



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

STATEMENT BY THE MINISTER

Today we release the preliminary revenue outcome numbers, in line with tradition to do so within hours after the end of the financial year.

CONSTITUTIONAL COURT JUDGEMENT

Let me first start by commenting briefly on the matter of the Constitutional Court Judgement yesterday. We have noted the judgement of the Court in relation to the Nkandla issue that *“The National Treasury must determine a reasonable percentage of the costs of those measures which ought to be paid personally by the President. The National Treasury must report back to this Court on the outcome of its determination within 60 days of the date of this order.”*

We are currently studying the judgment to determine what process we will need to put in place in order to implement the court order. National Treasury will constitute a team with necessary technical experts including quantity surveyors and lawyers to execute the mandate given to us by the Constitutional Court. I can assure South Africans that the process will be transparent, thorough, and professional and within the rules of public finance management.

ECONOMIC ENVIRONMENT

The revenue numbers we are publishing today must be seen in the context of:

- Difficult global conditions and slow growth particularly in emerging markets
- Challenging domestic growth environment with structural constraints that need addressing
- Need to increase investor confidence in the South African economy
- Need to raise level of growth so we can increase revenue collection
- Need to inculcate a culture of efficiency in public finance

Globally, growth remains a source of concern. Emerging markets continue to experience slow growth, and market expectations of US growth are being revised lower towards trend.





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The Federal Reserve's commitment to a cautious approach to monetary policy tightening given these global conditions has helped support risk appetite, resulting in a number of emerging market currencies strengthening, including the rand.

International organisations such as the IMF and World Bank have undertaken an enormous amount of research into the kinds of structural reforms countries should be undertaking to promote inclusive growth. The Spring Meetings will give countries an opportunity to share experiences and consider coordinated policy actions that can benefit all countries.

DOMESTIC CLIMATE

This uncertain world outlook requires South Africa to take ownership and speedily deal with domestic constraints to economic performance. Our young economy requires significant investment – in human and physical capital. But high levels of uncertainty around the economic outlook – both at home and abroad – require that we remain united and focused on tackling our socio-economic challenges.

We must demonstrate to investors and the people of South Africa that we are undertaking the concrete actions required to map a path for higher economic growth and progress on addressing poverty, unemployment and inequality, as we seek to preserve our investment grade rating.

We need to be frank about what is working and what is not – our engagements with institutions such as the IMF, which is due to visit for Article IV consultations in April, are testimony to our commitment to frank and open engagement.

Our cohesive and coherent approach, based on the collaboration between government, business, labour and community, is going to be vital to ensure that we achieve what we commit to – and in so doing, shape our destiny and demonstrate to our people that we can lead the economy in a different direction, and create the much needed jobs, investment and growth to improve the livelihoods of South Africans.

PRELIMINARY REVENUE OUTCOME

Tax revenues are generated from economic activity. When business confidence and investment are declining, economic growth tends to fall, dragging down tax collections. Over the past few years, National Treasury has consistently had to revise down projected tax revenue, in line with weaker economic growth. Despite maintaining an expenditure ceiling over the past four years, the shortfall in taxes has produced a persistently large budget deficit. While the latest budget puts in place tough measures to close the budget deficit, our long-term fiscal sustainability will ultimately depend on higher economic growth.





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Between the 2015 and 2016 budgets, projected tax revenue for 2015/16 was revised down by R12 billion. However, tax revenues have been marginally more resilient than government had anticipated. Gross tax revenue for the fiscal year came in at R1 069.9 billion or R0.2 billion more than the February estimate.

This is a remarkable achievement that we attribute to the hard work and dedication of 14 500 staff compliment of SARS.

Initial indications are that the revised deficit as published in the 2016 Budget Review is broadly achievable.

It is clear that the global economy is not going to be helpful over the next few years. We need to redouble our efforts to increase policy certainty, catalyse entrepreneurship, innovation and the joint experience of the private sector and the public sector so we can grow this economy. We will need to explore the opportunities that the continent offers.

Notwithstanding today's revenue outcome, the growth expectation of 0.9 per cent for 2016 is not nearly enough to generate the kind of revenue that enables us to fund all of government's programmes. Our focus on fiscal commitment should remain. We cannot spend money we do not have. We cannot borrow beyond our ability to repay. Until we can ignite growth and generate more revenue, we have to be tough on ourselves.

We need to inculcate a culture of efficiency in our approach to spending. We will do everything possible to cut wastage, control expenditure, seek value-for-money and combat corruption where it is found.

I would like to thank the staff at SARS and the National Treasury for the work that they have done. Given the tough economic environment we are in, this revenue outcome is a great achievement. We have built one of the most effective tax authorities in the developing world that has made huge strides over the past decade in enforcing the law. Our focus must also be to maintain that.

I would also like to thank the taxpayers who have contributed their fair share to ensure that government has the resources it needs to make a difference in the lives of South Africans.

Issued on behalf of the Ministry of Finance

Date: 1 April 2016

