

# REPUBLIC OF SOUTH AFRICA

Department of Finance



## BUDGET REVIEW

17 March 1993

R15.00

# BUDGET 1993/94

## PREFACE

The Budget Review is compiled annually by the Department of Finance to give a broad review of the economy and the financial position of the country. On the one hand it seeks to place the Budget Speech of the Minister of Finance in perspective, while on the other hand it provides a background against which the coming year's monetary and fiscal policy may be analysed. It is hoped that the document will make a sound contribution in promoting increasingly meaningful debate on the Budget Speech. It is also important that the Budget Speech and the Budget Review be regarded as complementing each other.

The Review is also aimed at amplifying certain topical issues underlying the Budget Speech. Several institutions, particularly the South African Reserve Bank and the Department of State Expenditure have made valuable contributions in this regard, for which our sincere thanks.

Due to the bulk of the document and the fact that the reader may often be interested in a certain section only, the Department has thought it better to deal with certain subjects, that in the nature of things cannot be put in watertight compartments, in more than one chapter. Cross-references are however used as far as possible to facilitate ease of reference. The Review is structured as follows:

- Chapter 1 looks at economic conditions and prospects;
- Chapter 2 provides a review of monetary issues and strategy;
- Chapter 3 covers certain fiscal matters not dealt with specifically in chapters 5 and 6;
- Chapter 4 reviews the course of the 1992/93 Budget;
- Chapter 5 looks at the expenditure side of the Budget and is compiled from inputs received mainly from the Department of State Expenditure;
- Chapter 6 provides an analysis of total revenue for 1993/94, including the tax proposals; there is also an international and historical perspective on tax revenue.

The annexures, which serve as information documents, provide summaries of departmental expenditure votes, comprehensive revenue statements, the tax proposals and a comparative summary of the State Revenue Account.



DIRECTOR-GENERAL OF FINANCE

CAPE TOWN

17 MARCH 1993

**BUDGET REVIEW, 1993****CONTENTS**

PARAGRAPH	SUBJECT	PAGE
<b>CHAPTER 1</b>	<b>ECONOMIC CONDITIONS AND PROSPECTS</b>	
1.1	STRUCTURAL ISSUES AND TRENDS	1.1
1.2	ECONOMIC POSITION	1.1
1.2.1	Domestic production	1.1
1.2.2	Gross domestic expenditure	1.2
1.2.3	Domestic saving	1.2
1.2.4	Labour market	1.3
1.2.5	Inflation	1.3
1.2.6	Balance of payments	1.4
1.2.7	Exchange rates	1.6
1.2.8	Financial markets	1.6
1.3	ECONOMIC OUTLOOK	1.7
1.3.1	The international economic position and outlook	1.7
1.3.2	South African economic outlook	1.7
<b>CHAPTER 2</b>	<b>MONETARY ISSUES AND STRATEGY</b>	
2.1	MONETARY POLICY GOALS	2.1
2.2	DOMESTIC MONETARY POLICY AND MANAGEMENT	2.1
2.3	CO-ORDINATION OF MONETARY AND FISCAL POLICY, AND PUBLIC DEBT MANAGEMENT	2.1
2.4	BALANCE OF PAYMENTS POLICY	2.2
2.4.1	Exchange rate policy	2.2
2.4.2	Exchange control	2.2

2.4.3	Debt standstill arrangements	2.3
2.4.4	Foreign debt management	2.3
2.4.5	Forward cover	2.3
2.5	FINANCIAL SECTOR DEVELOPMENTS	2.4
2.6	LINKING THE FORMAL AND INFORMAL FINANCIAL SECTORS	2.5
<b>CHAPTER 3</b>	<b>FISCAL ISSUES</b>	
3.1	INTRODUCTION	3.1
3.2	FISCAL POLICY: SHORT-TERM CONSIDERATIONS	3.1
3.3	CERTAIN TAXATION INVESTIGATIONS AND ISSUES	3.1
3.3.1	Value-added tax	3.1
3.3.2	Import surcharge	3.2
3.3.3	Self-assessment for company tax	3.2
3.3.4	Capital transfer tax	3.2
3.3.5	Certain tax aspects of a more level playing field for deposit-taking and contractual savings institutions	3.2
3.3.6	Profits and losses on foreign exchange transactions	3.3
3.3.7	Tax expenditures	3.3
3.3.8	Tax investigations and fiscal research	3.4
3.4	INTERGOVERNMENTAL FISCAL RELATIONS: DEVELOPMENTS	3.4
3.4.1	Spending guidelines for local authorities	3.4
3.4.2	Local Authorities Loans Fund	3.4
3.4.3	Debt rehabilitation for Transkei, Venda and Ciskei	3.5
3.4.4	Future relations between tiers of government	3.5
3.5	STRENGTHENING OF INTERNATIONAL LINKS	3.6
3.5.1	Arrangements for the avoidance of double taxation	3.6
3.5.2	International Monetary Fund and World Bank	3.6
3.5.3	Links with African countries	3.6
3.5.4	Customs and Excise: Overseas links	3.6
3.6	TAX COLLECTION	3.7

<b>CHAPTER 4</b>	<b>PUBLIC FINANCE: REVIEW OF THE 1992/93 BUDGET</b>	
4.1	EXPENDITURE: 1992/93	4.1
4.1.1	Revised estimate	4.1
4.1.2	Spending financed from the sale of assets and strategic oil reserves	4.1
4.2	REVENUE: 1992/93	4.1
4.2.1	Revised estimate of ordinary revenue	4.1
4.2.2	Reasons for divergence	4.2
4.2.3	Some ratios: a comparison of the 1991/92 and 1992/93 financial years	4.3
4.2.4	Total revenue	4.3
4.3	BUDGET DEFICIT AND FINANCING	4.5
<b>CHAPTER 5</b>	<b>ESTIMATE OF EXPENDITURE: 1993/94</b>	
5.1	PRINTED ESTIMATE OF EXPENDITURE AND SUPPLEMENTARY EXPENDITURE PROPOSALS	5.1
5.2	SOME SPECIFIC EXPENDITURE ITEMS DISCUSSED	5.1
5.2.1	Economic services	5.2
5.2.1.1	Small business development	5.2
5.2.1.2	Tourism	5.3
5.2.1.3	Regional industrial development	5.3
5.2.1.4	General export incentive scheme	5.3
5.2.1.5	Transport	5.3
5.2.1.6	Posts and Telecommunication	5.5
5.2.2	Job creation	5.5
5.2.3	Social services	5.6
5.2.3.1	Education	5.6
5.2.3.2	Nutritional development programme	5.6
5.2.3.3	Social allowances	5.6
5.2.3.4	Housing and related infrastructure	5.6
5.2.3.5	Health	5.7
5.2.4	Protection services	5.7
5.2.4.1	Defence	5.7
5.2.4.2	Police	5.7
5.2.4.3	Correctional Services	5.7
5.2.4.4	Justice	5.8

5.2.5	Personnel costs and pensions	5.8
5.2.5.1	Remuneration of public servants	5.8
5.2.5.2	Civil and military pensions	5.8
5.2.5.3	Retrenchment costs	5.9
5.2.6	Transfers to TBVC countries and self-governing territories	5.9
5.2.6.1	Transfers to the TBVC countries	5.9
5.2.6.2	Transfers to self-governing territories	5.10
5.3	<b>ECONOMIC AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE</b>	5.10
5.3.1	Economic and functional analysis of expenditure: 1993/94 as against 1992/93 (tables 5.1 and 5.2)	5.10
5.3.1.1	Current expenditure	5.13
5.3.1.2	Capital expenditure	5.13
5.3.2	Functional analysis of expenditure: a comparison of 1993/94 with 1990/91 (Table 5.3)	5.13
<b>CHAPTER 6</b>	<b>REVENUE: 1993/94</b>	
6.1	<b>PRINTED ESTIMATE OF REVENUE</b>	6.1
6.1.1	Total ordinary revenue	6.1
6.1.1.1	Inland Revenue	6.1
6.1.1.2	Customs and Excise	6.1
6.1.2	Printed estimate of total revenue	6.2
6.2	<b>TAX PROPOSALS</b>	6.2
6.2.1	Customs and Excise	6.2
6.2.1.1	Excise duties	6.2
6.2.1.2	Fuel levy	6.2
6.2.2	Inland Revenue	6.3
6.2.2.1	Stamp duty on contracts	6.3
6.2.2.2	Tax on value added (VAT)	6.3
6.2.2.3	Transfer duty	6.4
6.2.2.4	Income tax on individuals	6.5
6.2.2.5	Company income tax	6.5
6.2.2.6	Other taxes	6.7
6.3	<b>ADJUSTED REVENUE TOTAL</b>	
6.4	<b>SOME OBSERVATIONS ON THE COURSE OF REVENUE, FROM AN INTERNATIONAL AND HISTORICAL PERSPECTIVE</b>	6.7

(v)

6.4.1	International comparison: total revenue of the consolidated general government	6.7
6.4.1.1	Composition of tax revenue	6.8
6.4.2	Total ordinary revenue of the central government: trends after the 1993/94 tax proposals	6.8
6.5	BUDGET DEFICIT AND FINANCING	6.9
6.6	BUDGET IN PERSPECTIVE	6.10

**ANNEXURE A ANALYSIS OF INDIVIDUAL EXPENDITURE VOTES**

**ANNEXURE B ANALYSIS OF REVENUE**

**ANNEXURE C TAX PROPOSALS OF INLAND REVENUE AND CUSTOMS AND EXCISE**

**ANNEXURE D COMPARATIVE SUMMARY OF THE STATE REVENUE ACCOUNT**



## LIST OF ABBREVIATIONS AND DEFINITIONS

CEF	Central Energy Fund
CPI	Consumer price index
CSS	Central Statistical Services
DBSA	Development Bank of Southern Africa
GDE	Gross domestic expenditure
GDP	Gross domestic product
GST	General sales tax
IDC	Industrial Development Corporation
IDT	Independent Development Trust
IMF	International Monetary Fund
JSB	Joint services board
NGO	Non-governmental organisation
NEF	National Economic Forum
NEM	Normative Economic Model
NNSDP	National Nutrition and Social Development Programme
NSPF	National Supplies Procurement Fund
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay as you earn
PIC	Public Investment Commissioners
PWV area	Pretoria Witwatersrand Vereeniging area
RIDP	Regional Industrial Development Programme
RSC	Regional services council
SAHT	South African Housing Trust
SAPOS	South African Post Office Limited
SBDC	Small Business Development Corporation
SCC	Standstill Co-ordinating Committee
TBVC	Transkei, Bophuthatswana, Venda and Ciskei
VAT	Value-added tax
Financial year	Year beginning on 1 April
1993/94	Refers to the Government's financial year which runs from 1 April 1993 to 31 March 1994
Tax year	Year beginning on 1 March
1994 tax year	Runs from 1 March 1993 to 28 February 1994
Billion	Equal to 1 000 million

## CHAPTER 1

### ECONOMIC CONDITIONS AND PROSPECTS

#### 1.1 STRUCTURAL ISSUES AND TRENDS

The South African economy and its track record have been the subject of close scrutiny over the past few years.

The various probes have tended to approach the problem from particular perspectives and to offer remedies that address the precise "cardinal" problem identified; but increasingly there is unanimity on the realities. These realities include:

- Relentlessly-falling real per capita income.
- A declining labour-absorption capacity.
- High capital-intensity of production.
- Low productivity, of capital and labour alike.
- Skills shortages.
- Declining savings- and investment propensities.
- Relatively high inflation.
- A vulnerable balance of payments.

These and other problem areas are exhaustively evaluated in the normative economic model prepared by Government and recently released in summarised form as a discussion document. It is therefore not necessary to dilate on the subject here; but reference to structural issues will be made from time to time below, should the context so require. The budget as a whole, however, should be judged not only within these structural parameters but also as a reaction to cyclical and other short-term exigencies.

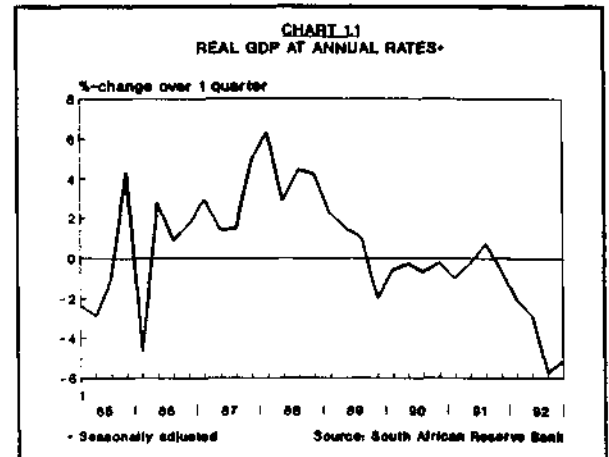
#### 1.2 ECONOMIC POSITION

##### 1.2.1 Domestic production

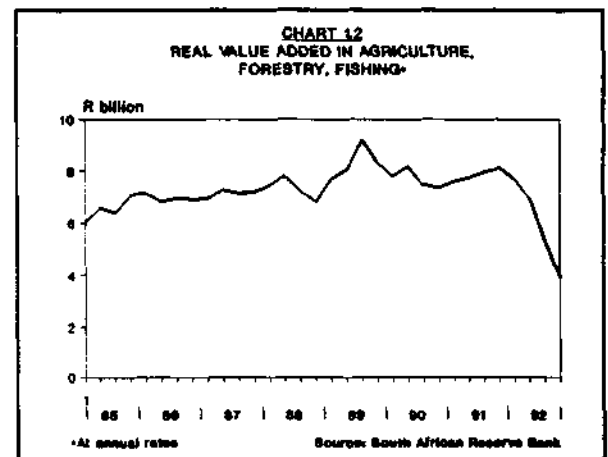
Despite expectations that the economic downswing would bottom in 1992 and possibly turn upwards, the recession in fact deepened appreciably last year and now has lasted some 48 months. By contrast, the average duration of the other post-1945 recessions in South Africa was 16 months. The poor performance of the economy can be attributed largely to the impact of the drought, although it was aggravated by the uncertainty following the hiccup in the political negotiation process and the increasing turmoil, as well as the slow growth of the major industrial countries.

Against this background the real gross domestic product (GDP), which had fallen by 0,5 per cent in both 1990 and 1991, fell by 2,1 per cent in 1992. This represents a real decline of 4,3 per cent in per

capita terms, compared with a fall of 2,6 per cent the previous year.



Turning to sectors: agriculture, which was hard hit by the drought contributed to the most negative growth: real production in this sector fell by 24 per cent, after positive growth of 2,1 per cent in 1991. If this sector is excluded in both years, the economy shrank by 0,9 per cent in 1992.



The mining sector was the only primary sector that expanded in 1992: it grew by 0,9 per cent. This can be attributed to the processing of ore with a higher gold content and to increased production through longer working hours.

Real value added by the secondary sectors (manufacturing, construction and electricity, gas and water) fell again in 1992. The slack domestic demand, poor international economic conditions and low commodity prices, poor business confidence and loss of mandays on account of strikes, led to widespread production falls in virtually all the sub-sectors of manufacturing; this sector's real

gross added value thus fell by 3,2 per cent, as against a fall of 2,4 per cent in 1991.

The real added value of the commercial sector fell again, by 2,1 per cent as against 1,2 per cent in 1991 - a clear reflection of the impact of the recession on disposable income.

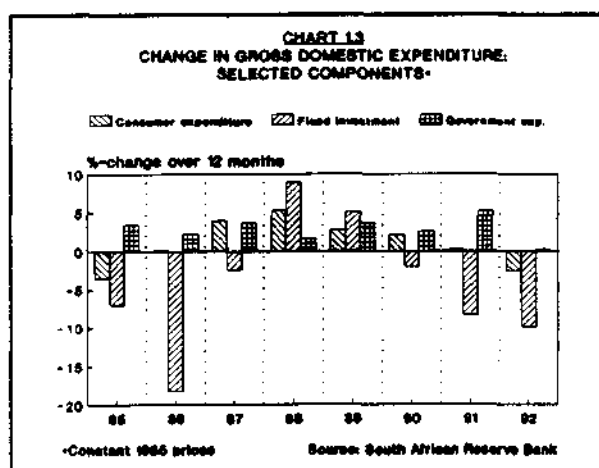
Apart from mining, in the private sector only transport, storage and communication showed growth in 1992. The real added value of this sector rose by 0,4 per cent, as against a fall of 1,5 per cent in 1991. It is ironic that the transport of imported agricultural products on account of the drought was one of the major factors behind this growth.

Real added value in the general government sector grew by 0,8 per cent in 1992 as against 1,6 per cent in 1991.

### 1.2.2 Gross domestic expenditure

Real gross domestic expenditure fell by 1,9 per cent in 1992 as against a fall of 0,2 per cent in 1991 - despite a sharp increase in the first quarter of 1992, which is attributable particularly to unplanned inventory building.

Real private consumption expenditure fell for the first time since 1985, by 2,6 per cent (after a growth of 0,3 per cent in 1991). Household spending was influenced adversely by factors such as falling real disposable income, rising unemployment and general uncertainty over job-opportunities. The decline in spending was particularly noticeable in durable goods. Real consumption expenditure on personal transport equipment, for example, fell by some 10 per cent.



The fall in real government spending in the third quarter meant that consumption expenditure by

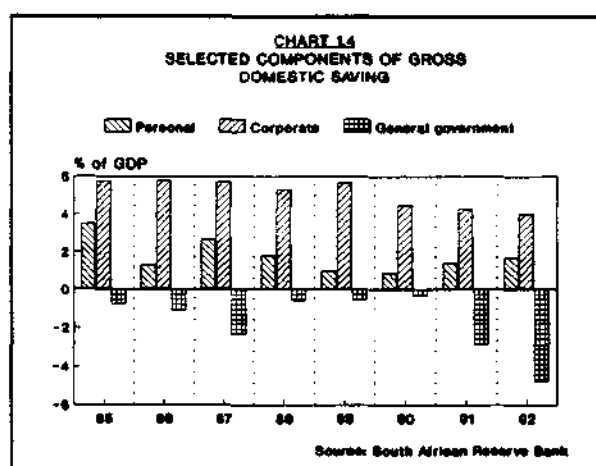
general government in 1992 rose at a much slower rate - 0,3 per cent, as against 5,2 per cent in 1991.

There was a further substantial decline in gross domestic fixed investment in 1992. Real capital expenditure fell on average by 6,9 per cent per year between 1989 and 1992. The fall in investment manifested itself in the public and private sector alike. There were several contributory factors, including the poor prospects for domestic and international economic growth, the low levels of capacity utilisation in manufacturing (arising from the recessionary impact on demand and a generally conservative approach to the creation of capacity in a period of political uncertainty), and the pruning programmes and underutilised production capacity of public corporations. Net domestic fixed investment as a ratio to GDP fell from 2,2 per cent in 1991 to 0,6 per cent in 1992.

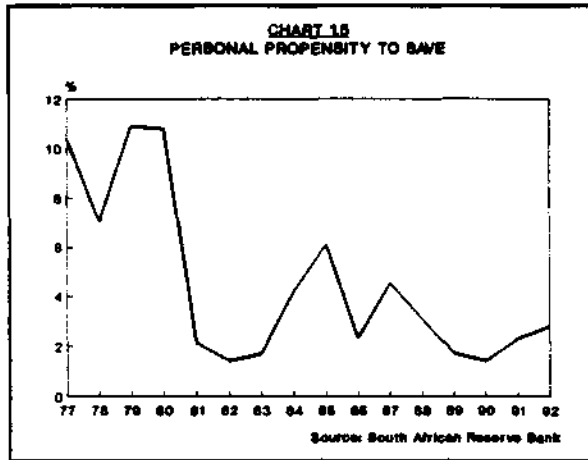
Inventory depletion continued in 1992, but at a slower pace: as a ratio to GDP industrial and commercial inventories fell from 18,4 per cent in 1991 to 17,6 per cent in 1992.

### 1.2.3 Domestic saving

Continuing recessionary conditions led to a further fall in gross domestic saving in 1992, notwithstanding the low 1991 base. The ratio of savings to GDP was 17 per cent in 1992 as against 21 per cent in 1991. Dissaving by general government was the chief culprit; by contrast, there was an uptick in private sector saving.

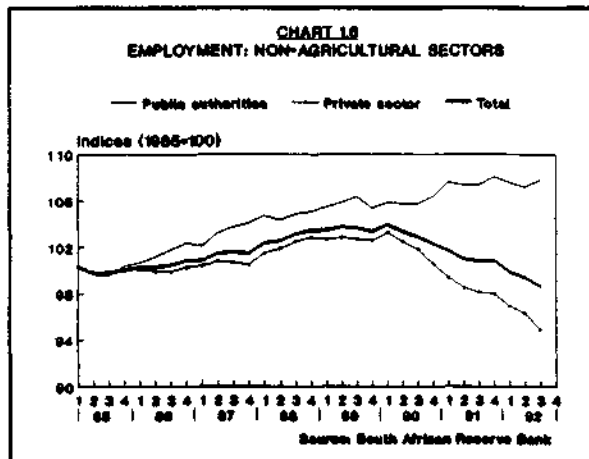


Total company saving remained virtually unchanged in 1992, but the ratio of personal saving to personal disposable income reached 3 per cent, from an historic low of 1,5 per cent in 1990. This rise is apparently a reflection of the growing concern over future employment and earnings in an uncertain political environment.



### 1.2.4 Labour market

The long recession has hit employment in the formal sectors of the economy: from the beginning of the downswing to the third quarter of 1992 non-agricultural employment fell by 276 000, or by 5,1 per cent. After total employment fell in 1990 and 1991 by 0,5 per cent and 2 per cent respectively, further quarter on quarter falls (at seasonally adjusted annual rates) of 3,7 per cent, 2,1 per cent and 3,2 per cent were posted during the first three quarters of 1992. Employment by the private sector has continually fallen since the second quarter of 1989, and the same trend emerged for public authorities during the first two quarters of 1992. In the third quarter, however, employment by public authorities once again rose, by 2,2 per cent.

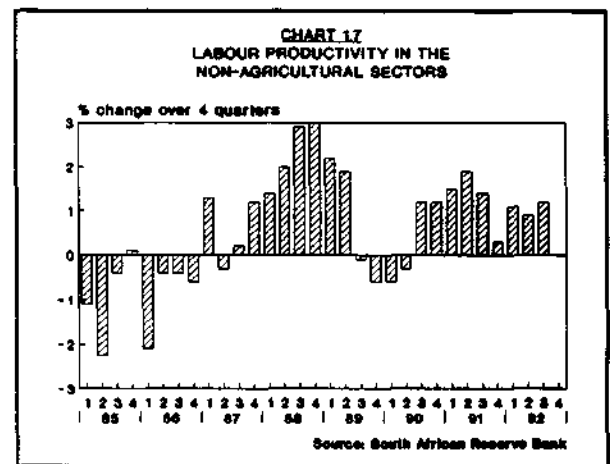


The seasonally adjusted number of registered unemployed rose from 202 400 in July 1990 to 302 300 in October 1992. These figures, which are more meaningful as to the trend than the level of unemployment, illustrate the impact of widespread retrenchments in both the private and the public sector.

The downward rigidity of wages in South Africa can be seen in the continuing high rate of increase in

nominal remuneration, notwithstanding the fall in employment. After average annual increases of 18 per cent (1989), 16,9 per cent (1990) and 15,8 per cent (1991), nominal remuneration per worker in the non-agricultural sectors rose in the first three quarters of 1992 by 15,7 per cent, 15,7 per cent and 13,9 per cent respectively. With the exception of the first quarter of 1990, real remuneration per worker (deflated by the non-agricultural GDP deflator) has risen in every quarter since the beginning of 1989. Among the major reasons for this rate of increase not having slowed more significantly during the recession are the unwillingness of trade unions to temper wage claims and the labour-saving strategies of business.

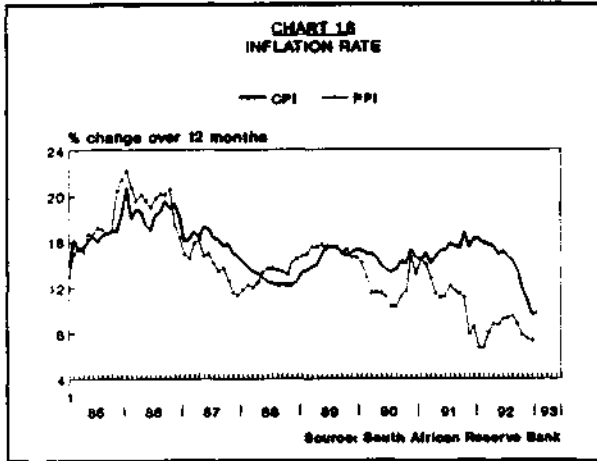
Labour productivity in non-agriculture rose by 2,3 per cent in 1988, but the rate subsequently slowed, to 0,8 per cent in 1989 and 0,4 per cent in 1990. In 1991, however, it was 1,3 per cent - the outcome of rationalisation. Increases of 1,1 per cent, 0,9 per cent and 1,2 per cent respectively were posted in the first three quarters of 1992.



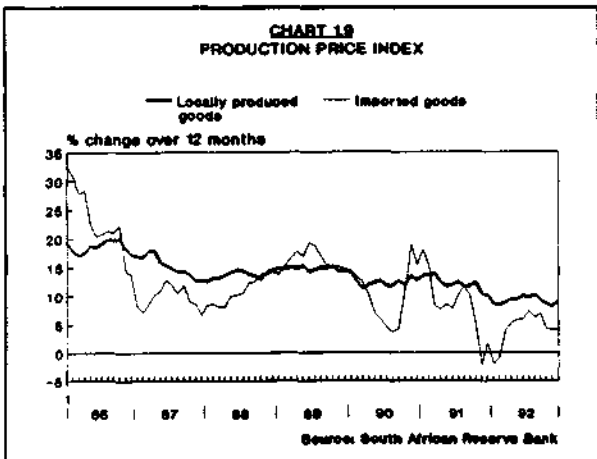
### 1.2.5 Inflation

The inflation rate, as measured by the monthly changes over twelve months in the production and consumer price indices, fell further in 1992. This can be ascribed mainly to restrictive monetary policy and the continuing recession. The change in the consumer price index is now more in line with that in the production price index, after unusual differences in the two rates in the second half of 1991 and early in 1992.

As to production prices, the average rate of increase steadily fell from 15,2 per cent for 1989, 12 per cent for 1990, and 11,4 per cent for 1991, to 8,2 per cent for 1992. After touching a low of 6,7 per cent in January 1992 compared with January 1991, the rate moved back to higher levels, albeit below 10 per cent for the rest of the year. From the view-



point of inflationary pressure it is gratifying that the prices of locally produced goods posted single digit rises for most months in 1992, despite the impact of the drought on the prices of agricultural products. The rate at which the prices of imported goods rose, fell sharply from the last quarter of 1991 and turned negative in January and February 1992. There have subsequently been slight increases, but fluctuating in a narrow range between 4,1 per cent and 7,5 per cent.



There has been a similar fall in the rate of increase in consumer prices, from 16,8 per cent in October 1991 to 9,6 per cent in December 1992 and 9,7 per cent in January 1993 - the first single digit increases since June 1978. Apart from factors such as a high degree of monetary stability and lower production price increases, contributory factors included the fall in houseowner costs following lower mortgage rates, and the substantially lower rate of increase in food prices. The latter increased by 14,9 per cent in January 1993, having fluctuated between 25 per cent and 30 per cent for the greater part of 1992.

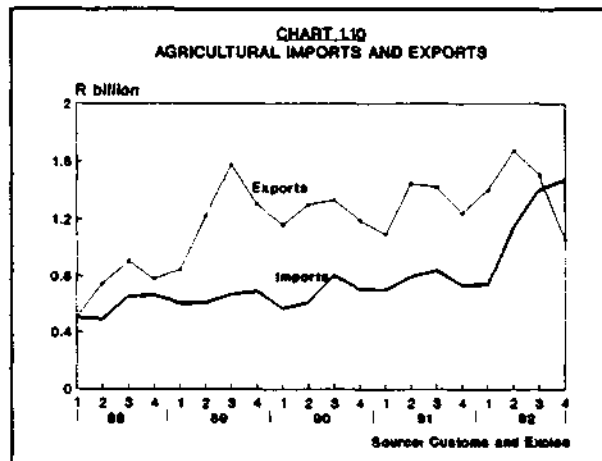
### 1.2.6 Balance of payments

1992 was the eighth consecutive year posting a surplus on the current account of the balance of payments. The cumulative surplus since 1985 is

now R40,5 billion, or 2,5 per cent of the 1992 GDP; it indicates the degree to which domestic saving had to go towards the redemption of foreign debt, instead of the promotion of domestic economic growth and development.

The balance of payments nonetheless weakened in 1992: the current account surplus fell to an estimated R4,3 billion (1,3 per cent of GDP) as against R7,4 billion in 1991. The fall was particularly sharp in the fourth quarter, when the surplus of R3,8 billion posted in the third quarter shrank to R2,7 billion (seasonally adjusted annual rates). The main causes of this were the severe drought, which meant a fall in agricultural exports and a substantial rise in agricultural imports, coupled with a sharp fall in the value of net gold exports from an exceptionally high level in the preceding quarter.

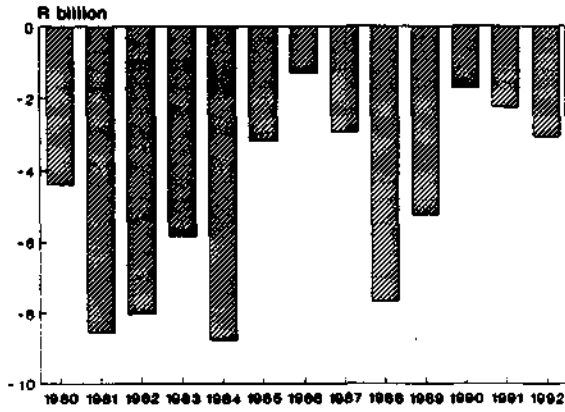
The value of merchandise imports rose from R48,2 billion in 1991 to R51,9 billion in 1992, or by 7,7 per cent. This can be ascribed largely to substantial increases in the imports of agricultural products. Moreover, in 1992 import prices rose by 3,8 per cent on account of moderate increases in the prices of imports and a depreciation in the nominal effective exchange rate of the rand.



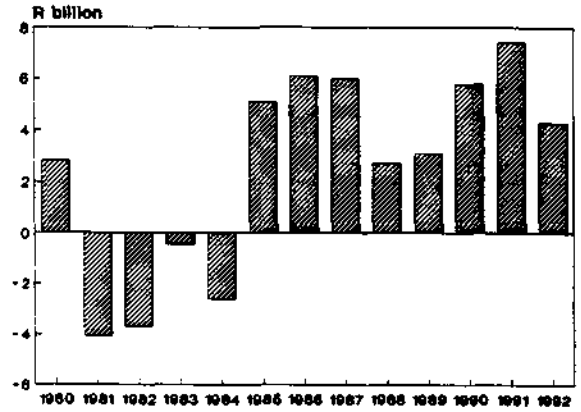
Despite the world recession, merchandise exports rose by 6,8 per cent - from R45,9 billion in 1991 to R48,8 billion in 1992. This comparatively small increase can be ascribed to a trifling rise in the rand price of imported goods and a fall in agricultural exports. The value of gold production fell from R19,6 billion in 1991 to R18,2 billion in 1992. Net external service and transfer payments rose from R9,9 billion to R10,8 billion over the same period.

The net outflow of capital was insignificant in the first quarter of 1992, but it thereafter gradually increased and amounted to R6,5 billion for the year as against R6,1 billion in 1991. Leads and lags in

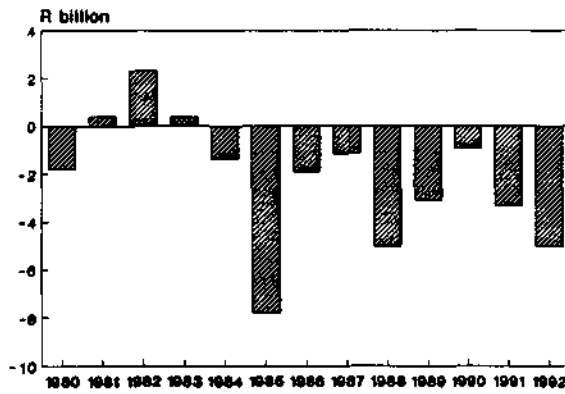
THE TRADE ACCOUNT



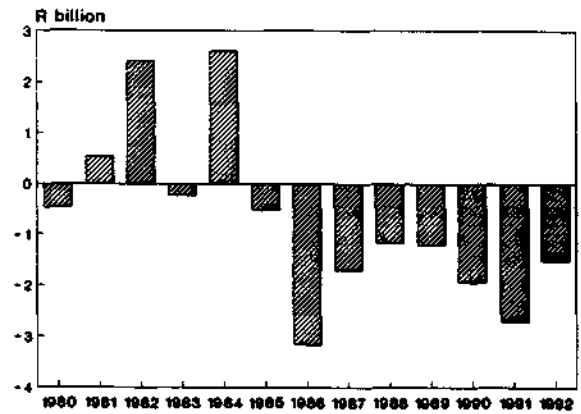
BALANCE ON CURRENT ACCOUNT



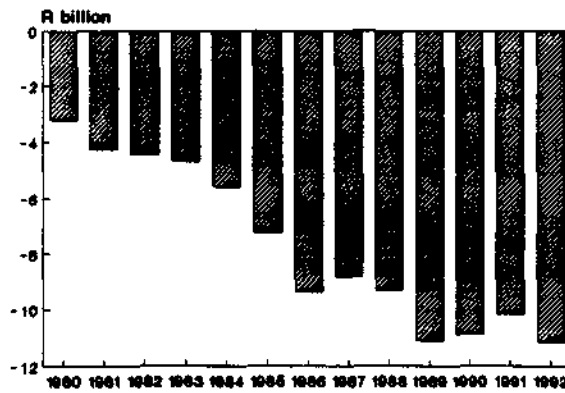
SHORT-TERM CAPITAL MOVEMENTS NOT RELATED TO RESERVES



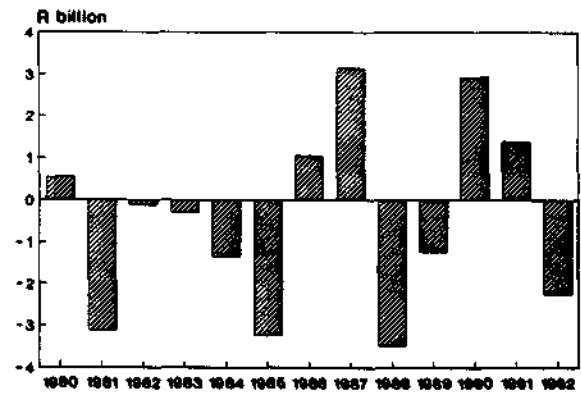
LONG-TERM CAPITAL MOVEMENTS



NET SERVICE AND TRANSFER PAYMENTS (RECEIPTS -)



CHANGE IN NET GOLD AND OTHER FOREIGN RESERVES



Source: South African Reserve Bank

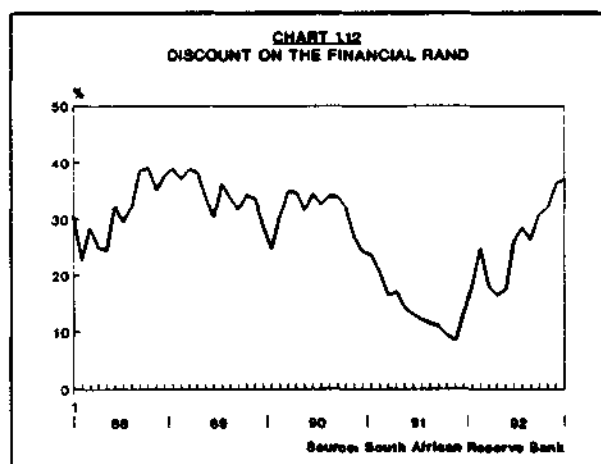
foreign receipts and payments in 1992, the availability of domestic funds, poor economic conditions and political turmoil were contributing factors. 1992 was the eighth consecutive year in which a relatively large amount of capital left the country. This outflow of funds took the form chiefly of short-term capital. R5 billion in the form of short-term capital not related to reserves left the country during the year, as against R3,3 billion the previous year. The outflow of long-term capital amounted to R1,5 billion as against R2,7 billion in 1991.

