taxpayers. The study also highlighted the need for a transparent and equitable funding model that considers the socio-economic status of individuals.

In conclusion, the cited literatures reflect that the potential impact of the NHI funding methods on individual taxpayers in South Africa remains uncertain. That is the gap that this present study aims to address. There is therefore a need for this present study to examine the potential impact that the increase in VAT and payroll tax will have on individual taxpayers. The study therefore aims to assist individual taxpayers to have a clear understanding of how the funding might have an impact on them as well as provide valuable insights for policymakers in designing a funding model that balances the need for universal healthcare while avoiding excessive tax burdens on individual taxpayers.

2.1 Research Question and Research Objectives

Health care is acknowledged as a fundamental right by the constitution, but the industry still has to undergo significant transformation. The government is consequently recommending the implementation of a National Health Insurance (NHI), which will cover the costs of healthcare for its national population regardless of their socio-economic condition, in an effort to address the issues this sector is currently facing. In doing so, the government has only suggested potential funding sources but has not clearly demonstrated how these funding methods will impact an individual South African taxpayer. To overcome the identified problem, this study's main objective is to investigate how the suggested funding methods will impact an individual taxpayer in South Africa. The sub-objectives below will lead the research to achieve the main objective of this study:

- Exploring the impact that a potential increase in VAT will have on an individual (previous studies on the increase of VAT from 14% to 15% will be reviewed) in order to understand how the impact of the suggested increase may further affect an individual taxpayer.
- Exploring how the proposed additional payroll tax (Introduction of NHI tax) will impact an individual taxpayer.
- To use scenarios to illustrate the practical impact that the increase in VAT and the introduction of NHI on payroll tax will have on an individual taxpayer.

The following sections discuss the methodology that was followed in this study. The conceptual framework of this present study reviews the suggested funding methods comprising of VAT and its impacts on individuals if increased as well as the introduction of NHI into the payroll tax. Following the conceptual framework, is a fictitious scenario-based approach illustrates the practical impact that these taxes will have on an individual and helps achieve the research objective formulated. A conclusion will be extrapolated from the scenarios formulated and the study's findings will be included as well as the limitations encountered in this study.

3 Methodology

3.1 Research Design

In this study, the combination of scenario-based approach and the qualitative research method is used to identify the effects which the suggested funding methods of the NHI have on an individual taxpayer in South Africa. The section consists of two parts, namely:

- Part A: This sub-section focused on documentary analysis as a form of qualitative research technique. The analysis observed the previous change in VAT and its effect on individual taxpayers in South Africa through reviewing electronic and

physical documents such as government policies, programs, initiatives, laws, reputable papers, and other scientific materials. The analyses from these documentary materials then assisted in formulating a scenario that further depicted any changes in the VAT and the impact of the change on an individual taxpayer. However, this approach cannot be used for the introduction of NHI in payroll tax as this is something new that is being introduced in an already existing payroll tax system.

- Part B: This sub-section focused on the scenario-based approach to illustrate the effect which the suggested funding methods of the NHI have on an individual taxpayer in South Africa. The scenario-based approach includes two scenarios based on the two potential funding methods selected for this study, namely: the increase in VAT and the introduction of the NHI in payroll tax.

3.2 *Trustworthiness*

To define how reliable qualitative research findings are, the words “quality,” “authenticity,” and “truthfulness” are often employed. It has to do with how much the audience trusts or relies on the results (Brigitte, 2017). Babbie and Mouton (2004) also states that to determine whether a qualitative research study adheres to the theory of trustworthiness, the researcher must demonstrate that the study’s findings are credible and deserving of attention. Data was collected using a thorough literature review. The research study intended to protect the reliability of the qualitative data by using government documents and published works from reputable writers or publications that had undergone peer review and been accepted for publication in scholarly journals.

According to Fransworth (n.d.) the true value of qualitative research, or whether the study’s conclusions are reliable and accurate, is determined by its credibility. It also depends on the validity of the research methodology. Fransworth (n.d.) further states, to build a framework that can be used to a new set of data for reflection and meaningful comparison, the results from a study must be comprehensive and rich in description. This is known as transferability in qualitative research. In this present study, hypothetical scenarios are used to examine the actual impacts that the tax increases will have on individual taxpayers.

