BUDGET FRAMEWORK

- The budget deficit is projected to narrow from 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21.
- Main budget non-interest expenditure is projected to remain stable at 26.6 per cent of GDP between 2017/18 and 2020/21.
- Net debt is expected to stabilise at 53.2 per cent of GDP in 2023/24.
- Proposed tax measures will raise an additional R36 billion in 2018/19.
- The fiscal framework reflects two major changes that followed the 2017 MTBPS: medium-term expenditure cuts identified by a Cabinet subcommittee amounting to R85 billion, and an additional allocation of R57 billion for fee-free higher education and training.
- Contingency reserves have been revised upwards to R26 billion over the next three years.
- Real growth in non-interest expenditure will average 1.8 per cent over the next three years. Post-school education and training is the fastest-growing category.

MACROECONOMIC OUTLOOK - SUMMARY

<table>
<thead>
<tr>
<th>Percentage change</th>
<th>2017 Estimate</th>
<th>2018 Forecast</th>
<th>2019 Forecast</th>
<th>2020 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household consumption</td>
<td>1.3</td>
<td>1.7</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Gross fixed - capital formation</td>
<td>0.3</td>
<td>1.9</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Exports</td>
<td>1.5</td>
<td>3.8</td>
<td>3.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Imports</td>
<td>2.7</td>
<td>4.4</td>
<td>4.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>1.0</td>
<td>1.5</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>5.3</td>
<td>5.3</td>
<td>5.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-2.2</td>
<td>-2.3</td>
<td>-2.7</td>
<td>-3.2</td>
</tr>
</tbody>
</table>

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

<table>
<thead>
<tr>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>R billion/percentage of GDP</td>
<td>Revised estimate</td>
<td>Medium-term estimates</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1 353.6</td>
<td>1 490.7</td>
<td>1 609.7</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>28.8%</td>
<td>29.7%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Expenditure</td>
<td>1 558.0</td>
<td>1 671.2</td>
<td>1 803.0</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>33.2%</td>
<td>33.3%</td>
<td>33.4%</td>
</tr>
<tr>
<td>Budget balance</td>
<td>-204.3</td>
<td>-180.5</td>
<td>-193.3</td>
</tr>
<tr>
<td>Percentage of GDP</td>
<td>-4.3%</td>
<td>-3.6%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>4 699.4</td>
<td>5 025.4</td>
<td>5 390.1</td>
</tr>
</tbody>
</table>

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2017/18 - 2020/21

<table>
<thead>
<tr>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>R billion</td>
<td>Revised estimate</td>
<td>Medium-term estimates</td>
<td>Average annual growth</td>
</tr>
<tr>
<td>Learning and culture</td>
<td>323.1</td>
<td>351.1</td>
<td>385.4</td>
</tr>
<tr>
<td>Health</td>
<td>191.7</td>
<td>205.4</td>
<td>222.0</td>
</tr>
<tr>
<td>Social development</td>
<td>234.9</td>
<td>259.4</td>
<td>281.8</td>
</tr>
<tr>
<td>Community development</td>
<td>183.5</td>
<td>196.3</td>
<td>210.5</td>
</tr>
<tr>
<td>Economic development</td>
<td>183.5</td>
<td>200.1</td>
<td>211.9</td>
</tr>
<tr>
<td>Peace and security</td>
<td>195.7</td>
<td>200.8</td>
<td>213.6</td>
</tr>
<tr>
<td>General public services</td>
<td>62.1</td>
<td>64.0</td>
<td>65.9</td>
</tr>
<tr>
<td>Payments for financial assets</td>
<td>20.4</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Allocated expenditure</td>
<td>1 394.8</td>
<td>1 481.3</td>
<td>1 597.3</td>
</tr>
<tr>
<td>Debt-service costs</td>
<td>163.2</td>
<td>180.1</td>
<td>197.7</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>-</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Consolidated expenditure</td>
<td>1 558.0</td>
<td>1 671.2</td>
<td>1 803.0</td>
</tr>
</tbody>
</table>

SPENDING PROGRAMMES

Over the next three years, government will spend:
- R528.4 billion on social grants.
- In total, R324 billion is provided for higher education and training, including R57 billion of new allocations for fee-free higher education and training.
- R792 billion on basic education, including R35 billion for infrastructure, and R15.3 billion for learner and teacher support materials, including ICT.
- R66.4 billion on the HIV, AIDS and TB conditional grant.
- R123.3 billion on subsidised public housing.
- R125.8 billion on water infrastructure and services.
- R207.4 billion on transfers of the local government equitable share to provide basic services to poor households.
- R129.2 billion to support affordable public transport.

