ENGLISH

People's Guide

#RSABUDGET2020

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A joint publication between National Treasury and South African Revenue Service

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INFO

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.

HOW IS THE BUDGET PUT TOGETHER?

1. Departmental guideline is issued indicating budget information required
2. Departments prioritise their programmes, compile spending plans and service delivery commitments
3. Budget proposals are submitted to treasury and deliberated on
4. Allocation proposals are considered by Interdepartmental committees of Directors-General
5. Budget recommendations are made to Ministers' Committee
6. Medium Term Budget Policy Statement signals the upcoming Budget
7. Finally allocations are decided in Cabinet
8. Budget documents are prepared
9. Main Budget is tabled
10. Parliament deliberates and adopts a Budget
11. Sent to the President for signing into Law

SOUTH AFRICA'S FISCAL DEFICIT AND RISING DEBT

The public finances are in an unsustainable position. Government is spending more than the economy can afford, and borrowing at an increasing rate to fund the shortfall.

Since the 2019 Medium Term Budget Policy Statement (MTBPS), the economic environment has deteriorated, and GDP growth has been revised down to 0.3 per cent in 2019. Revenue projections have also been lowered. Spending pressures have continued to mount, especially as a result of financial distress in state-owned companies.

> South Africa needs structural reform that will ensure much faster economic growth, in order to sustainably grow the tax revenue that pays for social and developmental programmes.

The 2019 MTBPS warned that the consequences of not acting to restore sustainable public finances would be profound. Over time, South Africa would face an inability to fund government's social and economic programmes; mounting debt costs and interest rates; weakening confidence, translating into lower investment and still weaker economic growth, worsening the employment crisis; ballooning government debt; and an economy that is unable to respond to global shocks.

To avert this situation, government aims to reduce the public-service wage bill, resulting in total savings of approximately R160 billion over the next three years. This reduction should also improve the quality of spending, by creating more space for spending on goods and services and infrastructure investments.

On its own, this intervention is not sufficient. In preparing the 2020 Budget, government considered but decided against raising additional tax revenue. The main factors in this decision were the weakness of the economy. Government's short-term focus is to rebuild the capacity of SARS and the public's trust in the institution.

South Africa needs structural reform that will ensure much faster economic growth, in order to sustainably grow the tax revenue that pays for social and developmental programmes. The most pressing reform is to ensure that all businesses and households have sufficient and dependable electricity supply. Over time, higher economic growth would reduce fiscal pressure by increasing revenue collection and reducing South Africa's debt levels.

MESSAGE FROM THE MINISTER

South Africa's finances are at a very precarious position. There are increasing demands and not enough resources.

Spending has to be maintained, and at times has had to increase due to rising social responsibilities, while revenue collection has underperformed, resulting in increased government borrowing.

Drastic and out-of-the-box thinking is needed urgently, but will require an all-hands-on-deck approach by government, labour, business and civil society. South Africans are growing increasingly impatient with how government is spending, particularly over the use of taxpayers' money to financially support state owned companies as they work towards self-sustaining financial positions.

The 2020 Budget makes provision for a continuation of spending on government's key social programmes, such as social grants, health and basic education. The Budget also proposes several measures that should be taken to spend more efficiently. We are working toward reigning spending, and improving the lives of our people. We are working towards a society that will create more employment opportunities and curb wastage.

I urge South Africans to be resilient in the face of these challenges and hope against hope that it will get better. Lastly, let me end with a quote from Mike Rawlings which says: "It may get worse before it gets better, but it will get better."

THE IMPACT OF ELECTRICITY SHORTAGES ON THE ECONOMY

The economy is estimated to have grown by only 0.3 per cent in 2019. Since the 2019 MTBPS, the projections have been revised down to 0.9 per cent in 2020, rising to just 1.6 per cent in 2022.

Electricity shortages are expected to constrain growth in the next few years. Government is working towards resolving the electricity shortage challenge. Over the next three years, energy expenditure is expected to total R150 billion, accounting for a fifth of total infrastructure spending.

The Integrated National Electrification Programme has been allocated an additional R16.4 billion to fund about 560 000 new connections to the power grid over the medium term. Additional 15 000 households will be provided with stand-alone power system connections per year. Over the medium term, government will transfer R15.7 billion to municipalities and Eskom to fund this programme.

Government has begun to address economic growth constraints with a series of policy frameworks and measures. The Department of Mineral Resources and Energy is assessing proposals to produce an additional 3 000 MW of power, and is reviewing schedule 2 regulation amendments that facilitate self-generation. Government has promulgated Section 34 determinations making it easier for municipalities to buy electricity from independent power producers (IPPs).