3.3 *Ethical Consideration*

Ethical principles and policies were applied in analysing and interpreting documents. As all the data used for this research is in the public domain, and the study received the ethical clearance approval from the University of Johannesburg’s School of Accounting: Ethical clearance Code is SAREC20230419/09.

3.4 Part A: Documentary Analysis

3.4.1 Introduction

According to Bhandari (2020), a qualitative research methodology is the foundation of the current study. To understand ideas, attitudes, or experiences that underly people's responses to a situation, a qualitative technique is used to collect and analyze non-numerical data. The present study, which aims to comprehend and describe the subject under evaluation, which is the proposed funding of NHI, was conducted using a documentary analysis approach. According to Bowen (2009), document analysis is a systematic technique used for assessing or reviewing documents, both printed and electronic data. Document analysis, like other qualitative research methodologies, necessitates the examination and interpretation of data to extract meaning, gain insight, and develop empirical knowledge. The following documents among others were reviewed: government policies (White Paper, Green Paper, Department of Health, NHI Bill). programs, initiatives, laws, reputable papers, and other scientific materials.

The first sub-objective which is: Exploring the impact that a potential increase in VAT will have on an individual (previous studies on the increase of VAT from 14% to 15% were reviewed) to understand how the impact of the suggested increase may further affect an individual taxpayer, was evaluated using this analysis technique. In employing this methodology technique, the study followed a systematic explanation of the rules controlling a specific legal category, which examines the relationships between the rules, clarifies areas of difficulty, and was based on documentary material. Furthermore, the research methodology used incorporated features of doctrinal research (McKerchar, 2008). To find information pertaining to the proposed NHI funding methods which is, the potential increase in VAT, historical documents, papers, and articles were reviewed. The study's sources were obtained from academic journals, articles, theses and from the government and department of health websites that other authors had also cited in their own research studies. The qualitative analysis includes an overview on VAT and the implications of the increase on an individual taxpayer in South Africa.

3.4.2 Qualitative Analysis

Value-Added Tax

Value-Added Tax is commonly known as VAT. VAT is an indirect tax on the consumption of goods and services in the economy, and it is revenue raised for government (SARS, 2021). According to Go et al. (2005), VAT in South Africa was introduced in September 1991 to replace general sales tax (GST), as this was imposed at a statutory rate of 10%. The rate was then increased to 14% in 1993 and later increased to 15% on the first of April 2018. VAT is currently stated at 15%

in South Africa. The purpose of VAT is to generate revenue for the government, and it does this by mandating a business that engages in trade to register for VAT. In doing so, the business (subject to certain criteria) will charge VAT on supplies of goods and services it makes, on the importation of goods and on imported services. The business will also be allowed to deduct any VAT that was applied to a supply made to it or, in certain cases, applied by a company that is not registered for VAT. VAT is therefore non-cumulative, meaning that a credit/deduction is allowed for VAT paid in previous stages, within the production and distribution chain. If the VAT levied to the business exceeds the VAT charged by the business, the business must pay the difference in VAT or request a VAT refund (SARS, 2021).

VAT is normally split into three different categories namely, Zero Rated charged at 0%, standard rated charged at 15% and exempt that is no VAT is charged. Standard-rated and zero-rated supplies are also known as taxable supplies. Other supplies are known as exempt or non-supplies (SARS, 2021).

VAT is one of the primary sources of revenue for many countries around the world, including South Africa. According to Tax Stats (2022) in the 2021/2022 fiscal year tax revenue collected amounted to R1 563.8 billion, and of that amount VAT was the second highest contributor, contributing 25,0% which equates to R390,895 billion. The South African NHI is a proposed universal healthcare system aimed at providing quality healthcare services to all South Africans. The funding for the NHI is a topic of significant importance, and one of the potential funding methods that has been suggested is an increase in VAT.

VAT is an attractive option for revenue generation due to its broad-based nature and relatively stable revenue stream. However, an increase in VAT can have implications for consumers, particularly those with lower incomes, as it affects the cost of goods and services.

Implications of VAT Increase

According to *Businesstech* (2021a) additional taxes to fund the NHI will need to be introduced, including the possibility of increasing VAT. ‘An increase in VAT will be beneficial for government to function to its maximum capacity because of increased collections that can also contribute to the funding of NHI, but could have a negative impact to the consumers. The VAT increase directly affects the average man on the street—with consumers in the lower income brackets feeling the effects the most (Scjunction.com, 2018). It reduces the disposal income of all South Africans, regardless of whether you are poor or rich.

