ENGLISH

2018 BUDGET PEOPLE'S GUIDE

A joint publication between National Treasury and South African Revenue Service

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REPUBLIC OF SOUTH AFRICA

What is the BUDGET?

In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

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HOW IS THE BUDGET PUT TOGETHER?

① Departmental guideline is issued indicating budget information required
② Departments prioritise their programmes, compile spending plans and service delivery commitments
③ Budget proposals are submitted to treasury and deliberated on
④ Interdepartmental committees of Directors-General consider allocation proposals
⑤ They make recommendations to Ministers' Committee on the Budget
⑥ Medium Term Budget Policy Statement signals the upcoming Budget
⑦ Finally allocations are decided in Cabinet
⑧ Budget documents are prepared
⑨ Main Budget is tabled
⑩ Parliament deliberates and adopts a Budget
⑪ Sent to the President for signing into Law

RESTORING SOUTH AFRICA'S PUBLIC FINANCES ON A SUSTAINABLE PATH

For some time, the South African government has been spending more than it can afford, leading to rising debt.

The economy has also been growing at a slow pace as a result of low business confidence and falling private investment. At the time of the October *Medium Term Budget Policy Statement* government presented an unsustainable debt outlook. The 2018 Budget presents proposals to rebuild confidence and put the public finances on a more sustainable path.

South Africa has an opportunity to build on the positive developments that have emerged in recent months. The economy has performed slightly faster than expected, with economic growth now projected to be 1 per cent in 2017, 1.5 per cent in 2018 and 2.1 per cent by 2020. This pace of economic growth is welcome, but is still too slow to address unemployment and poverty. This will make it difficult for government to achieve its targets for public finances.

The central budget proposals involve boosting the public finances by raising taxes, reducing spending and reprioritising. Government will raise taxes by R36 billion through a one percentage point increase in the VAT rate to 15 per cent, and adjustments to other taxes. Raising VAT is estimated to have the least harmful effects on growth over the period ahead. Spending will also be reduced in other areas and reallocations will be made to other priorities mostly fee-free higher education and training over the next three years.

Despite these changes, national government will still need to borrow R191 billion in 2018/19. However, the national debt outlook is now on a sustainable path. A sustainable budget is the first step in getting the economy back on track and growing more quickly.

> **'A sustainable budget is the first step in getting the economy back on track and growing more quickly'**

Government will work to deliver on important policy reforms as well as working on improving the governance and performance of state-owned-companies (SOCs) which is also key in supporting the growth of the economy.

Although the economic situation has improved, the risks are still significant. The possibility of government collecting less revenue than it budgeted for, low economic growth and severe financial weakening at several major SOCs, still remain a factor ■