As the capital outflow exceeded the current account surplus, the country's reserves fell in 1992 by about R2,3 billion. This occurred chiefly in the fourth quarter. Gross reserves at the end of December were R11,2 billion, down from R13,2 billion in August 1992. The December figure is equivalent to only some 1,8 months' imports.

### 1.2.7 Exchange rates

The exchange rate was relatively stable against a basket of foreign currencies in 1992. The average weighted value of the rand fell by 4,3 per cent in nominal terms. This depreciation is closely in line with the difference between production price inflation in South Africa and that in our major trading partner countries. The effective *real* exchange rate of the rand actually appreciated slightly.

Following the crisis in the European exchange rate mechanism in 1992, the rand appreciated sharply against sterling and the Italian lira, but depreciated against most of the other important currencies.

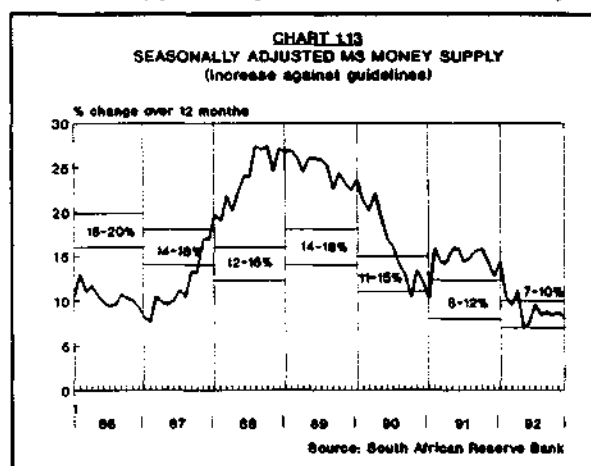


The finrand, however, was less stable during the year: the discount, which was 8,6 per cent in November 1991, fluctuated between 12 and 41 per cent in 1992, on account inter alia of domestic unrest and the pause in the constitutional negotiating process.

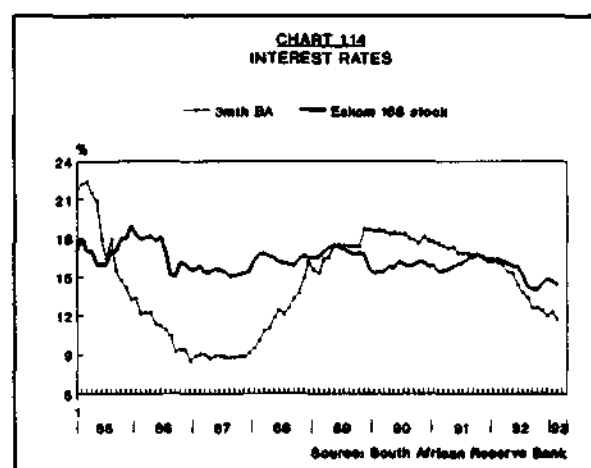
### 1.2.8 Financial markets

Further meaningful progress was made in 1992 towards the achievement of financial stability. The year on year growth of the M3-money supply in the fourth quarter was only 8,8 per cent higher than in the corresponding period of 1991, and well within the guideline range of 7 to 10 per cent set for 1992.

Money market conditions, which were comparatively easy in the first four months of 1992, hardened appreciably since the middle of the year;



but despite this the fall in money market rates, which has been occurring since 1990, continued. This trend is reflected in the course of the rate on liquid 3 month bank acceptances (the so-called BA-rate), from an average of 16,4 per cent in January 1992 to an average of 11,73 per cent in February 1993. Bank rate, which was 17 per cent in January 1992, was lowered by the Reserve Bank on four occasions to the end of February 1993, to reach the present 13 per cent. Financial institutions have lowered their mortgage and prime lending rates as a result.



The increase in credit extension by monetary institutions to the domestic private sector slowed considerably in 1992: from December 1991 to December 1992 it was only 8,7 per cent, compared with 14,5 per cent during the preceding 12 months.

This increase in credit extension was the result chiefly of an increase in mortgage advances, which grew by 17,3 per cent. All other credit by the monetary sector to the private sector (i.e. with the exception of mortgage advances) grew by only 3,8 per cent. Mortgage advances continued to be favoured as a means of credit extension since the capital requirements involved are lower than for other loans, while interest rates on such advances are generally also lower than prime.

As to the capital market, long-term interest rates fell from the end of 1991 to the third quarter of 1992, in sympathy with the deepening of the recession and the fall in both the actual and expected rate of inflation. For example, the Eskom 168-rate fell from an average of 16,25 per cent in 1991 and 16,37 per cent in January 1992 to 14,03 per cent in October 1992. However, rates began to harden in the fourth quarter of 1992 on account chiefly of increases in the central government's borrowing requirement and the offloading of local stocks by non-residents. In February 1993 the average Eskom 168 rate was 14,43 per cent.

### 1.3 ECONOMIC OUTLOOK

#### 1.3.1 The international economic position and outlook

The downswing in the economies of the Organisation for Economic Co-operation and Development (OECD) countries has lasted longer than expected, and preliminary indications are that the average combined growth rate in real GDP will be a mere 1,5 per cent for 1992. This clearly had a negative impact on developing countries and commodity markets. A moderate recovery for the OECD countries is expected for the following two years: an average of 2 per cent for 1993 and 3 per cent for 1994.

It is further expected that the combined OECD inflation rate, which was 3,5 per cent in 1992, will fall slightly to 3,2 per cent in 1993 and to about 2,5 per cent in 1994.

#### 1.3.2 South African economic outlook

South Africa's merchandise exports performed tolerably well in 1992 notwithstanding the low international growth and relatively low commodity prices. Against the background of the moderate economic revival expected in the RSA's major trading partners it is foreseen that the volume of exports will continue to grow in 1993. Despite the better prospects for agriculture, import volumes too, will increase at a faster rate by virtue of the

modest economic growth forecast for South Africa in 1993. The outcome is that a smaller surplus is expected on the current account of the balance of payments - about R3,5 billion, as against R4,3 billion in 1992. The Third Interim Debt Arrangements Agreement negotiated in 1989 and which expires at the end of 1993 obliges South Africa to pay some R4 billion to foreign creditors during 1993.

Apart from the drought, the lack of investment in 1992 was once again a major contributing factor to the poor economic performance. The continuing violence, social unrest, strikes and stay-aways in a changing political milieu once again promoted a climate militating against new investment. Although investment is not expected to increase in 1993, it is nevertheless expected that the fall in real gross domestic fixed investment will be smaller than in 1992.

Positive factors for investment include the following:

- It is widely expected that 1993 will be a better year for agriculture than 1992.
- The moderate revival forecast for the major trading partners can boost exports, which in turn can encourage investment in certain sectors.
- The further ending of sanctions offers greater opportunities for both importers and exporters to develop new markets and could lead to new investment.
- A significant part of the funds flowing from the sale of strategic oil supplies will still go to capital projects in 1993.
- Some of the beneficiation projects being undertaken by the private sector in response to the section 37E incentives will commence during the year.

inventories, which have been greatly run down during the recession, should be built up again. This will support the expected moderate revival in 1993 and contribute to growth in gross domestic expenditure.

As to real private consumption spending, a small increase is expected in 1993, compared with a fall in 1992. This will arise chiefly from the more favourable position of agriculture.

As already mentioned, only a moderate revival in the domestic economy is expected in 1993, with the growth of real GDP estimated at between 0 and 0,5 per cent. This is nonetheless a significant



improvement on the falls of 2,1 per cent in 1992 and 0,5 per cent in 1991. Still, this growth is much lower than population growth, with the corollary of falling average living standards. At present the prospects for a fall in the average inflation rate for 1993 *vis-à-vis* 1992 are favourable, on account of

the following factors: the lower rates of increase in the money supply and bank credit; comparatively stable oil prices; a further fall in inflation in South Africa's major trading partners; and better agricultural conditions, which can put further downward pressure on domestic prices.

## CHAPTER 2

### MONETARY ISSUES AND STRATEGY

#### 2.1 MONETARY POLICY GOALS

In formulating the budget and fiscal policy it is vital to ensure efficient co-ordination with monetary policy.

Monetary policy seeks predominantly to maintain a stable financial environment, thereby creating a favourable financial climate to boost sustained economic growth in the long term. This approach is in line with that in the major economies of the world.

The most important long-term objective of monetary policy remains the containment of inflation. Although encouraging progress has been made on this front in South Africa in recent months, the rise in prices as measured by the change in the consumer price index is currently still much higher than the average for the leading industrial countries. In 1993 monetary policy will still seek:

- to keep the rate of growth in the money supply within acceptable limits;
- to contain the rate of increase in credit extension by banks below the inflation rate;
- to maintain interest rates at realistic positive real levels;
- to raise to more acceptable levels the country's gold and other foreign exchange reserves; and
- to support a relatively stable real effective exchange rate for the rand.

#### 2.2 DOMESTIC MONETARY POLICY AND MANAGEMENT

The guideline rates for M3-money supply growth were reduced from 8 to 12 per cent in 1991 to 7 to 10 per cent in 1992 and to 6 to 9 per cent in 1993. As mentioned in chapter 1, success was achieved in 1992 in keeping M3-money supply growth well within the guideline range.

The positive results of the continuing strong monetary discipline were initially reflected in an increase in the country's holdings of gold and other foreign reserves and a downward trend in the underlying rate of inflation, which in turn facilitated a reduction in bank rate - from 17 per cent a year ago to the present 13 per cent. This was accompanied by

similar reductions in money market interest rates.

In the first few months of 1992 money market liquidity rose sharply in the wake of a fall in the volume of notes in circulation and in government deposits at the Reserve Bank, as well as an increase in the Bank's holdings of gold and other foreign reserves. This easing was initially counteracted by the monetary authorities through the sale of treasury bills and government stock; but these sales were not sufficient to prevent the volume of accommodation at the Reserve Bank's discount window falling back to a comparatively low level. The effectiveness of monetary policy was reduced in this way. These developments forced the monetary authorities to take further steps to withdraw surplus short-term funds from the market: special Reserve Bank bills were issued, the limits on the operating balances of authorised foreign exchange dealers at correspondent banks were doubled, and an additional cash reserve requirement of 1 per cent of deposit-taking institutions' short-term liabilities towards the public was imposed, over and above the existing 4 per cent. These actions were the prime reasons for the increase in the average daily level of accommodation at the discount window, from R1 billion in April 1992 to R3,5 billion in July 1992. The average daily level subsequently fluctuated around this higher level, and was R3,2 billion in December 1992. Exchange swap transactions and repurchase agreements were also utilised during the year for purposes of money market management.

Although bank rate was repeatedly lowered during the past year, this should not be interpreted as an easing of monetary policy. Positive real interest rates were still maintained as far as at all possible. Further reductions in interest rates will hinge largely on the degree to which the deficit on the balance of payments as a whole and the consequential drop in the country's gold and other foreign reserves can be checked, as well as on success in keeping inflation under control.

#### 2.3 CO-ORDINATION OF MONETARY AND FISCAL POLICY, AND PUBLIC DEBT MANAGEMENT

The imperative of high and sustainable economic growth in an era of constitutional and socio-economic reform makes great demands on monetary policy *vis-à-vis* the maintenance of financial stability in the economy. The latter also makes certain demands on fiscal policy, including:

- The avoidance of money-creating budgetary financing.
- An emphasis on active public debt management, rather than ad hoc adjustments in budget expenditure and taxation, as the prime instrument of stabilisation policy. This includes a greater divorce between the state's cash flow management, its funding activities, and liquidity management of the economy by the monetary authorities; fuller disclosure of public debt and guarantee obligations; the minimisation of the high interest costs of public debt; and effective co-ordination between public debt management and the monetary authorities' liquidity management in the money market.
- Avoiding of the utilisation of the proceeds of public borrowings undertaken for monetary stabilisation purposes (liquidity management).
- Better co-ordination of the borrowing powers and activities of extra-budgetary institutions and second- and third-tier governments.

Including certain non-recurrent expenditures, total state expenditure posted a real increase in both 1991/92 and 1992/93. Tax revenue, however, increased much more slowly than originally projected, so that the budget deficit was much higher than envisaged. The State finances thus had an expansionary impact on the economy.

The financing of the ballooning budget deficit required an ongoing and close co-ordination between the fiscal and monetary authorities so as to prevent an inordinate rise in money market liquidity. The average daily level of government deposits at the Reserve Bank fell from R13,1 billion in February 1992 to R10,8 billion in April 1992; it subsequently rose to R15,6 billion in July 1992. After the implementation of special measures to reduce money market liquidity (vide 2.2 *supra*), and a fall in liquidity in consequence of a shrinkage of gold and other foreign reserves, government deposits at the Reserve Bank fell once more.

The fiscal and monetary authorities also sought to develop still further the market for treasury bills in 1992/93. Therefore, in the course of the financial year the supply of such bills was increased by R2,261 billion, which in great measure enabled the monetary authorities to replace bank acceptances by treasury bills as the basic policy instrument. Treasury bills with terms of six and nine months were offered on the weekly tender, in addition to those with a term of three months, while the Public Investment Commissioners substantially increased their holding of treasury bills. The financing of the 1992/93 budget is dealt with in chapter 4.

Attempts to keep the cost of new loans as low as possible were continued during the year by the active promotion of a two-way market in government paper. The Reserve Bank's purchases of government stocks in the market in 1992 amounted to R97,7 billion, while sales were R112,3 billion. The greater marketability of government paper brought about in this way had the effect of eliminating or even reversing the premium against which government stocks had previously been traded against some other stocks. The interest rate on the R150 stock is thus once again regarded, as it should be, as the benchmark for capital market rates.

## 2.4 BALANCE OF PAYMENTS POLICY

### 2.4.1 Exchange rate policy

The Reserve Bank operated pro-actively in the foreign exchange market in 1992, in reaction to the deterioration in the balance of payments. This was in line with the Bank's objective of maintaining a relatively stable real exchange rate of the rand. In nominal terms the effective exchange rate of the rand fell by 4,3 per cent in 1992 as against 6,3 per cent in 1991; but in real terms it was once again fairly constant.

In conjunction with interest rate policy, the maintenance of a relatively stable exchange rate is currently a key element in the fight against inflation. It should be noted that "stable" does not necessarily mean "fixed". The country's limited foreign exchange reserves do not permit intervention in the foreign exchange market on more than a small scale - in the longer term a country's exchange rate levels are a function of its economic performance and policy.

Although the fall in the average nominal exchange rate during 1992 protected South Africa's competitiveness on international markets to a great extent, it will be evident that domestic producers can hardly look for an ongoing depreciation. Competitiveness will have to be achieved through higher productivity, greater cost-effectiveness and better quality.

### 2.4.2 Exchange control

South Africa places little restriction on current international transactions, but wide-ranging exchange control measures apply to capital movements of residents and non-residents alike. These measures remain an integral part of balance of payments policy; they were tightened during 1992, while special steps were taken to eliminate

the evasion of exchange control as far as at all possible. There were several prosecutions during the past year.

Furthermore, in March 1992 the Reserve Bank announced that it would intervene from time to time in the Firrand market; the main object was to neutralize undesired increases in domestic liquidity, but this step could also lead to greater stability in the exchange rate of the Firrand. However, unfavourable political developments and negative overseas perceptions of the impact on the Firrand that might follow the acquisition of offshore companies by South African buyers, caused the exchange rate to depreciate substantially.

This prompted the Minister of Finance to issue a statement on 27 November 1992 to the effect that applications for offshore investment by South African parties would be handled by the exchange control authorities with the utmost circumspection. The parties involved in investments already approved will be asked to arrange offshore financing from which the costs of the investments can be met. Arrangements are also being made to spread the repayment of such financing over a period.

Cases that fall within the stated policy guidelines and promise to be in the country's interest in the short-term, will still be considered; but those with benefits over the longer term only are at present being held back. Where new investments are approved the funding must be chiefly by way of offshore loans with repayments from the income generated by the new investment.

#### 2.4.3 Debt standstill arrangements

The Third Interim Debt Arrangement agreement expires on 31 December 1993. It involves a repayment of USA \$420 million in 1993, in three instalments on 15 February, 15 August and 15 December. The total outstanding debt within the standstill net is estimated to amount to only some \$5 billion at the end of 1993. This does not take into account any further conversions to long-term debt outside the net and the possible further conversion of debt to equity.

#### 2.4.4 Foreign debt management

In 1992 South Africa continued to meet its foreign debt obligations scrupulously. In that year \$360 million of the debt within the net and some \$1 billion of debt outside the net had to be repaid (in total R3,87 billion calculated at the average exchange rate for 1992). These repayments were

made possible by the continued exercise of monetary discipline, which enabled continuing surpluses to be maintained on the current account of the balance of payments.

In the first half of 1992 a large portion of the repayment of foreign debt could be refinanced by new foreign loans. A total sum of R2,1 billion was raised in this way. However, the greater political uncertainty and unrest since mid-1992 resulted in deteriorating foreign perceptions of South Africa's political and economic prospects. Since this put a further premium on South African paper, all further planned loan issues by the public sector were postponed on account of cost considerations. Higher net capital outflows were therefore once again posted in the second half of 1992. Large projects involving capital imports, however, have been financed with foreign export credits.

As a ratio to total exports of goods and services, South Africa's foreign debt fell from 128 per cent in 1985 to only 65 per cent in 1991 - one of the lowest among developing countries. The proportion of South Africa's foreign debt maturing within twelve months, fell from 57 per cent of total debt in August 1985 to only 20 per cent at the end of 1991.

Although foreign debt redemption was to a large extent the result of political pressure and entailed many sacrifices, the improved debt position could be achieved only through sustained and diligent debt management. It involved the fullest measure of co-ordination between the Department of Finance and the Reserve Bank, via the Debt Standstill Co-ordinating Committee. The relatively favourable debt position now provides a sound basis for attracting offshore capital, which will buttress an economic revival. The growth of foreign debt will however continue to be closely monitored to prevent a replay of 1984/85, when the country had to cope with sudden liquidity problems.

#### 2.4.5 Forward cover

The favourable Reserve Bank forward cover rates by which the public sector hedged its long-term foreign loan commitments were replaced in the second half of the 1980's by market-related rates in order to limit the potential loss on the forward cover book. However, since many of the former, more favourable, contracts still survive, large losses can still be incurred on the book when payments are made under such contracts.

In 1992 the Reserve Bank continued to provide cover at market related rates on short- and certain long-term transactions. The suspension in

September 1991 of the system of preference forward cover to both the public and the private sector with regard to import and export transactions financed on a short term basis offshore, and a narrowing of the margin by which normal forward cover is adjusted, contributed to reducing the Reserve Bank's oversold forward cover book; potential losses for the exchequer on forward cover contracts were thus reduced.

In the first eight months of 1992 a surplus of R970 million was achieved on forward cover transactions. This was when the rand was appreciating against the USA Dollar; but a deficit of R1,013 billion was incurred when the dollar subsequently rose sharply against other major currencies in the wake of the European exchange rate crisis of September 1992. The surpluses or deficits arising in consequence of Reserve Bank intervention in the Finrand market are also transferred to the government's forward cover adjustment account at the Reserve Bank.

The accumulated shortfall on the Gold and Foreign Exchange Contingency Reserve Account was reduced by R3,8 billion in August 1992 by the transfer to this account of the full balance on the Stabilisation Account. Macro-economic stability considerations and the control of domestic liquidity do not now require a further planned reduction of the shortfall.

## 2.5 FINANCIAL SECTOR DEVELOPMENTS

The monetary authorities fully appreciate the importance of developing a sound financial infrastructure as a means to financial stability. Certain important and significant developments took place in this regard in the domestic money- and capital markets during 1992 and early 1993, of which the following can be cited:

- A committee under the chairmanship of Mr Justice Melamet is investigating the desirability as to whether or not the bank supervisory function should be within the Reserve Bank. Its report is expected in the course of 1993.
- Under the leadership of the Stock Market Association progress was made in 1992 towards the establishment of a formal exchange for interest bearing stocks. In conjunction with the Johannesburg Stock Exchange the Stock Market Association provided further inputs for the creation of a clearing and settlement facility for the market in such stocks; the last phase will cover the creation of a risk management system. A final application for a licence has been prepared by the Stock Market Association and is expected to be issued to the proposed stock market exchange during 1993. Legislation was also promulgated during 1992 to provide for the registration of a central stock repository for the safekeeping of stock certificates.
- A further important development in the capital market occurred in June 1992, when for the first time the Department of Finance called for tenders for a zero coupon stock. Although these stocks should have been attractive for investors, particularly since there is no re-investment risk, the issue was not well supported, perhaps chiefly on account of the perception that the offered yield was too low. Subsequently, however, this instrument has established itself in the capital market through successful issues by Eskom and others.
- The Jacobs Committee of investigation into equal competition between financial institutions in the acquisition of funds completed its work and submitted its recommendations. The report identifies high and long-continuing inflation and the consequent distortion in financial markets as the major cause of the unequal competition between deposit-taking institutions and contractual savings institutions. The committee also found that a completely level playing field in this area is not a feasible proposition. However, the clearer delimitation of the institutions' respective fields of action, as well as conditional reciprocal opening up of these fields, can lead to more equal competition for funds. Other recommendations involve compulsory, full and proper disclosure in financial statements, the registration of all financial intermediaries in accordance with the proposed Financial Services Act, the establishment of risk management and compliance with prudent financial guidelines, the creation of a regulatory mechanism ensuring co-ordination of regulatory policy through a single board, continuing regulation on a financial institutional basis but with the necessary accommodation of other financial functional actions, the adaptation of certain accounting requirements so that depositors and policyholders can obtain greater clarity on the position of their investments and particularly their risk exposure, and the adaptation of tax policy for insurers, provident and pension funds. It was also pointed out that contractual savings institutions cannot be expected to channel funds to unsafe or non-marketable assets or projects yielding non-market-related returns.
- The Mouton Committee of investigation into the effectiveness of retirement provision systems in South Africa submitted its report. Particulars appear in chapter 5.

## 2.6 LINKING THE FORMAL AND INFORMAL FINANCIAL SECTORS

The growing rôle of the informal sector in the South African economy calls for the better utilisation of financing in that sector and the development of community lending institutions. A linkage between the formal and informal financial sectors is needed.

Last year's Budget Review mentioned the funds channelled through stokvels by the Independent Development Trust Finance Corporation to provide housing finance to those in the low income groups. This apart, the informal sector has so far received little support from the formal financial sector: the result chiefly of a paucity of reliable information on the informal financial sector, the high risk attached to housing finance in this sector and a consequential reluctance by banks to get actively involved in community lending bodies such as stokvels and credit unions. The small businessman

in the informal sector is therefore thrown largely upon money-lenders, who ask abnormally high interest rates from a captive market.

In order gradually to achieve a closer linkage between the two financial sectors and to lay the foundation for institutions such as co-operative banks, issues such as the role of community lending institutions and the creation of self-regulating organisations for the latter will need further attention. The Registrar of Banks has already begun the spadework in this regard.

To provide for the high risk that can attach to the financing of the informal sector, and in an attempt to secure a greater willingness on the part of financial institutions to extend credit to that sector, the Minister of Finance announced on 31 December 1992 that certain loans for less than R6 000 would be exempted from the provisions of the Usury Act.

## CHAPTER 3

### FISCAL ISSUES

#### 3.1 INTRODUCTION

Over the past few years several academic and other probes of the South African economy have been conducted, with a view to scenario-building or the crafting of restructuring programmes. These exercises have been valuable in identifying structural problems, narrowing areas of political or economic disagreement, and pinpointing the scope for remedial action.

The government is fully aware of the need to restructure the economy. To this end, the NEM referred to in 1.1 *supra* has been prepared. It has prime relevance to fiscal policy, in that it envisages a sharp reduction in government *consumption* expenditure and reduction of the fiscal deficit to the point where it does not exceed *capital* spending; in other words, government dissaving will be a thing of the past.

Fiscal policy will increasingly be accommodated within these parameters, which should mean that both public and private sector funds are freed up and scope provided for greater *investment* spending by both sectors than was possible over the past few years. This overarching goal in turn implies various fiscal actions and policies. It is unnecessary to enter into them here, since the essence thereof is self-evident or is by now well known (cf. for example section 3.1 of the 1991 and 1992 Budget Reviews). What needs to be realised is that short-term decisions in the fiscal field - including those behind this year's budget - are being taken not only in the light of immediate exigencies but also with due regard to longer-term objectives.

#### 3.2 FISCAL POLICY: SHORT-TERM CONSIDERATIONS

There are a number of fiscal matters that require immediate attention if we are to promote economic growth, reduce specific socio-economic backlogs, and undergird longer-term socio-economic development. These things cannot be done on a sustainable and credible basis unless fiscal discipline is restored; and the following matters are therefore being addressed in this budget:

- the reduction of the central government's massive budget deficit;

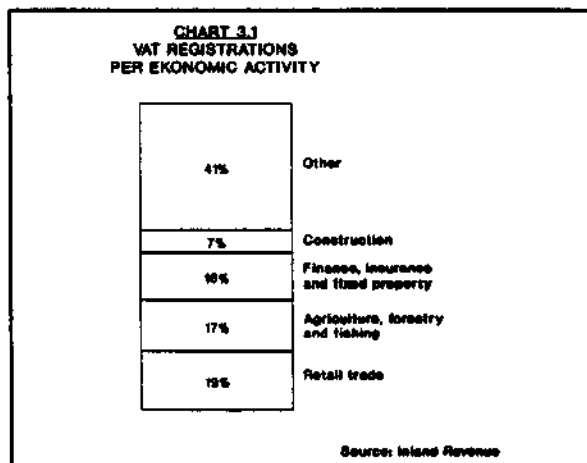
- the downscaling of government consumption expenditure in the economy;
- the accelerated delivery of high priority infrastructure by the central government in appropriate fields;
- the promotion of employment through the creation of a favourable investment climate and the promotion of labour-intensity in infrastructure delivery; and
- the allocation of funds to high priority areas involved in affordable socio-economic development, which must be co-ordinated with a fundamental re-arrangement of the nature and standard of service in respect of social services particularly.

#### 3.3 CERTAIN TAXATION INVESTIGATIONS AND ISSUES

Against the background of these short-term policy goals, various expenditure and taxation proposals are contained in this budget. They are discussed in chapters 5 and 6. However, the past year also posted good progress on several other tax reforms.

##### 3.3.1 Value-added tax (VAT)

VAT was introduced on 30 September 1991. Both the functioning of the system and acquaintance with it have progressively improved, and enquiries concerning it have become fewer. The process was helped *inter alia* by enclosing information brochures with the regular returns to all traders, updating the traders' guide, issuing practice notes



on legal problems and guides on specific economic activities.

VAT registrations grew by 11,8 per cent during the past year to reach nearly 312 000. The following chart gives a breakdown of their composition.

As in other countries using VAT, RSA legislation allows tourists to claim a refund on local purchases taken out of the country. The Jewellers' Council of South Africa at present functions as VAT refund administrator on behalf of Inland Revenue, and has created an efficient system for finalising such refunds at departure points. Tourists have indicated that the Republic's system ranks among the best in the world. In 1992 more than 58 000 such refunds were made, involving some R14 million.

### 3.3.2 Import surcharge

This was introduced in August 1988 with the stated intention of protecting the balance of payments. The rates applicable are indicated in table 3.1.

Although the government is still committed to the already-begun phasing out of this surcharge, the present position of the balance of payments and of the fiscus preclude any further steps in this direction now.

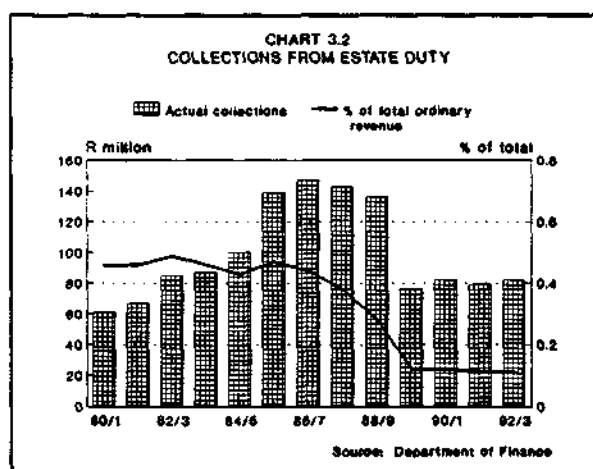
### 3.3.3 Self-assessment for company tax

Some further discretionary powers vested in the fiscus will be removed from the Income Tax Act this year. Inland Revenue also regularly issues practice notes to provide greater certainty on aspects of the Act. These steps are being taken with a view to the eventual introduction of a system of self-assessment for company tax.

### 3.3.4 Capital transfer tax

From 1986 through 1992 revenue from estate duty fell by an average of over 9 per cent per year (in real terms, by over 20 per cent per annum).

As envisaged last year, a discussion document on this point was submitted to the Taxation Advisory Committee by Inland Revenue. The committee has recommended that the possibility be investigated that the existing Estate Duty Act and the provision referring to tax on donations, be combined within the Income Tax Act and adapted so as to provide a more effective system of taxing the transfer of wealth. Draft legislation is being drawn up and will be circulated to interested parties for comment.



### 3.3.5 Certain tax aspects of a more level playing field for deposit-taking and contractual savings institutions

Chapter 2 mentioned that the Jacobs Committee had completed its investigation and made certain recommendations. The recommendation that

Table 3.1: Surcharge on imports

	Aug. 1988 to March 1990	April 1990 to March 1991	Since April 1991	Revenue contribution by different components in 1992/93
"Luxury" goods <sup>1</sup>	60%	40%	40%	11,2%
"White" goods <sup>2</sup>	20%	15%	15%	29,3%
Capital goods	15%	10%	5%	} 59,5%
Intermediary goods	10%	7½%	5%	

1 Eg. video cassette recorders and cameras.

2 Eg. refrigerators and stoves.



neutrality be pursued between not only life assurers and other financial institutions but also between various types of policyholders, is accepted. A two-tier tax system will be implemented whereby:

- income received by insurers on behalf of policyholders under the trustee principle, will be taxed as if in the hands of policyholders; and
- non-policyholder income accruing to assurers will be taxed on normal company taxation principles.

The so-called "four fund approach" is also accepted. The assets of assurers will therefore be compartmentalised as follows:

- (a) three funds representing the assets needed by the assurer to meet his liability in respect of the following:
  - retirement funds (their investment income will, as now, be tax-exempt);
  - life policies held by individuals (their investment income to be taxed at 30 per cent - a proxy for the average marginal rate of tax on individuals);
  - life policies held by the corporate sector (investment income will be taxed at the ruling company tax rate); and
- (b) a fourth fund representing the balance of the assurer's assets. Income accruing to this fund will be taxed on normal company tax principles and at the ruling company tax rate.

The year-end value of the assets in the various funds may not exceed the minimum amount needed to meet the liabilities concerned. All surpluses must be transferred to the assurer's company fund, where it will be taxed at the ruling company rate.

Legislation to give effect to the recommendations accepted by government will be promulgated during the present Parliamentary session. The date of implementation will be determined after consultation with the life assurance industry.

The Sixth Schedule to the Income Tax Act, which prescribes the kind of business assurers may conduct, may be replaced by simplified provisions under the Insurance Act, once the four fund system has been implemented. This will be applicable at least in relation to new policies issued after the new system is introduced.

The new policy conditions will be embodied in an amendment to the Insurance Act which will be introduced later in the Session. These conditions have already been made available to the insurance industry and, provided new policies issued in the interim comply therewith, it should be possible to also scrap the Sixth Schedule in relation to existing non-standard policies.

### 3.3.6 Profits and losses on foreign exchange transactions

In October 1992 the S A Institute of Chartered Accountants submitted a final comprehensive report containing certain recommendations in this area. Following discussions between the Institute and the Commissioner for Inland Revenue a start has been made in preparing draft legislation for submission to Parliament, if possible this year.

### 3.3.7 Tax expenditures

So-called "tax expenditures" can be regarded as indirect subsidies granted by way of a forfeiture of tax revenue through such things as tax reductions and allowances.

Fiscal transparency requires that the total cost of government programmes be clearly identified and continually evaluated, on both the revenue and expenditure sides of the budget. Unlike direct subsidies, which comprise cash transfers on the expenditure side of the budget, indirect tax subsidies are relatively difficult to quantify. It is therefore not easy to evaluate their merits or fiscal effectiveness.

Various tax expenditures have been eliminated during the past few years, or a start has been made with their phasing out. These include:

- marketing allowances for exporters;
- sport sponsorship allowances; and
- hire-purchase reserves.

But several other tax expenditures remain in the South African tax system, such as the following (the sections noted pertain to the Income Tax Act, 1962, unless otherwise indicated):

- Exemption from income tax on the interest subsidy of agriculture. [Section 10(1)]
- Tax concessions under section 37E.
- VAT zero-ratings. [Section 11 of the Value-added Tax Act, 1991]
- Exemption from donations tax for donations to educational bodies. [Section 56]
- Exemption from income tax on export incentive receipts. [Section 10 (1)]

- Exemption from income tax on the first R2 000 interest income of individuals.

The Unit for Fiscal Analysis (see 3.3.8 *infra*) is pursuing research with a view to annual publication of a detailed tax expenditure budget.

### 3.3.8 Tax investigations and fiscal research

The Tax Advisory Committee submitted various recommendations and undertook certain investigations during the year, some of which have been referred to in previous paragraphs.

In the field of tax research, it was realised (as pointed out in last year's Budget Review) that taxes and tax policy can be analysed on a continuing and in-depth basis only as an integral part of broad fiscal analysis. In any event, the needs of the Department of Finance in the field of analysis and investigation extend much further than the tax dimension.

To that end, certain functions in the Department of Finance were combined in 1992 to give birth to the Unit for Fiscal Analysis within the branch Financial Planning. Its broad purpose is to enhance the government's fiscal analysis capability and to promote independent policy research to buttress fiscal policy execution. The former tax research unit has been incorporated in the new unit.