There are different opinions on what percentage VAT should increase by to cover the NHI costs. According to Bauer (2011), the department’s chief director of economic tax analysis and tax policy mentioned in his speech that VAT increase will be justifiable as the current SA VAT tax is lower compared to the worldwide average of 16,4%. Different companies and funds have done their calculations and Solidarity’s calculations indicate that the government should increase VAT from 15% to 20%, that is then a 5% increase. According to MMI Holdings (2016), to fund

the high estimate of the NHI, a VAT rate of 19,4% is required, therefore that is an increase of 4,4%. For the purpose of this present study a 5% VAT increase estimate was used as it covers most of the predictions that were made by different individuals. Below are the implications that were identified when the South African VAT changed from 10% to 15%.

According to Roos et al. (2019), Gcabo et al. (2019) and Dangor (n.d.), an increase in VAT had various impacts on individuals, some depending on the specific circumstances of each case and below are the common general effects that were identified:

- i. Higher prices: When VAT is increased, businesses may pass on the additional tax cost to consumers, resulting in higher prices for goods and services. This can lead to a reduction in purchasing power for individuals who have to pay more for the same products they used to buy.
- ii. Inflation: VAT increase leads to higher prices, it can also cause inflation in the economy. This can make it more expensive for individuals to buy essential items such as food, clothing, and housing.
- iii. Reduced disposable income: If prices rise due to a VAT increase, individuals may have less disposable income to spend on discretionary items. This can have a negative impact on the overall economy, as consumer spending is a significant driver of economic growth.
- iv. Regressive tax: VAT is often considered a regressive tax, meaning that it tends to impact low-income individuals more than higher-income individuals. This is because low-income individuals spend a larger percentage of their income on essential goods and services, which are subject to VAT.
- v. Impact on businesses: VAT increases can also have an impact on businesses, particularly small businesses that may struggle to absorb the additional cost. This can lead to job losses, reduced investment, and slower economic growth.
- vi. Impact on food choices by consumers: When VAT increases the less fortunate will resort to purchasing and consuming cheap and unhealthy foods, because the food stuff that is currently zero rated are not the most nutritious. The increase on VAT will continue to make access to nutritious and quality food more difficult or unattainable.

Overall, a VAT increase can have significant impact on individuals and the economy. It is important for governments to carefully consider the potential consequences before implementing such a change. Failure to factor in the impact of VAT increase will result in increased levels of poverty, inequality, and increased levels of instability due to hardships experienced by the poor and marginalized.

3.5 *Part B: Scenario-based Approach*

3.5.1 Introduction

According to Balaman (2018), scenario-based approach involves predicting the expected value of a performance indicator given a time frame, the occurrence of various scenarios, and changes in the values of system parameters that are associated to those situations in an uncertain environment. The study uses disposable income of an individual taxpayer as a performance indicator while increase in VAT and payroll taxes are used as system parameters. The system parameters are uncertain because they are merely suggestions made by scholars regarding potential funding methods for generating NHI revenue (Tu & Turner, 2019).

This study used hypothetical scenarios to illustrate the practical impact that the potential increase in VAT and the introduction of NHI in the payroll tax might have on an individual taxpayer. The study forecasts how the system parameters will impact a taxpayer's disposable income constructed on a scenario-based methodology. Furthermore, this will address with the third sub-objective of the current study.

3.5.2 Introduction of NHI in Payroll Tax

According to Department of Health NHI policy (2011), the government needs to implement different funding methods to generate funds for the NHI and one of the suggested fundings was the introduction of the NHI in payroll tax. Payroll tax is usually referred to as the tax that must be deducted by an employer from an employee's remuneration paid or payable (South African Revenue Service (SARS), 2023). Once the tax is deducted, the employer will pay the funds to SARS and therefore, SARS together with the government will use the funds to finance social security programs. Currently, the South African payroll tax system is structured as follows:

- PAYE (employees' taxes) calculated on the tax tables.
- UIF (unemployment insurance) 1% of the total salaries
- SDL (skills development levy) 1% of the total salaries

The implementation of the NHI in payroll tax will add another type of tax within an individual's current tax framework. The implementation of the NHI will follow a similar structure as that of SDL, in which a fixed portion of the total amount paid in salaries for an individual will be subjected to a contribution at that fixed rate. As stated in the Department of Health NHI policy (2011), the funds generated from this contribution will be used to fund the NHI. This means that individuals will fund the NHI system through their contributions. Although the funds could be said to be sizable and reliable as a source of income for the government, the White Paper warns that this may have a detrimental impact on formal employment and job growth because of the increase in the cost of work (Econex, 2016). In line with this, Goudge

et al. (2012), stated that this proposed funding method could be reasonable for the government but the addition of this contribution to an individual taxpayer could be a burden.

