

#RSABUDGET2019 HIGHLIGHTS

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BUDGET FRAMEWORK

- Over the medium term, spending reductions amount to R50.3 billion, 54 per cent of which comes from compensation budget adjustments.
- Provisional allocations of R75.3 billion are budgeted over the 2019 medium-term expenditure framework (MTEF) period, mainly for Eskom's reconfiguration plan.
- Since the 2018 *Medium Term Budget Policy Statement* the contingency reserve has been increased by R6 billion in 2019/20 to respond to requests for fiscal support from smaller state-owned companies. Additional support will be financed by selling non-core assets.
- The consolidated budget deficit is projected to narrow from 4.5 per cent of GDP in 2019/20 to 4 per cent in 2021/22.
- Gross debt is expected to stabilise at 60.2 per cent of GDP in 2023/24.
- Real growth in consolidated non-interest expenditure will average 2 per cent over the next three years.

SPENDING PROGRAMMES

- Total public spending over the MTEF period is expected to be R5.9 trillion.
- The bulk of spending is allocated to learning and culture, social development, health and community development.
- The expenditure ceiling is increased by R16 billion over the next three years, mainly due to provisional allocations for reconfiguring Eskom, which amount to R69 billion.
- Compensation of employees remains the largest category of spending, accounting for an average of 34.4 per cent of consolidated expenditure over the MTEF period. Measures are introduced to realise a R27 billion reduction in compensation.
- Funds amounting to R33.4 billion have been reprioritised over the MTEF period, mainly for service delivery and infrastructure.

TAX PROPOSALS

- No changes will be made to personal income tax brackets, while the tax-free threshold increases from R78 150 to R79 000. By not adjusting the income tax brackets for inflation, government will raise R12.8 billion.
- The carbon tax will be implemented on 1 June 2019.
- Below-inflation increases in fuel taxes together with the carbon tax on fuel will raise R1.3 billion.
- Increases in alcohol and tobacco excise duties will raise revenue of R1 billion.
- White bread flour, cake flour and sanitary pads will be zero-rated for VAT purposes from 1 April 2019.
- The eligible income bands for the employment tax incentive will be increased from 1 March 2019.

TAX REVENUE 2019/20

R552.9 bn Personal income tax

R360.5 bn VAT

R229.6 bn Corporate income tax

R106.8 bn Customs and excise duties

R89.5 bn Other

R83.0 bn Fuel levies

MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2018	2019	2020	2021
	Estimate	Forecast		
Household consumption	1.5	1.5	2.0	2.3
Gross fixed-capital formation	-0.2	1.5	2.1	3.0
Exports	2.0	2.3	2.7	2.8
Imports	3.8	1.7	3.2	3.3
Real GDP growth	0.7	1.5	1.7	2.1
CPI inflation	4.7	5.2	5.4	5.4
Current account balance (% of GDP)	-3.5	-3.4	-3.8	-4.0

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2018/19	2019/20	2020/21	2021/22
	Revised estimate	Medium-term estimates		
Revenue	1 455.2	1 583.8	1 696.4	1 836.6
	28.8%	29.3%	29.2%	29.4%
Expenditure	1 665.4	1 826.6	1 948.9	2 089.0
	32.9%	33.7%	33.5%	33.4%
Budget balance	-210.2	-242.7	-252.6	-252.4
	-4.2%	-4.5%	-4.3%	-4.0%
Gross domestic product	5 059.1	5 413.8	5 812.4	6 249.1

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2018/19 - 2021/22

R billion	2018/19	2019/20	2020/21	2021/22	2018/19 2021/22
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	354.8	386.4	415.2	442.6	7.6%
Health	208.8	222.6	238.8	255.5	7.0%
Social development	256.9	278.4	298.9	317.1	7.3%
Community development	186.4	208.5	225.1	243.7	9.3%
Economic development	192.4	209.2	219.9	235.9	7.0%
Peace and security	203.5	211.0	222.9	233.0	4.6%
General public services	65.0	65.3	67.6	76.9	5.8%
Payments for financial assets	15.5	29.8	30.4	30.9	
Allocated expenditure	1 483.2	1 611.3	1 718.9	1 835.6	7.4%
Debt-service costs	182.2	202.2	224.1	247.4	10.7%
Contingency reserve	–	13.0	6.0	6.0	
Consolidated expenditure	1 665.4	1 826.6	1 948.9	2 089.0	7.8%