

# #RSABUDGET2020 HIGHLIGHTS

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## BUDGET FRAMEWORK

- Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. Debt is not projected to stabilise over the medium term, and debt-service costs now absorb 15.2 per cent of main budget revenue.
- Over the next three years, the 2020 Budget proposes total reductions of R261 billion, which includes a R160.2 billion reduction to the wage bill of national and provincial departments, and national public entities.
- Reallocations and additions total R111.1 billion over the medium term, of which R60 billion is set aside for Eskom and South African Airways.
- These measures narrow the consolidated deficit from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23, with debt rising to 71.6 per cent of GDP over the same period.
- Along with faster economic growth, fiscal sustainability will require targeted reduction of specific programmes, and firm decisions to rein in extra-budgetary pressures, including reform of state-owned companies and the Road Accident Fund (RAF).

## SPENDING PROGRAMMES

- Total consolidated spending will amount to R1.95 trillion in 2020/21, R2.04 trillion in 2021/22 and R2.14 trillion in 2022/23.
- The bulk of spending is allocated to learning and culture (R396.4 billion), social development (R309.5 billion) and health (R229.7 billion).
- The fastest-growing functions over the medium term are economic development, community development and social development.
- Debt-service costs remain the fastest-growing expenditure item, followed by capital expenditure.

## TAX PROPOSALS

- Above-inflation increase in the personal income tax brackets and rebates.
- Limit corporate interest deductions to combat base erosion and profit shifting as well as restricting the ability of companies to fully offset assessed losses from previous years against taxable income.
- Increases of 25c per litre to the fuel levy, which consists of a 16c per litre increase in the general fuel levy and a 9c per litre increase in the RAF levy.
- Increase the annual contribution limit to tax-free savings accounts by R3 000 from 1 March 2020.
- Increase excise duties on alcohol and tobacco by between 4.4 and 7.5 per cent. Also, government will introduce a new excise duty on heated tobacco products, to be taxed at a rate of 75 per cent of the cigarette excise rate with immediate effect.
- Government will increase the cap on the exemption of foreign remuneration earned by South African tax residents to R1.25 million per year from 1 March 2020.

## TAX REVENUE, 2020/21

<b>R546.8 bn</b>	Personal income tax
<b>R360.6 bn</b>	VAT
<b>R230.2 bn</b>	Corporate income tax
<b>R112.7 bn</b>	Customs and excise duties
<b>R91.8 bn</b>	Other
<b>R83.4 bn</b>	Fuel levies

## MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2019	2020	2021	2022
	Estimate	Forecast		
Household consumption	1.1	1.1	1.3	1.6
Gross fixed-capital formation	-0.4	0.2	1.3	1.9
Exports	-2.1	2.3	2.6	2.8
Imports	0.2	1.8	2.5	2.8
<b>Gross domestic product</b>	<b>0.3</b>	<b>0.9</b>	<b>1.3</b>	<b>1.6</b>
CPI inflation	4.1	4.5	4.6	4.6
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7

## CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2019/20	2020/21	2021/22	2022/23
	Revised estimate	Medium-term estimates		
<b>Revenue</b>	<b>1 517.0</b>	<b>1 583.9</b>	<b>1 682.8</b>	<b>1 791.3</b>
	29.4%	29.2%	29.2%	29.2%
<b>Expenditure</b>	<b>1 843.5</b>	<b>1 954.4</b>	<b>2 040.3</b>	<b>2 141.0</b>
	35.7%	36.0%	35.4%	34.9%
<b>Budget balance</b>	<b>-326.6</b>	<b>-370.5</b>	<b>-357.5</b>	<b>-349.7</b>
	-6.3%	-6.8%	-6.2%	-5.7%
<b>Gross domestic product</b>	<b>5 157.3</b>	<b>5 428.2</b>	<b>5 759.0</b>	<b>6 126.3</b>

## CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2019/20-2022/23

R billion	2019/20	2020/21	2021/22	2022/23	2019/20-2022/23
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	385.6	396.4	417.8	434.2	4.0%
Health	222.0	229.7	244.0	257.6	5.1%
Social development	284.5	309.5	320.1	340.9	6.2%
Community development	201.7	212.3	228.2	242.2	6.3%
Economic development	198.9	211.5	228.2	240.9	6.6%
Peace and security	214.4	217.0	221.3	228.8	2.2%
General public services	66.3	70.0	73.2	74.1	3.7%
Payments for financial assets	65.2	73.6	44.1	27.3	
<b>Allocated expenditure</b>	<b>1 638.5</b>	<b>1 720.2</b>	<b>1 776.9</b>	<b>1 845.9</b>	<b>4.1%</b>
Debt-service costs	205.0	229.3	258.5	290.1	12.3%
Contingency reserve	-	5.0	5.0	5.0	
<b>Consolidated expenditure</b>	<b>1 843.5</b>	<b>1 954.4</b>	<b>2 040.3</b>	<b>2 141.0</b>	<b>5.1%</b>

# BUDGET 2020/21

## BUDGET EXPENDITURE

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### CONSOLIDATED GOVERNMENT EXPENDITURE

**R1.95 TRILLION**



**R1.15 TRILLION**

### SOCIAL SPENDING



**R211.5 bn**

#### ECONOMIC DEVELOPMENT

Economic regulation and infrastructure	<b>R105.3 bn</b>
Industrialisation and exports	<b>R39.0 bn</b>
Agriculture and rural development	<b>R28.3 bn</b>
Job creation and labour affairs	<b>R22.4 bn</b>
Innovation, science and technology	<b>R16.4 bn</b>

Basic education	<b>R248.6 bn</b>
University transfers	<b>R44.8 bn</b>
National Student Financial Aid Scheme	<b>R37.1 bn</b>
Skills development levy institutions	<b>R21.0 bn</b>
Education administration	<b>R17.8 bn</b>
Technical & vocational education and training	<b>R13.4 bn</b>



**R396.4 bn**

#### LEARNING AND CULTURE



**R217.0 bn**

#### PEACE AND SECURITY

Police services	<b>R106.1 bn</b>
Defence and state security	<b>R51.4 bn</b>
Law courts and prisons	<b>R49.6 bn</b>
Home affairs	<b>R9.9 bn</b>

District health services	<b>R102.0 bn</b>
Central hospital services	<b>R44.7 bn</b>
Provincial hospital services	<b>R37.6 bn</b>
Other health services	<b>R35.4 bn</b>
Facilities management and maintenance	<b>R10.1 bn</b>



**R229.7 bn**

#### HEALTH



**R70.0 bn**

#### GENERAL PUBLIC SERVICES

Public administration and fiscal affairs	<b>R47.3 bn</b>
Executive and legislative organs	<b>R14.6 bn</b>
External affairs	<b>R8.2 bn</b>

Municipal equitable share	<b>R74.7 bn</b>
Human settlements, water and electrification programmes	<b>R55.7 bn</b>
Public transport	<b>R44.7 bn</b>
Other human settlements and municipal infrastructure	<b>R37.2 bn</b>



**R212.3 bn**

#### COMMUNITY DEVELOPMENT



**R229.3 bn**

#### DEBT-SERVICE COSTS

Social security funds	<b>R88.0 bn</b>
Old-age grant	<b>R83.1 bn</b>
Child-support grant	<b>R69.8 bn</b>
Other grants	<b>R35.0 bn</b>
Provincial social development	<b>R23.3 bn</b>
Policy oversight and grant administration	<b>R10.0 bn</b>



**R309.5 bn**

#### SOCIAL DEVELOPMENT