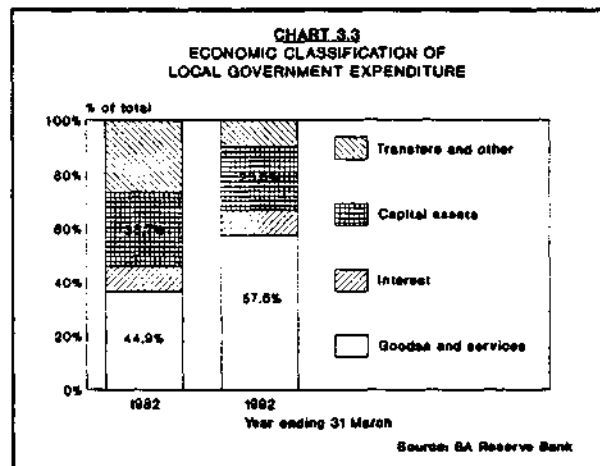
The unit focuses particularly on the budget challenges emerging from the present deep social and economic restructuring, and especially the issues of economic growth and stability, development, poverty, and restructuring. The searchlight falls on the in-depth investigation of a variety of spending and taxation questions, loan financing and the fiscal policy dimensions of government functions. Attention is also given to the development of permanent fiscal policy analysis mechanisms, including the testing of policy options and the monitoring of fiscal policy. An example (already operational) is a VAT model that enables various rates and zero-rating matrixes to be tested for both their revenue implications and the distribution of the tax burden between income groups.

## 3.4 INTER-GOVERNMENTAL FISCAL RELATIONS: DEVELOPMENTS

### 3.4.1 Spending guidelines for local authorities

Each year the Minister of Finance approves a guideline to co-ordinate the overall expenditure level of local authorities with that of the rest of the government sector and with macro-economic policy.

The permitted rate of increase for the budgeted expenditure of such authorities was 13 per cent for 1992/93. Local authorities were requested to design their budget programmes with due care and to pursue realistic standards of service. Given the important role played by local authorities on the constitutional stage, concessions are considered in cases where their budgets call for growth on account of rapid population increase or the upliftment of disadvantaged communities. However, the responsibility remains with each local authority to cut its coat according to its cloth, and in particular to keep rates and tariffs within the capacity of its people.



### 3.4.2 Local Authorities Loans Fund

Local authorities are increasingly experiencing problems in obtaining long-term loans on the capital market. Even some of the larger cities and towns are now having recourse to the local Authorities Loans Fund for long-term *project* financing at market-related rates. The Local Authorities Loans Fund Act, 1984 is being amended so as to offer local authorities a wider range of financing instruments. An investigation into the activities of the Fund is even now under way with a view, on the one hand, to achieving better client orientation and, on the other, basing the operation of the Fund still more firmly on business principles.

On 31 March 1992 the outstanding borrowings of local authorities at the Fund were R507 million (R489 million on 31 March 1991). In the first nine months of 1992/93 129 loans were granted, amounting to R107 million, chiefly for infrastructure services such as electricity, water, sewerage and roads.

A temporary special aid fund administered on behalf of the government was established recently to assist local authorities wrestling with serious financial problems. The council of the Fund utilised this in 1992/93 to channel R25 million to 24 local authorities to enable them to redeem loans for

water and sewerage schemes. This enabled somewhat more affordable services to be provided to the public.

### 3.4.3 Debt rehabilitation for Transkei, Venda and Ciskei

Since 1985 these countries have used bank overdraft facilities (bank credit) to supplement their operating deficits on their budgets. These facilities have been guaranteed by the South African Government. The three countries' total short-term debt had reached R3 billion already at the end of 1992, and had been obtained at a relatively high cost. Moreover, in addition to their current revenue and transfers, these countries will require R2 billion in 1993/94 to finance their budgets.

With cost considerations in mind the Department of Finance requested the Public Investment Commissioners (PIC) to act for these countries in the financial market. The mission is to obtain the most advantageous financing terms for the total short-term debt of these countries within a co-ordinated term structure.

The PIC has handled this task since December 1992 and has already successfully placed the total debt within the financial markets, and has furthermore succeeded in securing appreciable cost savings.

### 3.4.4 Future relations between tiers of government

Previous Budget Reviews have referred to the whole question surrounding fiscal relations between the different levels of government in South Africa. This matter is becoming increasingly relevant as we progress on the road to a new constitutional dispensation. Frequently in the past, when new government structures were created at the second or third tier, or when functions were devolved to lower tiers, systems for the financing involved were designed on an ad hoc basis. The upshot was a fragmented system which not only had serious inherent flaws with regard to long-term planning by the central government and revenue authorities but also raised questions concerning accountability for the utilisation of government funds. In the design of future constitutional systems specific attention will have to be given to the establishment of sound intergovernmental fiscal relations between the several tiers, and the financial implications will most certainly have to be taken into account in the delimitation and determination of the powers of regional and local authorities.

From a macro-economic viewpoint it is important to grasp that just as the various government tiers and units all function within a single constitutional polity,

so do they function within a single economic system. One of the key elements in a decentralised system of government is thus to reconcile the autonomy of the several tiers of government with the systems that are required to co-ordinate fiscal and economic management for the country as a whole. The following are some aspects of what is required for the effective functioning of the government system:

- a clearly defined system of fiscal relations between the various tiers of government;
- accountability and reporting by government institutions;
- co-ordination of fiscal policy formulation and co-operation in reaching fiscal policy objectives;
- co-ordination in the formulation of a national economic policy framework and co-operation in the implementation of such policy; and
- the institutional underpinnings for the foregoing aspects.

The first aspect, namely the financial relations between various tiers of government (sometimes referred to as "fiscal federalism") embraces also questions such as the allocation of expenditure responsibilities and financial resources to the various tiers of government, as well as transfers between those tiers. Raising community involvement in government services can make an important contribution to promoting the effectiveness of government and the better utilisation of resources: not only are decisions on services brought closer to the community, but the fact that the latter must contribute in greater measure financially will also facilitate better prioritisation and realism in respect of affordable standards. Furthermore, it is important that communities themselves accept responsibility and accountability for their decisions.

Ideally, each government unit at every level should command adequate *own* revenue sources for the financing of its services, since such authorities can then really act autonomously and a direct link can be made between the spending and taxing decisions of individual units. This means that if a community wants more services it must bear the additional expenditure itself, from higher tax contributions. This contrasts with the present state of affairs at regional level, for example, where the provincial administrations must look to transfers from the central exchequer for 85 per cent of their revenue.

Worldwide experience indicates however that the foregoing ideal is not attainable in practice: own

tax sources at the various tiers of government must normally be supplemented by intergovernmental transfers.

What is of crucial importance, however, is that the system of intergovernmental fiscal relations be clearly defined to promote certainty and long-term planning. This means *inter alia* that there should from the start be clarity on the circumstances and conditions of any financial transfers from one government tier to another - in other words, there must be no question of the "export" of the financial problems from a particular regional or local authority to a higher-tier authority. Negative experience in the past with regard to intergovernmental transfers should therefore not be used as an argument to centralise all services but rather to improve the *system* of intergovernmental relations so as to out-flank similar problems in the future.

Experience elsewhere in the world has shown the futility of trying to formulate final and inflexible financial relations between the various tiers of government. Circumstances change over time and this demands adjustments to the financial relations model. Without these the system of intergovernmental relations can become an obstacle to economic growth and development. The constitution should therefore provide for financial flexibility and co-ordination without at the same time posing a threat to the autonomy of the different tiers of government.

### **3.5 STRENGTHENING OF INTERNATIONAL LINKS**

South Africa's greater international acceptability has had many positive spin-offs in the fiscal and monetary fields. A few examples follow.

#### **3.5.1 Agreements for the avoidance of double taxation**

In the past fifteen months taxation authorities in other countries have shown a new interest in South Africa. Draft agreements for the avoidance of double taxation have been initiated at official level in France, Hungary, Namibia, Poland, the Republic of China, and Rumania. Negotiations are also taking place with Lesotho, Mauritius and the Russian Federation.

#### **3.5.2 International Monetary Fund and World Bank**

The changing political climate in South Africa paves the way for more active involvement by these institutions. Several World Bank missions visit South Africa from time to time to build up a data base and undertake in-depth analyses of the

economy, in preparation for financial involvement when relations are back to normal. In the process valuable technical expertise is transferred. South Africans are also increasingly participating in courses offered by these institutions.

There is an IMF facility known as the compensatory and contingency financing facility available to countries experiencing temporary balance of payments problems in consequence of the import of grain in times of drought or as a result of temporarily lower export earnings flowing from circumstances beyond the control of the country concerned. Given the fact that maize and wheat now have to be imported, a formal request for assistance for drought aid under this facility will be considered should the level of foreign reserves become cause for concern.

#### **3.5.3 Links with African countries**

Development aid organisations in Africa, such as the African Development Bank, are showing increasing interest in South Africa. The latter bank, for example has already financed an investigation into economic integration in Southern Africa, and with it the co-operation prospects held out to Southern Africa by the Preferential Trade Area, the Southern African Development Community, the Common Monetary Area agreement, the Southern African Customs Union, and others.

In conjunction with this the Common Monetary Area Commission has appointed a working group to consider the potential for economic integration in Southern Africa. Included in this will be an evaluation of the development benefits for the less developed partners in the Common Monetary Area Agreement.

The more relaxed political attitudes towards South Africa also manifest themselves in a growing demand for South African goods and services. This can be seen, for example, in the growth, in nominal terms, of South African exports to Africa by some 27 per cent from 1990 to 1991.

#### **3.5.4 Customs and Excise: overseas links**

Customs and Excise has experienced one of the most successful years in international co-operation - for example fraud and smuggling across international boundaries could be better counter-acted insofar as officials had greater access to most other countries as well as assistance from other Customs administrations. Fruits have already appeared, in containing tax evasion and other offences.

Customs and Excise has also been able to offer more to foreigners by way of training: various forms of training were provided for officials from Botswana, Lesotho, Swaziland, Namibia and the Comores, while two courses were conducted in Namibia itself during September and October 1992. Training personnel have on two occasions lectured in courses offered in neighbouring countries by the Customs Co-operation Council.

The provision of training assistance contributes to goodwill and positive regional co-operation. Many applications have already been received to attend courses in South Africa in the next financial year, and much progress is envisaged in providing training help to not only member countries of the South African Customs Union but also to other African countries.

### 3.6 TAX COLLECTION

The Department of Finance and the Commissioners of Inland Revenue and of Customs and Excise are

committed to the ongoing improvement of relations with taxpayers and importers and exporters. Notwithstanding fiscal constraints, an additional R40 million is provided for Inland Revenue and Customs and Excise in 1993/94; this should enable the Commissioners to attract adequate staff of even higher calibre. A prompt spin-off will be the speedy establishment of a specialist office in northern Johannesburg to deal exclusively with company taxation. Arising *inter alia* from the application of VAT to imports and exports, new customs border posts will be established during the year.

The Commissioner for Inland Revenue is still awaiting judgment from the Special Income Tax Court of Appeal on tax deductions for film schemes. A settlement offer will then be made for schemes still in dispute. Such an offer will clearly not pardon indisputably fraudulent claims.

CHAPTER 4

PUBLIC FINANCE: REVIEW OF THE 1992/93 BUDGET

4.1 EXPENDITURE: 1992/93

4.1.1 Revised estimate

The main Estimate of Expenditure for 1992/93 (RP 2 and 4) amounted to R98,832 billion. It was however announced at the time of the introduction of the budget that additional provision would be made for capital expenditures, drought aid, personnel retrenchment costs and the partial suspension of payment of VAT by state departments; these expenditures could not be allocated to individual votes in the Main Appropriation but would be voted in the Additional Appropriation. These further expenditure proposals involved R1,844 billion, bringing the total estimated expenditure level at that time to R100,676 billion.

The revised estimate is now R104,877 billion, after adjustment for the sum of R433 million in respect of surrenders by departments/administrations. It represents an increase of 22,1 per cent on the actual expenditure for 1991/92, and is constituted as follows:

Revised expenditure for 1992/93:

	Rm	Rm
Main Appropriation		98 831,9
Statutory expenditure:		
Public debt costs	740,0	
Other	<u>2,5</u>	
	<u>742,5</u>	
Additional sums voted:		
Foreign Affairs	192,7	
Civil pensions and contribution to funds	120,0	
Own administrations:		
Drought aid	2 400,0	
Other services	256,0	
Agriculture	308,1	
Aid to governments of self-governing territories	625,0	
Transport	672,3	
Local government and National Housing	153,2	
Public Works	105,4	
Transfer to Accounts for Provincial Services	659,3	
Various other services	<u>243,2</u>	
	5 735,2	
Total additional expenditure	6 477,7	
Less: Estimated surrenders	<u>433,0</u>	<u>6 044,7</u>
Total expenditure		<u>104 876,6</u>

If the total spending on drought aid in 1992/93 (R3,4 billion) is excluded, on the ground of its exceptional and non-recurring nature, *estimated* expenditure for 1992/93 shows an increase of 18,2 per cent on *actual* 1991/92.

Total expenditure by vote since 1985/86 is shown in table 4.1. Although efforts have been made to ensure that the figures for the years preceding 1992/93 are comparable with those for the latter, expenditure per vote is not in all cases strictly comparable across the years - chiefly because of the transfer of functions between votes and the re-christening of votes.

4.1.2 Spending financed from the sale of assets and strategic oil reserves

Since in the nature of things capital projects cannot always be planned and executed within a single year, only R1,036 billion of the original R1,6 billion provided for capital projects and to be financed by transfers from the National Supplies Procurement Fund (NSPF) and the Central Energy Fund (CEF) was spent in 1992/93. Particulars are as follows:

	Budgeted	Revised estimate
	Rm	Rm
Capital expenditure, mainly on education (NSPF)	405,5	255,61
Capital spending in reduction of socio-economic backlogs (CEF)	694,5	516,36
Capital spending on housing (CEF)	<u>500,0</u>	<u>264,16</u>
Total	<u>1 600,0</u>	<u>1 036,13</u>

The balance will be carried over to 1993/94, to cover the same type of project.

Although the funds transferred from the NSPF and CEF to the State Revenue Account are regarded as extraordinary capital receipts, they will - in contrast with the past - be taken into account in the calculation of the budget deficit (table 4.3).

4.2 REVENUE: 1992/93

4.2.1 Revised estimate of ordinary revenue

At this stage total ordinary revenue for 1992/93 is estimated at R75,169 billion - a mere 4,0 per cent

TABLE 4.1  
EXPENDITURE (INCLUDING STATUTORY PAYMENTS) FROM THE STATE REVENUE ACCOUNT 1)

BUDGET VOTES	ACTUAL EXPENDITURE 8)							1992/93	
	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	Printed Estimate 2),10)	Revised Estimate 3)
State President	10,9	11,6	13,4	14,0	14,6	16,5	19,0	21,3	21,8
Parliament	32,1	40,3	48,1	52,3	58,8	67,6	82,1	86,6	92,0
Foreign Affairs:									
Development co-operation:									
TBVC-countries	1 070,3	1 325,3	1 896,2	2 311,9	2 719,6	3 340,5	4 445,8	5 126,8	5 328,8
Other	198,7	232,8	267,1	319,2	459,3	561,1	605,4	868,5	859,1
Constitutional Development Service	-	-	-	-	1,6	12,2	27,1	41,2	41,2
Water Affairs and Forestry	259,9	267,3	302,8	330,5	396,4	353,3	386,0	389,0	393,9
Administration: House of Assembly	2 288,6	4 699,6	5 631,1	5 642,3	6 580,4	8 253,6	9 310,8	9 784,7	12 184,7
Public Enterprises and Privatisation	-	-	-	-	86,6	3,9	4,2	7,5	7,5
Justice	180,1	223,5	256,6	304,8	379,9	526,1	626,7	777,9	813,3
Finance:									
Cost of servicing state debt 4)	5 006,4	5 458,8	6 344,3	8 051,8	10 311,9	11 579,5	13 886,3	16 265,1	17 005,1
Other	1 076,2	1 151,3	1 136,8	1 436,6	1 275,1	1 253,5	1 938,5	1 617,6	1 736,8
State Expenditure	-	-	-	-	-	-	0,7	603,8	627,4
Audit	12,4	26,2	1,9	2,3	0,4	-	7,8	2,4	6,8
Administration: House of Representatives	1 370,4	1 805,4	2 081,2	2 440,0	2 819,3	3 471,5	4 305,0	4 853,4	5 038,1
Administration: House of Delegates	554,1	744,3	768,8	868,9	1 008,0	1 236,0	1 537,4	1 659,1	1 730,3
Correctional Services	363,9	454,4	542,1	634,8	756,0	1 113,2	1 337,8	1 484,0	1 540,9
Home Affairs	46,7	99,0	142,7	143,1	203,2	229,6	306,7	288,7	288,7
Education and Training	944,3	1 272,3	1 529,6	1 657,9	1 981,0	2 915,7	3 513,3	4 556,0	4 596,2
Mineral and Energy Affairs	618,9	773,2	827,5	751,1	811,6	1 065,9	913,0	687,2	687,2
Agriculture	590,2	432,9	642,3	337,1	312,5	302,7	270,9	452,6	760,7
National Health and Population Development	1 330,3	1 937,7	2 350,7	2 221,9	2 726,3	664,5	701,4	1 224,3	1 224,3
Police	996,1	1 300,2	1 658,7	2 118,1	2 551,8	3 889,8	4 944,4	5 645,1	5 673,7
Regional and Land Affairs:									
Transfers to Accounts for Provincial Services	5 401,8	4 295,7	5 866,5	6 898,7	7 955,8	9 074,4	10 751,9	11 709,6	12 368,9
Assistance to governments of self-governing territories	1 426,5	1 944,3	2 668,2	3 700,3	4 517,3	5 819,7	7 385,1	8 665,2	9 295,1
Other 7)	1 487,8	1 985,2	1 412,4	1 780,2	1 744,4	926,3	2 281,3	1 183,8	1 166,5
National Education	99,4	118,0	138,8	125,5	148,2	212,8	304,4	283,9	304,4
Environment Affairs	119,8	193,1	152,4	140,2	166,9	186,5	175,9	207,0	207,0
Commission for Administration Improvement of conditions of service 5)	61,8	266,0	230,7	273,9	284,9	384,7	195,9	53,5	53,5
Transport	490,4	801,5	854,5	1 418,4	1 513,7	1 595,1	1 547,8	1 998,3	2 280,1 9)
Defence	4 519,0	5 410,9	6 955,9	8 688,2	9 938,9	10 184,9	9 507,9	9 704,5	9 704,6
SA Communication Service	-	30,2	31,3	50,9	51,4	37,9	50,4	51,6	52,1
Local Government and National Housing	-	-	-	-	-	-	-	979,6	1 132,8
Public Works	1 176,0	1 628,0	1 429,8	1 755,5	1 760,2	2 059,2	1 902,6	1 909,6	2 015,2
Manpower	235,1	212,2	195,8	207,8	212,4	320,5	293,4	294,8	310,2
Trade and Industry	944,1	1 105,1	1 068,7	1 248,7	1 773,2	2 339,6	2 124,8	3 060,0	3 085,5
Central Economic Advisory Council	-	1,2	1,3	1,5	1,7	0,7	3,6	4,4	4,4
	32 912,1	40 247,6	47 447,9	55 926,6	65 483,0	73 958,8	85 695,2	98 831,9	105 309,6
Less: Expected savings									433,0
<b>TOTAL EXPENDITURE</b>	<b>32 912,1</b>	<b>40 247,6</b>	<b>47 447,9</b>	<b>55 926,6</b>	<b>65 483,0</b>	<b>73 958,8</b>	<b>85 695,2</b>	<b>98 831,9</b>	<b>104 876,6</b>

Sources: Reports of the Auditor-General and Estimates of Expenditure.

- 1) Due to shifts of functions, reclassifications of expenditure and renaming of Budget Votes, the data are not strictly comparable from year to year.
- 2) Second Print, that is after supplementary expenditure proposals, but excluding expenditure to be financed from sale of assets / strategic oil reserves.
- 3) Second Print plus Additional expenditure (including expenditure financed from sale of assets / strategic oil reserves).
- 4) Excluding the discount on the sale of Government stock.
- 5) Expenditure related to the improvement of conditions of service is included in the respective Votes.
- 6) Expenditure has not yet been divided among the different Votes.
- 7) Including expenditure of the Department of Development Aid (excluding assistance to governments of the self-governing territories) up to 1991/92.
- 8) Due to unauthorised expenditure which is only authorised at a later date, small differences may occur between the level of total expenditure as reflected here, and the expenditure figures in Table 4.3.
- 9) For the period 1987/88 to 1990/91, provincial surpluses, which in the past had been carried over as a balance to their following financial year, is treated as a surrender in the specific financial year. Since 1991/92, however, it is treated as before 1987/88.
- 10) Due to a shift of functions and a reclassification of expenditure, some of these figures might differ from those in Annexure A.

higher than for 1991/92 and R9,580 billion less than the R84,749 billion originally budgeted for.

The revised estimate of ordinary revenue collections by Inland Revenue in 1992/93 is R64,482 billion - R9,044 billion less than budgeted. Customs and Excise is estimated to collect R10,687 billion - R536 million less than budgeted.

For further particulars see table 4.2 and annexure B.

#### 4.2.2 Reasons for divergence

When the 1992/93 budget was introduced the recession had been running for some three years, and the expectation was that the upturn would begin in 1992. A real economic growth rate of about 1 per cent was expected for 1992/93 echoing the forecast of economists generally. But, as shown in chapter 1, the reality was different; and in the event total ordinary revenue turned out to have been overestimated by some R9,6 billion. Overestimates as a result of this factor have played a role in, *inter alia*, the following revenue sources:

- Income tax on individuals: R2,93 billion.
- Income tax on non-mining companies: R2,56 billion.
- VAT: R3,639 billion.
- Stamp duties and fees: R80 million.
- Marketable securities tax: R57 million.
- Customs duty: R149 million.
- Import surcharge: R145 million.
- Excise duty: R382 million.

There were however other factors involved in the under- or overestimating of revenue - for example:

- Income tax on gold mines, and revenue from gold-mining leases, is expected to be slightly above budget, on account chiefly of a higher rand gold price than was projected.
- Income tax on other mines is expected to yield R285 million under budget on account of lower commodity prices. Moreover, as a result of exceptional tax receipts not anticipated, income tax on diamond mines is expected to generate R53 million as against the budgeted R20 million.
- The large overestimate of VAT collections springs largely from the fact that the estimate was based on the "net" VAT collections for the first three months since the introduction of VAT, whereas early in the 1992/93 financial year it became clear that those collections had been abnormally high, *inter alia* because refunds to businesses (that is, where the input VAT

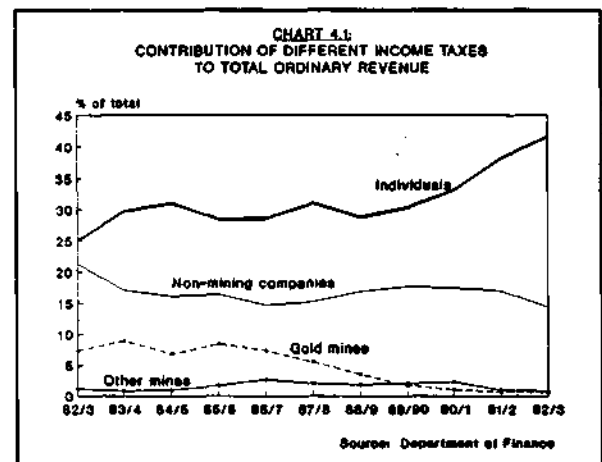
exceeded the output VAT) were at that stage on average only some R300 million per month, as against some R700 million from March 1992 onwards.

- The fuel levy yield was underestimated by some R176 million.

#### 4.2.3 Some ratios: a comparison of the 1991/92 and 1992/93 financial years

Aggregate ordinary revenue as a percentage of GDP fell to 22,5 per cent in 1992/93, from a peak of 25,3 per cent in 1989/90. This can be ascribed to the long recession, the fact that VAT was imposed at 10 per cent as against the 13 per cent of GST, and to several tax concessions granted over the past few years.

Chart 4.1 shows the contribution of the several *income* tax sources to total ordinary revenue. The contribution of personal income tax rose yet again in 1992/93, to 41,6 per cent, chiefly by virtue of fiscal drag. By contrast, that of all the company sectors fell still further.



The contribution of the major indirect tax source - VAT - to total ordinary revenue fell from 27 per cent in 1990/91 (when GST was running at 13 per cent) to 22,1 per cent in 1992/93.

An internationally-focused analysis of government revenue appears in chapter 6.

#### 4.2.4 Total revenue

In 1992/93 R1,036 billion was transferred to the State Revenue Account from the NSPF and CEF as shown in 4.1.2 *supra*, while a further R107,7 million was received from the privatisation of ISCOR<sup>1</sup>. These non-recurring receipts, coupled with the revised estimate of R75,169 billion for total ordinary



**TABLE 4.2**  
**STATE REVENUE ACCOUNT: TOTAL ORDINARY REVENUE**

(R millions)

Source of Revenue	ACTUAL REVENUE										1992/93		
	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	Printed Estimate 1)	Revised Estimate	Deviation
<b>Customs and Excise:</b>													
Customs duty	690,5	1 085,0	1 337,7	1 176,0	1 367,7	1 768,9	2 466,0	2 193,8	2 502,3	2 736,1	3 124,0	2 975,0	149,0
Surcharge	598,3	226,0	-5,1	498,6	837,8	742,6	1 875,6	2 625,4	2 075,3	1 455,5	1 670,0	1 525,0	145,0
Excise duty	1 686,2	1 782,0	1 964,6	1 926,4	1 890,8	2 183,5	2 508,8	2 842,0	3 344,5	3 825,3	4 754,0	4 372,0	382,0
Fuel levy						640,0	2 457,6	3 909,0	3 930,2	5 194,4	6 634,0	6 810,0	-176,0
Ordinary levy								69,6	107,9	67,2	64,0	85,0	-21,0
Miscellaneous	7,0	-3,5	2,6	13,7	21,7	11,6	17,2	14,5	9,7	60,3	17,0	80,0	-63,0
<b>Subtotal: Customs and Excise</b>	<b>3 182,0</b>	<b>3 089,5</b>	<b>3 299,8</b>	<b>3 614,6</b>	<b>4 118,0</b>	<b>5 346,6</b>	<b>9 325,1</b>	<b>11 654,2</b>	<b>11 970,0</b>	<b>13 338,8</b>	<b>16 263,0</b>	<b>15 847,0</b>	<b>416,0</b>
Less: Namibia: Central Revenue Fund	250,0	250,0	250,0	300,0	350,0	350,0	394,2	447,8	111,8				
Customs Union Agreement	655,9	907,3	1 162,6	1 219,5	1 248,2	1 562,6	1 961,2	2 402,5	3 287,0	4 499,7	5 040,0	5 160,0	-120,0
<b>Total: Customs and Excise</b>	<b>2 276,1</b>	<b>1 932,2</b>	<b>1 887,2</b>	<b>2 095,2</b>	<b>2 519,9</b>	<b>3 434,1</b>	<b>6 969,7</b>	<b>8 803,9</b>	<b>8 571,2</b>	<b>8 839,1</b>	<b>11 223,0</b>	<b>10 687,0</b>	<b>536,0</b>
<b>Inland Revenue:</b>													
Income tax:													
Gold mines	1 278,2	1 701,0	1 598,9	2 453,4	2 523,5	2 074,6	1 694,7	1 016,1	644,4	523,7	472,0	482,0	-10,0
Other mines	200,0	151,8	223,9	484,6	926,7	763,1	857,4	1 257,5	1 556,7	712,4	855,0	603,0	252,0
Companies (other than mining) 2)	3 662,3	3 256,4	3 770,8	4 804,4	5 033,7	5 805,8	8 096,3	10 787,6	11 653,7	12 276,3	13 355,0	10 795,0	2 560,0
Individuals 2)	4 288,0	5 674,9	7 274,1	8 361,1	9 746,5	11 802,9	13 832,2	18 553,3	22 124,1	27 591,2	34 185,0	31 255,0	2 930,0
Sales tax / Value Added Tax 2)	3 183,5	3 877,5	5 866,0	8 050,5	8 915,7	10 154,0	12 944,8	16 522,5	18 015,6	18 182,1	20 225,0	16 586,0	3 639,0
Gold mining leases	367,8	520,6	374,9	599,3	655,4	550,5	481,9	327,0	183,1	150,9	145,0	163,0	-18,0
Non-resident shareholders' tax	245,4	259,3	246,0	346,9	404,5	409,6	390,3	424,3	416,1	334,8	320,0	278,0	42,0
Stamp duties and fees	147,8	210,4	240,5	266,7	317,6	433,6	462,2	678,0	649,9	698,5	830,0	750,0	80,0
Transfer duty	190,7	316,6	285,6	266,1	288,7	450,8	544,8	675,3	766,4	842,6	810,0	870,0	-60,0
Interest and dividends	571,8	508,8	500,7	363,4	295,0	222,3	307,9	463,7	65,8	77,4	59,5	145,6	-86,1
Other	761,4	678,2	1 157,3	1 226,4	1 496,5	1 583,4	1 489,2	1 592,0	2 155,2	2 067,7	2 269,6	2 554,4	-284,9
<b>Total: Inland Revenue</b>	<b>14 896,9</b>	<b>17 155,5</b>	<b>21 538,7</b>	<b>27 224,9</b>	<b>30 604,0</b>	<b>34 250,5</b>	<b>41 101,7</b>	<b>52 297,4</b>	<b>58 230,9</b>	<b>63 457,7</b>	<b>73 526,0</b>	<b>64 482,0</b>	<b>9 044,0</b>
<b>TOTAL ORDINARY REVENUE 3)</b>	<b>17 173,0</b>	<b>19 087,7</b>	<b>23 425,9</b>	<b>29 320,1</b>	<b>33 123,9</b>	<b>37 684,5</b>	<b>48 071,4</b>	<b>61 101,3</b>	<b>66 802,1</b>	<b>72 296,8</b>	<b>84 749,0</b>	<b>75 169,0</b>	<b>9 580,0</b>
Direct taxes	9 708,8	11 087,3	13 181,7	16 546,3	18 739,9	20 966,4	24 993,1	32 204,6	36 635,5	41 723,8	49 477,0	43 743,0	-
Indirect taxes	5 871,9	6 420,1	8 356,4	10 953,5	12 250,4	14 720,5	21 063,9	26 961,9	28 253,8	28 770,5	33 316,0	29 066,0	-
Miscellaneous	1 592,3	1 580,3	1 887,8	1 820,4	2 133,6	1 997,7	2 014,5	1 934,9	1 912,9	1 802,5	1 956,0	2 360,0	-

Source: Reports of the Auditor-General and Department of Finance.

1) Second Print, that is after tax proposals.

2) Excluding amounts payable to TBVC countries and self-governing territories.

3) Excluding standing allocations of revenue, loan levy, transfers from reserve accounts and proceeds of sale of assets / strategic oil reserves.

revenue, bring the total revenue estimated to accrue to the State Revenue Account for 1992/93 to R76,313 billion.

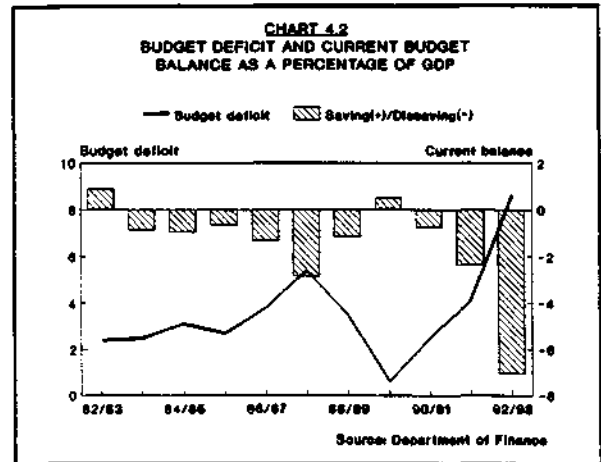
### 4.3 BUDGET DEFICIT AND FINANCING

With revised estimates of R104,877 billion for expenditure and R76,313 billion for *total* revenue, the budget deficit for 1992/93 will be R28,564 billion - no less than 8,6 per cent of GDP. This calculation can be reconciled with the budgeted figures in last year's Budget Review as follows:

	Budgeted	Revised estimate
	Rm	Rm
Total expenditure	100 676	104 877
Totale ordinary revenue	<u>84 749</u>	75 169
Budget deficit as indicated in 1992-Speech	15 927	
<i>% of GDP</i>	4,5%	
Extra ordinary capital receipt	<u>1 600</u>	<u>1 144</u>
Budget deficit after allowing for extraordinary capital receipts	14 327	28 564
<i>% of GDP</i>	<u>4,1%</u>	<u>8,6%</u>

The difference between *current* expenditure and *current* revenue (excluding extraordinary capital receipts) is the current budget balance. It indicates the saving/dissaving by government, dissaving meaning that current expenditures have been financed by borrowing. On this basis dissaving by *central government* in 1992/93 is estimated at 7,1 per cent of GDP - considerably more than the 2,4 per cent of 1991/92.

Chart 4.2 illustrates the budget deficit and the current budget balance over the past 10 years.



The net financing obtained in 1992/93 amounted to R27,630 billion. It included net increases in treasury bills and other domestic financing (chiefly government stock sales), of R2,261 billion and R25,711 billion respectively. On the other hand, there was a net redemption of R342 million of foreign loans.

At the time the budget was introduced it was announced that the balance of the 1991/92 surplus after borrowing, after provision had been made for transfers to the government pension funds, would be carried over to the 1992/93 financial year. This balance of R1,011 billion, added to the net financing of R27,630 billion referred to above, brings total financing to R28,641 billion compared with the budget deficit of R28,564 billion. The balance (R77 million) covers the State's guarantee liabilities, currency subscriptions and IMF exchange adjustment. Taking these into account it is expected that the 1992/93 financial year will close with a small balance, which will be carried over to 1993/94.

An analysis of state loan financing in 1992/93 appears in annexure D. Table 4.3 shows the historical course of the financing of the State Revenue Account.

<sup>1</sup> Shares that were reserved for employees under the privatisation agreement, were sold and the proceeds paid into the State Revenue Account during the financial year.