Efforts are under way to speed up the provision of electricity from renewable energy IPPs and to procure emergency power from those that are able to deliver power to the grid within 3-12 months from approval. Existing IPPs are estimated to be able to produce about 200 MWs additional electricity.

STEMMING VIOLENCE AGAINST WOMEN AND CHILDREN

Over the medium-term, government plans to establish 58 new sexual offences courts with prosecutors and additional 5 Thuthuzela Care Centres.

The existing 46 backlog courts will be utilised to prioritise and clear the backlog of gender-based violence and femicide cases. To support programmes aimed at preventing HIV and AIDS, substance abuse, gender-based violence and femicide, government will further fund provincial departments of social development.

CITIES PROGRAMME PROJECT PREPARATION FACILITY

To fast-track the spatial transformation of cities, government will focus on planning of well-located, mixed-use and mixed-income development programmes and projects for cities and Urban Networks for secondary cities. The government intends to establish a Cities Programme Project Preparation Facility (CIPPPF).

The CIPPPF will be a dedicated grant that supports large urban municipalities to develop effective and efficient programme management and project preparation practice for their capital investment programmes. It will aim at improving the rate of spatial transformation and employment creation, thus reducing poverty and inequality.

GOVERNMENT WORKING WITH CIVIL SOCIETY

In 2018, the National Treasury collaborated with civil society in the development of the Vulekamali portal; an award-winning online portal that promotes budget transparency and public participation.

On the 2nd and 3rd of March 2020, the National Treasury will be hosting finance ministries from various countries to explore further participatory mechanisms in budgeting. The 3-year pilot project aims to build capacity for implementation in the finance ministries. An open invitation appealing interested participants to join the project has been published on National Treasury's website and social media platforms.

SOCIAL GRANTS TO BENEFIT THE POOR

In 2020/21, government will increase the child support grant by R20 per month, the foster care grant by R40 per month and the old age grant by R80 a month.

The total number of beneficiaries are expected to increase by almost one million to reach approximately 19 million by 2022/23.

The child support grant reaches the largest number of beneficiaries, estimated at 13.4 million children.

SOCIAL GRANTS	2019/20	2020/21
STATE OLD AGE GRANT	R1 780	R1 860
STATE OLD AGE GRANT, OVER 75	R1 800	R1 880
WAR VETERANS GRANT	R1 800	R1 880
DISABILITY GRANT	R1 780	R1 860
FOSTER CARE GRANT	R1 000	R1 040
CARE DEPENDENCY GRANT	R1 780	R1 860
CHILD SUPPORT GRANT	R425	R445

WHERE THE MONEY COMES FROM AND HOW WILL IT BE SPENT IN 2020/21

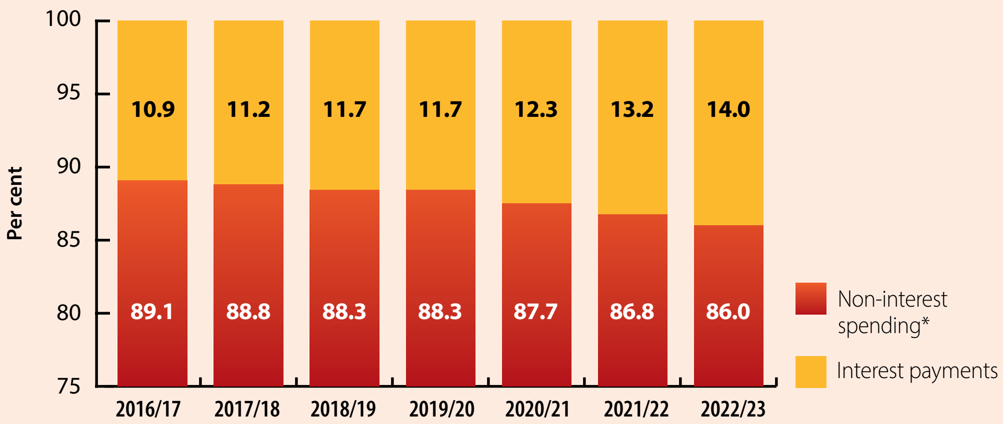
GOVERNMENT SOURCES OF INCOME IN 2020/21

R1 425.4bn	78%	Taxes
R 370.5bn	20%	Borrowing
R 36.0bn	2%	Non-Tax Revenue

GOVERNMENT SPENDING IN 2020/21

R309.5bn - 15.8%	Social Development
R 265.9bn - 13.6%	Basic Education
R 229.7bn - 11.8%	Health
R 229.3bn - 11.7%	Debt-service Costs
R 217.0bn - 11.1%	Peace and Security
R 212.3bn - 10.9%	Community Development
R 211.5bn - 10.8%	Economic Development
R 118.8bn - 6.1%	Post School Education and training

GOVERNMENT NON-INTEREST AND INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE



* Non-interest expenditure is total spending by government excluding interest paid on debt.

