

2017 BUDGET HIGHLIGHTS

ISSUED BY: National Treasury
Tel: (012) 315 5757
www.treasury.gov.za



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

BUDGET FRAMEWORK

- A budget deficit of 3.4 per cent of GDP is expected for 2016/17, narrowing to 2.6 per cent in 2019/20.
- Debt stock as a percentage of GDP is expected to stabilise at 48.2 per cent in 2020/21.
- The main budget non-interest expenditure ceiling has been lowered by R26 billion over the next two years.
- R28 billion in additional tax revenue will be raised in 2017/18. Measures to increase revenue by a proposed R15 billion in 2018/19 will be outlined in the 2018 Budget.
- R30 billion has been reprioritised through the budget process to ensure that core social expenditure is protected.
- Real growth in non-interest spending will average 1.9 per cent over the next three years. Apart from debt-service costs, post-school education is the fastest-growing category, followed by health and social protection.

MACROECONOMIC OUTLOOK – SUMMARY

Percentage change	2016	2017	2018	2019
	Estimate	Forecast		
Household consumption	0.9	1.3	2.0	2.3
Gross fixed capital formation	-3.6	1.5	1.6	2.8
Exports	-1.2	1.9	4.9	5.0
Imports	-3.6	2.0	4.3	4.9
Gross domestic product	0.5	1.3	2.0	2.2
CPI inflation	6.4	6.4	5.7	5.6
Balance of payments current account (percentage of GDP)	-4.0	-3.9	-3.7	-3.8

SPENDING PROGRAMMES

Over the next three years, government will spend:

- R490.4 billion on social grants.
- R105.9 billion on transfers to universities, while the National Student Financial Aid Scheme will spend R54.3 billion.
- R751.9 billion on basic education, including R48.3 billion for direct subsidies to schools, R42.9 billion for infrastructure, and R12.7 billion for learner and teacher support materials.
- R114.8 billion on subsidised public housing.
- R94.4 billion on water resources and bulk infrastructure.
- R189 billion on transfers of the local government equitable share to provide basic services to poor households.
- R142.6 billion to support affordable public transport.
- R606 billion on health, with R59.5 billion on the HIV/AIDS conditional grant.

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

	2016/17	2017/18	2018/19	2019/20
R billion/percentage of GDP	Revised estimate	Medium-term estimates		
Revenue	1 297.3	1 414.1	1 535.2	1 668.5
Percentage of GDP	29.4%	29.8%	29.9%	30.1%
Expenditure	1 445.2	1 563.1	1 677.1	1 814.3
Percentage of GDP	32.8%	33.0%	32.7%	32.7%
Budget balance	-147.9	-149.0	-141.9	-145.8
Percentage of GDP	-3.4%	-3.1%	-2.8%	-2.6%
Gross domestic product	4 409.8	4 741.2	5 129.2	5 545.5

TAX PROPOSALS

In 2017/18:

- A new top marginal income tax bracket for individuals combined with partial relief for bracket creep will raise an additional R16.5 billion.
- R6.8 billion will be collected through a higher dividend withholding tax rate. Increases in fuel taxes and alcohol and tobacco excise duties will together increase revenue by R5.1 billion.
- As soon as the necessary legislation is approved, government will implement a tax on sugary beverages.
- A revised Carbon Tax Bill will be published for public consultation and tabling in Parliament by mid-2017.

TAX REVENUE 2017/18

R482.1 bn	Personal income tax
R312.8 bn	VAT
R218.7 bn	Corporate income tax
R96.1 bn	Customs and excise duties
R70.9 bn	Fuel levies
R84.9 bn	Other

CONSOLIDATED GOVERNMENT EXPENDITURE, 2016/17 – 2019/20

	2016/17	2017/18	2018/19	2019/20	2016/17–2019/20
R billion	Revised estimate	Medium-term estimates			Average annual growth
Basic education	226.6	243.0	261.3	280.1	7.3%
Health	170.9	187.5	201.4	217.1	8.3%
Defence, public order and safety	190.0	198.7	210.8	225.0	5.8%
Post-school education and training	69.0	77.5	80.9	89.8	9.2%
Economic affairs and agriculture	227.7	241.6	255.9	273.8	6.3%
Human settlements and municipal infrastructure	179.8	195.8	210.2	226.4	8.0%
General public services	70.0	70.7	72.5	75.6	2.6%
Social protection	164.9	180.0	193.5	209.1	8.2%
Allocated expenditure	1 298.9	1 394.8	1 486.4	1 597.0	7.1%
Debt-service costs	146.3	162.4	180.7	197.3	10.5%
Contingency reserve	–	6.0	10.0	20.0	
Consolidated expenditure	1 445.2	1 563.1	1 677.1	1 814.3	7.9%