**TABLE 4.3  
STATE REVENUE ACCOUNT: BUDGET DEFICIT AND FINANCING**

(R millions)

	ACTUAL FIGURES									1992/93	
	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	Printed Estimate 1)	Revised Estimate
Customs and Excise	1 932,2	1 887,2	2 095,2	2 519,9	3 434,1	6 969,7	8 803,9	8 571,2	8 839,1	11 223,0	10 687,0
Inland Revenue	17 155,5	21 538,7	27 224,9	30 604,0	34 250,4	41 101,7	52 297,4	58 230,9	63 457,7	73 526,0	64 482,0
<b>Total ordinary revenue 2)</b>	<b>19 087,7</b>	<b>23 425,9</b>	<b>29 320,1</b>	<b>33 123,9</b>	<b>37 684,5</b>	<b>48 071,4</b>	<b>61 101,3</b>	<b>66 802,1</b>	<b>72 296,8</b>	<b>84 749,0</b>	<b>75 169,0</b>
Plus: Transfer from Reserve Accounts 3)	900,0	269,8	183,2	433,6	351,9	-	-	-	-	-	-
Transfer from LSPF 4)	-	-	-	-	-	-	-	319,4	544,8	405,5	255,6
Transfer from Central Energy Fund	-	-	-	1 012,0	208,0	-	-	-	264,5	1 194,5	780,5
Proceeds from privatisation of State assets	-	-	-	-	-	600,0	2 994,4	-	-	-	107,7
<b>Total revenue: State Revenue Account</b>	<b>19 987,7</b>	<b>23 695,7</b>	<b>29 503,3</b>	<b>34 569,5</b>	<b>38 244,4</b>	<b>48 671,4</b>	<b>64 095,8</b>	<b>67 121,5</b>	<b>73 106,0</b>	<b>86 349,0</b>	<b>76 312,8</b>
<b>Total expenditure: State Revenue Account 5)</b>	<b>22 316,8</b>	<b>27 130,0</b>	<b>32 908,1</b>	<b>40 247,6</b>	<b>47 449,8 6)</b>	<b>55 926,4 6)</b>	<b>65 459,3 6)</b>	<b>73 947,3 6)</b>	<b>85 860,9</b>	<b>100 676,0</b>	<b>104 876,6</b>
<b>Budget deficit</b>	<b>2 329,1</b>	<b>3 434,4</b>	<b>3 404,9</b>	<b>5 678,1</b>	<b>9 205,5</b>	<b>7 255,0</b>	<b>1 363,6</b>	<b>6 825,8</b>	<b>12 754,9</b>	<b>14 327,0</b>	<b>28 563,8</b>
<b>As percentage of GDP</b>	<b>2,5%</b>	<b>3,1%</b>	<b>2,7%</b>	<b>3,8%</b>	<b>5,4%</b>	<b>3,5%</b>	<b>0,6%</b>	<b>2,5%</b>	<b>4,2%</b>	<b>4,1% 9)</b>	<b>8,6%</b>
<b>Financing:</b>											
Balance of previous financial year	0,0	0,0	112,3	0,0	450,7	574,1	935,9	0,0	1 071,2	1 093,0	1 011,4
<b>Net financing:</b>											
Short-term	822,2	1 185,9	-117,7	1 031,1	1 344,4	-2 297,3	3 315,8	2 278,0	-129,2	-	2 261,0
Domestic	2 847,9	3 345,8	4 540,5	6 104,6	8 431,3 7)	11 380,3 7)	5 726,1 7)	8 500,8 7)	13 464,6 7)	12 957,0 7)	25 711,0 7)
Foreign	105,3	231,3	-219,7	-448,6	-442,1	-92,6	-174,3	-117,6	1 429,9	351,0	-342,4
Loan levy	-265,2	-452,0	-479,0	-527,1	-1,4	-1,1	704,3	1,7	1,8	-	-0,0
<b>Total net financing</b>	<b>3 510,2</b>	<b>4 311,0</b>	<b>3 836,4</b>	<b>6 159,9</b>	<b>9 782,9</b>	<b>9 563,4</b>	<b>10 507,7</b>	<b>10 662,9</b>	<b>15 838,3</b>	<b>14 401,0</b>	<b>28 641,0</b>
<b>Balance</b>	<b>1 181,1</b>	<b>876,7</b>	<b>431,5</b>	<b>481,8</b>	<b>577,5</b>	<b>2 308,4</b>	<b>9 144,1</b>	<b>3 837,1</b>	<b>3 083,4</b>	<b>74,0</b>	<b>77,2</b>
Less: Transfers to Stabilisation Account	-	-	-	-	-	-	2 877,2	900,0	-	-	-
Transfers to other accounts 8)	1 181,1	764,4	431,5	31,1	3,4	1 372,5	6 267,0	1 865,9	2 072,0	66,0	76,5
<b>Surplus at end of financial year</b>	<b>0,0</b>	<b>112,3</b>	<b>0,0</b>	<b>450,7</b>	<b>574,1</b>	<b>935,9</b>	<b>0,0</b>	<b>1 071,2</b>	<b>1 011,4</b>	<b>8,0</b>	<b>0,7</b>

Source: Reports of the Auditor-General and Department of Finance

1) Second Print, that is after Budget proposals.

2) Total direct and indirect taxes, as well as miscellaneous ordinary revenue.

3) These transfers were made from the following accounts:

1983/84 and 1984/85: Stabilisation Account; 1985/86: Tax Reserve Account (R89,4 million) and IMF Deposit Account (R93,8 million); 1986/87 and 1987/88: IMF Deposit Account.

4) Land Supplies Procurement Fund.

5) Discount on sale of new stock taken into account.

6) Provincial surpluses are treated as a surrender in the relevant financial year.

7) Including the "Debt Standstill" funds converted into long-term floating rate stock.

8) Utilisation of balance as prescribed in the Finance Act of the subsequent financial year as well as payments to IDA, World Bank and IMF.

9) The budgeted deficit was 4,5% of GDP, i.e. before extraordinary revenue was taken into account.

CHAPTER 5

ESTIMATE OF EXPENDITURE: 1993/94

5.1 PRINTED ESTIMATE OF EXPENDITURE AND SUPPLEMENTARY EXPENDITURE PROPOSALS

The printed Estimate of Expenditure (RP2) amounts to R112,744 billion. Particulars of the allocations to specific votes are given in annexure A. (See paragraph 5.3 on the comparability of these figures with those in the functional and economic classification of expenditure.)

The printed Estimate includes provision for the salary adjustment announced for public servants, an increase in social allowances, the elimination of backlogs in the social assistance allowances payable to the different population groups, and an increase in civil pensions. The total of R112,744 billion also, however, includes two important adjustments that must be taken into account in comparing this expenditure level with that of previous years:

- The first is that the off-budget payment previously made by Telkom to the Post Office (SAPOS) direct, now appears on budget. As the Minister of Transport and of Posts and Telecommunications is responsible for only one vote, a sum of R500 million for this purpose is included on the vote: Transport, for on-payment to SAPOS. Telkom will simultaneously pay at least R500 million into the State Revenue Account as part of normal state revenue.
- The second arises from the State President's announcement on 29 January 1993 that the own affairs functions involving health, agriculture and local government would be transferred on 1 April 1993 from the own affairs administrations to the corresponding general affairs departments. Since R163,7 million of the expenditure for these functions had been provided for these services from the revenue of the own affairs administrations themselves, this amount must now be voted additionally from the State Revenue Account. However, the revenue concerned now accrues to the selfsame account (see chapter 6), and the joint expenditure level of the own and general affairs departments thus remains the same.

As was the case last year, there are also certain expenditure items that cannot now be allocated to specific votes and can be voted only in next year's Additional Appropriation. These comprise:

- R300 million which is being set aside at this stage for possible personnel retrenchment;
- R125 million for a possible general election; if needed, this amount will have to be voted in the additional appropriation; and
- R685 million in respect of the unexpended balance, plus interest, of the funds acquired from the sale of strategic assets and oil supplies and already allocated to capital expenditure, vide chapter 4.

Certain supplementary expenditure is also proposed, aimed at reinforcing government policy in the sphere of economic growth and job creation: this is in addition to the amount already included in the Estimate of Expenditure for those services:

	<u>R million</u>
Housing (par. 5.2.3.4)	200,0
National Economic Forum initiatives (par. 5.2.2)	60,0
Small business development (par. 5.2.1.1)	15,0
Tourism (par. 5.2.1.2)	<u>25,0</u>
<b>Total</b>	<b><u>300,0</u></b>

The total expected expenditure for 1993/94 is thus R114,154 billion, which is 8,8 per cent above the revised estimate for 1992/93. If the 1992/93 drought aid package is left out of account, the increase is 12,5 per cent. Allowing for the larger than 12,5 per cent increases in interest payments and social allowances, it is clear that there will be little if any real increase in other current expenditure. In order to promote greater efficiency in expenditure, unspent budgeted amounts will be rolled over under certain conditions as from the 1992/93 financial year to be allocated in the next year's Additional Appropriation.

5.2 SOME SPECIFIC EXPENDITURE ITEMS DISCUSSED

Attention is drawn to certain expenditure items in the printed Estimate of Expenditure for 1993/94 - particularly those related to economic and social services as well as to cases where structural changes have taken place within particular programmes. These data do not include the expenditures financed from the own revenue of the own

affairs administrations, provincial administrations, TBVC countries, self-governing territories and other general government institutions and -funds: a full economic and functional analysis of state spending, which includes an allocation of the total expenditure of these bodies (including self-financed expenditure) appears in 5.3 *infra*.

## 5.2.1 Economic services

### 5.2.1.1 Small business development

Small business enterprises, in both the informal and formal sectors, play an important role in the envisaged strategy for the structural transformation of the economy with a view to promoting sustained higher economic growth.

As a result of the long recession and the large scale urbanisation process now under way, participation as entrepreneurs in the informal sector is frequently the only refuge available to a growing portion of the labour force. It is estimated that small- and medium size business enterprises, which tend to be more labour intensive than others, contribute as much as 26 per cent of the GDP and provide work to 38 per cent of the labour force. Small business enterprises, however, cannot yet serve as the basic driving force to raise the economic growth rate.

Several countries including South Africa have instituted special measures to encourage the establishment and growth of small business. In the present phase of South Africa's development it is particularly important to create a climate that gives greater recognition to the role of small business. In South Africa such undertakings are hamstrung by the following factors in particular:

- Excessive control measures.
- Discriminatory business practices.
- Inadequate support services.
- Insufficient access to financing services, markets, infrastructure services and training.

It has been decided to provide a more comprehensive policy package for the promotion of small business enterprises. A Small and Medium-size Business Promotion Unit has already been established in the Department of Trade and Industry, which will play a pro-active and co-ordinative role in this regard. There already exist several forms of assistance for the small business sector which could be extended. These include:

- The provision of funds to recognised development agencies such as the Small Business Development Corporation (SBDC) and the

development corporations of the self-governing territories and the TBVC countries, for the part-financing of small businesses.

- The extension of the existing bank guarantee scheme by which the state provides funds that furnish a part back-up guarantee for financial institutions such as banks to grant loans to small business enterprises.
- Further deregulation and the removal of remaining discriminatory practices.
- A simplified VAT bookkeeping system to support small business enterprises.
- State tenders so structured as to create room for participation by small business. The hope is expressed that large private sector corporations will do the same.
- Practical training is important for small business. Various universities and other bodies already offer courses for this purpose and enjoy state financial help. This will be done on a more co-ordinated basis in future.

In support of these and other programmes R97,6 million is provided in the printed Estimate. It is proposed that this amount be increased by a further R15 million in the supplementary budget. The total of R112,6 million is an increase of R94 million on last year's provision; it includes inter alia the following:

- SBDC: about R75 million, which will provide inter alia for:
  - \* Some R56 million for the pioneer fund. The goal is to maintain this fund at least in real terms. Should the private sector increase its contribution to this fund the government would consider raising its contribution too. Discussions are presently under way with the National Economic Forum (NEF) on a possible arrangement whereby the latter would be able to provide inputs on the methods by which allocations could be made by the SBDC to small business.
  - \* About R19 million will be provided to be apportioned to cater inter alia for allocations to the existing credit guarantee fund (which will be expanded to cover the self-governing territories and TBVC countries), rental subsidies and interest subsidies.
- DBSA: about R30 million to provide inter alia for aid to small business in the self-governing territories and for funds to DBSA as training agent for Trade and Industry, and aid programmes for non-governmental organisations

(NGO's) in the RSA managed by DBSA on behalf of Trade and Industry.

- Miscellaneous help to a variety of approved organisations.

#### 5.2.1.2 Tourism

Notwithstanding the temporary problems now facing tourism in South Africa, there is sufficient consensus that this sector has an important role to play in long-term development strategy. Tourism has the potential to make a vital contribution as net generator of foreign exchange and job-creator. International experience also indicates that tourism promotes the establishment of small business. A supplementary sum of R25 million for tourism aid is therefore proposed for 1993/94, in addition to the R85,1 million already included in the printed estimate. The Minister of Tourism designate will be responsible, in consultation with the Departments of Finance and State Expenditure, for designing a suitable programme for the allocation of these funds. In the nature of things greater political stability and a down-scaling of violence and crime will also need attention in order to make South Africa a safe destination for tourists.

The IDC is also prepared to make up to R600 million available for loans to stimulate the tourism industry.

Furthermore, the depreciation period for certain refurbishment costs for hotels is to be reduced from 20 to 5 years. This measure, which has taken the economic life time of assets into account, will make an important contribution towards increasing the supply of semi-luxury accommodation, for overseas tourists in particular. It will not mean any forfeiture of revenue for the Exchequer this year. (See par. 6.2.2.5(d) of chapter 6)

#### 5.2.1.3 Regional industrial development

A sum of R100 million is budgeted annually for new projects under the revamped regional industrial development programme (RIDP). Since aid for individual projects is limited to five years, the maximum amount payable by the RIDP in any year will be R500 million.

From 1 May 1991 through 25 November 1992 projects with carry-over costs of R167,3 million for 1993/94 were approved.

Furthermore, R491 million is provided in 1993/94 in respect of the former RIDP, for which the long term concessions (transport and housing) will cease on

30 June 1993, after consultation with the parties concerned. The short-term concessions will run their full term: seven years for the labour concession and ten years for the interest and rental concessions.

From August 1991 through November 1992, a period of 15 months, 432 projects were approved under the new RIDP. These will crystallise in investment of R5 billion and 28 700 job opportunities.

#### 5.2.1.4 General export incentive scheme

R2,007 billion is allocated to export incentives in 1993/94, of which R1,670 billion will go to the revamped general export incentive scheme introduced on 1 April 1990; the balance of R337 million is for the redemption of promissory notes issued under the former A and B schemes.

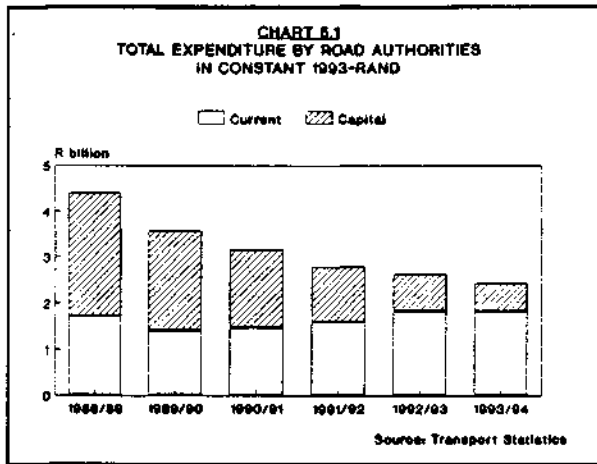
In view of the pressure placed on the budget by the simultaneous redemption of promissory notes given under the old scheme and the new commitments under the revamped scheme, it will be necessary to phase in the cash compensation arising under the latter. Claims up to R500 000 have already been paid in cash, from 1 July 1992. This means that in 1993/94, in addition to cash payments, further promissory notes will be issued under the new scheme in part financing of the programme. As expenditure on redemption of the promissory notes issued under the old scheme begins to decline, there will be a shift to cash compensation under the new system. The financing of export incentives peaked in 1992/93; the last promissory notes should be redeemed in 1994/95; and cash compensation under the new system should be fully on stream in 1995/96.

#### 5.2.1.5 Transport

##### (a) *Capital expenditure on road infrastructure*

Expenditure on roads is presently funded mainly as follows:

- Transfers from the State Revenue Account to the National Road Fund (R516,5 million for 1993/94).
- Loans taken up by the National Road Fund on behalf of certain toll roads.
- Loans to self-governing territories by DBSA.



Aggregate expenditure by the road authorities - i.e. the National Road Fund, provincial administrations and self-governing territories, but excluding TBVC countries and local authorities - is estimated at R2,430 billion for 1993/94, of which 75 per cent goes to running (maintenance) costs. The high priority given to maintenance of the existing road infrastructure in the past few years, as against capital expenditure on *new* infrastructure, appears clearly from the accompanying chart.

**(b) South African Rail Commuter Corporation**

The original idea was to finance the corporation's operating deficit by direct payment to the corporation of Transnet's dividends, which otherwise would go to the Exchequer. Transnet, however, is not yet generating sufficient revenue, and it has thus become necessary to put the corporation's operating deficit fully on budget. The voted amount of R560 million for 1992/93 therefore had to be supplemented by R620 million - a total of R1,180 billion. For 1993/94, R1,200 billion is being voted. The corporation's operating losses now appear on budget, while the accumulated debt will be merged in the public debt.

**(c) Devolution of commuter transport services**

In accordance with the government's declared policy of encouraging greater community involvement in government services, the 1986 White Paper on National Transport Policy proposed, as a policy goal: "to devolve decision-making to the lowest possible tier of government". In 1985, furthermore, commuter transport services were identified in the Regional Services Councils Act as a regional function. This is a service whose direct benefits can be linked to a particular geographical area, while greater rationalisation and integrated planning can also be promoted by involving communities more

in decisions affecting commuter transport services. In the 1991 Budget Review it was reiterated that the responsibility for commuter transport would ultimately have to rest with the regional services councils (RSC's). (The designation "regional services councils" also embraces joint services boards (JSB's).)

The past few years have seen solid progress towards the devolution of the *bus* commuter transport function to RSC's. In line with this initiative the latter are expected to prepare regional transport plans within parameters set by the Department of Transport. This is a first step towards devolution of the entire commuter transport function to RSC's, including ultimately rail commuter services, and it should promote planning, prioritisation and co-ordination of commuter and related services at regional level.

Although cost savings could no doubt be effected by way of rationalisation, and the existing system of user charges could be revised, the present subsidies on commuter transport services are of such a magnitude that RSC's are quite unable to finance them from their existing revenue sources. It has therefore been decided that, until such time as an alternative revenue source is available to RSC's, the State will continue to bear the bulk of the costs via budget allocations. The RSC's were already financing a small percentage of the total cost of bus commuter transport from their existing revenue sources in 1992/93. For 1993/94 a sum of R666 million is provided for bus commuter transport in the main appropriation, an increase of 3,7 per cent over the main appropriation in 1992/93. It is intended, in the case of those RSC's who have compiled regional transport plans and to whom the full function with regard to bus commuter transport has been transferred, to pay the central government's contribution to them directly. This comports with the principle of devolution, by which the RSC should accept the responsibility for planning, co-ordination and financing (which can also include transfers from the central government).

The small nominal increase in the central government's allocation for this service in 1993/94, and the constraints on achieving dramatic cost savings in this area in the short-term, mean that in the new financial year the RSC's will have to make a much greater contribution to assist in meeting the costs of bus commuter transport. In the nature of things they will simultaneously have to be drawn more closely into decision-making in this field. Inasmuch as the growing contribution they are expected to make will inevitably be at the cost of their other important programmes if it is to be financed from their existing RSC levies, it is vital that an additional source of revenue be made available to RSC's.

It is therefore proposed that one cent per litre of the fuel levy on petrol and diesel be channelled direct to RSC's (as an own source). These funds can then be accessed not only for meeting commuter transport costs but also, in the case say of an RSC not facing significant costs in this field, for financing services such as subsidiary (or so-called category 4) roads. It has already been decided in principle that the latter service - which is of particular importance on the platteland - be transferred to RSC's. It is also proposed that the new revenue-sharing take effect on 1 July 1993, which is the start of the RSC financial year. It is estimated that RSC's will garner R140 million in a full year.

Devolution of this function will therefore go hand-in-hand with a shift in the sources of financing. Devolution is thus not being used as a mechanism to enlarge the central government's budget scope or to finance additional expenditure. Once an alternative additional *own* revenue source for RSC's can be created, the central government's allocations to commuter transport services can be confined to those areas where commuters have to be transported over very long distances.

#### 5.2.1.6 Posts and Telecommunication

The South African Post Office Limited (SAPOS) ends its first financial year as a commercialised undertaking on 31 March 1993. Its efficiency has been much improved by the application of commercial and advanced business principles, so much so that the year will close with a smaller operating deficit than budgeted. The original goal was to put SAPOS on a break-even basis within five years; a revised business plan with a shorter time span has subsequently been adopted, which gives immediate attention to SAPOS's cost structure, inter alia by critically analysing the infrastructure network and adapting it to changing circumstances, effecting a closer relationship of cost to certain services, introducing new services and inculcating the idea of promoting improved client service. Provision is made, on the Department of Transport's vote, for a transfer to SAPOS of R500 million to cover the budgeted operating deficit.

#### 5.2.2 Job creation

There is no way in which the state can create job opportunities at the same rate as do energetic private entrepreneurs both large and small. The prime focus of job creation must thus be the provision of a climate friendly to private economic initiative. But we can't shut our eyes to the loss of jobs over the past few years or the dismal prospects facing hundreds of thousands of people in

finding work this year. Even should there be a rapid recovery of the economy, it will certainly take some time before job opportunities increase again on any significant scale.

The National Economic Forum has already identified job creation as a matter of high priority and is now giving urgent attention to practical proposals. It is envisaged that a supplementary amount of R60 million be set aside for job creation projects, so that the proposals can be concretised during the coming year. In order to ensure the maximum lasting employment benefits from the special job creation projects, the Department of Manpower will, in consultation with the National Economic Forum and the Departments of Finance and State Expenditure, be responsible for designing a suitable job creation programme for the allocation of these funds.

The foregoing R60 million is supplementary to other government programmes promoting job creation. Since 1990/91 various projects have been financed from the proceeds of the sale of strategic oil and other supplies. A portion of these funds will also be utilised in 1993/94 for capital projects. These projects will contribute significantly to job creation, and stabilisation of socio-economic conditions, enhancing investment confidence.

Jobs are also created, directly or indirectly, through a variety of programmes such as:

- The Department of Manpower has expanded the training scheme for unemployed people to include a new in-task training programme, so as to ensure that employment of trainees assumes a more permanent character. R73 million is allocated to this programme in 1993/94.
- R112,6 million (including R15 million in the supplementary budget proposals) is being allocated in 1993/94 to the SBDC and various other approved bodies, for the promotion of small business.
- Over 400 projects, with a job-creating potential of some 29 000, have been approved under the revamped RIDP.
- Section 37E of the Income Tax Act, 1962 allows accelerated depreciation for beneficiation projects. Nine such projects have already been approved, which will ultimately create thousands of jobs directly and indirectly.

There are other state programmes that also serve to create jobs in both the public and private sector, just as do the programmes of the Industrial Development Corporation (IDC), Independent



Development Trust (IDT), Development Bank of Southern Africa (DBSA), South African Housing Trust (SAHT) and other development institutions.

### 5.2.3 Social services

#### 5.2.3.1 Education

An aggregate R22,704 billion is provided for education (TBVC countries not included) for 1993/94 - an increase of some 19,2 per cent on 1992/93. This figure does not include the 1993/94 salary increases for teachers. (Cf. also paragraph 5.3 *infra* for a functional allocation of total expenditures.)

The 1993/94 allocation makes adequate provision for the start of the long-term financing plan for education, as expounded in the Education Renewal Strategy released on 26 January 1993. This Strategy has generally been positively received and provides an inclusive framework within which further investigation, planning, consultation and negotiation can take place with a view to the reform of education.

Of the total allocation to education, R17 million has provisionally been placed on the Department of National Education vote, with a view to financing certain actions that are closely linked to the implementation of the strategy or which may eventuate after thorough negotiation with other parties involved.

#### 5.2.3.2 Nutritional development programme

A nutritional development programme was initiated in 1991/92 under the leadership of the Minister of National Health. Consequent to the drought and because of the poor economic situation generally, additional programmes have been launched since April 1992 in order to bring relief where needed - for example, the Social Aid Programme for farmers and farmworkers.

On 1 August 1992 these programmes, including the Nutritional Development Programme, were rationalised and emerged as the National Nutrition and Social Development Programme (NNSDP). The total allocation for this was R440 million in 1992/93. Although the distribution of food and other necessities to meet basic needs is a necessary short-term objective, the NNSDP's *raison d'être* is to promote the development principles of self-sufficiency, community participation and the strengthening of communities at grass roots level.

Countrywide there are some 1 300 NGO's involved in the NNSDP. These organisations administer some 1900 programmes embodying some 3 400 projects and benefitting at least 3,5 million people. The TBVC countries and self-governing areas are increasingly becoming involved.

For the further deployment and development of the NNSDP, R400 million is proposed for 1993/94. This will be supplemented by any funds for this programme remaining unspent at the end of 1992/93.

The allocation to the Protein Energy Malnutrition Programme, also administered by the Department of National Health and Population Development, is to be raised from R0,4 million in 1992/93 to R40 million in 1993/94.

#### 5.2.3.3 Social allowances

R521,5 million is set aside in the 1993/94 budget for a general increase of about 7,5 per cent in social and other allowances with effect from 1 July 1993, and R694,1 million for the equalisation with effect from 1 September 1993 of the allowances paid to social pensioners of the different population groups. Further details will be announced by the various Ministers responsible for welfare.

The Mouton Committee into a retirement provision system for South Africa made a wide range of recommendations, and these are still being studied by the various interested parties. It is clear that wide consultation will be needed before final conclusions are reached. As already mentioned, the accepted principle of parity in the amounts of old age pensions is however being implemented in this budget.

Government has also accepted the recommendation that suitable reports be submitted annually to Parliament, to ensure transparency in the responsible application of old age assistance. Moreover, the State Actuary will submit triennial reports to Parliament focusing on such things as the projected cost of such assistance.

#### 5.2.3.4 Housing and related infrastructure

On 13 May 1992 the Government released the report of the Task Force of the S A Housing Advisory Board (De Loor Report), which contains far-reaching proposals for a comprehensive national housing policy and strategy. The Government has undertaken not to implement the proposals unilaterally: extensive consultation has already taken place, and negotiations are at present under way with the National Housing Forum, which represents a broad spectrum of interests in the field of

housing. It is vital that consensus be obtained on a national housing policy and strategy, to normalise activities in the housing sector and to galvanise housing delivery.

The printed Estimate of Expenditure for 1993/94 provides R1,048 billion for housing (including the related infrastructure). After recent discussions between the National Housing Forum and government bodies responsible, it has been agreed that an allocation of R200 million from the funds under the control of the Department of National Housing in 1993/94 will be made for the needs of the National Housing Forum, with a promise of more to come, and full participation within the budget in the determination of next year's needs. If a greater cash disbursement in the forthcoming year were required (and housing projects are typically somewhat slow to come to the spending point) the Cabinet is prepared to provide a further R200 million of bridging finance to carry matters through to the point from which the next cash need of the Forum can be met from the 1994/95 budget. Should this year's needs, through exceptionally prompt execution of projects, be still greater, further financing would not necessarily be excluded, although in that case attention would have to be given to its method of financing which might necessitate sales of government assets or some similar procedure. The R200 million bridging finance will be provided for in the supplementary proposals. Together with the income accruing to the various housing funds from loan service and redemption, this will give a total of R1,659 billion for housing. This sum, moreover, will be supplemented by the unexpended balance for 1992/93 in the National Housing Fund. In addition, it is estimated that a further R800 million or so will be spent on housing by the DBSA, SAHT, IDT and the self-governing areas. The total funds available should enable the role players involved to maintain the present rate of housing delivery and indeed to accelerate it considerably if the co-operation initiative between Government and the National Housing Forum bears fruit.

#### 5.2.3.5 Health

The R11,070 billion proposed for health services is 10,9 per cent above last year's allocation.

Health was declared to be a general affair vide the second Amendment Act to the Constitution, 1992 (Act 146 of 1992). The State President subsequently announced that the Health Departments of the three own affairs administrations would be transferred to the Department of National Health and Population Development on 1 April 1993.

The straitened economic circumstances necessitate a drastic improvement in cost effectiveness in health care delivery on the part of all health authorities. A national committee has already been formed to make recommendations on the rationalisation of health services over the whole delivery spectrum, and its report will be released shortly.

Good progress has also been made with the reconstruction programme for health services announced in 1991. Implementation models have been developed for the devolution in due course of primary health care services to local authorities - with, of course, corresponding resources.

A bill will be introduced during the present parliamentary session to establish a new management model for academic hospital complexes, which will give greater management autonomy. Effective management of the complexes will be promoted hereby.

#### 5.2.4 Protection services

##### 5.2.4.1 Defence

The R9,335 billion allocated to the Defence Force for 1993/94 is 3,8 per cent less than for last year. The downsizing in the conventional fist of the Defence Force is regarded as quite acceptable on the present and projected reading of external threats to South Africa. The Defence Force's medical capability, however, is being retained at this stage with a view to providing services to the Department of Correctional Services and the S A Police.

##### 5.2.4.2 Police

The R6,452 billion provided for 1993/94 is a nominal growth of 14,3 per cent on 1992/93.

Greater police visibility in all residential areas aims at preventing crime. The recently announced expansion of the aerial wing of the SA Police will be funded from the above amount.

Various changes in the structure of the Force have been made to enable the S A Police to be better accepted by all residents. A new division of community relations has been created to promote community supported policing.

##### 5.2.4.3 Correctional Services

The R1,745 billion allocated in 1993/94 budget for Correctional Services is an increase of 17,6 per cent on the 1992/93 budget. Various steps are being taken to counter rising costs - for example, the further development of corrective supervision as

part of the provision of alternative sentence options in courts, and controlled early release, which are being continually implemented. In the field of training and the utilisation of prison labour purposive steps are being taken to involve more prisoners in work- and particularly community projects, which will generate higher departmental income.

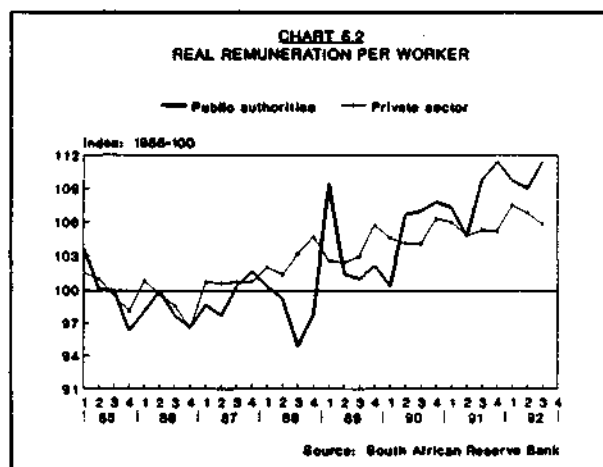
#### 5.2.4.4 Justice

The R965,5 million allocated is an increase of 24,1 per cent on the 1992/93 budget, and stems largely from structures that had to be created in consequence of the National Peace Accord, various boards of enquiry, implementation of new legislation and a higher demand for legal assistance by the underprivileged.

#### 5.2.5 Personnel costs and pensions

##### 5.2.5.1 Remuneration of public servants

The State's 1992/93 payroll constituted about 40 per cent of total state expenditure. Given the major part played by this expenditure in the unacceptably large increase in the consumption expenditure of the central government, and the need to prune general government's consumption expenditure, strict control is called for. A sum of R1,470 billion is provided for on the vote: Improvement of Conditions of Service in the printed Estimate of Expenditure of 1993/94 which cannot be allocated to the different votes at this stage. It could cover a general salary increase of up to 5 per cent above and beyond the normal notch increases already budgeted for by departments. This represents the maximum that can be accommodated for civil servants and political office bearers.



The R1,470 billion will be utilised for the public service, the self-governing territories, the educator sector, and for several related institutions whose service condition improvements are funded wholly or partly from the Exchequer. The provision of funds for the improvement of conditions of service in the TBVC countries is under the vote: Foreign Affairs.

Parties affected will be provided with details once the precise contents of the improvement package have been negotiated with staff- and trade unions.

##### 5.2.5.2 Civil and military pensions

###### (a) Government pension funds

The Budget Review of 1992 mentioned that the government had considered the recommendations of the Korsten Committee and had taken certain decisions in principle. An implementation committee under chairmanship of Mr Laurie Korsten has been appointed by Cabinet to negotiate with employer-, employee- and other interest groups on the adjustments needed to enable the five legally established government pension funds to register as pension funds under section 4 of the Pension Funds Act (Act 24 of 1956). (This is the so-called emancipation of the government pension funds.) Extended discussions and negotiations have already taken place with a large number of groups and bodies, but there are still several pension matters on which consensus has not been reached. Negotiations with government employee organisations on the nature and conditions of the envisaged emancipation have however come to a halt.

Emancipation as such is at this stage not necessarily a precondition for actuarial and financial discipline and sound management within the administration of these funds. Certain legal and regulatory remedial steps have in fact already been taken.

The Minister of Finance proposes to give serious attention in the course of 1993/94 to the broader question of pension provision, with a view to finding means to reassure officials as to their pension funds and also to keep the cost of pension provision for the State as employer within bounds.

###### (b) Civil pensions

Although inflation has greatly fallen, it continues to erode the purchasing power of pensions, to combat which an increase in civil pensions is required. These pensions will be raised by 5 per cent by 1 July 1993. This will apply to all civil pensioners

whose last working day was before 1 July 1992 i.e. those who retired on or before that date. Those retiring after 1 July 1992 but before 1 July 1993 will have their pensions raised by 0,42 percentage points for each completed month since retirement.

Certain classes of pensioners, however, have built up exceptionally large backlogs vis-à-vis rises in prices. It has therefore been decided to grant them differentiated increases in addition to the general increase just mentioned. These will be in accordance with their date of retirement so as to ensure a reasonable preservation of the purchasing power of their pensions.

The costs of these increases for the first year will be borne by the stabilisation account for civil pensions to which employees contribute and will require no further contribution by the Exchequer. The cost of the increase of those pensions payable direct from the State Revenue Account amounts to R3,14 million.

(c) *Military pensions*

In May 1992 a new basis for the calculation of military pensions was implemented backdated to 1 April 1992. With various allowances added, the new basis comprises a basic uniform pension based on average salaries in the entry grades of the public service after two years experience. In addition, military pensions were raised with retrospective effect to 1 April 1992 by 5 per cent.

Entry grade salaries have subsequently been raised by 9 per cent on average, so that a gap of 4 per cent has opened up for military pensions. So that military pensioners do not build up a backlog against average salaries in the public service, it has been decided to increase those pensions by 9 per cent as from 1 July 1993 - 4 per cent for the backlog built up last year plus 5 per cent based on the higher entry grade salaries.

The cost of the increase is estimated at R5,8 million for 1993/94.

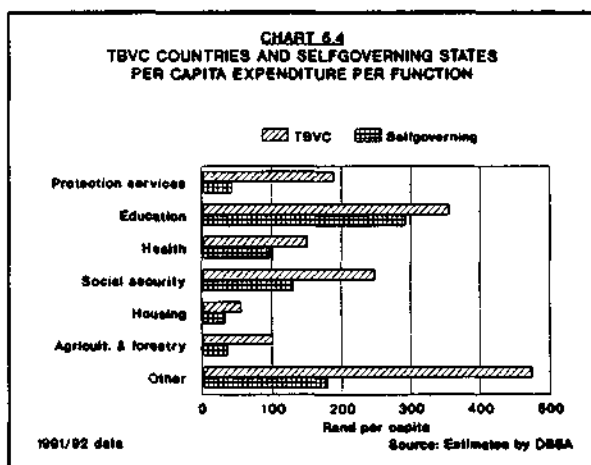
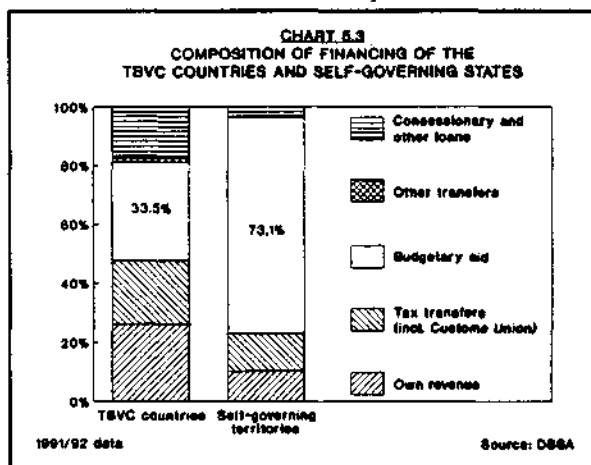
5.2.5.3 Retrenchment costs

In last year's budget R250 million was earmarked for retrenchment costs. Since the extent of retrenchments by Departments or Administrations is not known in advance, this amount could not then be allocated; but it subsequently has been, a total sum of R179,9 million having been voted in the Additional Appropriation for 1992/93. R300 million is earmarked for possible retrenchments in

1993/94, and if retrenchments occur the same procedure will again be followed.