According to estimates, if NHI payroll tax is introduced, the amount of NHI contribution in payroll tax that must be collected must be charged at a 5% rate to fund the NHI. Payroll taxes are also progressive, which means that the more money a taxpayer makes, the more tax is due (Tu & Turner, 2019). This proposed introduction is not a new tax base as compared to the surcharge increase in personal income tax, as it will be an addition to the payroll tax structure that already exists. Contrary to the rate mentioned above, *Businesstech* (2021b) suggested a different rate of 5.5%, to be collected.

According to Bethesda (2010), the introduction of NHI in payroll tax may cause valuable employees to leave the formal sector in order to avoid paying higher payroll taxes, which would have a detrimental effect on production. According to *Businesstech* (2021b) the government estimate to possibly generate R112 billion in 2026 in the following ways, according to *Solidarity's* calculations, if the NHI is implemented:

- A 20% income tax surcharge
- A 20% increase in VAT from 15%
- A 5.5% payroll tax
- Corporate income tax was raised from 28% to 42%.
- Any combination of these

Two different rates were suggested by the different authors to fund the NHI using payroll taxes. For the purpose of this present study the 5.5% payroll tax assumption was used because it is inclusive of the 5% that the other author already suggested, and it is supported by numerical values that the government could possibly generate.

A scenario illustrating the potential impact of a payroll tax increase on a South African taxpayer:

Let's consider the case of John, a working professional in South Africa. He is employed as a software developer in a medium-sized IT company and earns a monthly salary of R30,000. John has a spouse who is currently not working, and they have two children.

In this scenario, the government has decided to introduce a new payroll tax as a funding mechanism for the National Health Insurance (NHI). The proposed payroll tax is assumed to be set at a rate of 5.5% of an employee's monthly income.

With the introduction of NHI to the payroll tax, John's monthly salary will be subject to the new tax. Let's calculate the impact:

John's gross monthly salary is R30 000 with the effect of Payroll tax rate of 5.5%. The payroll tax will amount to R1650. After the payroll tax deduction, John's net monthly salary will be reduced by R1 650. Therefore, his salary after taking out the NHI would be R28 350 (R30 000 – R1 650) considering that all other payroll taxes still need to be deducted. The increased payroll tax will further reduce John's disposable income by R1 650 each month. This reduction in income may affect

his ability to meet his family's expenses and potentially impact their standard of living.

It's important to note that this scenario focuses solely on the impact of the introduction of NHI in the payroll tax, which was previously not there, and it is an addition to the following components that were initially available which are, PAYE, UIF and SDL on a taxpayer's salary. The broader implications, such as the potential impact on employment levels, business costs, and overall economic dynamics, would need to be considered when assessing the effects of such a policy change.

A scenario illustrating the potential impact of a Value Added Tax (VAT) increase on a South African taxpayer:

Meet Sarah, a middle-income earner in South Africa. She works as a marketing manager in a small company and earns a monthly salary of R25,000. Sarah is responsible for managing her household expenses, including groceries, rent, utilities, and healthcare costs.

In the current scenario, the VAT rate in South Africa is 15%. However, due to fiscal pressures and the need for additional revenue to fund various government initiatives, including the National Health Insurance (NHI), the government decides to increase the VAT rate to 20%.

As a result of the VAT increase, Sarah will experience a direct impact on her everyday expenses. Let's consider her monthly grocery bill, which is typically around R4,000. With the VAT rate increase, the additional 5% would result in an extra R200 in VAT charges on her groceries, totalling R4,200.

Similarly, Sarah's monthly utility bills, including electricity and water, amount to approximately R2,500. The VAT increase would add an extra R125 to her utility expenses, bringing the total to R2,625.