TAX PROPOSALS

In 2018/19:
- The VAT rate will increase from 14 to 15 per cent from 1 April 2018.
- R6.8 billion will be raised from partial relief for bracket creep.
- Increases in the general fuel levy and alcohol and tobacco excise duties will together raise revenue of R2.6 billion. Ad valorem excise duties for luxury goods, such as motor vehicles, will be increased.
- Estates above R30 million will now be taxed at a rate of 25 per cent.
- The plastic bag levy, motor vehicle emissions tax and the levy on incandescent light bulbs will be raised to promote eco-friendly choices. A health promotion levy, which taxes sugary beverages, will be implemented from 1 April 2018.

TAX REVENUE 2018/19

<table>
<thead>
<tr>
<th>R505.8 bn</th>
<th>Personal income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R348.1 bn</td>
<td>VAT</td>
</tr>
<tr>
<td>R231.2 bn</td>
<td>Corporate income tax</td>
</tr>
<tr>
<td>R97.4 bn</td>
<td>Customs and excise duties</td>
</tr>
<tr>
<td>R84.8 bn</td>
<td>Other</td>
</tr>
<tr>
<td>R 77.5 bn</td>
<td>Fuel levies</td>
</tr>
</tbody>
</table>
## 2018/19 Budget Expenditure

### Consolidated Government Expenditure
- **R1.67 Trillion**

#### Economic Development
- R200.1bn
  - Economic regulation and infrastructure: R97.9bn
  - Industrialisation and exports: R32.9bn
  - Agriculture and rural development: R30.2bn
  - Job creation and labour affairs: R23.3bn
  - Innovation, science and technology: R15.8bn

#### Peace and Security
- R200.8bn
  - Police services: R99.1bn
  - Defence and state security: R48.4bn
  - Law courts and prisons: R45.4bn
  - Home affairs: R7.9bn

#### General Public Services
- R64bn
  - Public administration and fiscal affairs: R40.4bn
  - Executive and legislative organs: R16.0bn
  - External affairs: R7.6bn

#### Debt-Service Costs
- R180.1bn

### Social Services
- **R1.01 Trillion**

#### Learning and Culture
- R351.1bn
  - Basic education: R230.4bn
  - University transfers: R34.9bn
  - National Student Financial Aid Scheme: R22.8bn
  - Skills development levy institutions: R19.3bn
  - Education administration: R16.8bn
  - Technical and vocational education and training: R10.7bn

#### Health
- R205.4bn
  - District health services: R90.2bn
  - Central hospital services: R38.6bn
  - Provincial hospital services: R34.3bn
  - Other health services: R33.8bn
  - Facilities management and maintenance: R8.5bn

#### Community Development
- R196.3bn
  - Municipal equitable share: R62.7bn
  - Human settlements, water and electrification programmes: R56.5bn
  - Public transport: R38.6bn
  - Other human settlements and municipal infrastructure: R38.5bn

#### Social Development
- R259.4bn
  - Old-age grant: R70.5bn
  - Social security funds: R66bn
  - Child-support grant: R60.6bn
  - Disability grant: R22.1bn
  - Provincial social development: R20.6bn
  - Policy oversight and grant administration: R9.8bn
  - Other grants: R9.7bn

---

**Public Administration and Fiscal Affairs**
- R40.4bn

**Executive and Legislative Organs**
- R16.0bn

**External Affairs**
- R7.6bn

**Central Hospital Services**
- R38.6bn

**Provincial Hospital Services**
- R34.3bn

**District Health Services**
- R90.2bn

**Facilities Management and Maintenance**
- R8.5bn

**Municipal Equitable Share**
- R62.7bn

**Human Settlements, Water and Electrification Programmes**
- R56.5bn

**Public Transport**
- R38.6bn

**Other Human Settlements and Municipal Infrastructure**
- R38.5bn

---

**Consolidated Government Expenditure**
- R1.67 Trillion

**Social Services**
- R1.01 Trillion