5.2.6 Transfers to TBVC countries and self-governing territories

Chart 5.3 analyses the composition of the financing of the TBVC countries and self-governing territories; their great dependence on budget aid and tax transfers from the RSA is clear. Chart 5.4 analyses the per capita expenditure on certain functions in the TBVC countries and self-governing territories. It should be borne in mind that TBVC responsibilities with regard to such things as protection and other services is more extensive than that of the self-governing territories.



5.2.6.1 Transfers to the TBVC countries

The printed Estimate of Expenditure, on the vote: Foreign Affairs, provides for the following transfers and aid to the TBVC countries:

	<u>R million</u>
Budgetary aid	5 145,0
Manpower provision	89,0
Project aid	79,5
Technical and other help	4,4
Tax compensation	804,8
Industrial incentive scheme	<u>80,0</u>
<b>Total</b>	<b><u>6 202,7</u></b>

This is 21 per cent more than in the main estimate for 1992/93.

Furthermore, the provision of R3,0 million for the salaries and allowances of judges in the TBVC countries forms a direct charge against the State Revenue Account.

Over and above the foregoing payments, the vote: Finance makes provision for mandatory transfers under the Common Monetary Area Agreements: in total, R72,9 million is provided for the TBVC countries for 1993/94, an increase of 10,3 per cent.

Payments to the TBVC countries under the Customs Union Agreement, and payments of VAT, are estimated to amount to R2,071 billion and R761 million respectively in 1993/94 (before tax proposals). These are made direct from the State Revenue Account.

#### 5.2.6.2 Transfers to self-governing territories

An amount of R10,657 billion is provided on programme 9 of the vote: Regional and Land Affairs, for transfers to the self-governing territories, comprising a statutory amount of R754 million and an additional amount of R9,903 billion. The total amount represents an increase of 22,1 per cent on the provision for 1992.93. Tax compensation in respect of VAT and income tax on individuals and companies, which is paid direct to the self-governing territories, is estimated at R1,529 billion for 1993/94.

The proposed allocations include funds earmarked for education (R4,958 billion - 27,8 per cent growth) and health services (R1,013 billion - 2,5 per cent).

### 5.3 ECONOMIC AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE

Tables 5.1 to 5.3 give an economic and functional classification of expenditure. They have been drawn up by the Central Statistical Services (CSS) and adjusted by the Department of Finance to allow for the supplementary expenditure proposals. The data show the total estimated expenditure from the State Revenue Account (i.e. the estimated expenditure of R114,154 billion), including transfers to other tiers of government and government institutions or funds, and the estimated expenditure of other first- and second-tier governments or administrations financed from their own sources.<sup>1</sup> By virtue of this the total estimated expenditure in 1993/94 according to these classifications is R127,126 billion.

This economic and functional classification of expenditure cannot be compared with that of the consolidated general government as published by CSS, since it is not possible at this early stage to classify the expenditure from *own* financing sources of various government institutions or funds (including local authorities).

The following analysis of expenditure according to the economic and functional classifications therefore relates to the data in tables 5.1 to 5.3, i.e. not only to the estimated expenditure level of R114,154 billion, although the latter represents 90 per cent of the total expenditure in this analysis.

#### 5.3.1 Economic and functional analysis of expenditure: 1993/94 as against 1992/93 (tables 5.1 and 5.2)

Current and capital expenditures are estimated to increase in 1993/94 by 6,5 per cent and 23,9 per cent respectively. Excluding interest on the public

<sup>1</sup> The expenditure in tables 5.1 to 5.3 embraces:

- the State Revenue Account;
- the Revenue Accounts of the House of Assembly, the House of Representatives and the House of Delegates;
- the Revenue Accounts of the four provincial administrations;
- the *total* expenditure of the TBVC countries and self-governing territories (i.e. transfers from the State Revenue Account to these authorities, as well as expenditure out of their own financing sources); and
- only *transfers* from the State Revenue Account to off-budget accounts and funds of the central and provincial authorities, universities and technikons (including the four universities in the TBVC countries), and local authorities.

TABLE 5.1

ECONOMIC CLASSIFICATION OF EXPENDITURE

	1992/93	% of total expenditure	1993/94	% of total expenditure	% growth on 1992/93
	R'000		R'000		
<b>A. CURRENT EXPENDITURE:</b>					
<b>1. GOODS AND SERVICES:</b>					
Remuneration of employees	42 416 559	35.9%	47 425 177	37.3%	11.8%
Cost of raising loans	500	0.0%	878	0.0%	
Other	17 672 518	15.0%	17 695 796	13.9%	0.1%
<b>Subtotal: Goods and services</b>	<b>60 089 577</b>	<b>50.9%</b>	<b>65 121 851</b>	<b>51.2%</b>	<b>8.4%</b>
<b>2. INTEREST</b>	<b>17 529 796</b>	<b>14.8%</b>	<b>22 150 431</b>	<b>17.4%</b>	<b>26.4%</b>
<b>3. CURRENT TRANSFERS TO:</b>					
Businesses (subsidiaries):					
Non-financial public enterprises	2 253 845	1.9%	2 674 294	2.1%	
Public financial institutions	256 375	0.2%	202 384	0.2%	
Extra-budgetary accounts and -funds	65 531	0.1%	52 806	0.0%	
Private	8 253 116	7.0%	5 012 672	3.9%	
Households (1)	10 677 134	9.0%	11 272 593	8.9%	
Foreign countries	169 787	0.1%	124 279	0.1%	
International credit institutions	16 746	0.0%	9 055	0.0%	
<b>Subtotal: Current transfers</b>	<b>21 692 534</b>	<b>18.4%</b>	<b>19 348 083</b>	<b>15.2%</b>	<b>-10.8%</b>
<b>4. CURRENT TRANSFERS TO OTHER GENERAL GOVERNMENT INSTITUTIONS AND -FUNDS:</b> (2)					
Extra-budgetary accounts and -funds:					
Social security funds	55 313	0.0%	53 421	0.0%	
Universities and Technikons	2 616 937	2.2%	3 090 854	2.4%	
Other	5 992 529	5.1%	5 261 301	4.1%	
Local authorities	2 348 987	2.0%	2 411 754	1.9%	
Unallocable	247	0.0%	62 867	0.0%	
<b>Subtotal: Current transfers to other general government institutions and -funds</b>	<b>11 014 013</b>	<b>9.3%</b>	<b>10 880 197</b>	<b>8.6%</b>	<b>-1.2%</b>
<b>TOTAL: CURRENT EXPENDITURE</b>	<b>110 325 920</b>	<b>93.4%</b>	<b>117 500 562</b>	<b>92.4%</b>	<b>6.5%</b>
<b>B. CAPITAL EXPENDITURE:</b>					
<b>1. ACQUISITION OF FIXED CAPITAL ASSETS, STOCK, LAND AND OTHER INTANGIBLE ASSETS</b>	<b>5 155 166</b>	<b>4.4%</b>	<b>6 306 690</b>	<b>5.0%</b>	<b>22.3%</b>
<b>2. CAPITAL TRANSFERS TO:</b>					
Businesses:					
Non-financial public enterprises	186 789	0.2%	193 486	0.2%	
Public financial institutions	60 455	0.1%	58 698	0.0%	
Extra-budgetary accounts and -funds	16 928	0.0%	16 435	0.0%	
Private	32 440	0.0%	3 002	0.0%	
Households	56 234	0.0%	153 481	0.1%	
International credit institutions (3)	1	0.0%	410 000	0.3%	
<b>Subtotal: Capital transfers</b>	<b>352 847</b>	<b>0.3%</b>	<b>835 102</b>	<b>0.7%</b>	<b>136.7%</b>

continues

TABLE 5.1 (continued)

ECONOMIC CLASSIFICATION OF EXPENDITURE

	1992/93	% of total expenditure	1993/94	% of total expenditure	% growth on 1992/93
	R'000		R'000		
<b>3. PURCHASES OF SHARES IN AND LOANS TO:</b>					
Businesses:					
Non-financial public enterprises	268 831	0.2%	254 005	0.2%	
Public financial institutions	2 831	0.0%	10 000	0.0%	
Extra-budgetary accounts and -funds			1	0.0%	
Private	621	0.0%	480	0.0%	
Households	61 233	0.1%	42 997	0.0%	
International credit institutions	1	0.0%	4 000	0.0%	
<b>Subtotal: Purchases of share in and loans to</b>	<b>333 517</b>	<b>0.3%</b>	<b>311 483</b>	<b>0.2%</b>	<b>-6.6%</b>
<b>4. CAPITAL TRANSFERS AND LOANS TO OTHER GENERAL GOVERNMENT INSTITUTIONS:</b>					
(2) Extra-budgetary accounts and -funds:					
Universities en Technikons	96 023	0.1%	129 972	0.1%	
Other	1 705 106	1.4%	1 764 688	1.4%	
Local authorities	128 299	0.1%	277 427	0.2%	
<b>Subtotal: Capital transfers and loans to other general government institutions and funds</b>	<b>1 929 428</b>	<b>1.6%</b>	<b>2 172 087</b>	<b>1.7%</b>	<b>12.6%</b>
<b>TOTAL: CAPITAL EXPENDITURE</b>	<b>7 770 958</b>	<b>6.6%</b>	<b>9 625 362</b>	<b>7.6%</b>	<b>23.9%</b>
<b>TOTAL ESTIMATED EXPENDITURE</b>	<b>118 096 878</b>	<b>100.0%</b>	<b>127 125 924</b>	<b>100.0%</b>	<b>7.6%</b>

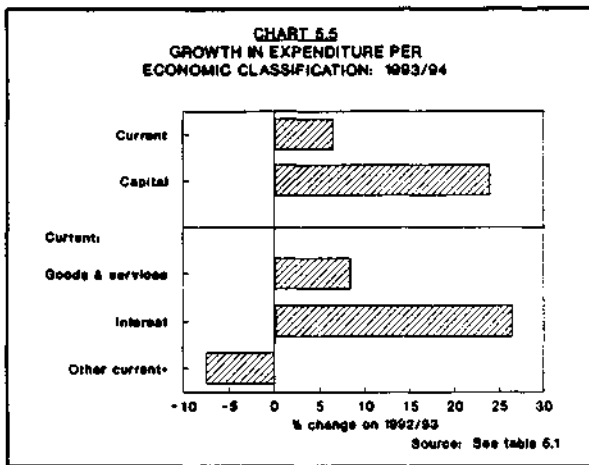
This table was compiled by the Central Statistical Service. The supplementary budget proposals and expenditures to be financed from transfers from the LSPF en CEF were classified by the Department of Finance.

(1) Chiefly social pensions.

(2) Expenditures under this item have not been consolidated.

(3) Payment of R410 million to Development Bank of Southern Africa.

debt, current expenditure shows an increase of only 2,8 per cent for 1993/94. If 1992/93 drought aid of R3,4 billion (included in current transfers to private enterprises) is also left out of account, total current expenditure still shows only a modest increase - 6,7 per cent. As a result hereof, composition of total expenditure changed such that current and capital expenditures will now comprise respectively 92,4 per cent and 7,6 per cent of total estimated expenditure, as against 93,4 per cent and 6,6 per cent in 1992/93.



### 5.3.1.1 Current expenditure

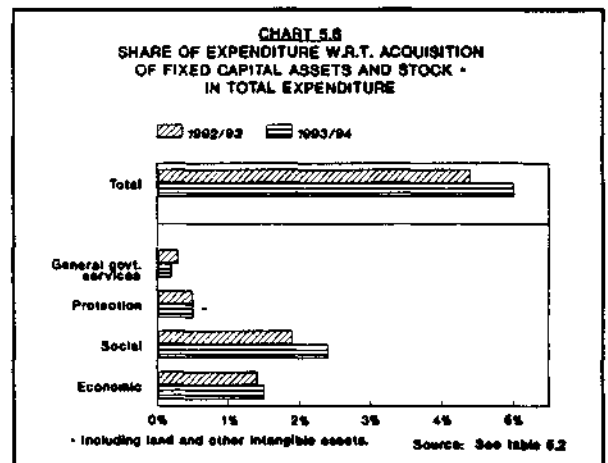
The *consumption expenditure* component of current expenditure, namely remuneration of employees and purchase of goods and other services, is estimated to increase in 1993/94 by only 8,4 per cent. Despite the relatively small increase envisaged in the payroll of the *central government* in 1993/94, in terms of this broader classification remuneration of employees will increase by an estimated 11,8 per cent, with the result that the share of employee remuneration in total expenditure increases further, from 35,9 per cent in 1992/93 to 37,3 per cent in 1993/94. (In contrast with the national accounts figures released by the S A Reserve Bank, this increase is apparently substantially lower than average increases in the payroll of the *general government* in the past few years.) Purchase of goods and other services, however, is projected to rise by a marginal 0,1 per cent, its share in total expenditure falling to 13,9 per cent as against 15 per cent in 1992/93.

Total current transfers to businesses (subsidies), households (mainly social allowances) and to the foreign sector are estimated to fall by 10,8 per cent in 1993/94 as against 1992/93. This is because the drought aid of R3,4 billion is included in the transfers to private business enterprises in the 1992/93 figure; were this to be left out of account total transfers would increase by 5,8 per cent in 1993/94.

The net effect of interest costs on the loans raised to finance the large budget deficit of the central government in 1992/93, coupled with a lower expected deficit for 1993/94, has the effect of raising the share of interest payments in 1993/94 to 17,4 per cent of the total - appreciably higher than the 14,8 per cent of 1992/93.

### 5.3.1.2 Capital expenditure

Total capital expenditure for 1993/94, excluding capital transfers and loans to other general government institutions and funds, is estimated to rise by 27,6 per cent in nominal terms. Among the largest such increases are education (42,9 per cent), health (37,8 per cent) and police (37,3 per cent), with 43,6 per cent of capital spending going to social services. At central government level alone, capital spending amounts to R7,460 billion, or 2,0 per cent of projected GDP.



### 5.3.2 Functional analysis of expenditure: a comparison of 1993/94 with 1990/91 (Table 5.3)

In an analysis of government expenditure by function, shifts in its composition are naturally not always observable in the short term. To facilitate the identification of trends, the following comparison is given of the course of government expenditure from 1990/91 through 1993/94. These data cover spending by the bodies referred to in the note to 5.3 *supra* and thus differ from the printed Estimate of Expenditure, which relates to direct expenditure from the State Revenue Account.

Some highlights are:

- Total expenditure has grown on average at about 15 per cent per annum and its share of GDP risen from 30,5 per cent to 34,2 per cent (but 35,4 per cent in 1992/93).



**TABLE 5.2**  
**ECONOMIC AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE**

Economic classification	CURRENT EXPENDITURE				ACQUISITION OF FIXED CAPITAL ASSETS, STOCK, LAND & OTHER ASSETS		CAPITAL TRANSFERS, LOANS AND ADVANCES		SUBTOTAL		TRANSFERS, LOANS AND ADVANCES TO OTHER GEN. GOVT. INSTITUTIONS		TOTAL	
	Goods and services		Current transfers		1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94
Functional classification	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>GENERAL SERVICES:</b>														
1. General administration	5 973 370	6 433 611	23 608	51 175	264 840	237 216	32 854	17 455	6 294 672	6 739 457	428 912	485 278	6 723 584	7 224 735
2. Foreign affairs	1 045 693	895 340	173 114	126 327	48 832	18 132	68	68	1 267 707	1 039 867	15 493	79 771	1 283 200	1 119 638
3. General research	34 332	26 573	120	123	4 885	15 210	17	56	39 354	41 962	369 955	435 331	409 309	477 293
Total: General services	7 053 395	7 355 524	196 842	177 625	318 557	270 558	32 939	17 579	7 601 733	7 821 286	814 360	1 000 380	8 416 093	8 821 666
<b>PROTECTION SERVICES:</b>														
1. Defence	6 262 551	6 683 177	232 889	236 234	3 991	83			6 499 431	6 919 494	4 303 576	3 746 169	10 803 009	10 665 863
2. Police	6 950 404	7 990 046	46	36 981	347 434	476 694	1	246	7 297 865	8 503 967	58 763	44 051	7 356 648	8 548 018
3. Prisons	1 660 170	1 976 900	672	10 019	139 620	84 432	372	147	1 800 834	2 071 498			1 800 834	2 071 498
4. Law courts	1 086 031	1 306 529		6 038	60 141	71 865	600	1 468	1 146 772	1 385 900	57 734	63 835	1 204 506	1 449 735
Total: Protection services	15 959 156	17 956 652	233 607	289 272	551 186	633 074	973	1 861	16 744 922	18 880 859	4 420 075	3 854 055	21 164 997	22 734 914
<b>SOCIAL SERVICES:</b>														
1. Education:														
Pre-primary, primary and secondary	18 918 646	20 847 323	820 804	680 135	1 225 419	1 647 761	52 501	153 185	21 017 370	23 328 404	434		21 017 804	23 328 404
Tertiary	594 596	576 353	46 013	77 703	28 556	66 037	89	59	669 254	720 152	2 706 175	3 214 943	3 375 429	3 935 095
Total: Education	19 513 242	21 423 676	866 817	757 838	1 253 975	1 713 798	52 590	153 244	21 686 624	24 048 556	2 706 609	3 214 943	24 393 233	27 263 499
2. Health	11 006 401	10 981 329	366 562	354 042	450 006	629 764	12 749	7 991	11 835 718	11 973 126	873 608	968 928	12 709 326	12 942 054
3. Social security and welfare	629 105	573 825	9 344 811	9 880 070	16 240	19 204	517	575	9 990 673	10 473 674	40 672	80 866	10 031 345	10 554 540
4. Housing and related services	42 274	50 375	218 742	173 451	143 326	219 302	86	370	402 428	443 498	853 832	1 159 576	1 256 060	1 603 074
5. Recreation and culture	179 170	238 816	93 879	74 057	40 306	48 342	4 848	3 116	318 203	364 331	208 172	198 670	526 375	563 001
6. Other	1 178 831	1 384 171	21 832	83 284	328 197	451 613	2 241	803	1 531 101	1 919 871	1 311 739	1 089 181	2 842 840	3 009 052
Total: Social services	32 549 023	34 652 192	10 910 643	11 322 742	2 232 050	3 082 023	73 831	166 099	45 764 747	49 223 056	5 994 432	6 712 164	51 759 179	55 935 220
<b>ECONOMIC SERVICES:</b>														
1. State water schemes and other water services	409 843	580 008	138	2 871	409 926	627 130	2 730	3 802	822 637	1 213 811	29 766	41 762	852 403	1 255 573
2. Fuel and energy	205 941	219 387	6 095	10 582	25 726	26 789	19 003	8 000	256 765	264 758	43 260	34 429	300 045	299 187
3. Agriculture, forestry and fishing:														
Subsidies on agricultural products														
Other	1 489 159	1 567 473	3 919 643	841 173	162 005	190 286	137 610	102 717	5 708 417	2 701 649	350 539	341 899	6 058 956	3 043 548
4. Mining	85 977	94 556	51 381	42 699	5 044	5 006	1 425	1 672	143 827	144 733	51 319	62 167	195 146	206 900
5. Manufacturing	24 487	25 810	687 591	785 791		157	27 179	20 397	739 267	832 155			739 267	832 155
6. Regional development	39 950	45 389	845 924	731 309	37 920	48 206	260	62	924 074	824 966	13 359	12 352	937 433	837 318
7. Construction														
8. Transport and communication	1 661 672	1 922 521	2 153 519	2 677 622	954 521	928 672	170 918	188 485	4 940 630	5 717 300	687 133	633 029	5 627 763	6 350 329
9. Other economic services	458 787	525 901	67 086	57 126	36 441	19 588	217 338	635 442	779 652	1 238 057	235 119	356 274	1 014 771	1 594 331
10. Export trade promotion	82 251	93 909	2 601 194	2 403 271	470	594			2 683 915	2 497 774			2 683 915	2 497 774
11. Development Bank of Southern Africa			9 001				1		9 002				9 002	
Total: Economic services	4 458 077	5 074 954	10 341 572	7 552 444	1 632 053	1 847 228	576 484	960 577	17 006 186	15 435 203	1 410 515	1 481 912	18 418 701	16 917 115
<b>UNALLOCABLE:</b>														
1. State debt cost:														
Cost of raising loans		500		878						500		878		500
Interest on state debt	17 529 746	22 150 431							17 529 746	22 150 431			17 529 746	22 150 431
2. Provincial administrations and other general government institutions and funds											304 058	3 773	304 058	3 773
3. Capital expenditure					331 321	416 505			331 321	416 505			331 321	416 505
Total: Unallocable	17 530 246	22 151 309			331 321	416 505			17 861 567	22 567 814	304 058	3 773	18 165 625	22 571 587
<b>GOVERNMENT ENTERPRISES:</b>														
1. Drilling services					25 290	7 439	2 720		28 010	7 439			28 010	7 439
2. Public resorts	4 284	3 305	9 870	6 000	4 484	1 000	217	469	18 855	10 774	1		18 856	10 774
3. Government Printer	6 143	10 031							6 143	10 031			6 143	10 031
4. State airports	59 049	68 315			60 225	48 863			119 274	117 178			119 274	117 178
Total: Government enterprises	69 476	81 651	9 870	6 000	89 999	57 302	2 937	469	172 282	145 422	1		172 283	145 422
<b>TOTAL ESTIMATED EXPENDITURE</b>	<b>77 619 373</b>	<b>87 272 282</b>	<b>21 692 534</b>	<b>19 348 083</b>	<b>5 155 166</b>	<b>6 306 690</b>	<b>686 364</b>	<b>1 146 585</b>	<b>105 153 437</b>	<b>114 073 640</b>	<b>12 943 441</b>	<b>13 052 284</b>	<b>118 096 878</b>	<b>127 125 924</b>

This table was compiled by the Central Statistical Services. The supplementary budget proposals and expenditures to be financed from transfers from the LSPF and CEF were classified by the Department of Finance.

- The average annual growth rate of expenditure on selected government functions was as follows:

- General government services	10,1 %
- Protection services	7,9 %
<i>Defence</i>	-2,0 %
<i>Police</i>	22,7 %
- Social services	17,7 %
<i>Education</i>	16,2 %
<i>Health</i>	15,5 %
<i>Social security and welfare</i>	22,4 %
- Economic services	14,4 %
<i>Water supply</i>	22,7 %
<i>Agriculture, forestry and fishing</i>	19,4 %
<i>Transport and communications</i>	16,3 %
<i>Export promotion</i>	39,0 %
- Interest	21,8 %

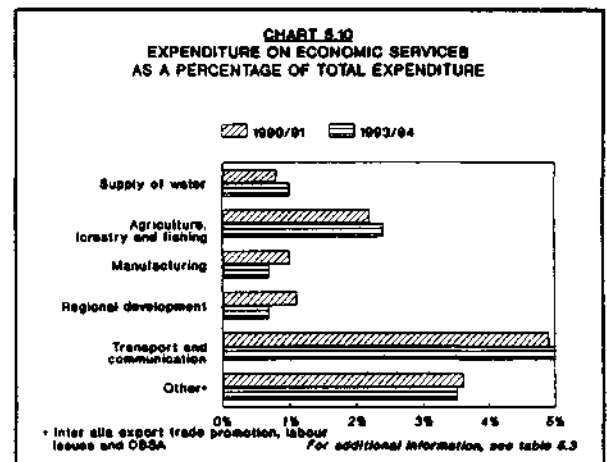
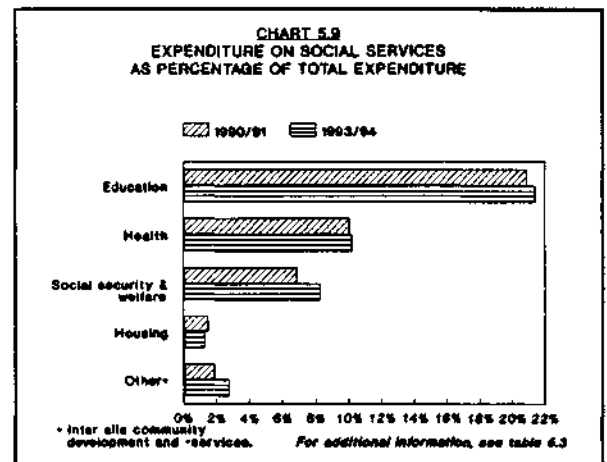
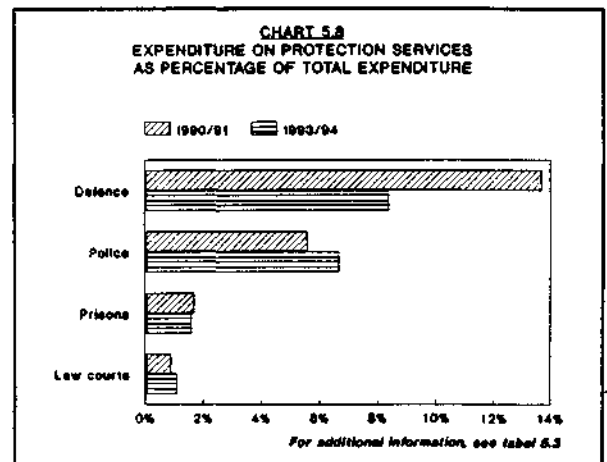
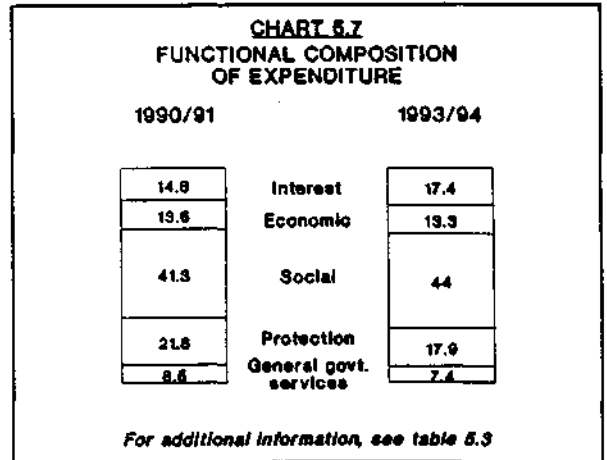
Chart 5.7 shows the changing composition of total expenditure.

The share of protection services in total expenditure has shrunk from 21,8 per cent to 17,9 per cent: as a ratio to GDP, from 6,7 per cent to 6,1 per cent. This reduction is attributable chiefly to defence, whose share has narrowed dramatically from 13,7 per cent to 8,4 per cent.

The share of total expenditure going to social services has risen from 41,3 per cent (12,6 per cent of GDP) to 44 per cent (15 per cent of GDP in 1993/94). It arises chiefly from higher spending on education (now 7,3 per cent of GDP) and social security and welfare services.

As expenditure on other government functions, including interest on the public debt, has risen faster than that on economic services, the share of the latter has fallen slightly, from 13,6 per cent to 13,3 per cent.

Interest payments can amount to as much as 17,4 per cent of total expenditure in 1993/94, as against 14,8 per cent in 1990/91.



**TABLE 5.3  
FUNCTIONAL CLASSIFICATION OF EXPENDITURE \***

	1990/91			1991/92			1992/93			1993/94			Average growth rate: 1990/91 to 1993/94
	R million	% of total	% of GDP	R million	% of total	% of GDP	R million	% of total	% of GDP	R million	% of total	% of GDP	
<b>1. GENERAL GOVERNMENT SERVICES AND UNALLOCABLE EXPENDITURE:</b>	<b>6 925</b>	<b>8.4%</b>	<b>2.5%</b>	<b>6 625</b>	<b>8.8%</b>	<b>2.8%</b>	<b>9 052</b>	<b>7.7%</b>	<b>2.7%</b>	<b>9 243</b>	<b>7.3%</b>	<b>2.5%</b>	<b>10.1%</b>
Foreign affairs	677	0.8%	0.2%	907	0.9%	0.3%	1 283	1.1%	0.4%	1 120	0.9%	0.3%	18.3%
General research	389	0.5%	0.1%	346	0.4%	0.1%	409	0.3%	0.1%	477	0.4%	0.1%	7.1%
Other (1)	5 860	7.1%	2.2%	7 372	7.6%	2.4%	7 359	6.2%	2.2%	7 646	6.0%	2.1%	9.3%
<b>2. PROTECTION SERVICES:</b>	<b>18 084</b>	<b>21.8%</b>	<b>6.7%</b>	<b>19 229</b>	<b>19.9%</b>	<b>6.3%</b>	<b>21 165</b>	<b>17.9%</b>	<b>6.4%</b>	<b>22 735</b>	<b>17.9%</b>	<b>6.1%</b>	<b>7.9%</b>
Defence	11 330	13.7%	4.2%	10 488	10.8%	3.4%	10 803	9.1%	3.2%	10 666	8.4%	2.9%	-2.0%
Police	4 632	5.6%	1.7%	6 222	6.4%	2.0%	7 357	6.2%	2.2%	8 548	6.7%	2.3%	22.7%
Prisons	1 382	1.7%	0.5%	1 699	1.8%	0.6%	1 801	1.5%	0.5%	2 071	1.6%	0.6%	14.4%
Law courts	740	0.9%	0.3%	820	0.8%	0.3%	1 205	1.0%	0.4%	1 450	1.1%	0.4%	25.1%
<b>3. SOCIAL SERVICES:</b>	<b>34 280</b>	<b>41.3%</b>	<b>12.6%</b>	<b>41 841</b>	<b>43.2%</b>	<b>13.6%</b>	<b>51 759</b>	<b>43.8%</b>	<b>15.5%</b>	<b>55 935</b>	<b>44.0%</b>	<b>15.0%</b>	<b>17.7%</b>
Education:	17 358	20.9%	6.4%	19 929	20.6%	6.5%	24 393	20.7%	7.3%	27 263	21.4%	7.3%	16.2%
Pre-primary, primary & secondary	14 863	17.9%	5.5%	17 093	17.7%	5.6%	21 018	17.8%	6.3%	23 328	18.4%	6.3%	16.2%
Tertiary	2 495	3.0%	0.9%	2 836	2.9%	0.9%	3 375	2.9%	1.0%	3 935	3.1%	1.1%	16.4%
Health	8 390	10.1%	3.1%	10 630	11.0%	3.5%	12 709	10.8%	3.8%	12 942	10.2%	3.5%	15.5%
Social security and welfare	5 759	6.9%	2.1%	7 431	7.7%	2.4%	10 031	8.5%	3.0%	10 555	8.3%	2.8%	22.4%
Housing and related services	1 235	1.5%	0.5%	1 555	1.6%	0.5%	1 256	1.1%	0.4%	1 603	1.3%	0.4%	9.1%
Recreation and culture	379	0.5%	0.1%	386	0.4%	0.1%	526	0.4%	0.2%	563	0.4%	0.2%	14.1%
Other (2)	1 158	1.4%	0.4%	1 910	2.0%	0.6%	2 843	2.4%	0.9%	3 009	2.4%	0.8%	37.5%
<b>4. ECONOMIC SERVICES:</b>	<b>11 290</b>	<b>13.6%</b>	<b>4.2%</b>	<b>12 530</b>	<b>12.9%</b>	<b>4.1%</b>	<b>18 419</b>	<b>15.6%</b>	<b>5.5%</b>	<b>16 917</b>	<b>13.3%</b>	<b>4.5%</b>	<b>14.4%</b>
Water schemes and related services	680	0.8%	0.3%	900	0.9%	0.3%	852	0.7%	0.3%	1 256	1.0%	0.3%	22.7%
Fuel and energy	204	0.2%	0.1%	216	0.2%	0.1%	300	0.3%	0.1%	299	0.2%	0.1%	13.6%
Agriculture, forestry and fishing:	1 947	2.3%	0.7%	2 392	2.5%	0.8%	6 059	5.1%	1.8%	3 044	2.4%	0.8%	16.1%
Agricultural subsidies	160	0.2%	0.1%										
Other	1 787	2.2%	0.7%	2 392	2.5%	0.8%	6 059	5.1%	1.8%	3 044	2.4%	0.8%	19.4%
Mining	401	0.5%	0.1%	192	0.2%	0.1%	195	0.2%	0.1%	207	0.2%	0.1%	-19.8%
Manufacturing	857	1.0%	0.3%	877	0.9%	0.3%	739	0.6%	0.2%	832	0.7%	0.2%	-1.0%
Regional development	944	1.1%	0.3%	966	1.0%	0.3%	937	0.8%	0.3%	837	0.7%	0.2%	-3.9%
Transport and communication	4 033	4.9%	1.5%	4 402	4.5%	1.4%	5 628	4.8%	1.7%	6 350	5.0%	1.7%	16.3%
Other economic services:	2 223	2.7%	0.8%	2 585	2.7%	0.8%	3 708	3.1%	1.1%	4 092	3.2%	1.1%	22.5%
Export trade promotion	931	1.1%	0.3%	1 623	1.7%	0.5%	2 684	2.3%	0.8%	2 498	2.0%	0.7%	39.0%
Development Bank of Southern Africa	300	0.4%	0.1%				9	0.0%	0.0%				
Other (3)	992	1.2%	0.4%	962	1.0%	0.3%	1 015	0.9%	0.3%	1 594	1.3%	0.4%	17.1%
<b>5. INTEREST</b>	<b>12 264</b>	<b>14.8%</b>	<b>4.5%</b>	<b>14 460</b>	<b>14.9%</b>	<b>4.7%</b>	<b>17 530</b>	<b>14.8%</b>	<b>5.3%</b>	<b>22 150</b>	<b>17.4%</b>	<b>6.0%</b>	<b>21.8%</b>
<b>6. GOVERNMENT ENTERPRISES</b>	<b>90</b>	<b>0.1%</b>	<b>0.0%</b>	<b>118</b>	<b>0.1%</b>	<b>0.0%</b>	<b>172</b>	<b>0.1%</b>	<b>0.1%</b>	<b>145</b>	<b>0.1%</b>	<b>0.0%</b>	<b>17.5%</b>
<b>TOTAL ESTIMATE EXPENDITURE</b>	<b>82 933</b>	<b>100.0%</b>	<b>30.5%</b>	<b>96 803</b>	<b>100.0%</b>	<b>31.5%</b>	<b>118 097</b>	<b>100.0%</b>	<b>35.4%</b>	<b>127 126</b>	<b>100.0%</b>	<b>34.2%</b>	<b>15.3%</b>

\* Data for 1990/91 to 1992/93 are revised estimates of expenditure.

(1) Chiefly general administration, cost of raising loans and unallocable capital expenditure.

(2) Sewerage, sanitation, community development and other community services.

(3) Including labour issues and multi-purpose projects.

## CHAPTER 6

### REVENUE: 1993/94

#### 6.1 PRINTED ESTIMATE OF REVENUE

##### 6.1.1 Total ordinary revenue

As is customary, the first print of the Estimate of Revenue is based on a projection of revenue at the existing tax rates, i.e. without taking any tax proposals into account. On this basis total *ordinary* revenue (i.e. excluding the transfers from the NSPF and CEF to finance special capital projects) is estimated at R82,088 billion for 1993/94 - 9,2 per cent above the revised estimate for 1992/93 and constituting about 22,1 per cent of expected GDP. On this projection the ratio of indirect to the total of direct and indirect taxes falls further, from 39,9 per cent in 1992/93 to 38,8 per cent in 1993/94.

Inland Revenue's collections are estimated to increase by 10,7 per cent to R71,396 billion, while those by Customs and Excise are expected to be R10,692 billion - showing virtually no growth on the previous year.

