

#RSABUDGET2020 HIGHLIGHTS

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BUDGET FRAMEWORK

- Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. Debt is not projected to stabilise over the medium term, and debt-service costs now absorb 15.2 per cent of main budget revenue.
- Over the next three years, the 2020 Budget proposes total reductions of R261 billion, which includes a R160.2 billion reduction to the wage bill of national and provincial departments, and national public entities.
- Reallocations and additions total R111.1 billion over the medium term, of which R60 billion is set aside for Eskom and South African Airways.
- These measures narrow the consolidated deficit from 6.8 per cent of GDP in 2020/21 to 5.7 per cent in 2022/23, with debt rising to 71.6 per cent of GDP over the same period.
- Along with faster economic growth, fiscal sustainability will require targeted reduction of specific programmes, and firm decisions to rein in extra-budgetary pressures, including reform of state-owned companies and the Road Accident Fund (RAF).

SPENDING PROGRAMMES

- Total consolidated spending will amount to R1.95 trillion in 2020/21, R2.04 trillion in 2021/22 and R2.14 trillion in 2022/23.
- The bulk of spending is allocated to learning and culture (R396.4 billion), social development (R309.5 billion) and health (R229.7 billion).
- The fastest-growing functions over the medium term are economic development, community development and social development.
- Debt-service costs remain the fastest-growing expenditure item, followed by capital expenditure.

TAX PROPOSALS

- Above-inflation increase in the personal income tax brackets and rebates.
- Limit corporate interest deductions to combat base erosion and profit shifting as well as restricting the ability of companies to fully offset assessed losses from previous years against taxable income.
- Increases of 25c per litre to the fuel levy, which consists of a 16c per litre increase in the general fuel levy and a 9c per litre increase in the RAF levy.
- Increase the annual contribution limit to tax-free savings accounts by R3 000 from 1 March 2020.
- Increase excise duties on alcohol and tobacco by between 4.4 and 7.5 per cent. Also, government will introduce a new excise duty on heated tobacco products, to be taxed at a rate of 75 per cent of the cigarette excise rate with immediate effect.
- Government will increase the cap on the exemption of foreign remuneration earned by South African tax residents to R1.25 million per year from 1 March 2020.

TAX REVENUE, 2020/21

R546.8 bn	Personal income tax
R360.6 bn	VAT
R230.2 bn	Corporate income tax
R112.7 bn	Customs and excise duties
R91.8 bn	Other
R83.4 bn	Fuel levies

MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2019	2020	2021	2022
	Estimate	Forecast		
Household consumption	1.1	1.1	1.3	1.6
Gross fixed-capital formation	-0.4	0.2	1.3	1.9
Exports	-2.1	2.3	2.6	2.8
Imports	0.2	1.8	2.5	2.8
Gross domestic product	0.3	0.9	1.3	1.6
CPI inflation	4.1	4.5	4.6	4.6
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2019/20	2020/21	2021/22	2022/23
	Revised estimate	Medium-term estimates		
Revenue	1 517.0	1 583.9	1 682.8	1 791.3
	29.4%	29.2%	29.2%	29.2%
Expenditure	1 843.5	1 954.4	2 040.3	2 141.0
	35.7%	36.0%	35.4%	34.9%
Budget balance	-326.6	-370.5	-357.5	-349.7
	-6.3%	-6.8%	-6.2%	-5.7%
Gross domestic product	5 157.3	5 428.2	5 759.0	6 126.3

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2019/20-2022/23

R billion	2019/20	2020/21	2021/22	2022/23	2019/20-2022/23
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	385.6	396.4	417.8	434.2	4.0%
Health	222.0	229.7	244.0	257.6	5.1%
Social development	284.5	309.5	320.1	340.9	6.2%
Community development	201.7	212.3	228.2	242.2	6.3%
Economic development	198.9	211.5	228.2	240.9	6.6%
Peace and security	214.4	217.0	221.3	228.8	2.2%
General public services	66.3	70.0	73.2	74.1	3.7%
Payments for financial assets	65.2	73.6	44.1	27.3	
Allocated expenditure	1 638.5	1 720.2	1 776.9	1 845.9	4.1%
Debt-service costs	205.0	229.3	258.5	290.1	12.3%
Contingency reserve	-	5.0	5.0	5.0	
Consolidated expenditure	1 843.5	1 954.4	2 040.3	2 141.0	5.1%

BUDGET2020/21

BUDGET EXPENDITURE

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CONSOLIDATED
GOVERNMENT
EXPENDITURE

R1.95 TRILLION

R1.15 TRILLION

SOCIAL
SPENDING



R211.5 bn

**ECONOMIC
DEVELOPMENT**

Economic regulation and infrastructure	R105.3 bn
Industrialisation and exports	R39.0 bn
Agriculture and rural development	R28.3 bn
Job creation and labour affairs	R22.4 bn
Innovation, science and technology	R16.4 bn

Basic education	R248.6 bn
University transfers	R44.8 bn
National Student Financial Aid Scheme	R37.1 bn
Skills development levy institutions	R21.0 bn
Education administration	R17.8 bn
Technical & vocational education and training	R13.4 bn



R396.4 bn

**LEARNING
AND CULTURE**



R217.0 bn

**PEACE AND
SECURITY**

Police services	R106.1 bn
Defence and state security	R51.4 bn
Law courts and prisons	R49.6 bn
Home affairs	R9.9 bn

District health services	R102.0 bn
Central hospital services	R44.7 bn
Provincial hospital services	R37.6 bn
Other health services	R35.4 bn
Facilities management and maintenance	R10.1 bn



R229.7 bn

HEALTH



R70.0 bn

**GENERAL PUBLIC
SERVICES**

Public administration and fiscal affairs	R47.3 bn
Executive and legislative organs	R14.6 bn
External affairs	R8.2 bn

Municipal equitable share	R74.7 bn
Human settlements, water and electrification programmes	R55.7 bn
Public transport	R44.7 bn
Other human settlements and municipal infrastructure	R37.2 bn



R212.3 bn

**COMMUNITY
DEVELOPMENT**



R229.3 bn

DEBT-SERVICE COSTS

Social security funds	R88.0 bn
Old-age grant	R83.1 bn
Child-support grant	R69.8 bn
Other grants	R35.0 bn
Provincial social development	R23.3 bn
Policy oversight and grant administration	R10.0 bn



R309.5 bn

**SOCIAL
DEVELOPMENT**