



## WHAT IS THE BUDGET?

In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

# CHALLENGING TIMES, RESPONSIBLE CHOICES

**A** budget represents how a government responds to its society's aspirations. The 2015 Budget is one that reaffirms government's commitment to improving the lives of the poor, even as the resources are under pressure.

Since 2009, South Africa, like many other countries, experienced a difficult period of low economic growth and increasing government debt. Our country needs economic growth of around 5 per cent a year to reduce unemployment and poverty. For now, that target has been difficult to reach partly due to a weak global environment. On the home front, challenges such as the shortage of electricity,

skills shortage and strikes have constrained growth. In 2015, the economy is expected to grow by 2 per cent, and remain weak, reaching 3 per cent in 2017. As a result of slow growth, resources will be limited and responsible choices will have to be made in allocating them. The 2015 Budget is a reflection of such choices.

Government spending, excluding the amount it pays for servicing debt, will increase from R1.12 trillion in 2014/15 to R1.41 trillion in 2017/18. Government will maintain the strong growth in critical areas of social spending. For example, post-school education will remain one of the fastest growing area of expenditure - growing at a

rate of 7.1 per cent per year - because education is central to government's plan of improving people's lives. Allocations to the National Student Financial Aid Scheme will reach R6.9 billion by 2017/18.

At the centre of government's development plan is the provision of economic infrastructure to support growth. Government will spend R813.1 billion on infrastructure over the next three years. R669 billion of this will be on critical projects in transport, energy and logistics. Social infrastructure is also important because it contributes to the eradication of poverty and improvement in the quality of life. Government has 50 large health

infrastructure projects and has budgeted R9.3 billion for these over the next three years.

In recognition of the limited amount of revenue raised by government, steps have been taken to reduce wasteful expenditure and improve efficiencies. This includes reducing the amount of money spent on non-essential items in order to avail more resources to critical areas.

The 2015 Budget promotes spending that is accountable, transparent and responsive to the needs of the people, thus keeping the country on a path that allows it to expand on its successes of the past 21 years.



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RSA BUDGET





Notwithstanding the weaker economic environment and the limited fiscal room for manoeuvre, the 2015 budget remains firmly focused on the transformation of our society over the long term. While we have no option but to respond to our changed circumstances, our primary goal remains the reconstruction and development of our country, the building of a shared future in which we can take pride in the quality of public services, the creation of jobs and security in our communities.

# MANAGING CITIES AND INFRASTRUCTURE NETWORKS

Improving the movement of people in social and economic spaces such as cities has seen the launch of rapid-bus transport systems in three South African cities

Continued support for a more efficient transport system will be provided through public transport subsidies from the Department of Transport. These subsidies will grow at an annual rate of 4.3 per cent over the next three years.



# PROTECTING SOCIAL SECURITY AND SOCIAL WELFARE

country. It is targeted at the elderly, war veterans, children and people with disabilities. Boosting the income of these households reduces the effects of poverty whilst at the same time enhancing the capabilities of citizens and communities as important steps towards the creation of a developmental state. Over the next three years, South African Social Security Agency (SASSA), will continue to expand social grant facilities.

# SOCIAL GRANTS



**B**y 2017/18 spending on social assistance will reach R149 billion, reflecting government's commitment to protecting the most vulnerable. Efforts to register young children under the age of two who are eligible but currently not receiving a grant are underway.

2014/15	2015/16
STATE OLD AGE GRANT	
R1 350	R 1 410
STATE OLD AGE GRANT, OVER 75s	
R1 370	R 1 430
WAR VETERANS GRANT	
R1 370	R 1 430
DISABILITY GRANT	
R1 350	R 1 410
FOSTER CARE GRANT	
R830	R860
CARE DEPENDENCY GRANT	
R1 350	R 1 410
CHILD SUPPORT GRANT	
R315	R330



# EDUCATION AND HEALTH REMAIN CORE SPENDING AREAS

The wellbeing of a society is best expressed in its citizens' ability to access quality services, particularly education and healthcare. While significant progress has been made in these areas over the past two decades, much more still needs to be done to make South Africans healthier and more educated. Over the next three years:



## R7 BILLION

will go to the school infrastructure backlogs conditional grant to replace infrastructure in 510 schools and provide water to 1 120 schools, sanitation to 741 and electricity to 916 schools



## R19.5 BILLION

will be invested by the Department of Health (DoH) towards maintenance and refurbishment of health facilities and seven other mega projects driven by provincial and national departments



## R3.1 BILLION

for Funza Lushaka bursary scheme to ensure an adequate supply of young and well-qualified teachers. By 2017/18, at least 10 200 new teachers will enter the public service