##### 6.1.1.1 Inland Revenue

Income tax on individuals (after provision is made for payments to the self-governing territories) is expected to increase by 15,8 per cent, to about R36,2 billion. This assumes an average increase in taxable income of about 9 per cent for the country as a whole and virtually no growth in the number of taxpayers. The growth in income tax collections vis-à-vis taxable income is of course the outcome of fiscal drag or so-called bracket-creep.

A small increase of 2,8 per cent is expected in income tax payments by non-mining companies. It assumes a marginal improvement in profit performance of companies in 1993/94.

Income tax on gold mines is projected to increase by 3,7 per cent, on account chiefly of the expected impact of a higher rand gold price on gold mining profits. Income tax payments by other mines are estimated to fall once again, by 29,5 per cent, mainly on account of expected lower commodity prices.

VAT collections (after providing for transfer payments to the self-governing territories and the TBVC countries) are estimated at R18,396 billion, or

an increase of 10,9 per cent on the revised 1992/93 estimate. This takes into account those products enjoying zero ratings under *present* legislation.

State revenue from mining leases and property rights lapses on 31 December 1993, and it is expected that revenue from gold, diamond and other mining lease contracts will fall in consequence by 29,4 per cent, 97 per cent and 56,3 per cent respectively, to a combined total of R161 million.

In paragraph 5.1 *supra* it is mentioned that own revenue derived by own affairs administrations from agricultural, health and local authorities, will be paid into the State Revenue Account, due to the transfer of these functions to general affairs departments. This revenue cannot be allocated at this stage and the budgeted R163,7 million is therefore shown under unspecified departmental activities.

##### 6.1.1.2 Customs and Excise

Based on the expected increase in the nominal value and volume of goods imported, customs duty collections are projected to increase by 5,3 per cent to R3,132 billion, and the import surcharge by some 7 per cent to R1,635 billion.

The excise duty on most excisable items is levied in the form of a specific duty, i.e. based on the volume, and it is expected that revenue from this source will consequently increase by a mere 3,8 per cent.

The fuel levy should march more or less in step with the expected increase in fuel consumption, to yield R6,893 billion.

In summary, table 6.1 shows that total *gross* customs and excise collections in 1993/94 are estimated to rise by 3,3 per cent. But since the customs union agreements payments are expected to grow by 10 per cent, the *net* collections will be virtually the same as in 1992/93.

A detailed comparison of budgeted normal revenue for 1993/94 on the existing tax basis and the revised figures for 1992/93 is given in annexure B.

TABLE 6.1  
COMPARISON OF 1992/93- AND  
1993/94<sup>1</sup>-TAX REVENUE

	1992/93 Revised	1993/94 Budgeted (First Print)	%- growth
	Rm	Rm	
<i>Inland Revenue:</i>			
Income tax on:			
Gold mines	482	500	3,7
Other mines	603	425	-29,5
Non-goldmining companies	10 795	11 100	2,8
Individuals	31 255	36 184	15,8
VAT	16 586	18 396	10,9
Stamp duties and fees	750	825	10,0
Transfer duty	870	922	6,0
Marketable securities tax	164	165	0,6
Gold mining leases	163	115	-29,4
Other	<u>2 814</u>	<u>2 764</u>	<u>-1,8</u>
<b>Total</b>	<b><u>64 482</u></b>	<b><u>71 396</u></b>	<b><u>10,7</u></b>
<i>Customs and Excise:</i>			
Customs duty	2 975	3 132	5,3
Import surcharge	1 525	1 635	7,2
Excise duty	4 372	4 536	3,8
Fuel levy	6 810	6 893	1,2
Other	<u>165</u>	<u>171</u>	<u>3,6</u>
<b>Total</b>	<b>15 847</b>	<b>16 367</b>	<b>3,3</b>
Less: Payments under Customs Union agreements	<u>5 160</u>	<u>5 675</u>	<u>10,0</u>
<b>Total</b>	<b><u>10 687</u></b>	<b><u>10 692</u></b>	<b><u>0,0</u></b>
<b>GRAND TOTAL</b>	<b><u>75 169</u></b>	<b><u>82 088</u></b>	<b><u>9,2</u></b>

<sup>1</sup> Projected at existing tax rates

## 6.1.2 Printed estimate of total revenue

In addition to the R82,088 billion *ordinary* revenue provided for in the printed Estimate, there are also the non-recurring capital receipts estimated at R685 million, vide paragraph 4.1.2 *supra*, to be transferred to the State Revenue Account (R150 million from the NSPF and R535 million from CEF), bringing the *total* printed Estimate of Revenue to R82,773 billion.

## 6.2 TAX PROPOSALS

### 6.2.1 Customs and Excise

#### 6.2.1.1 Excise duties

In most industrial countries excise duties are an important source of state revenue, but they seem to be underexploited in South Africa. Since they are based on a specific duty per unit, instead of an ad valorem duty on the value of the product, in an inflationary climate they continually shrink as a proportion of state revenue. This is illustrated by the fact that these duties are projected to grow by a mere 3,8 per cent in 1993/94, should the present tax rates remain unchanged.

The tax component falls continually as a proportion of the retail price of the taxable goods, unless the excise duty is adjusted upwards on a regular basis, as has in fact become customary.

Excise duty, furthermore, is an indirect tax; and if not adjusted from time to time to ensure at least a constant *real* tax element in the product concerned, it leads to changes in the ratio of indirect to direct taxation. In the present difficult economic circumstances however it is important that these increases should not be knee-jerk reactions but should take market conditions in the sectors concerned into account.

With this preamble, the modest increases in excise duty, as set out in table 6.2, are proposed.

The changes in excise duty, which come into effect immediately, should yield R320,4 million, bringing the projected total revenue from excise duty to R4,856 billion, or 11,1 per cent above the revised estimate for 1992/93. These increases take immediate effect.

#### 6.2.1.2 Fuel levy

Periodical adjustments are needed in the fuel levy too. This will now be increased - for both petrol and diesel - by 6 cents per litre. But a broader adjustment of fuel prices is necessary, and the Minister of Mineral and Energy Affairs will release details on 17 March 1993. The full adjustment (including the tax hike) will take effect at 00:01 on Friday 2 April 1993, and the required notice will appear in the Government Gazette of that date.

The result of the adjustment will for example be a pump price rise in the PWV area of 16 cents per litre for 93 octane petrol - an increase of 10 per cent in the retail price.

TABEL 6.2

PRODUCT	INCREASE IN EXCISE DUTY	ESTIMATED TOTAL REVENUE R-million	% CHANGE IN DUTY	ESTIMATED % INCREASE IN RETAIL PRICE
Beer (excluding sorghum beer)	4,8 cents per litre (about 2 cents per 340 mℓ-can)	112,0	8,3 %	± 1,5 %
Spirits (e.g. whisky, brandy and gin)	117,03 cents per litre pure alcohol (about 37,7 cents per 750 mℓ-bottel)	50,0	7,2 %	± 1,5 %
Cigarettes Cigarette tobacco	2,45 cents per 10 5 cents per 50 grams	99,0	9,4 % 16,4 %	2 %
Pipe tobacco and cigars	5 cents per kilogram	0,44	2 %	Variable
Cold drinks and mineral waters	2 cents per litre (about 1 cent per 340 mℓ-can)	34,0	19,3 %	0,7 %
Unfortified wine, fortified wine and sparkling wine	6 cents per litre (about 4 cents per 750 mℓ-bottel)	18,8	Variable	Less than 1 %
Other fermented drinks (e.g. cider)	10 cents per litre (about 7 cents per 750 mℓ-bottel)	0,2	8,1 %	About 3 %
Sorghum beer Sorghum beer powder	1 cent per litre 5 cents per kilogram	6,0	50 %	1 %

It is also proposed that 1 cent of the levy (on both petrol and diesel) be allocated to RSC's as a new tax source from 1 July 1993, to help meet the costs involved in their new responsibilities, inter alia for bus commuter transport. (cf. paragraph 5.1.3.5 (c) *supra*)

The increased petrol and diesel levy is expected to yield the Exchequer *net* additional revenue of R740 million for 1993/94, after having taken into account the one cent per litre allocation to RSC's.

## 6.2.2 Inland Revenue

### 6.2.2.1 Stamp duty on contracts

Stamp duty of R2 is presently levied on every agreement or contract not specifically listed in the annexure to the Stamp Duties Act 1968. The scope of the provision concerned is very wide and over the years its application has raised a host of practical problems. It is therefore proposed that

stamp duty on these "ordinary" agreements and contracts be abolished as from 1 April 1993.

The loss of revenue in 1993/94 is estimated at R10 million.

### 6.2.2.2 Tax on value added (VAT)

There are only four tax sources large enough to yield additional revenue of the magnitude needed to close the gap between the proposed expenditure level and an acceptable budget deficit. Two of these are direct taxes, namely income tax on individuals and on companies. In the light of the already high share of individual income tax in total tax, and the relatively high company tax rate, however, these are not suitable candidates. The others are the fuel levy (cf. paragraph 6.2.1.2 *supra*) and VAT.

VAT was introduced in 1991, on the grounds inter alia that it would involve far fewer distortions than would other taxes in production and consumption

decisions and would thus be particularly effective from the viewpoint of economic growth. An important requirement, naturally, is that the tax base should be as broad as possible.

After eighteen months' experience of VAT and the revenue it generates, there can be little doubt that the rate at which it was introduced is too low to yield the same revenue as the general sales tax (GST) it replaced. In fact, a rate a shade above 13 per cent will be required to break even. For this reason, and to prevent our again landing in a situation (as was often the case with GST) of short-term tinkering, it is important that VAT now be fixed at a rate that will serve South Africa for many years.

It is however not desirable that VAT be raised without simultaneously providing further relief for the lower income groups, who are already feeling the regressive impact of this tax. The expansion of the list of zero-rated items, as announced on 10 March 1993, supplements the various targeted aid programmes already put in place by the government for the needy. The additional zero-rated items were selected in consultation with various interested organisations and groups with a view mainly to bringing relief on those food products that constitute an important part of the diet of the truly needy. The zero-rated items are as follows:

**EXISTING ZERO-RATINGS:**

Mealie meal  
Brown bread  
Mealie rice and samp  
Dried maize for human consumption  
Dried beans and lentils  
Tinned sardines  
Milk powder and dairy powder blends

*(Estimated revenue loss in 1993/94 at 10 per cent VAT: R310 million)*

**ADDITIONAL ZERO-RATINGS:**

Rice  
Vegetables  
Fruit  
Vegetable oil  
Milk  
Cultured milk  
Brown wheat flour  
Eggs  
Edible legumes and legume seeds

*(Estimated revenue loss in 1993/94 at 10 per cent VAT: R1,075 billion)*

In order to garner at least the same revenue from VAT as was obtained from GST, i.e. after allowance is made for the forfeiture of revenue involved in zero ratings of basic foods, it is now proposed that

the rate of VAT be raised from 10 to 14 per cent. It must be stressed that no additional allocations for state departments will be considered consequent upon the higher VAT rate.

The estimated additional yield from VAT in 1993/94 is R5,080 billion. This includes revenue forfeiture of R1,9 billion for the whole range of zero-rated items. Provision has already been made for higher VAT transfers to the TBVC countries (R590 million).<sup>1</sup>

The increased rate will take effect at 00:01 on 7 April 1993.

**6.2.2.3 Transfer duty**

Since the introduction of VAT, acquisitions of fixed property from registered dealers have been subject to that tax instead of transfer duty. Other transactions in fixed property have however been subject to transfer duty. This has made it necessary to adjust the tax scales for transfer duty to bring about greater parity between the two tax rates.

The adjustment must also allow for the new VAT rate. It is thus proposed that the following adjustments be made to transfer duty.

- \* An increase in the exemption limits for transfer duty by 20 per cent: from R50 000 to R60 000 in respect of the acquisition of residential houses and flats, and from R20 000 to R24 000 in the case of acquisition of unimproved land with the intention of erecting a dwelling. This will bring substantial relief to buyers in the lower income groups.
- \* The adjustment of the rate of transfer duty in respect of natural persons: transfer duty is presently levied at 1 per cent on the first R50 000 and 5 per cent on the balance; it is now proposed that it be levied as follows: 1 per cent on the first R60 000, 5 per cent on the sum between R60 000 and R250 000, and 8 per cent on sums above R250 000.
- \* An increase in the rate on companies, from 7 per cent to 10 per cent.

The effect of this is that where natural persons acquire houses with a value of less than R263 333 the transfer duty payable will be less. Companies however will in all cases pay a rate 3 percentage points higher.

Legislation to give effect to this will be introduced in Parliament as soon as possible.

This proposal is estimated to yield additional revenue of R69 million. It will apply to acquisitions of property on or after 7 April 1993.

#### 6.2.2.4 Income tax on individuals

##### (a) *Provisional tax*

Some individuals older than 65 are currently exempted from the payment of provisional tax if their annual taxable income does not exceed R25 000 and consists exclusively of remuneration, interest, or rent from the lease of fixed property. Since the tax threshold for married people above 65 has already reached R24 881 for the 1992 tax year, it is proposed that the exemption threshold be raised to R35 000. This should mean that, as from the start of the 1994 tax year, a larger number of elderly taxpayers in the lower income brackets need not make provisional tax payments. This proposal will affect only the state's cash flow, insofar as an estimated amount of R7 million will be received only in 1994/95 instead of 1993/94.

##### (b) *Fringe benefits tax*

Employees who receive an allowance to compensate them for the official or business use of their private motor vehicles must calculate the cost of such use every tax year, and should this be less than the allowance received the balance is taxable. Since such allowances in most cases also compensate the employee for private use, a portion of the allowance is normally also taxable, and is collected under the PAYE system. It is proposed that this portion, now 25 per cent, be raised to 35 per cent as from 1 July 1993.

This has no effect on the eventual tax liability; it is intended simply to garner a larger proportion of the tax month by month, instead of at the year end when assessments are issued.

This is estimated to yield a cash flow advantage of R54 million for 1993/94.

##### (c) *Taxation of retrenchment packages*

Section 10(1)(x) of the Income Tax Act provides exemption of up to R30 000 in respect of lump sum payments received in certain circumstances, one of which is the termination of an employee's services either because his employer has ceased to operate or because of personnel reduction, provided however the employee has reached the age of 55 (men) or 50 (women). Following on negotiations with the Chamber of Mines, the National Union of Mineworkers (NUM), and other trade unions, the government has accepted those organisations' proposal that the R30 000 exemption go to all employees losing their work in the

circumstances mentioned. This should be a boon to employees hard hit by being laid-off in a time of falling employment.

This concession will be of retrospective effect on employees laid off on or after 1 March 1992.

To prevent abuse, however, the exemption will not apply to someone who was or is a director of the employer company or who holds or held more than 45 per cent of the company's shares.

This concession is estimated to involve forfeiture of about R50 million for one year. In view of its retrospective nature, it can involve R100 million for 1993/94.

##### (d) *Personal income tax rates*

The fiscal position is unfortunately such as to preclude any adjustment to personal tax rates this year. Once economic growth is on course and state expenditure more firmly contained, progress can be made in reducing this tax as envisaged in the Normative Economic Model (NEM).

#### 6.2.2.5 Company income tax

##### (a) *Tax rate on non-mining companies*

There is little doubt that welfare can be created only by private entrepreneurs great and small. Many of our entrepreneurs are companies, and it is therefore vital to create favourable circumstances for them. The tax rate is a key element here. Over the past few years various special tax concessions applicable to companies have been phased out, which has meant an increase in the effective rate of tax. But the nominal rate has been reduced only from 50 to 48 per cent - too high in a global economy into which South Africa is becoming increasingly integrated and in which the trend of tax rates is clearly downwards (cf. paragraph 6.4.1.1 *infra*). This is also reflected in the NEM, which envisages a company tax rate of 40 per cent.

It is important that the rate of company tax therefore be reduced still further in such manner as not to disturb the social equilibrium by levying less tax on any sector. A means of achieving this in the present circumstances, which allow little room for real tax relief, is the termination of selective help to certain companies and the introduction of a dual tax on all companies, one part being levied on the declared profits forming taxable income and the other on distributed profits. This is a well-known basis for taxation.



To effect this, the present tax rate of 48 per cent will be reduced to 40 per cent, with simultaneously a tax on companies of 15 per cent of distributed income. It is proposed that the new tax be levied as follows:

- The rate of tax on companies reduces to 40 per cent for years of assessment ending on or after 1 April 1993.
- A tax of 15 per cent on all income distributed by companies in the form of dividends from 17 March 1993 onwards.

At the same time the following related changes and arrangements are to be implemented:

- The tax on distributed income will apply irrespective of the recipient. The tax should not be regarded as being levied on shareholders, inasmuch as the lower company rate of 40 per cent enhances any company's ability to distribute more by way of profits. An expanding company maintaining the norm of a 3:1 ratio between earnings and profit distribution can pay the same dividend as before and gain a higher after-tax profit. In this example under the dual tax rate such a company would pay *de facto* a rate of 43 per cent.
- Within the company sector double taxation will be avoided by giving credit for distributed income that has already been taxed.
- As an implementation measure the first payment of the tax on distributed income will fall due on 31 July 1993, and will cover distributions that became payable during the period 17 March to 1 July 1993. Thereafter the tax will be payable within 30 days.

The dual rate should prove an important incentive for growing companies: the more a company exploits investment opportunities and finances itself, the lower will its tax rate be. Such investment is not only important from a job creation perspective but can also serve to stimulate domestic demand, albeit with consequential import growth.

Exceptional circumstances demand exceptional measures: section 37E of the Income Tax Act, thus, permits accelerated depreciation for selected companies but under strict conditions. This measure was introduced for a limited period and was instrumental, in a time of investment drought, in calling forth R11,8 billion of private investment. The period for considering applications under this section expires on 11 September 1993, when the

selective scheme terminates. The incentive mantle therefore falls increasingly on the new company tax dispensation, from which all companies can benefit, and which should lead to less capital intensive investment.

It is estimated that any loss of revenue from the reduction in the basic company rate (first part) will be neutralised by the tax on the second part namely that on distributed income. There should therefore be no tax loss for the Exchequer in 1993/94. But nor should the State experience a forfeiture of revenue, since this will be compensated for by the ending of selective concessions under section 37E. It is assumed that off-shore companies will also find South Africa a better tax proposition now. Indeed, this measure reinforces the incentive already available for foreign companies to reduce their tax liability through loan financing and the resultant tax free interest. The new tax dispensation also meets the important criterion of non-selective tax treatment of domestic and off-shore companies.

#### (b) *Mining companies*

For non-gold mines it is proposed that the last stage of the phasing-out of the surcharge now be implemented, as recommended by the technical committee on mining taxation. The forfeiture of revenue in 1993/94 is estimated at R24 million. Furthermore, the proposed dual company tax system will also apply to mining companies.

#### (c) *Unbundling of corporate structures*

For various reasons, such as company acquisitions, mergers and reconstructions, unwieldy pyramid structures have developed over the years in corporate groups. Structures of this sort frequently mean cost inefficiency in the utilisation of capital. The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement.

Draft legislation will therefore be introduced during this session to support the unbundling process. It will include the qualified exemption of quoted share transfers from stamp duties and other related provisions. Moreover, the new 15 per cent tax on distributed income will not apply to unbundling-related profits.

#### (d) *Depreciation in respect of hotel refurbishment*

The Income Tax Act at present permits the following allowances in respect of hotels:

- \* The cost of a new hotel building or of improvements to an existing hotel building may be written off at the rate of 5 per cent per annum.
- \* The cost of new hotel equipment may be written off at the rate of 20 per cent per annum.
- \* The cost of repairs to hotel buildings and equipment may be written off in full in the year in which the cost is incurred.

To maintain necessary standards, hotels are subject to regular refurbishment, and it is often extremely difficult to classify the work done into building improvements, repairs or the acquisition of new equipment. However, whatever the nature of the work may be, the fact is that the benefit to the hotel owner endures only until the date of the next refurbishment, and the cost should therefore in accordance with ordinary tax principles be written off over that period. It is accordingly proposed that the cost of refurbishment of hotel buildings be allowed to be written off over a period of five years at the rate of 20 per cent per annum.

For this purpose, refurbishment will be defined as any work undertaken within the existing building envelope. Any work which has the effect of extending the existing building envelope will continue to be classified as an improvement and may be written off at the rate of only 5 per cent per annum.

It is anticipated that the cost of this allowance will amount to R17 million in a full financial year. It is, however, not expected that it will have an effect on tax revenue for 1993/94.

#### 6.2.2.6 Other taxes

In previous Budget Speeches and on other occasions relief in other tax fields has been envisaged, including the import surcharge and marketable securities tax.

In the light of the still high budget deficit and the comprehensive tax increases that have unfortunately been necessary, there is simply no room this year for further reductions of these particular taxes.

### 6.3 ADJUSTED REVENUE TOTAL

The upshot of all the foregoing tax proposals is an additional R6,122 billion in total ordinary revenue as reflected in the first print of the estimate of revenue. In the second print ordinary revenue will thus appear as R88,210 billion, or an increase of 17,3 per cent on the revised estimate for 1992/93.

Estimated *total* revenue, i.e. including the non-recurring capital receipts of R685 million from the NSPF and CEF referred to in 5.1 *supra*, is thus R88,895 billion for 1993/94.

A detailed comparison of the budgeted revenue for 1993/94 and the revised figures for 1992/93 is given in annexure B.

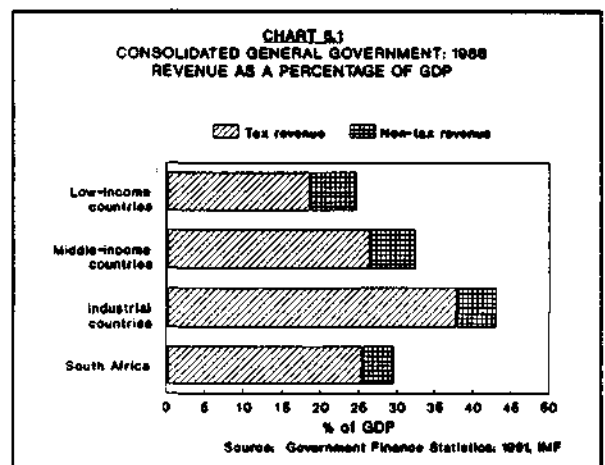
### 6.4 SOME OBSERVATIONS ON THE COURSE OF REVENUE, FROM AN INTERNATIONAL AND HISTORICAL PERSPECTIVE

A country's stage of development plays an important role in the growth and composition of its tax revenue. In developed countries direct taxes, chiefly income- and social security taxes, make the greater contribution to total tax revenue, while the authorities in developing countries look more to indirect tax sources such as VAT, excise duties and taxes on international trade.

#### 6.4.1 International comparison: total revenue of the consolidated general government

Various countries collect revenue at different levels of government. A meaningful comparison of countries is therefore possible only if the analysis embraces the revenue of the consolidated general government. The 1991 issue of the IMF's "Government Finance Statistics" contains just such data, up to and including 1988.

This information has been used in the following analysis, which compares the revenue of consolidated general government in South Africa (which this publication classifies as a middle income developing country) with that of other low and middle income developing countries, as well as industrial countries. The comparison is for 1988.



South Africa's tax revenue, expressed as a percentage of GDP, was more or less the same as that of other middle income countries, while the contribution of non-tax revenue was lower. The total revenue of the consolidated general government for South Africa comprised 29,6 per cent of GDP, which was considerably lower than the (unweighted) average of 32,5 per cent for other middle income countries.

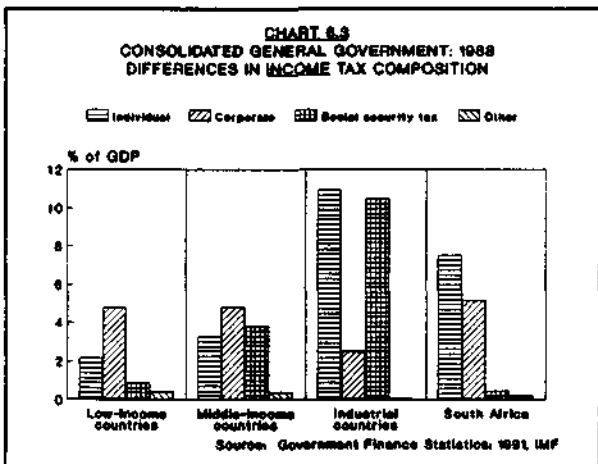
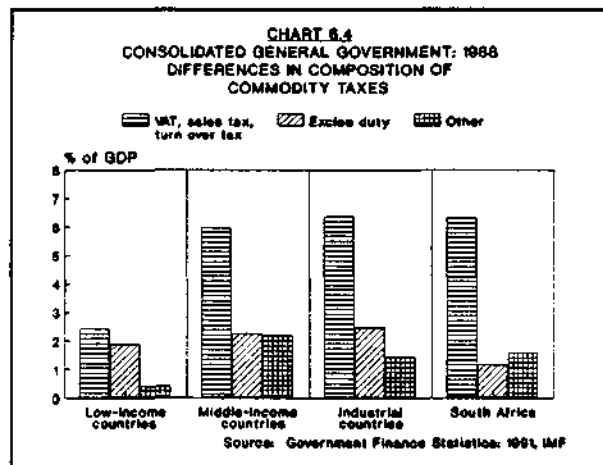
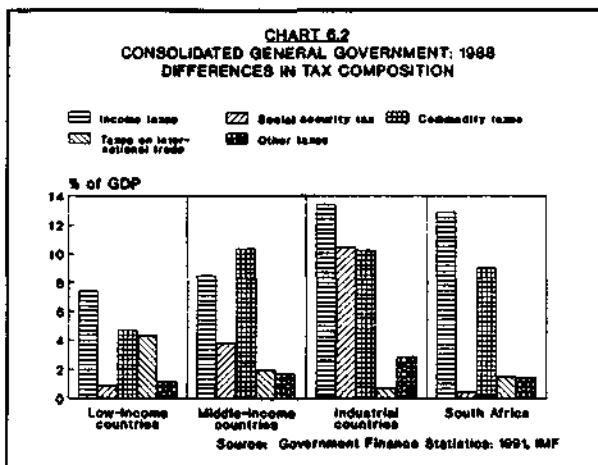
6.4.1.1 Composition of tax revenue

The consolidated general government in South Africa depends much more on direct tax than do other middle income countries. In 1988 income tax collections (excluding social security taxes) constituted 12,9 per cent of GDP - much higher than the (unweighted) average 8,5 per cent in middle income countries and virtually at the level of industrial countries (13,4 per cent).

cent of GDP). In industrial countries income tax on individuals and on companies was 10,9 per cent and 2,5 per cent respectively.

As to the ratio of indirect to direct taxation: in 1988 indirect taxes of general government in South Africa contributed 46,8 per cent to the total of direct and indirect taxes, compared with 53,3 per cent in the low income countries, 51,7 per cent in the middle income countries and 35,1 per cent in the industrial countries.

Revenue from sales tax, excise duties and the fuel levy constituted slightly more than 9 per cent of South Africa's GDP, lower than for both middle income and industrial countries, where the revenue from taxes on commodities constituted about 10,3 per cent of GDP. As will appear from chart 6.4, the major reason for this divergence is the under-exploitation of excise duty in South Africa. (It must be borne in mind that these figures are based on 1988 data, when GST was running at 13 per cent.)



The share of taxes levied on international trade (import surcharges and custom duties) in the total tax revenue of the consolidated general government in South Africa was lower (at 1,5 per cent of GDP) than in middle income countries (2 per cent). It approaches that of industrial countries - namely, 0,7 per cent of GDP. This reflects the smaller role played by these taxes in South Africa.

6.4.2 Total ordinary revenue of the central government: trends after the 1993/94 tax proposals

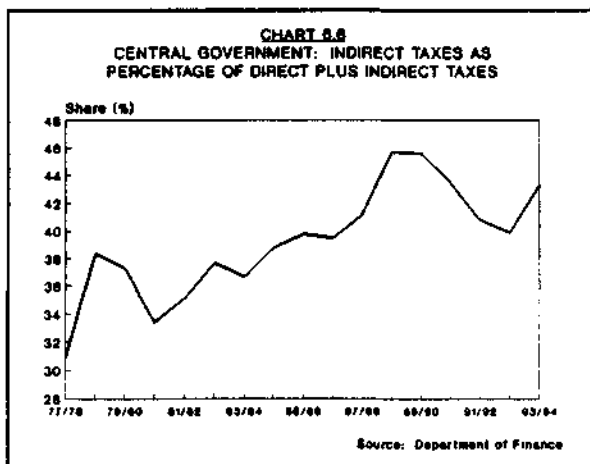
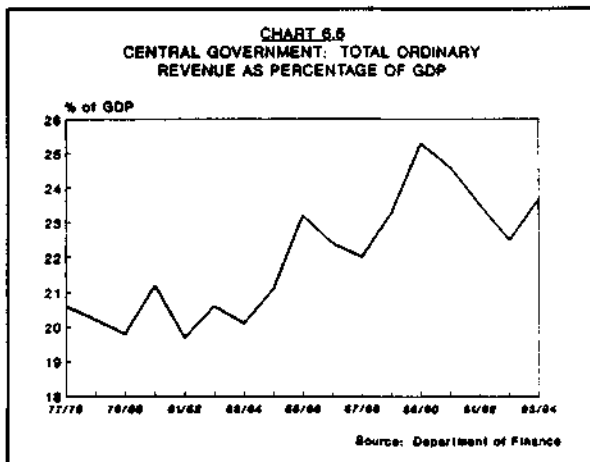
A further analysis of the composition of income tax shows that in 1988 in South Africa individual income tax was appreciably higher (7,5 per cent of GDP) than in other middle income countries (3,3 per cent of GDP), while income tax on companies was roughly the same in both cases (about 5 per

The foregoing international comparison can be put into further perspective by examining the direction in which the composition of tax revenue has moved since 1988, i.e. taking into account the 1993/94 tax proposals. In South Africa, about 88 per cent of the total tax revenue of the consolidated general government is collected at the central tier of government. The trends visible at that level

therefore give a good indication of the direction in which the tax composition of the general government is moving.

There now follows a short analysis of the composition of total ordinary revenue of the *central government* from 1988/89 through 1993/94:

- As mentioned above, in 1988 the ratio of total consolidated general government revenue to GDP was roughly the same as in other middle income countries. The ratio for the central government (excluding non-recurring capital receipts) has subsequently fallen from a peak of 25,3 per cent in 1989/90 to 22,5 per cent in 1992/93. The major reasons for this are the long recession, the fact that GST at a rate of 13 per cent was replaced during 1991 by VAT at a rate of 10 per cent, and various tax concessions granted over the past few years. Taking into account the tax proposals in paragraph 6.2 *supra*, total ordinary revenue is estimated to comprise 23,7 per cent of GDP for 1993/94.



- Indirect taxes, expressed as a percentage of total direct plus indirect taxes, fell from 45,7 per cent in 1988/89 to 39,9 per cent in 1992/93. Before allowing for the 1993/94 tax proposals this would fall further to 38,8 per cent in

1993/94, but taking those proposals into account it is estimated to rise to 43,3 per cent, meaning that there has once again been a shift towards the declared object of bringing the share of indirect taxes nearer to that of direct taxes.

- The share of *income taxes* in total ordinary revenue, which was already high in 1988 by international standards, rose from 11,8 per cent of GDP in 1988/89 to 12,9 in 1993/94. Income tax on individuals was the chief culprit, and this can be attributed largely to the failure to counter fiscal drag, apart from in 1990/91. The ratio of income tax on individuals (excluding transfers to TBVC and self governing territories) to GDP will rise in consequence from the already high 6,7 per cent of 1988/89 to 9,7 per cent in 1993/94 (cf. chart 6.3). By contrast, the contribution of income tax on companies, which in 1988 was about the same as in other middle income countries, fell from 5,2 per cent of GDP in 1988/89 to 3,2 per cent in 1993/94. The impact of the recession, particularly on non-mining companies, has naturally played a great role in this. The latest ratio means that South Africa is now more in line with the average of 2,5 per cent in industrial countries in 1988.
- The combined contribution of VAT, excise duties and the fuel levy will constitute nearly 10 per cent of GDP in 1993/94, as against 8,3 per cent in 1992/93 and 8,7 per cent in 1988/89. This is more in line with the ratio of 10,3 per cent for the *general government* which applied in 1988 to both the middle income and the industrial countries. The major cause of this increase is the larger contribution being made by the fuel levy (2,1 per cent of GDP for 1993/94 as against 1,2 per cent in 1988/89). The share of VAT/GST is estimated to have remained constant over this period at 6,3 per cent of GDP, while that of excise duties increased from 1,2 per cent to 1,3 per cent.

## 6.5 BUDGET DEFICIT AND FINANCING

Taking into account the supplementary budget proposals *total* expenditure for 1993/94 comes to R114,2 billion. When the *total* revenue after the tax proposals, namely R88,9 billion is subtracted from this, the budget deficit is R25,3 billion, or 6,8 per cent of GDP.

In the coming financial year loan redemptions will be about R6,8 billion, bringing the gross borrowing requirement to some R32 billion. It is proposed to finance this chiefly from the sale of domestic stock of about R31,6 billion including R12,5 billion from the Public Investment Commissioners. A full

exposition of the financing of the 1993/94 budget is given in annexure D.

In conclusion it should be mentioned that, as a further step towards the improvement of public sector financial management, government has accepted a system of tax- and loan accounts. This should serve to boost cash-flow management considerably and lower the cost of financing for the State as well as facilitating liquidity management by the monetary authorities. Its implementation is currently being thought through under the guidance of the Department of Finance.

## 6.6 BUDGET IN PERSPECTIVE

This year's budget places particular emphasis on the necessity of obtaining, at various forums inside and outside the government sector, acceptance of the unavoidable fiscal steps needed to get the economic house in order.

An attempt has been made to submit a structurally sound Budget which, over the medium rather than the short term, will yield economic dividends. There are many things the government would have wished to do, such as addressing socio-economic backlogs even faster and reducing income tax on individuals. But if a start is not made in building a growing economy there is no way in which a greater capability can be developed for achieving these ideals in the future.

There are still many things that demand attention. The budget deficit is still very large. As an economic upturn gains momentum and higher

economic growth is achieved, rising tax revenues will themselves bring the deficit down. The growing expenditure discipline under the leadership of the Department of State Expenditure will mean further savings in the following two years. The steps taken in this Budget to limit the deficit to 6,8 per cent of GDP will mean that there will be more scope on the fiscal side for a gradually more relaxed monetary policy approach, which in the nature of things is vital for growth.

The measures proposed in this Budget and the policy stance now adopted should lead to prospective overseas businessmen and investors taking a more serious interest in South Africa. This policy stance is also starting to place South Africa on a basis from which the great issues of development can be tackled in a much more imaginative way. Once the time is ripe South Africa can also seek, with greater assurance and on a better basis of negotiation, access to the conditional funding facilities of the IMF and the project finance of the World Bank.

The course embarked upon in this Budget, and which in several respects conforms to the thrust of the Normative Economic Model, lays the foundation for sound fiscal policy execution under any future government. And if rapid progress can also be made in political reform, then the medium term need not be so far off as it may sound. The expected modest economic growth of between 0 and 0,5 per cent for 1993 will then already have become much greater in 1994.

### **ANALYSIS OF INDIVIDUAL EXPENDITURE VOTES**

A summary of each vote as shown in the printed Estimate of Expenditure for 1993/94 tabled by the Minister of State Expenditure, appears below. One vote has disappeared, namely Audit and the number of votes has therefore decreased to 32. Various services have been moved between votes, including those estimates of the own affairs administrations. Where the previous financial year's expenditures could reasonably be coupled to function shifts, these are indicated together with the 1993/94 estimate for the particular service.