2020 TAX PROPOSALS

SARS At Your Service

Personal Income Tax

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2020 Budget provides for real tax relief (more than inflation) by adjusting taxable income brackets and increasing personal income tax rebates. The amount an individual can earn before being required to pay tax is adjusted as follows for the tax year from 1 March 2020 to 28 February 2021:

TAX THRESHOLDS	TAX YEAR: 2019/20	TAX YEAR: 2020/21
Below age 65	R79 000	R83 100
Age 65 to 74	R122 300	R128 650
Age 75 and over	R136 750	R143 850

The new tax rebates for individual taxpayers are as follows:

TAX REBATES	TAX YEAR: 2019/20	TAX YEAR: 2020/21
Primary (age below 65)	R14 220	R14 958
Secondary (age 65 and over)	R7 794	R8 199
Tertiary (age 75 and over)	R2 601	R2 736

Sin Taxes

INCREASES IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages and tobacco products will increase by between 4.4 and 7.5 per cent.

	INCREASES BY:
Malt beer	8c per 340ml can
Unfortified wine	14c per 750ml bottle
Fortified wine	23c per 750ml bottle
Sparkling wine	61c per 750ml bottle
Ciders and alcoholic fruit beverages	8c per 340ml can
Spirits	R2.89 per 750ml bottle
Cigarettes	74c per packet of 20
Cigarette tobacco	82c per 50g
Pipe tobacco	40c per 25g
Cigars	R6.73 per 23g

Tax Rates

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax payable by individuals for the tax year ending between 1 March 2020 and 28 February 2021.

Taxable Income (R)	Rate of Tax (R)
0 to 205 900	18% of taxable income
205 901 to 321 600	37 062 + 26% of taxable income above 205 900
321 601 to 445 100	67 144 + 31% of taxable income above 321 600
445 101 to 584 200	105 429 + 36% of taxable income above 445 100
584 201 to 744 800	155 505 + 39% of taxable income above 584 200
744 801 to 1 577 300	218 139 + 41% of taxable income above 744 800
1 577 301 and above	559 464 + 45% of taxable income above 1 577 300
Trusts other than special trusts	Rate of tax 45%

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2020 and 31 March 2021.

Type	Rate of Tax (R)
Companies	28% of taxable income

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2020 and 31 March 2021.

Taxable Income (R)	Rate of Tax (R)
0 to 83 100	0% of taxable income
83 101 to 365 000	7% of taxable income above 83 100
365 001 to 550 000	19 733 + 21% of taxable income above 365 000
550 001 and above	58 583 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESS

Financial years ending on any date between 1 March 2020 and 28 February 2021.

0 to 335 000	0% of taxable turnover
335 001 to 500 000	1% of taxable turnover above 335 000
500 001 to 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Fuel Levies

INCREASES IN FUEL LEVIES

The general fuel levy will increase by 16 cents per litre and the Road Accident Fund levy will increase by 9 cents with effect from 1 April 2020. This will increase:

- the general fuel levy to R3.70 per litre of petrol and to R3.55 per litre of diesel
- the road accident fund levy to R2.07 per litre for both petrol and diesel

Environmental Tax

INCREASE IN PLASTIC BAG LEVY

The plastic bag levy will increase from 12c to 25c per bag on 1 April 2020.

Transfer Duty

DECREASES IN TRANSFER DUTY

From 1 March 2020 adjusted rates apply to the acquisition of property.

Value of property (R)	Rate (R)
0 to 1 000 000	0% of property value
1 000 001 to 1 375 000	3% of property value above R1 000 000
1 375 001 to 1 925 000	11 250 + 6% of property value above R1 375 000
1 925 001 to 2 475 000	44 250 + 8% of property value above R1 925 000
2 475 001 to 11 000 000	88 250 + 11% of property value above R2 475 000
11 000 001 and above	1 026 000 + 13% of property value above R11 000 000