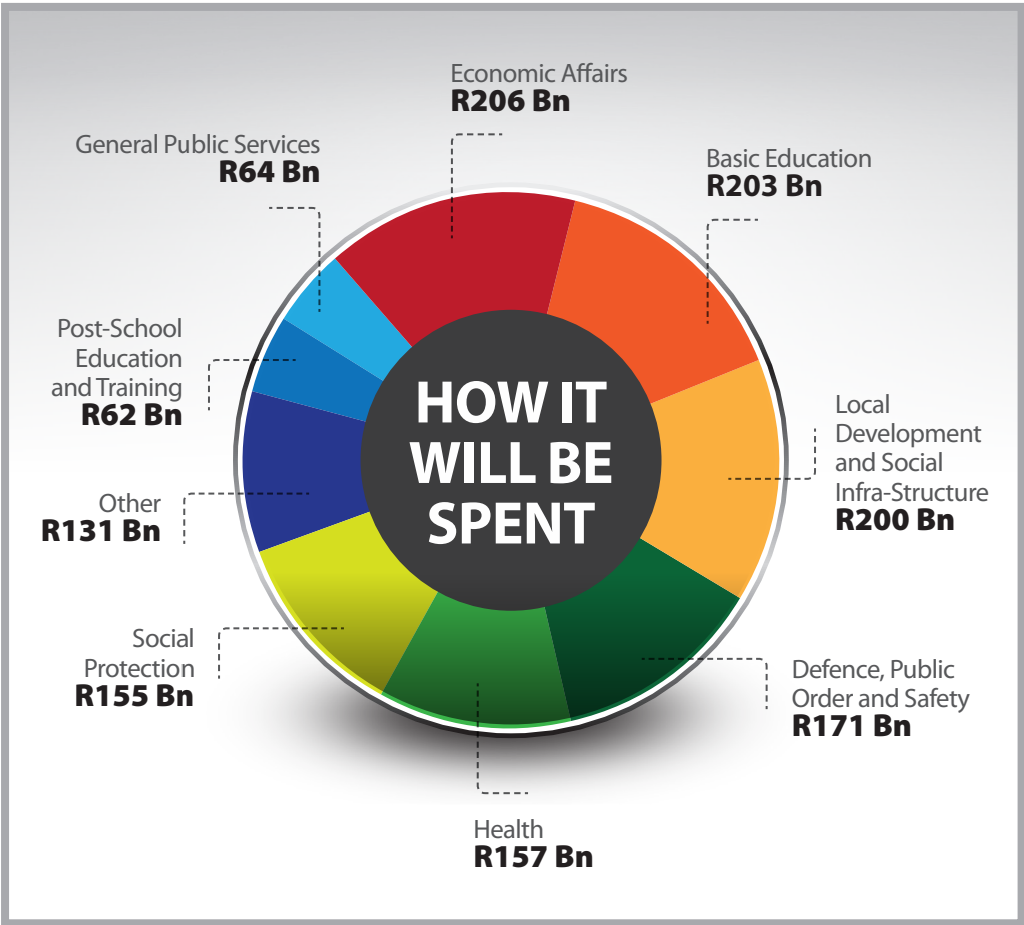
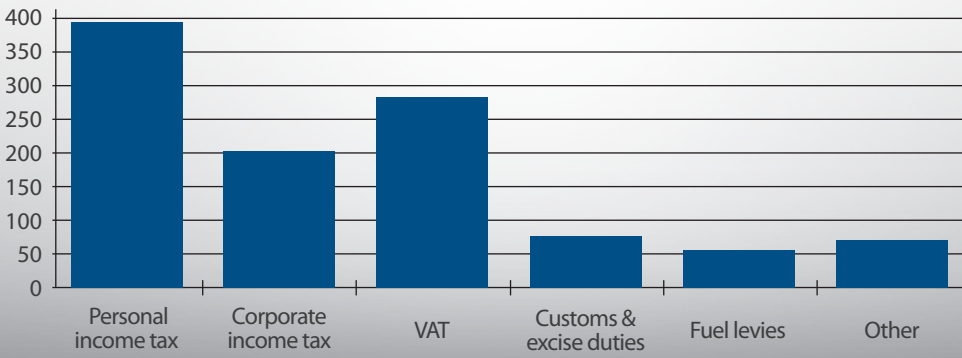


## 11 DISTRICTS

Department of Health is in the fourth year of the phased 15-year rollout of National Health Insurance, and pilot activities are already underway in 11 districts.

## WHERE THE MONEY COMES FROM

TAX REVENUE	2015/16	%
PERSONAL INCOME TAX	393.9	36.4
CORPORATE INCOME TAX	202.0	18.7
VAT	283.8	26.2
CUSTOMS AND EXCISE DUTIES	76.1	7.0
FUEL LEVIES	55.7	5.1
OTHER	69.8	6.5
<b>TOTAL</b>	<b>1081.3</b>	<b>100.0</b>



## HOW IS THE BUDGET PUT TOGETHER?

**E**very year the government publishes a Budget Review, which has estimates of how much revenue government can raise and therefore its capacity to spend.

Government firstly considers the economic environment, which informs the ability to raise taxes. The more the economy grows, the more revenue government will be able to collect. Mostly, government spends more than the revenue it collects. This then forces government to borrow from investors to fund the spending.

Before government can spend on its priorities, it has to pay interest for the debt that it has accumulated

over the years. This is referred to as a direct charge since government has to honour its debt. Other direct charges include the general fuel levy to local government and the skills development levy.

The government must also put money aside for unforeseeable events such as natural disasters. This is called a contingency reserve. Only after this does government divide the rest of the funds between national, provincial and local governments. This is referred to as the division of revenue.

While the National Treasury is responsible for publishing the Budget, the process of determining revenue,

how much to borrow and spending priorities involves all three spheres of government as well as politicians.

These decisions are laid out in the chapters of the Budget Review document – each of which is put together by a different division in the Treasury. The Minister of Finance then presents the Budget in Parliament followed by a consultation process. Once Parliament approves the Budget, it is adopted and becomes Parliament's Budget.

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