The amounts appearing in the summary pages are a comparison between 1992/93 (final print RP2 and 4) and 1993/94 (first print RP2). The 1992/93 data do not include additional expenditures. Chapter 4 contains a summary of the additional amounts made available in the 1992/93 financial year. Similarly, the 1993/94 estimate (first print) does not include the supplementary budget proposals as contained in chapter 5.

Concise summaries have also been included of the estimates of the Provincial Administrations.

All enquiries concerning the printed Estimate of Expenditure should be directed to the Department of State Expenditure.







Begrotingspos—Vote		1993/94							1992/93	Toename Increase	Afname Decrease
		Lopend Current	Kapitaal Capital	Oordragte Transfers		Bewilg te word To be voted	Statistiese bedrag Statutory amounts	Totale berekende uitgawe Total estimated expenditure			
No.	Titel—Title			R'000	R'000				R'000	R'000	R'000
30	Nasionale Opvoeding—National Education .....	46 692		299 286	86 512	432 698		432 698	284 179	148 511	
	Minister van Finansies en van Handel en Nywerheid Minister of Finance and of Trade and Industry en/of Minister van Toerisme, Voorsitter en Minister van Begroting in die Raad van Algevaardigdes Minister of Tourism, Chairman and Minister of the Budget in the House of Delegates										
31	Finansies—Finance .....	1 102 385	1 000	285 485	414 000	1 882 878	28 685 695	22 688 585	17 882 658	4 805 907	
32	Handel en Nywerheid—Trade and Industry .....	150 711	3 630	2 863 251	2 005	3 019 597		3 019 597	3 059 938		40 341
	Totaal Deel I—Total Part I .....	26 540 721	1 816 938	57 856 563	4 758 273	90 972 495	21 771 299	112 743 764	98 631 885	16 290 416	2 378 537

Begrotingspos—Vote		1993/94							1992/93	Toename Increase	Afname Decrease
		Lopend Current	Kapitaal Capital	Oordragbetalings Transfer payments		Bewilg te word To be voted	Statistiese bedrag Statutory amounts	Totale berekende uitgawe Total estimated expenditure			
No.	Titel—Title			R'000	R'000				R'000	R'000	R'000
1	Deel II—Part II Stasie toevoerings uit Staatsskatteterreë— Standing appropriations from State Revenue Account Toewysings uit brandstofheffing aan—Allocations from fuel levy to— Nambija ingevolge art. 52 (b) van Wet 91 van 1964—Nambija in terms of sec. 52 (b) of Act 91 of 1964 .....						14 000	14 000	13 000	1 000	
2	TBVC-lande ingevolge art. 14 (1) (b) van Wet 69 van 1968—TBVC Countries in terms of sec. 14 (1) (b) of Act 69 of 1968 .....						289 000	289 000	170 000	119 000	
	Toewysings uit gewone heffing ingevolge art. 48 (4A) (d) van Wet 91 van 1964—Allocations from ordi- nary levy in terms of sec. 48 (4A) (d) of Act 91 of 1964: BLS en TBVC-lande—BLS and TBVC Countries .....						5 000	5 000	3 500	1 500	
	Totaal Deel II—Total Part II .....						299 000	299 000	186 500	112 500	
	Groot-totaal—Grand Total .....	26 540 721	1 816 938	57 856 563	4 758 273	90 972 495	22 070 299	113 042 764	99 018 385	16 402 916	2 378 537

Netto toename, Deel I—Net increase, Part I ..... R13 911 879 000  
 Netto toename, Deel II—Net increase, Part II ..... R112 500 000  
 Totale toename—Total increase ..... R14 024 379 000

**Begrotingspos 1**  
**Vote 1**

**Staatspresident**  
**State President**

**R22 895 000**

1—1

DOEL: Om die Staatspresident in staat te stel om sy grondwetlike en ander funksies te vervul  
Rekenpligtige beampte: Direkteur-generaal: Kantoor van die Staatspresident

AIM: To enable the State President to fulfil his constitutional and other functions  
Accounting officer: Director-General: Office of the State President

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	Lopend Current		Kapitaal Capital		Lopend Current		Kapitaal Capital		Totaal Total		
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
<b>Hoofindelings</b>											<b>Main divisions</b>
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Werksaamhede van die President-raad	9 998	9 325							9 998	9 325	2 Activities of President's Council
3 Ondersteunende en verwante dienste	10 691	9 736							10 691	9 736	3 Auxiliary and associated services
	2 206	2 040							2 206	2 040	
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>22 895</b>	<b>21 101</b>							<b>22 895</b>	<b>21 101</b>	<b>AMOUNT TO BE VOTED</b>
Bedrag wat ingevolge art. 12 van die Grondwet van die RSA, 1983 (Wet 110 van 1983), regstreeks ten laste van die Staatsinkomste-fonds kom											Amount forming a direct charge on the State Revenue Fund in terms of sec. 12 of the RSA Constitution Act, 1983 (Act 110 of 1983)
Salaris van Staatspresident	254	218							254	218	Salary of State President
<b>Totale beraamde uitgawe</b>	<b>23 149</b>	<b>21 319</b>							<b>23 149</b>	<b>21 319</b>	<b>Total estimated expenditure</b>
Toename	1 830								1 830		Increase
Afname											Decrease

a Skat R60 000 huishoudelike toelae in

z Inklusie s R60 000 domesic allowance.

**Begrotingspos 2**  
**Vote 2**

**Parlement**  
**Parliament**

**R35 327 000**

2—1

DOEL: Om die Parlement in staat te stel om sy konstitusionele funksie te vervul  
Rekenpligtige beampte: Sekretaris van die Parlement a

AIM: To enable Parliament to fulfil its constitutional function  
Accounting officer: Secretary to Parliament a

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	Lopend Current		Kapitaal Capital		Lopend Current		Kapitaal Capital		Totaal Total		
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
<b>Hoofindelings</b>											<b>Main divisions</b>
1 Administrasie van die Parlement	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration of Parliament
2 Diverse dienste	28 550	24 855			957	957			28 550	24 855	2 Miscellaneous services
	5 820	5 617							6 777	6 574	
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>34 370</b>	<b>30 472</b>			<b>957</b>	<b>957</b>			<b>36 327</b>	<b>31 429</b>	<b>AMOUNT TO BE VOTED</b>
Bedrag wat ingevolge die Wet op die Betaling van Parlementslidde, 1974 (Wet 49 van 1974), regstreeks ten laste van die Staatsinkomste-fonds kom											Amount forming a direct charge on the State Revenue Fund in terms of the Payment of Members of Parliament Act, 1974 (Act 49 of 1974)
Salarisse, toelae en ander voordele van ampsdraers en ander lede van die Parlement	78 445	55 154							78 445	55 154	Salaries, allowances and other benefits of office of office-bearers and other members of Parliament
<b>Totale beraamde uitgawe</b>	<b>112 815</b>	<b>85 626</b>			<b>957</b>	<b>957</b>			<b>113 772</b>	<b>86 583</b>	<b>Total estimated expenditure</b>
Toename	27 189								27 189		Increase
Afname											Decrease

a Aangewys ingevolge art. 31(2) van die Wet op die Gewoontes en Voorregte van die Parlement, 1963 (Wet 91 van 1963).

z Applies in terms of sec. 31(2) of the Powers and Privileges of Parliament Act, 1963 (Act 91 of 1963).

DOEL: Om die RSA se buitelandse betrekkinge te bevorder, te handhaaf en gesindhede teens die RSA positief te beïnvloed

AIM: To promote and maintain the RSA's external relations and foster a positive attitude towards the country

Rekenpligtige beampte: Direkteur-generaal: Buitelandse Sake

Accounting officer: Director-General: Foreign Affairs

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Buitelandse betrekkinge	64 283	52 409	9 199	13 284	24 024	80 196	68	68	73 550	65 761	2 Foreign relations
Buitelandse sake-funksie	721 554	699 268	35 584	20 431					781 162	799 895	
3 Ontwikkelingsamewerking: TBVC-lande	785 837	751 677	44 783	33 715	24 024	80 196	68	68	854 712	865 656	Foreign affairs function
BEDRAG WAT BEWILLIG MOET WORD					6 123 212	5 111 473	79 540	15 282	6 202 752	5 126 755	3 Development co-operation: TBVC Countries
Bedrae wat regstreeks ten laste van die Staatsinkomstefonds kom	785 837	751 677	44 783	33 715	6 147 236	5 191 669	79 608	15 350	7 057 464	5 992 411	AMOUNT TO BE VOTED
Salariesse en toelaas van Regters aan die Regennings van Transkei, Bophuthatswana, Venda en Ciskei gesekondeer (Wet 88 van 1989)					3 026	2 830			3 026	2 830	Amounts forming a direct charge on the State Revenue Fund
Totale beraamde uitgawe	785 837	751 677	44 783	33 715	6 150 262	5 194 499	79 608	15 350	7 060 490	5 995 241	Total estimated expenditure
Toename	34 160		11 068		955 763		64 253		1 065 249		Increase
Afname											Decrease

DOEL: Om die beskikbaarheid en voorsiening van water op nasionale vlak te verseker en ontwikkeling van bosbou te bevorder

AIM: To ensure the availability and supply of water on a national level and promote development of forestry

Rekenpligtige beampte: Direkteur-generaal: Waterwese en Bosbou

Accounting officer: Director-General: Water Affairs and Forestry

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Inligtingversameling	33 985	29 464							33 985	29 464	2 Collection of information
3 Beplanning en ontwerp	43 906	40 271		375					43 906	40 646	3 Planning and design
4 Daarstelling van staatswater-skeemas	50 906	49 328		138					50 906	49 466	4 Establishment of government water schemes
5 Daarstelling van staatsondersteunde water-skeemas	1 538	5 936	124 065	129 881					125 603	135 817	5 Establishment of state-aided water schemes
6 Beheer oor openbare water	4 228	4 309		9			40 580	39 459	44 808	43 777	6 Control of public water
7 Bosbou-ontwikkeling	27 463	22 752	6 451	4 156	1 155	1 556			33 914	26 906	7 Forestry development
8 Ondersteunende en verwante dienste	32 746	31 173					3 801	2 545	33 901	32 729	8 Auxiliary and associated services
	38 454	30 139	16 832	13 976	802	202			59 889	46 862	
Minus: Interne heffings	233 226	213 372	147 348	148 535	1 957	1 758	44 381	42 004	426 912	405 669	Less: Internal charges
BEDRAG WAT BEWILLIG MOET WORD	17 523	16 379		274					17 523	16 653	AMOUNT TO BE VOTED
Toename	215 703	196 993	147 348	148 281	1 957	1 758	44 381	42 004	408 389	389 016	Increase
Afname	18 710		913		199		2 377		20 373		Decrease





**Begrotingspos 9**  
**Vote 9**

**Staatsbesteding**  
**State Expenditure**

**R682 044 000**

9-1

DOEL: Om staatsbesteding te beplan en te beheer asook rekenaar-dienste te lewer  
Rekenpligtige beampte: Adjunk-direkteur-generaal: Beplanning

AIM: To plan and control state expenditure as well as render computer services  
Accounting officer: Deputy Director-General: Planning

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings											Main divisions
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Beplanning en interwerheidsaangeleenthede	8 461	6 059							8 461	6 059	2 Planning and inter governmental affairs
3 Bestelingsbeheer	36 713	34 674							36 713	34 674	3 Expenditure control
4 Rekenaar-dienste	20 387	18 455			3 217	5 332	110 700	115 681	20 387	18 455	4 Computer services
5 Verwante dienste	11 075	7 050	38	75	447 306	404 527	44 148	14 400	113 917	121 013	5 Associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>76 636</b>	<b>66 238</b>	<b>38</b>	<b>75</b>	<b>450 522</b>	<b>409 859</b>	<b>154 848</b>	<b>130 081</b>	<b>682 044</b>	<b>606 253</b>	<b>AMOUNT TO BE VOTED</b>
Toename	10 398				40 663		24 767		75 791		Increase
Afname			37								Decrease

**Begrotingspos 10**  
**Vote 10**

**Administrasie: Raad van Verteenwoordigers**  
**Administration: House of Representatives**

**R5 241 904 000**

10-1

DOEL: Om ingevolge art. 84 van die Grondwet van die RSA, 1983 (Wet 110 van 1983), voorsiening vir oordragte aan die Inkomsterekening: Raad van Verteenwoordigers te maak

AIM: To make provision for transfers to the Revenue Account: House of Representatives in terms of sec. 84 of the RSA Constitution Act, 1983 (Act 110 of 1983)

Rekenpligtige beampte: Direkteur-generaal: Administrasie: Raad van Verteenwoordigers

Accounting officer: Director-General: Administration: House of Representatives

PROGRAMBESKRYWING:

PROGRAMME DESCRIPTION:

oordragte aan die Inkomsterekening: Raad van Verteenwoordigers  
aanvullende ad hoc-bedrag (art. 84 (b))  
voorwaardelike bedrae (art. 84 (c))

transfers to the Revenue Account: House of Representatives  
supplementary ad hoc amounts (sec. 84 (b))  
conditional amounts (sec. 84 (c))

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings											Main division
Inkomsterekening: Raad van Verteenwoordigers	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Revenue Account: House of Representatives
aanvullende ad hoc-bedrag					4 711 120	4 249 736	186 602	243 022	4 897 722	4 492 760	supplementary ad hoc amounts
voorwaardelike bedrae verbetering van maatskaplike pensioene en toelae welsynorganisasies behuisingshulp en gebiedsontwikkeling					143 912	206 113			143 912*	206 113	conditional amounts improvement of social pensions and allowances welfare organizations housing aid and area development
					38 000	31 792	162 270	64 797	200 270*	96 589	
					181 912	295 825	162 270	64 797	344 182	360 622	
<b>BEDRAG WAT BEWILLIG MOET WORD</b>					<b>4 893 032</b>	<b>4 545 563</b>	<b>348 872</b>	<b>307 819</b>	<b>5 241 904</b>	<b>4 853 382</b>	<b>AMOUNT TO BE VOTED</b>
Toename					347 469		41 053		388 522		Increase
Afname											Decrease

\* Verdere voorsiening op Begrotingsposse Verbetering van diensvoorsienings.  
\* Kolom 2-stam.

\* Further provision on improvement of conditions of service Vote.  
\* Column 2 item.

DOEL: Om ingevoerde art. 84 van die Grondwet van die RSA, 1983 (Wet 110 van 1983), voor-  
siening vir oordragte aan die Inkomsterekening: Raad van Afgevaardigdes te maak

AIM: To make provision for transfers to the Revenue Account: House of Delegates in terms of  
sec. 84 of the RSA Constitution Act, 1983 (Act 110 of 1983)

Rekenpligige beampte: Direkteur-generaal: Administrasie: Raad van Afgevaardigdes

Accounting officer: Director-General: Administration: House of Delegates

PROGRAMBESKRYWING:

PROGRAMME DESCRIPTION:

oordragte aan die Inkomsterekening: Raad van Afgevaardigdes  
aanvullende *ad hoc*-bedrae (art. 84 (b))  
voorwaardelike bedrae (art. 84 (c))

transfers to the Revenue Account: House of Delegates  
supplementary *ad hoc* amounts (sec. 84 (b))  
conditional amounts (sec. 84 (c))

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindeeling	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main division
Inkomsterekening: Raad van Afgevaardigdes aanvullende <i>ad hoc</i> -bedrae					1 666 113	1 486 638	125 297	124 846	1 791 410	1 611 484	Revenue Account: House of Delegates supplementary <i>ad hoc</i> amounts
voorwaardelike bedrae verbetering van maatskaplike pensioene en toelae welsynorganisasies					32 769	45 011 2 565			32 769 <sup>a</sup>	45 011 2 565	conditional amounts improvement of social pensions and allowances welfare organizations
BEDRAG WAT BEWILIG MOET WORD					1 698 882	1 534 214	125 297	124 846	1 824 179 <sup>b</sup>	1 659 060	AMOUNT TO BE VOTED
Toename					164 668		451		165 119		Increase
Afname											Decrease

<sup>a</sup> Her-hemalend.  
<sup>b</sup> Verdere voorsiening op Begrotingspos Verbetering van diensvoorwaardes.  
\* Kolom 2-tem.

<sup>a</sup> Non-recurrent.  
<sup>b</sup> Further provision on Improvement of conditions of service Vote.  
\* Column 2 item.

DOEL: Om korrektiewe dienste te lewer deur toepaslike aanhouding, beheer, versorging, be-  
nutting, ontwikkeling, behandeling en gemeenskapshennskakeling van gevangenes en  
toesiggevalle op 'n menswaardige, koste-effektiewe en wins beperkende wyse, ten einde  
die gemeenskap teen hermaling van misdad te beskerm

AIM: To render correctional services by appropriate detention, control, care utilization, devel-  
opment, treatment and community re-integration of prisoners and probationers in a  
humane cost-effective and least restrictive manner, in order to protect the community  
from repeated crime

Rekenpligige beampte: Kommissaris: Korrektiewe Dienste

Accounting officer: Commissioner: Correctional Services

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindeelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	112 207	92 333		291					112 207	92 624	1 Administration
2 Aanhouding	984 510	824 032		439					984 510	824 471	2 Incarceration
3 Behandeling	84 871	85 286		5	883	939			85 754	86 230	3 Treatment
4 Landbou en industrie	141 199	111 761	24 853	31 440					166 052	143 201	4 Agriculture and industries
5 Gemeenskapkorreksies	49 372	36 435		2 788					49 372	39 223	5 Community corrections
6 Ondersteunende en verbonde dienste	560 542	438 384		17 344			147	464	568 689	456 192	6 Auxiliary and associated services
Minus: Interns heffings	1 932 701 214 107	1 588 231 157 900	24 853	52 307	883	939	147	464	1 958 584 214 187	1 641 941 157 900	Less: Internal charges
BEDRAG WAT BEWILIG MOET WORD	1 718 594	1 430 331	24 853	52 307	883	939	147	464	1 744 477	1 484 041	AMOUNT TO BE VOTED
Toename	288 263								260 436		Increase
Afname			27 454		56		317				Decrease





DOEL: Om aan daardie bevolkingsgroepe in die RSA, wie se onderwys die verantwoordelikheid van hierdie Departement is, onderwys te verskaf, selfregerende gebiede behulpsaam te wees met die uitvoering van die onderwysfunksie en bystand te verleen aan onafhanklike state in gevolge ooreenkomste aangegaan

AIM: To provide education to those population groups in the RSA whose education is the responsibility of this Department, aid self-governing territories in the execution of the education function and render assistance to independent states in accordance with agreements concluded

Rekenpligtige beampte: Direkteur-generaal: Onderwys en Opvoeding

Accounting officer: Director-General: Education and Training

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindelings	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	Main divisions
1 Administrasie	R'000 90 764	R'000 106 029	R'000 476 733	R'000 257 379	R'000 67 404	R'000 20 535	R'000 25 000	R'000 16 000	R'000 90 764	R'000 106 029	1 Administration
2 Pre-terisiere onderwys	4 077 108	3 284 492	476 733	257 379	67 404	20 535	25 000	16 000	4 646 245	3 578 406	2 Pre-tertiary education
3 Buiteskoolse en beroeps onderwys	131 476	102 314	12 700	5 000	49	89			144 216	107 403	3 Out-of-school and vocational education
4 Onderwys van gestremde kinders	85 116	69 334	3 506	2 663	10 467	7 241	24 905	8 614	123 994	87 852	4 Education of handicapped children
5 Tersiere onderwys	145 781	123 368	39 000	10 500	347 195	303 643	10 994	5 794	542 970	443 305	5 Tertiary education
6 Onderwysontwikkeling	25 292	29 259			1 100	1 500			26 392	30 759	6 Development of education
7 Ondersteunende en verwante dienste	140 580	111 454	1 206	2 277	87	81	3 611	2 270	145 484	116 082	7 Auxiliary and associated services
BEDRAG WAT BEWILLIG MOET WORD	4 696 117	3 826 250	533 145	277 819	426 293	333 089	64 510	32 678	5 720 065	4 469 836	AMOUNT TO BE VOTED
Toename	869 667		255 326		93 204		31 832		1 250 229		Increase
Afname											Decrease

Opmerking: Voorsiening vir onderwysdienste in selfregerende gebiede op Begrotingspos Streek- en Grondsaak. Voorsiening vir tegniese en projek hulp aan onafhanklike state op Begrotingspos Buitelandse Sake.

Notes: Educational services in self-governing territories provided on Regional and Land Affairs Vote. Technical and project assistance to independent states provided on Foreign Affairs Vote.

DOEL: Om beleid rakende plaaslike regering, nasionale behuising, gemeenskapsontwikkeling en maatskaplike welsyn te bepaal, bevorder, koördineer en monitor

AIM: To determine, promote, co-ordinate and monitor policy i.r.o. local government, national housing, community development and social welfare

Rekenpligtige beampte: Direkteur-generaal: Plaaslike Regering en Nasionale Behuising

Accounting officer: Director-General: Local Government and National Housing

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindelings	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	Main divisions
1 Administrasie	R'000 15 430	R'000 12 930			R'000 55 098				R'000 15 430	R'000 12 930	1 Administration
2 Plaaslike regering	9 835	5 046			55 098		1		64 834	5 046	2 Local government
3 Stedelike ontwikkeling en bebouingsbeleid	5 399	11 342						5 800	5 399	17 142	3 Urban development and housing policy
4 Gemeenskaps- en maatskaplike ontwikkeling	4 086	2 854			3 138	4 252			7 224	7 106	4 Community and social development
5 Behuisingshulp	320	320			165 636	173 215	575 770	758 101	741 726	931 636	5 Housing aid
6 Ondersteunende en verwante dienste	1 878	2 077			5 000	1 500		99	6 878	3 676	6 Auxiliary and associated services
BEDRAG WAT BEWILLIG MOET WORD	36 948	34 569			228 872	178 967	575 771	764 000	641 681	977 536	AMOUNT TO BE VOTED
Toename	2 379				49 905						Increase
Afname								188 229	135 945		Decrease





DOEL: Om streek- en grondsaak te bevorder en koördineer  
Rekenpligtige beampte: Direkteur-generaal: Streek- en Grondsaak

AIM: To promote and co-ordinate regional and land affairs  
Accounting officer: Director-General: Regional and Land Affairs

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindeelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	54 719	37 911							54 719	37 911	1 Administration
2 Streeknywerheidsontwikkeling	10 264	10 245			729 369	901 180			739 633	911 425	2 Regional industrial development
3 Opvoerings en grondreëlging	51 510	45 234	2 953	6 654					54 463	51 888	3 Surveys and land information
4 Registrasie van aktes	44 975	29 958	1 600	1 866					46 575	31 824	4 Registration of deeds
5 Streekekonome ontwikkeling	5 456	4 732	112						5 568	4 732	5 Regional economic development
6 Streekontwikkeling	7 144	8 016			6 208	3 800	53 894	46 260	67 246	58 076	6 Regional development
7 Fisiese beplanning	5 669	6 668							5 669	6 668	7 Physical planning
8 Streekstelsel	6 442	4 391			1 980	16 989			8 422	21 380	8 Regional systems
9 Bystand aan regerings van selfregerende gebiede	26 952	14 527			8 916 289	7 704 915	991 617	332 360	9 934 858	8 051 802	9 Assistance to governments of self-governing territories
10 Grondherwinning	23 196	9 800	30 882	28 142					54 078	37 942	10 Land reform
11 Provinsiale subsidies					12 503 834	10 905 577	934 128	804 066	13 437 962	11 709 643	11 Provincial subsidies
12 Ondersteunende en verwante dienste	4 900	884	483	420	16 204	14 218	8 523	8 702	30 118	24 224	12 Auxiliary and associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>241 227</b>	<b>172 366</b>	<b>36 030</b>	<b>37 082</b>	<b>22 173 884</b>	<b>19 546 679</b>	<b>1 988 162</b>	<b>1 191 388</b>	<b>24 439 383</b>	<b>20 947 515</b>	<b>AMOUNT TO BE VOTED</b>
Bedrag wat regstreeks ten laste van die Staatsinkomstefonds kom											Amount forming a direct charge on the State Revenue Fund
Regerings van selfregerende gebiede (art. 6 (2) (c) van Wet 21 van 1971)					753 846	699 537			753 846	699 537	
<b>Totale beraamde uitgawe</b>	<b>241 227</b>	<b>172 366</b>	<b>36 030</b>	<b>37 082</b>	<b>22 927 730</b>	<b>20 246 216</b>	<b>1 988 162</b>	<b>1 191 388</b>	<b>25 193 149</b>	<b>21 647 052</b>	<b>Total estimated expenditure</b>
Toename	68 861				2 681 514		796 774		35 460 97		Increase
Afname			1 052								Decrease

DOEL: Om die belange van die inwoners van die RSA as individue t.o.v. hulle status, identiteit en bepaalde regte en bevoegdhede te beskerm en te behartig en 'n ondersteunende diens te lewer

AIM: To protect and regulate the interests of the inhabitants of the RSA as individuals i.r.o. their status, identity and specific rights and powers and to render a supporting service

Rekenpligtige beampte: Direkteur-generaal: Binnelandse Sake

Accounting officer: Director-General: Home Affairs

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindeelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	45 977	56 047							45 977	56 047	1 Administration
2 Burgerdienste	133 518	104 046							133 518	104 046	2 Services to citizens
3 Immigrasie	13 521	14 245			661	661			14 182	14 906	3 Immigration
4 Inkomens en vertrek van persone	43 415	39 125							43 415	39 125	4 Entry and departure of persons
5 Statistiese dienste	35 552	30 268							35 552	30 268	5 Statistical services
6 Ondersteunende en verwante dienste	29 283	21 259	690	91	15 000	23 000	2	2	44 975	44 352	6 Auxiliary and associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>301 266</b>	<b>264 990</b>	<b>690</b>	<b>91</b>	<b>15 661</b>	<b>23 661</b>	<b>2</b>	<b>2</b>	<b>317 619</b>	<b>288 744</b>	<b>AMOUNT TO BE VOTED</b>
Toename	36 276		599						28 875		Increase
Afname					8 000						Decrease

DOEL: Om effektiewe beskerming en volhoubare benutting van die omgewing tot voordeel van almal in Suid-Afrika te verseker

AIM: To ensure effective protection and sustainable utilization of the environment for the benefit of everyone in South Africa

Rekenpligtige beampte: Direkteur-generaal: Omgewingsake

Accounting officer: Director-General: Environment Affairs

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	15 089	12 889							15 089	12 889	1 Administration
2 Omgewingsbestuur	19 891	16 286			64 998	56 802		2 892	84 889	75 980	2 Environmental management
3 Maritieme ontwikkeling	31 690	25 160	1	1					31 691	25 161	3 Marine development
4 Weerburoleneste	44 309	38 309							44 309	38 309	4 Weather bureau services
5 Ondersteunende en verwante dienste	36 588	36 307	15 340	24 440			60	60	51 988	60 807	5 Auxiliary and associated services
Minus: Interne heffings	147 567	128 951	15 341	24 441	64 998	56 802	60	2 952	227 966	213 146	Less: Internal charges
	6 855	6 134							6 855	6 134	
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>140 712</b>	<b>122 817</b>	<b>15 341</b>	<b>24 441</b>	<b>64 998</b>	<b>56 802</b>	<b>60</b>	<b>2 952</b>	<b>221 111</b>	<b>207 012</b>	<b>AMOUNT TO BE VOTED</b>
Toename	17 895				8 196				14 099		Increase
Afname			9 100				2 892				Decrease

DOEL: Om doeltreffende staatsadministrasie te bevorder met betrekking, in die besonder, tot personeelsaangeleenthede en die organisering en funksionering van die owerheidsbestel

AIM: To promote efficient public administration with particular reference to staff matters and the organization and functioning of the system of government

Rekenpligtige beampte: Direkteur-generaal: Kommissie vir Administrasie

Accounting officer: Director-General: Commission for Administration

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	12 999	13 204	981	1 020					13 980	14 224	1 Administration
2 Funksionele bystand aan die Kommissie vir Administrasie	38 078	35 420	341	305					38 419	35 725	2 Functional assistance to the Commission for Administration
3 Ondersteunende en verwante dienste	1 275	1 073	1	1	2 512	2 512	251	1	4 638	3 587	3 Auxiliary and associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>52 352</b>	<b>49 697</b>	<b>1 323</b>	<b>1 326</b>	<b>2 512</b>	<b>2 512</b>	<b>251</b>	<b>1</b>	<b>56 438</b>	<b>53 536</b>	<b>AMOUNT TO BE VOTED</b>
Toename	2 655						250		2 902		Increase
Afname			3								Decrease

DOEL: Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diensvoorwaardes van statutêre amptbekendeers, beamptes en werknemers van die Staatsdiens, ander persone wie se besoldiging ten volle of gedeeltelik deur die staat betaal of gesubsidieer word en persone verbonde aan instellings wat geheel of gedeeltelik uit die Staatsinkomstefonds finansier word

AIM: To make provision for expenditure resulting from improved conditions of service of statutory incumbents, officers and employees of the Public Service, other persons whose remuneration is paid or subsidized fully or partly by the state and persons attached to institutions which are financed fully or partly from the State Revenue Fund

Rekeningspogte beampte: Direkteur-generaal: Kommissie vir Administrasie

Accounting officer: Director-General: Commission for Administration

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
	1993/94	1992/93	1993/94	1992/93	Lopend Current		Kapitaal Capital		1993/94	1992/93	
Hoofindekings	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	Main divisions
<b>Aanvulling van salarisse, lone en toelae</b> staatsdepartemente	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Augmentation of salaries, wages and allowances government departments
	805 585	1 558 046							805 585	1 558 046	
<b>Aanvulling van subsidies, huistoekeemings en finansiële bystand aan staatsondersteunde instellings</b>					183 653	121 350			183 653	121 350	Augmentation of subsidies, grants and financial assistance to state-aided institutions
<b>Oordragte aan Inkomsterakekings</b>											Transfers to Revenue Accounts House of Assembly House of Representatives House of Delegates
Volksraad					174 851	292 448			174 851	292 448	
Raad van Verteenwoordigers Raad van Algevaardigdes					95 157 33 305	137 254 47 790			95 157 33 305	137 254 47 790	
					303 313	477 492			303 313	477 492	
<b>Oordragte aan Rekenings vir Provinsiale Dienste</b>											Transfers to Accounts for Provincial Services Cape Natal Orange Free State Transvaal
Kaap					53 560	97 531			53 560	97 531	
Natal					35 411	60 998			35 411	60 998	
Oranje-Vrystaat					17 795	33 272			17 795	33 272	
Transvaal					71 177	134 391			71 177	134 391	
					177 943	326 192			177 943	326 192	
	805 585	1 558 046			664 909	925 034			1 470 494	2 483 080	
<b>Minus: Besparings op departementele begrotingsposte verag wat vir die doel aangewend sal word</b>		200 000								200 000	Less: Savings expected on departmental votes to be applied for this purpose
<b>Totale beraamde uitgawe</b>	805 585	1 358 046			664 909	925 034			1 470 494	2 283 080	Total estimated expenditure
<b>Minus: Bedrae wat regstreeks ten laste van die Staatsinkomstefonds kom</b>											Less: Amounts forming a direct charge on the State Revenue Fund Statutory incumbents (Act 40 of 1974)
Statutêre amptbekendeers (Wet 40 van 1974)		5 000								5 000	
<b>BEDRAG WAT BEWILIG MOET WORD</b>	805 585	1 353 046			664 909	925 034			1 470 494	2 278 080	AMOUNT TO BE VOTED
Toename											Increase
Afname		547 461				260 125				807 586	Decrease

a Sluit bydrae tot pensioen- en voorsorgfondse in.

b Sluit 'n toekomsing vir die verbetering van diensvoorwaardes vir opvoeders in.

a Including contribution to pension and provident funds.

b Including an allocation for the improvement of conditions of service for educators.