Furthermore, Sarah has private health insurance to cover her medical expenses, which costs her R1,500 per month. However, the VAT increase does not directly affect private health insurance premiums.

Considering Sarah's overall monthly expenses, the VAT increase would impact her budget. The additional VAT charges on groceries and utilities alone would amount to an extra R325 per month. This may seem like a relatively small amount, but over time it can add up and impact her disposable income.

It's important to note that this scenario focuses solely on the impact of a VAT increase on a taxpayer's expenses. The broader implications of a VAT increase, such as its impact on the economy, consumer spending, and business operations, would also need to be taken into account when considering the potential consequences of such a policy change.

4 Conclusion and Recommendations

To address the main objective, the sub-objectives needed to be analyzed and the first sub-objective was: Exploring the impact that a potential increase of 5% in VAT will have on an individual. The documentary analysis approach was applied, this is a

technique that reviewed documents that contained the impacts that the past increases of the VAT rates had on the individuals. This was done in order to understand how the proposed NHI VAT funding method might impact the individual taxpayer. The results of this analysis revealed that an increase in VAT would have a significant impact on an individual taxpayer. Furthermore, a fictitious VAT scenario above demonstrated how an increase in VAT directly impacts the costs of goods and services, therefore reducing the disposable income of an individual. The additional VAT charges on groceries and utilities which are the necessities, alone would add an extra amount in a form of an expense per month. As shown in the scenario above, the increase does not seem to be a significant amount but over time, the amount will add up and impact the individual taxpayer's disposable income. As a result, people would be forced to allocate more of their income to necessities. The broader implications of an increase in VAT, such as its impact on the economy, consumer spending, and business operations, would also need to be considered when considering the potential consequences of such a policy change.

The second sub-objective was: Exploring how the proposed additional 5.5% payroll tax (Introduction of NHI tax) will impact an individual taxpayer. Payroll tax is an example of progressive tax and therefore, this means that the higher the individual taxpayer earns, the higher they will pay on their overall taxes. The additional 5.5% of the taxpayer's salary will be an expense that will significantly impact the disposable income of the individual taxpayer. This reduction in the disposable income will affect the individual taxpayers' ability to meet the family's expenses and potentially impact their standard of living.

The third sub-objective was: To use scenarios to illustrate the practical impact that the increase in VAT and the introduction of NHI on payroll tax will have on an individual taxpayer. Both the fictitious scenarios created reflected that the increase in VAT and the additional payroll tax will have a negative impact on the taxpayers' disposable income and therefore affecting their livelihood. Having addressed all the sub-objectives, the main objective being to investigate how the suggested funding methods will impact an individual taxpayer in South Africa was therefore achieved.

To assess the true impact of the suggested funding methods, further analysis is necessary once the South African government provides more comprehensive and detailed information on the specific tax policies and implementation strategies associated with the NHI. The government should be careful when considering implementing the finance vehicle of the NHI being the tax system of payroll taxes and VAT, as the current South African tax base is narrow and the burden of funding the NHI will add to an already strained tax base.

Ultimately, the goal of the NHI is to provide universal access to healthcare services in South Africa. Balancing the financial burden on individual taxpayers with the aim of achieving equitable healthcare access will be crucial in the successful implementation of the NHI.

5 Limitations

As with several frequently cited articles, the research design of this present study presents a number of limitations that future researchers can consider. Firstly, numerous research has been conducted from a qualitative approach and thus, the lack of quantitative methodology poses as a limitation to the present study. Included in the cited research papers are proposed tools in which the South African government can potentially utilize in funding the NHI and thus, the lack of how these proposed funding will impact an individual has not been considered in previous studies.

The literature available may rely on theoretical arguments, expert opinions, or qualitative assessments, rather than extensive empirical evidence. Quantitative studies with comprehensive data on taxpayer perspectives, economic impacts, and healthcare utilization patterns are scarce, making it difficult to draw definitive conclusions. The selected literature may exhibit bias, as it may be influenced by the perspectives and interests of the authors, organizations, or institutions conducting the research. Despite these limitations, the existing literature provides valuable insights into the potential effects of the suggested funding methods for the NHI on individual taxpayers in South Africa. Further research is needed to address these limitations and deepen our understanding of the topic, ideally through empirical studies and ongoing monitoring of the policy implementation.

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