

# #RSABUDGET2019 HIGHLIGHTS

www.treasury.gov.za | f RSA Budget | t #RSABudget2019

ISSUED BY



national treasury  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Tel: (012) 315 5757  
www.treasury.gov.za

## 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        |
| <b>Real GDP growth</b>             | <b>0.7</b> | <b>1.5</b> | <b>1.7</b> | <b>2.1</b> |
| 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 |                |                |
| <b>Revenue</b>                | <b>1 455.2</b>   | <b>1 583.8</b>        | <b>1 696.4</b> | <b>1 836.6</b> |
|                               | 28.8%            | 29.3%                 | 29.2%          | 29.4%          |
| <b>Expenditure</b>            | <b>1 665.4</b>   | <b>1 826.6</b>        | <b>1 948.9</b> | <b>2 089.0</b> |
|                               | 32.9%            | 33.7%                 | 33.5%          | 33.4%          |
| <b>Budget balance</b>         | <b>-210.2</b>    | <b>-242.7</b>         | <b>-252.6</b>  | <b>-252.4</b>  |
|                               | -4.2%            | -4.5%                 | -4.3%          | -4.0%          |
| <b>Gross domestic product</b> | <b>5 059.1</b>   | <b>5 413.8</b>        | <b>5 812.4</b> | <b>6 249.1</b> |

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

| R billion                       | 2018/19          | 2019/20               | 2020/21        | 2021/22        | 2018/19<br>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           |                       |
| <b>Allocated expenditure</b>    | <b>1 483.2</b>   | <b>1 611.3</b>        | <b>1 718.9</b> | <b>1 835.6</b> | <b>7.4%</b>           |
| Debt-service costs              | 182.2            | 202.2                 | 224.1          | 247.4          | 10.7%                 |
| Contingency reserve             | –                | 13.0                  | 6.0            | 6.0            |                       |
| <b>Consolidated expenditure</b> | <b>1 665.4</b>   | <b>1 826.6</b>        | <b>1 948.9</b> | <b>2 089.0</b> | <b>7.8%</b>           |

# BUDGET2019/20

## BUDGET EXPENDITURE

www.treasury.gov.za

f RSA Budget

🐦 #RSABudget2019

ISSUED BY



Tel: (012) 315 5757

www.treasury.gov.za

### CONSOLIDATED GOVERNMENT EXPENDITURE

## R1.83 TRILLION



## R1.10 TRILLION

### SOCIAL SERVICES



### R209.2 bn

#### ECONOMIC DEVELOPMENT

|                                        |           |
|----------------------------------------|-----------|
| Economic regulation and infrastructure | R101.3 bn |
| Industrialisation and exports          | R37.5 bn  |
| Agriculture and rural development      | R30.7 bn  |
| Job creation and labour affairs        | R23.2 bn  |
| Innovation, science and technology     | R16.5 bn  |

|                                               |           |
|-----------------------------------------------|-----------|
| Basic education                               | R250.4 bn |
| University transfers                          | R37.0 bn  |
| National Student Financial Aid Scheme         | R33.3 bn  |
| Skills development levy institutions          | R21.7 bn  |
| Education administration                      | R17.6 bn  |
| Technical & vocational education and training | R12.7 bn  |



### R386.4 bn

#### LEARNING AND CULTURE



### R211.0 bn

#### PEACE AND SECURITY

|                            |           |
|----------------------------|-----------|
| Police services            | R104.2 bn |
| Defence and state security | R50.0 bn  |
| Law courts and prisons     | R48.4 bn  |
| Home affairs               | R8.4 bn   |

|                                       |          |
|---------------------------------------|----------|
| District health services              | R98.2 bn |
| Central hospital services             | R43.1 bn |
| Provincial hospital services          | R36.7 bn |
| Other health services                 | R35.6 bn |
| Facilities management and maintenance | R8.8 bn  |



### R222.6 bn

#### HEALTH



### R65.3 bn

#### GENERAL PUBLIC SERVICES

|                                          |          |
|------------------------------------------|----------|
| Public administration and fiscal affairs | R41.6 bn |
| Executive and legislative organs         | R16.2 bn |
| External affairs                         | R7.6 bn  |

|                                                         |          |
|---------------------------------------------------------|----------|
| Municipal equitable share                               | R69.0 bn |
| Human settlements, water and electrification programmes | R56.4 bn |
| Public transport                                        | R43.6 bn |
| Other human settlements and municipal infrastructure    | R39.6 bn |



### R208.5 bn

#### COMMUNITY DEVELOPMENT



### R202.2 bn

#### DEBT-SERVICE COSTS

|                                           |          |
|-------------------------------------------|----------|
| Old-age grant                             | R77.0 bn |
| Social security funds                     | R71.3 bn |
| Child-support grant                       | R65.0 bn |
| Other grants                              | R33.2 bn |
| Provincial social development             | R22.3 bn |
| Policy oversight and grant administration | R9.6 bn  |



### R278.4 bn

#### SOCIAL DEVELOPMENT