DOEL: Om doeltreffende vervoersstelsels op nasionale vlak te bevorder asook die SA Poskantoor Bpk vir bedryfsverliese te vergoed

AIM: To promote efficient transport systems on national level as well as compensating the SA Post Office Ltd for operating losses

Rekenpligige beampte: Direkteur-generaal: Vervoer

Accounting officer: Director-General: Transport

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindeelings											Main divisions
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Burgerlugvaart	22 615	21 430							22 615	21 430	2 Civil aviation
3 Skeepvaart	116 338	98 485	25 815	23 661	1	1	1	1	142 155	122 148	3 Shipping
4 Paaie	41 505	38 302							41 505	38 302	4 Roads
5 Stedelike vervoer	122	720					516 524	560 681	516 546	561 401	5 Urban transport
6 Padverkeer	8 020	5 271			1 666 090	1 201 534	50 002	2	1 924 112	1 206 607	6 Road traffic
7 Ondersteunende en verwante dienste	20 682	17 909	25 317	23 200					45 899	41 109	7 Auxiliary and associated services
	21 626	5 825	500	363	500 180	180	1 001	638	523 347	7 006	
BEDRAG WAT BEWILLIG MOET WORD	230 908	187 942	51 632	47 224	2 366 271	1 201 715	567 528	561 322	3 218 339	1 998 203	AMOUNT TO BE VOTED
Toename	42 966		4 408		1 164 556		6 206		1 218 136		Increase
Afname											Decrease

DOEL: Om 'n administratiewe, beplannings- en adviserende ondersteuningsdiens in die proses van staatkundige ontwikkeling in Suid-Afrika te lewer

AIM: To render an administrative, planning and advisory supporting service in the process of constitutional development in South Africa

Rekenpligige beampte: Hoof: Staatkundige Ontwikkelingsdiens

Accounting officer: Head: Constitutional Development Service

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindeelings											Main divisions
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
2 Staatkundige beplanning	10 601	6 394		30					10 601	6 424	2 Constitutional planning
3 Staatkundige ontwikkelingsondersteuning	2 883	1 569							2 883	1 569	3 Constitutional development support
4 Ondersteunende en verwante dienste	48 078	27 757		1 335					48 078	29 092	4 Auxiliary and associated services
	4 746	4 126							4 746	4 126	
BEDRAG WAT BEWILLIG MOET WORD	66 308	39 846		1 365					66 308	41 211	AMOUNT TO BE VOTED
Toename	26 462								25 097		Increase
Afname			1 365								Decrease

DOEL: Om doeltreffende kommunikasie tussen die regering en die bevolking van die RSA te bevorder

AIM: To promote effective communication between the government and the population of the RSA

Rekenpligtige beampte: Hoof: SA Kommunikasiediens

Accounting officer: Head: SA Communication Service

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	14 466	13 009	150	120			100	100	14 716	13 229	1 Administration
2 Binneandse skakel dienste	17 147	18 269							17 147	18 269	2 Internal liaison services
3 Media skakel	2 341	981							2 341	981	3 Media liaison
4 Media produksie	14 456	12 291							14 456	12 291	4 Media production
5 Kommunikasiebeplanning en -koördinerings	5 366	6 855							5 366	6 855	5 Communication planning and co-ordination
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>53 776</b>	<b>51 405</b>	<b>150</b>	<b>120</b>			<b>100</b>	<b>100</b>	<b>54 026</b>	<b>51 625</b>	<b>AMOUNT TO BE VOTED</b>
Toename	2 371		30						2 401		Increase
Afname											Decrease

DOEL: Om op onpartydige wyse, binne die raamwerk van owerheidsbeleid, die regte en belange van alle individue en groepe op die arbeidssterrein ten beste te bevorder en te orden

AIM: To impartially order and promote the rights and interests of all individuals and groups in the labour field to their best advantage within the framework of government policy

Rekenpligtige beampte: Direkteur-generaal: Mannekrag

Accounting officer: Director-General: Manpower

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	51 583	43 814							51 583	43 814	1 Administration
2 Arbeidverhoudings	41 233	35 018							41 233	35 018	2 Labour relations
3 Veiligheid en gesondheid van persone	16 909	15 559							16 909	15 559	3 Safety and health of persons
4 Opvoeding	39 206	27 811	900	700	83 914	86 559			124 020	115 070	4 Training
5 Bestaansversekering	7 997	5 594			7 000	7 000			14 997	12 594	5 Social insurance
6 Benutting van mannekrag	27 280	27 146			2 674	2 640			29 954	29 786	6 Utilization of manpower
7 Oordragende en verbonde dienste	14 142	11 624	821	600	31 152	30 446	1 100	800	47 215	43 470	7 Auxiliary and associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>198 350</b>	<b>166 586</b>	<b>1 721</b>	<b>1 300</b>	<b>124 740</b>	<b>128 645</b>	<b>1 100</b>	<b>800</b>	<b>325 911</b>	<b>295 311</b>	<b>AMOUNT TO BE VOTED</b>
Toename	31 784		421				300		30 600		Increase
Afname					1 905						Decrease



DOEL: Om aangeleenthede rakende nasionale opvoedingsbeleid, sport en ontspanning, wetenskapbeplanning en kultuur as algemene sake te behartig en om 'n staatsargief- en heraldieklieens, staatsstaaldieens, nasionale terminologiesdiens en staatsdiensbiblioteekdiens te lewer

AIM: To manage matters affecting national education policy, sport and recreation, science planning and culture as general affairs and to render state archives and heraldic services, state language services, national terminology services and public service library services

Rekenpligtige beampte: Direkteur-generaal: Nasionale Opvoeding

Accounting officer: Director-General: National Education

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	10 962	10 604					225	161	11 187	10 765	1 Administration
2 Nasionale opvoedingsbeleid	9 156	7 838							9 156	7 838	2 National education policy
3 Opvoedkundige verbeterings					16 900	406	85 000		101 900	406	3 Educational improvements
4 Sport- en ontspanningsbeveerding	5 950	5 615			22 788	14 537	255	255	28 993	20 407	4 Sport and recreation advancement
5 Kultuur	4 730	3 364			259 598	225 029	1 032	842	265 368	229 235	5 Culture
6 Staatsargief- en -heraldieklieens	9 310	8 473							9 310	8 473	6 State archives and heraldic services
7 Staatsstaaldieens	2 455	2 232							2 455	2 232	7 State language services
8 Nasionale terminologiesdiens	1 575	1 452							1 575	1 452	8 National terminology services
9 Staatsdiensbiblioteekdiens	348	1 215							348	1 215	9 Public Service library services
10 Wetenskapbeplanning	2 406	1 223				933			2 406	2 156	10 Science planning
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>46 892</b>	<b>42 016</b>			<b>299 286</b>	<b>240 905</b>	<b>86 512</b>	<b>1 258</b>	<b>432 690</b>	<b>284 179</b>	<b>AMOUNT TO BE VOTED</b>
Toename	4 876				58 381		85 254		148 511		Increase
Afname											Decrease

DOEL: Om beleidsadvies oor staatsfinansies en die oerhoofse aanwending van owerheidsfondse te lewer, die Skatkis te befonds, fondse aan openbare owerhede en instellings beskikbaar te stel en sekere pensioenfondse te administreer

AIM: To render policy advice on state finances as well as the overall utilization of government funds, fund the Exchequer, make funds available to public authorities and institutions and administer certain pension funds

Rekenpligtige beampte: Direkteur-generaal: Finansies

Accounting officer: Director-General: Finance

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordragte Transfers				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Main divisions
1 Administrasie	48 569	45 256							48 569	45 256	1 Administration
2 Finansiële en ekonomiese maatreëls	12 720	12 639			5 000				17 720	12 639	2 Financial and economic measures
3 Skatfinansiering	545 741	480 333							545 741	480 333	3 Exchequer financing
4 Fiscale oordragte					192 227	141 491	414 000	2	606 227	141 493	4 Fiscal transfers
5 Siviele pensioene en bydraes tot fondse	454 457	818 016			807	547			455 264	818 563	5 Civil pensions and contributions to funds
6 Militêre pensioene en ander voordele	6 851	5 776			87 449	85 228			94 300	91 004	6 Military pensions and other benefits
7 Verwante dienste	34 047	26 511	1 000	1 000	2	2			35 049	27 513	7 Associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>1 102 385</b>	<b>1 388 531</b>	<b>1 000</b>	<b>1 000</b>	<b>285 485</b>	<b>227 258</b>	<b>414 000</b>	<b>2</b>	<b>1 882 870</b>	<b>1 616 801</b>	<b>AMOUNT TO BE VOTED</b>
<b>Bedrae wat regs direk teen laste van die Staatsinkomptelens kom</b>											<b>Amounts forming a direct charge on the State Revenue Fund</b>
Verpligtings i.o.v. die Staatskuld (art. 20 van Wet 66 van 1975)											Commitments i.r.o. the State Debt (sec. 20 of Act 66 of 1975)
Rente	20 743 348	15 908 085							20 743 348	15 908 085	Interest
Bestuur	111 916	318 024							111 916	318 024	Management
Koste van aangaan van lenings	2 545 845	4 042 000							2 545 845	4 042 000	Cost of raising loans
	<b>23 401 109</b>	<b>20 268 109</b>							<b>23 401 109</b>	<b>20 268 109</b>	
Verpligtings i.o.v. lenings deur gemeenskapsrade (art. 30A van Wet 66 van 1975)											Commitments i.r.o. loans by community councils (sec. 30A of Act 66 of 1975)
Rente	15 730	21 245							15 730	21 245	Interest
Bestuur	308	279							308	279	Management
Aflossing	12 713	16 424							12 713	16 424	Redemption
	<b>28 751</b>	<b>37 948</b>							<b>28 751</b>	<b>37 948</b>	
	<b>23 429 860</b>	<b>20 306 057</b>							<b>23 429 860</b>	<b>20 306 057</b>	

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordrag Transfer:				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings											Main divisions
Minus: Diskonto (art. 20 van Wet 66 van 1975)	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Less: Discount (sec. 20 of Act 66 of 1975)
	2545000	4041000							2545000	4041000	
	20884860	16265057							20884860	16265057	
Pensioene aan gewese Staatspresidenten of hulle weduwees (art. 13 van die Grondwet van die RSA, 1983)											Pensions to ex-State Presidents or their widows (sec. 13 of the RSA Constitution Act, 1983)
	835	800							835	800	
<b>Totale beraamde uitgawe</b>	<b>21 988 080</b>	<b>17 654 388</b>	<b>1 000</b>	<b>1 000</b>	<b>285 485</b>	<b>227 268</b>	<b>14 000</b>	<b>2</b>	<b>22 688 565</b>	<b>17 882 658</b>	<b>Total estimated expenditure</b>
Toename	4333692				58217		413998		4805907		Increase
Afname											Decrease

Begrotingspos 32  
Vote 32

Handel en Nywerheid  
Trade and Industry

R3 019 597 000

32—1

DOEL: Om die ontwikkeling en instandhouding van 'n ekonomies lewensvatbare nywerheidsstruktuur te bevorder, toestande te skep wat gunstig en bevorderlik vir gesonde ontwikkeling van die binnelandse en buitelandse handel is en verbruikersbelange in die RSA te beskerm

AIM: To promote the development and maintenance of an economically viable industrial structure, create conditions which are favourable and conducive to the sound development of internal and foreign trade and to protect consumer interests in the RSA

Rekenpligtige beampte: Direkteur-generaal: Handel en Nywerheid

Accounting officer: Director-General: Trade and Industry

Aanbieding volgens programme	Lopend Current		Kapitaal Capital		Oordrag Transfer:				Totaal Total		Presentation according to programmes
					Lopend Current		Kapitaal Capital				
	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	
Hoofindelings											Main divisions
1 Administrasie	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	1 Administration
	19 209	16 483	324	266					19 533	16 749	
2 Nywerheidsontwikkeling	21 097	16 485	147	181	286 113	259 605	2 004	7 515	309 361	283 786	2 Industrial development
3 Binnelandse handel en verbruikerssake	19 558	16 095	2 372	6 641	5 721	4 969			27 661	27 705	3 Internal trade and consumer affairs
4 Buitelandse handelsbetrekkings en uitvoerbevoorsiening	88 939	70 857	721	520	2 389 654	2 585 532			2 479 314	2 656 909	4 Foreign trade relations and export promotion
5 Bevordering van toerisme	932	720	6	15	84 130	54 569			85 668	55 304	5 Promotion of tourism
6 Verwante dienste	976	801	60	50	97 633	18 633	1	1	98 678	19 485	6 Associated services
<b>BEDRAG WAT BEWILLIG MOET WORD</b>	<b>150 711</b>	<b>121 441</b>	<b>3 630</b>	<b>7 673</b>	<b>2 863 251</b>	<b>2 923 308</b>	<b>2 005</b>	<b>7 516</b>	<b>3 019 597</b>	<b>3 059 938</b>	<b>AMOUNT TO BE VOTED</b>
Toename	29 270										Increase
Afname			4 043		60 057		5 511		40 341		Decrease

**KAAPSE PROVINSIALE ADMINISTRASIE  
CAPE PROVINCIAL ADMINISTRATION**

<p><b>DOEL:</b></p> <p><b>Algemene provinsiale dienste</b> Om algemene provinsiale dienste te lewer</p> <p><b>Gesondheidsdienste</b> Om gesondheids- en verwante dienste te lewer wat ingevolge wetgewing aan die Kaapse Provinsiale Administrasie opgedra is</p> <p><b>Padnetwerkvoorsiening en verkeersadministrasie</b> Om doeltreffende padverbindinge daar te stel en in stand te hou asook om verkeer-beheer en reëlings en bepaalde ordonansies toe te pas en die invordering van uitstaande belasting, inkomste en ander skulde te behartig</p> <p><b>Gemeenskapsontwikkeling</b> Om gemeenskapsontwikkeling binne die grense van KPA te bevorder</p> <p><b>Verbetering van diensvoorwaardes</b> Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diens-voorwaardes van beamptes en werknemers</p> <p>Rekenpligtige beampte: Direkteur-generaal: Kaapse Provinsiale Administrasie</p>	<p><b>AIM:</b></p> <p><b>General provincial services</b> To render general provincial services</p> <p><b>Health services:</b> To render health and related services which have been assigned to the Cape Provincial Administration in terms of legislation</p> <p><b>Road network provision and traffic administration</b> To provide and maintain efficient road connections as well as the enforcement of traffic control and regulations and particular ordinances and managing the collection of outstanding taxes, revenue and other debts</p> <p><b>Community development</b> To promote community development within the boundaries of the CPA</p> <p><b>Improvement of conditions of service</b> To provide for expenditure resulting from improved conditions of service of officers and employees</p> <p>Accounting officer: Director-general: Cape Provincial Administration</p>
---	---

Begrotingspos—Vote		1993/94				1992/93	
		Lopend Current	Kapitaal Capital	Oordragte/Transfers			Bewiligt te word To be voted
No.	Titel—Title					Lopend Current	
1	Algemene provinsiale dienste—General provincial services	R'000	R'000	R'000	R'000	R'000	R'000
2	Gesondheidsdienste—Health services	303 281	45 778	37 381	8 600	395 040	373 778
3	Padnetwerkvoorsiening en verkeersadministrasie—Road network provision and traffic administration	2 064 575	6 100	200 709	6 000	2 277 384	2 065 342
4	Gemeenskapsontwikkeling—Community development	367 908	200 894	13 000	34 000	555 802	490 817
5	Verbetering van diensvoorwaardes—Improvement of conditions of service	127 727	8 878	886 700	36 035	1 069 340	922 815
	Totaal—Total	2 867 051	261 650	1 137 790	84 635	4 351 126	3 950 283
Netto toename—Net increase							R400 843 000

**NATALSE PROVINSIALE ADMINISTRASIE  
NATAL PROVINCIAL ADMINISTRATION**

<p><b>DOEL:</b></p> <p><b>Algemene provinsiale dienste</b> Om algemene provinsiale dienste te lewer</p> <p><b>Gesondheidsdienste</b> Om gesondheids- en verwante dienste te lewer wat ingevolge wetgewing aan die Natalse Provinsiale Administrasie opgedra is</p> <p><b>Padnetwerkvoorsiening en verkeersadministrasie</b> Om doeltreffende padverbindinge daar te stel en in stand te hou asook om verkeer-beheer en reëlings en bepaalde ordonansies toe te pas en die invordering van uitstaande belasting, inkomste en ander skulde te behartig</p> <p><b>Gemeenskapsontwikkeling</b> Om gemeenskapsontwikkeling binne die grense van Natal te bevorder</p> <p><b>Verbetering van diensvoorwaardes</b> Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diens-voorwaardes van beamptes en werknemers</p> <p>Rekenpligtige beampte: Direkteur-generaal: Natalse Provinsiale Administrasie</p>	<p><b>AIM:</b></p> <p><b>General provincial services</b> To render general provincial services</p> <p><b>Health services:</b> To render health and related services which have been assigned to the Natal Provincial Administration in terms of legislation</p> <p><b>Road network provision and traffic administration</b> To provide and maintain efficient road connections as well as the enforcement of traffic control and regulations and particular ordinances and managing the collection of outstanding taxes, revenue and other debts</p> <p><b>Community development</b> To promote community development within the boundaries of Natal</p> <p><b>Improvement of conditions of service</b> To provide for expenditure resulting from improved conditions of service of officers and employees</p> <p>Accounting officer: Director-general: Natal Provincial Administration</p>
---	---

Begrotingspos—Vote		1993/94				1992/93	
		Lopend Current	Kapitaal Capital	Oordragte/Transfers			Bewiligt te word To be voted
No.	Titel—Title					Lopend Current	
1	Algemene provinsiale dienste—General provincial services	R'000	R'000	R'000	R'000	R'000	R'000
2	Gesondheidsdienste—Health services	138 842	53 772	117 009	391	310 014	252 419
3	Padnetwerkvoorsiening en verkeersadministrasie—Road network provision and traffic administration	1 213 280	4 649	58 911		1 376 820	1 165 496
4	Gemeenskapsontwikkeling—Community development	218 156	88 152	24 161		338 469	292 075
5	Verbetering van diensvoorwaardes—Improvement of conditions of service	204 947	16 763	416 846	3 810	642 366	550 734
	Totaal—Total	1 776 165	163 336	616 927	4 201	2 698 469	2 321 722
Netto toename—Net increase							R373 358 000

**ORANJE-VRYSTAATSE PROVINSIALE ADMINISTRASIE  
ORANGE FREE STATE PROVINCIAL ADMINISTRATION**

**DOEL:**

**Algemene provinsiale dienste**

Om algemene provinsiale dienste te lewer

**Gesondheidsdienste**

Om gesondheids- en verwante dienste te lewer wat ingevolge wetgewing aan die OVS Provinsiale Administrasie opgedra is

**Padnetwerkvoorsiening en verkeersadministrasie**

Om doeltreffende padverbindinge daar te stel en in stand te hou asook om verkeer-beheer en reëlings en bepaalde ordonnansies toe te pas en die invordering van uitstaande belasting, inkomste en ander skulde te behartig

**Gemeenskapsontwikkeling**

Om gemeenskapsontwikkeling binne die grense van OVS te bevorder

**Verbetering van diensvoorwaardes**

Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diens-voorwaardes van beamptes en werknemers

Rekenpligtige beampte: Direkteur-generaal: Oranje-Vrystaatse Provinsiale Administrasie

**AIM:**

**General provincial services**

To render general provincial services

**Health services**

To render health and related services which have been assigned to the OFS Provincial Administration in terms of legislation

**Road network provision and traffic administration**

To provide and maintain efficient road connections as well as the enforcement of traffic control and regulations and particular ordinances and managing the collection of outstanding taxes, revenue and other debts

**Community development**

To promote community development within the boundaries of the OFS

**Improvement of conditions of services**

To provide for expenditure resulting from improved conditions of service of officers and employees

Accounting officer: Director-general: Orange Free State Provincial Administration

Begrotingspos—Vote		1993/94				Bewilling te word To be voted	1992/93
		Lopend Current		Kapitaal Capital			
No.	Titel—Title	Lopend Current	Kapitaal Capital	Lopend Current	Kapitaal Capital		
1	Algemene provinsiale dienste—General provincial services	R'000 164 270	R'000 69 021	R'000 15 720		R'000 249 011	R'000 206 251
2	Gesondheidsdienste—Health services	712 787	2 674	24 020		739 481	617 563
3	Padnetwerkvoorsiening en verkeersadministrasie—Road network provision and traffic administration	144 990	107 817	6 205		259 012	221 991
4	Gemeenskapsontwikkeling—Community development	111 197	39 917	447 650		598 764	531 535
5	Verbetering van diensvoorwaardes—Improvement of conditions of service	17 795				17 795	33 272
Totaal—Total		1 151 039	219 429	493 595		1 864 063	1 610 612

Netto toename—Net increase ..... R253 451 000

**TRANSVAALSE PROVINSIALE ADMINISTRASIE  
TRANSVAAL PROVINCIAL ADMINISTRATION**

**DOEL:**

**Algemene provinsiale dienste**

Om algemene provinsiale dienste te lewer

**Gesondheidsdienste**

Om gesondheids- en verwante dienste te lewer wat ingevolge wetgewing aan die Transvaal Provinsiale Administrasie opgedra is

**Padnetwerkvoorsiening en verkeersadministrasie**

Om doeltreffende padverbindinge daar te stel en in stand te hou asook om verkeer-beheer en reëlings en bepaalde ordonnansies toe te pas en die invordering van uitstaande belasting, inkomste en ander skulde te behartig

**Gemeenskapsontwikkeling**

Om gemeenskapsontwikkeling binne die grense van TPA te bevorder

**Verbetering van diensvoorwaardes**

Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diens-voorwaardes van beamptes en werknemers

Rekenpligtige beampte: Direkteur-generaal: Transvaalse Provinsiale Administrasie

**AIM:**

**General provincial services**

To render general provincial services

**Health services**

To render health and related services which have been assigned to the Transvaal Provincial Administration in terms of legislation

**Road network provision and traffic administration**

To provide and maintain efficient road connections as well as the enforcement of traffic control and regulations and particular ordinances and managing the collection of outstanding taxes, revenue and other debts

**Community development**

To promote community development within the boundaries of the TPA

**Improvement of conditions of services**

To provide for expenditure resulting from improved conditions of service of officers and employees

Accounting officer: Director-general: Transvaal Provincial Administration

Begrotingspos—Vote		1993/94				Bewilling te word To be voted	1992/93
		Lopend Current		Kapitaal Capital			
No.	Titel—Title	Lopend Current	Kapitaal Capital	Lopend Current	Kapitaal Capital		
1	Algemene provinsiale dienste—General provincial services	R'000 659 891	R'000 158 389	R'000 36 020	R'000 520	R'000 854 828	R'000 627 891
2	Gesondheidsdienste—Health services	2 684 691		243 239		2 927 930	2 691 059
3	Padnetwerkvoorsiening en verkeersadministrasie—Road network provision and traffic administration	617 817	35 001	4 672	2	657 492	585 420
4	Gemeenskapsontwikkeling—Community development	332 301	17 985	1 894 586		2 244 872	1 964 523
5	Verbetering van diensvoorwaardes—Improvement of conditions of service	71 177				71 177	134 391
Totaal—Total		4 365 877	211 375	2 178 517	522	6 756 291	6 003 284

Netto toename—Net increase ..... R753 007 000

**TABLE 1**  
**REVENUE - 1992/93**

HEAD OF REVENUE	Actual collections 1990/91	Actual collections 1991/92	Second print: Budget 1992/93 1)	Revised Estimate 1992/93	%-change: Revised Estimate on 1991/92
	R'000	R'000	R'000	R'000	
<b>INLAND REVENUE:</b>					
Income tax:					
Normal tax:					
Gold mines	644 367	523 709	472 000	482 000	-8.0%
Diamond mines	24 211	21 008	20 000	53 000	152.3%
Other mines	1 532 481	691 440	835 000	550 000	-20.5%
Persons and individuals 2)	23 005 109	28 652 002	35 511 000	32 572 000	13.7%
Companies (other than tax on mining) 2)	11 654 547	12 277 208	13 356 300	10 796 300	-12.1%
Interest on overdue tax	237 615	285 326	290 000	330 000	15.7%
	<b>37 098 330</b>	<b>42 450 694</b>	<b>50 484 300</b>	<b>44 783 300</b>	<b>5.5%</b>
Value-added tax / Sales tax 2),3)	<b>18 046 840</b>	<b>18 516 851</b>	<b>21 019 700</b>	<b>17 375 558</b>	<b>-6.2%</b>
Other taxes:					
Non-resident shareholders' tax	416 071	334 787	320 000	278 000	-17.0%
Non-resident tax on interest	719	38			
Undistributed profits tax	2 251	366		100	
Donations tax	6 508	6 829	6 000	9 900	45.0%
Estate duty	81 961	78 696	75 000	82 000	4.2%
Marketable securities tax	243 288	199 756	221 000	164 000	-17.9%
Stamp duties and fees	649 859	698 518	830 000	750 000	7.4%
Transfer duties	766 441	842 559	810 000	870 000	3.3%
Levy on financial services		72 599	300 000	330 000	
	<b>2 167 097</b>	<b>2 234 147</b>	<b>2 562 000</b>	<b>2 484 000</b>	<b>11.2%</b>
Mining leases and ownership:					
Gold mines	183 120	150 902	145 000	163 000	8.0%
Diamond mines	69 823	75 660	50 000	30 000	-60.3%
Other mines	179 252	98 433	100 000	103 000	4.6%
	<b>432 195</b>	<b>324 995</b>	<b>295 000</b>	<b>296 000</b>	<b>-8.9%</b>
Interest and dividends:					
Interest:					
Border area development	6 244		6 000	10 000	
Broadcasting	763				
Shipbuilding industry	454	235	100	100	
Farming industry	7 164	21 030	14 500	14 500	
State land	734	906	800	2 000	
Communications	15 789	8 596	13 350	1 425	
Local loans	1 731	3 292	150	3 450	
Cash balances	8 098	4 473	3 150	5 000	
Other	22 688	37 072	19 600	59 285	
Dividends:					
Broadcasting	2 111	1 780	1 800	1 800	
Other	0	0		48 020	
	<b>65 774</b>	<b>77 388</b>	<b>59 450</b>	<b>145 580</b>	<b>88.1%</b>

HEAD OF REVENUE	Actual collections 1990/91	Actual collections 1991/92	Second print: Budget 1992/93 1)	Revised Estimate 1992/93	%-change: Revised Estimate on 1991/92
	R'000	R'000	R'000	R'000	
<b>Levies:</b>					
Diamond export rights	1				
Mining lease rights and licences	5 932	21 430	12 000	20 000	
Licences	7 360	8 437	7 000	9 000	
	<b>13 293</b>	<b>29 867</b>	<b>19 000</b>	<b>29 000</b>	<b>-2.9%</b>
<b>Recovery of loans and advances:</b>					
Farming industry	282	189	1 600	1 600	
Shipbuilding industry	1 953	1 614	950	950	
Communications	13 913	15 135	10 500	10 500	
<b>Other:</b>					
Miscellaneous	68 062	44 787	31 300	73 399	
SWAWEC	6 500	14 838	15 200	14 838	
	<b>90 711</b>	<b>76 563</b>	<b>59 550</b>	<b>101 287</b>	<b>32.3%</b>
<b>Departmental activities:</b>					
<b>Sale of products:</b>					
Agriculture, forestry and fishing	2 296	3 084	1 120	2 900	
Other	30 658	41 824	45 000	43 000	
<b>Sale of capital equipment</b>	22	2 211	5	70	
<b>State property rights:</b>					
Leasing and property rights moneys	78 660	102 191	96 200	125 000	
Sale of State-owned land, buildings and structures	20 807	22 547	20 000	70 000	
Revenue from Trust property			61 777	51 000	
<b>Moneys prescribed by law:</b>					
Registration and inspection fees	19 396	19 314	17 650	14 000	
Fines and forfeitures	201 541	94 955	102 000	102 000	
Witness fees	35	43	50	50	
Pension contributions	5 620	2 593	420	2 500	
Other	56 950	139 863	113 500	122 000	
<b>Moneys not prescribed by law:</b>					
Leasing	2 003	686	1 200	717	
Domestic services	8 257	7 756	9 700	24 000	
Profits on trading accounts	145 057	178 225	212 700	210 000	
Commission	17 529	10 831	18 000	18 000	
Other	26 393	50 126	32 250	53 500	
<b>Miscellaneous revenue:</b>					
Recoveries	14 961	32 561	17 600	20 000	
<b>Other:</b>					
Exchange profit	-2 032	-32 553	20 500		
Reserve Bank profits	147 098	70 876	70 875	70 875	
Sishen/Saldanha project	206 931	72 925		73 000	
Corporation for Public Deposits	35 586	28 510	35 600	35 600	
Black and Coloured Transport Account	1 904	366	1	1	
Iscor (Mineral rights)	12 631	1 790			
National Energy Board		34 280	150 000	150 000	
Unspecified	197 477	258 560	122 852	186 920	
	<b>1 229 781</b>	<b>1 143 585</b>	<b>1 149 000</b>	<b>1 375 133</b>	<b>20.2%</b>

HEAD OF REVENUE	Actual collections 1990/91	Actual collections 1991/92	Second print: Budget 1992/93 1)	Revised Estimate 1992/93	%-change: Revised Estimate on 1991/92
	R'000	R'000	R'000	R'000	
Extraordinary capital revenue: 4)					
Proceeds from privatisation of State assets				107 692	
Transfer from LSPF	319 400	544 754	405 500	255 607	
Transfer from Central Energy Fund		264 471	694 500	780 519	
Premium on consolidation of Govt. stock	16 400	8 523			
	<b>335 800</b>	<b>817 748</b>	<b>1 100 000</b>	<b>1 143 818</b>	<b>39.9%</b>
<b>Gross total for Inland Revenue</b>	<b>59 479 821</b>	<b>65 671 837</b>	<b>76 748 000</b>	<b>67 733 676</b>	<b>3.1%</b>
Less:					
Payments to self-governing territories (Act 21 of 1971):					
Persons and individuals (sec. 6(2)(a)(iA))	880 995	1 060 806	1 326 000	1 317 000	
Companies (other than tax on mining) (sec. 6(2)(a)(ii))	891	889	1 300	1 300	
Sales tax and Value-added tax (sec. 6(2)(a)(iv))	31 200	31 561	34 000	28 858	
Payments to TBVC countries (Act 89 of 1991 as amended):					
Value-added tax (sec. 75)		303 160	760 700	760 700	
<b>TOTAL FOR INLAND REVENUE</b>	<b>58 566 735</b>	<b>64 275 421</b>	<b>74 626 000</b>	<b>65 625 818</b>	<b>2.1%</b>

(Table 1 continues on page B.4)

HEAD OF REVENUE	Actual collections 1990/91	Actual collections 1991/92	Second print: Budget 1992/93 1)	Revised Estimate 1992/93	%-change: Revised Estimate on 1991/92
	R'000	R'000	R'000	R'000	
<b>CUSTOMS AND EXCISE:</b>					
Customs duty	2 502 339	2 736 133	3 124 000	2 975 000	8.7%
Surcharge on imports	2 075 343	1 455 502	1 670 000	1 525 000	4.8%
Excise duty:	3 344 486	3 825 332	4 754 000	4 372 000	14.3%
Beer	1 006 950	1 179 115	1 378 000	1 320 000	
Sorghum beer and -powder			14 000	12 000	
Wine	14 826	23 509	43 700	64 500	
Mineral water	73 735	99 946	152 000	162 000	
Spirits	381 310	407 212	505 000	450 000	
Cigarettes and -tobacco	693 965	816 434	1 118 000	925 000	
Pipe tobacco and cigars	20 312	18 196	19 500	19 000	
Petroleum products	443 016	462 423	460 000	483 000	
Motor cars	67 670	126 963	318 000	310 000	
Ad valorem: Schedule 1, Part 2B (Local)	455 937	465 249	510 000	350 000	
Chemical products	110	503	800	1 500	
Revenue from neighbouring countries	186 654	225 782	235 000	275 000	
Fuel levy	3 930 234	5 194 379	6 634 000	6 810 000	31.1%
Ordinary levy	107 923	67 180	64 000	85 000	26.5%
Miscellaneous	9 658	60 287	17 000	80 000	32.7%
<b>Gross total for Customs and Excise</b>	<b>11 969 983</b>	<b>13 338 813</b>	<b>16 263 000</b>	<b>15 847 000</b>	<b>18.8%</b>
Less:					
Amount to the credit of the Central Revenue Fund (sec. 22(1) of Act 25 of 1969)	111 750				
Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)	3 287 042	4 499 724	5 040 000	5 160 000	14.7%
<b>TOTAL FOR CUSTOMS AND EXCISE</b>	<b>8 571 191</b>	<b>8 839 089</b>	<b>11 223 000</b>	<b>10 687 000</b>	<b>20.9%</b>
<b>GRAND TOTAL 5)</b>	<b>67 137 926</b>	<b>73 114 510</b>	<b>85 849 000</b>	<b>76 312 818</b>	<b>4.4%</b>
Less:					
Proceeds from privatisation of State assets				107 692	
Transfer from Land Supplies Procurement Fund	319 400	544 754	405 500	255 607	
Transfer from Central Energy Fund		264 471	694 500	780 519	
Premium on consolidation of Government stock	16 400	8 523			
<b>TOTAL ORDINARY REVENUE</b>	<b>66 802 126</b>	<b>72 296 762</b>	<b>84 749 000</b>	<b>75 169 000</b>	<b>4.0%</b>

1) After tax proposals are taken into account.

2) Gross collections, that is before payments to self-governing territories and TBVC countries.

3) Value added tax from 30 September 1981.

4) These receipts must by law be paid into the State Revenue Account via Inland Revenue, but does not form part of their normal revenue.

5) Includes extraordinary capital receipts - see note 4.



**TABLE 2  
REVENUE - 1993/94**

HEAD OF REVENUE	Revised Estimate 1992/93	First print: Budget 1993/94 1)	Second print: Budget 1993/94 2)	%-change: Second print on Revised 1992/93
	R'000	R'000	R'000	
<b>INLAND REVENUE:</b>				
Income tax:				
Normal tax:				
Gold mines	482 000	500 000	500 000	3.7%
Diamond mines	53 000	25 000	25 000	-52.8%
Other mines	550 000	400 000	376 000	-31.6%
Persons and individuals 2)	32 572 000	37 680 000	37 627 000	15.5%
Companies (other than tax on mining) 2)	10 796 300	11 101 300	11 101 300	2.8%
Interest on overdue tax	330 000	400 000	400 000	21.2%
	<b>44 783 300</b>	<b>50 106 300</b>	<b>50 029 300</b>	<b>11.7%</b>
Value-added tax / Sales tax 2),3)	<b>17 375 558</b>	<b>19 188 330</b>	<b>24 858 330</b>	<b>43.1%</b>
Other taxes:				
Non-resident shareholders' tax	278 000	275 000	275 000	-1.1%
Undistributed profits tax	100			
Donations tax	9 900	10 000	10 000	1.0%
Estate duty	82 000	83 000	83 000	1.2%
Marketable securities tax	164 000	165 000	165 000	0.6%
Stamp duties and fees	750 000	825 000	815 000	8.7%
Transfer duties	870 000	922 000	991 000	13.9%
Levy on financial services	330 000	365 000	365 000	10.6%
	<b>2 484 000</b>	<b>2 645 000</b>	<b>2 704 000</b>	<b>8.9%</b>
Mining leases and ownership:				
Gold mines	163 000	115 000	115 000	-29.4%
Diamond mines	30 000	1 000	1 000	-96.7%
Other mines	103 000	45 000	45 000	-56.3%
	<b>296 000</b>	<b>161 000</b>	<b>161 000</b>	<b>-45.6%</b>
Interest and dividends:				
Interest:				
Border area development	10 000	10 000	10 000	
Shipbuilding industry	100	7	7	
Farming industry	14 500	14 500	14 500	
State land	2 000	2 500	2 500	
Communications	1 425	618	618	
Local loans	3 450	3 000	3 000	
Cash balances	5 000	5 000	5 000	
Other	59 285	43 000	43 000	
Dividends:				
Broadcasting	1 800	1 800	1 800	
Telkom		115 000	115 000	
Other	48 020			
	<b>145 580</b>	<b>195 425</b>	<b>195 425</b>	<b>34.2%</b>

HEAD OF REVENUE	Revised Estimate 1992/93	First print: Budget 1993/94 1)	Second print: Budget 1993/94 2)	%-change: Second print on Revised 1992/93
	R'000	R'000	R'000	
<b>Levies:</b>				
Mining lease rights and licences	20 000	20 000	20 000	
Licences	9 000	10 000	10 000	
	<b>29 000</b>	<b>30 000</b>	<b>30 000</b>	<b>3.4%</b>
<b>Recovery of loans and advances:</b>				
Farming industry	1 600	1 700	1 700	
Shipbuilding industry	950	110	110	
Communications	10 500	6 370	6 370	
<b>Other:</b>				
Local loans	10 377	11 748	11 748	
SWAWEC	14 838	14 840	14 840	
Miscellaneous	63 022	39 257	39 257	
	<b>101 287</b>	<b>74 025</b>	<b>74 025</b>	<b>-26.9%</b>
<b>Departmental activities:</b>				
<b>Sale of products:</b>				
Agriculture, forestry and fishing	2 900	950	950	
Other	43 000	46 000	46 000	
<b>Sale of capital equipment</b>	<b>70</b>	<b>10</b>	<b>10</b>	
<b>State property rights:</b>				
Leasing and property rights moneys	125 000	127 000	127 000	
Sale of State-owned land, buildings and structures	70 000	70 350	70 350	
Revenue from Trust property	51 000			
<b>Moneys prescribed by law:</b>				
Registration and inspection fees	14 000	15 000	15 000	
Fines and forfeitures	102 000	103 000	103 000	
Witness fees	50	51	51	
Pension contributions	2 500	2 500	2 500	
Other	122 000	128 340	128 340	
<b>Moneys not prescribed by law:</b>				
Leasing	717	725	725	
Domestic services	24 000	24 500	24 500	
Profits on trading accounts	210 000	190 000	190 000	
Commission	18 000	18 500	18 500	
Other	53 500	54 000	54 000	
<b>Miscellaneous revenue:</b>				
Recoveries	20 000	18 000	18 000	
<b>Other:</b>				
Exchange profit				
Reserve Bank profits	70 875	70 875	70 875	
Sieher/Saldanha project	73 000	73 000	73 000	
Corporation for Public Deposits	35 600	35 600	35 600	
Black and Coloured Transport Account	1	1	1	
Iscor (Mineral rights)	150 000			
National Energy Board	186 920	307 148	307 148	
Unspecified				
	<b>1 375 133</b>	<b>1 285 550</b>	<b>1 285 550</b>	<b>-6.5%</b>

HEAD OF REVENUE	Revised Estimate 1992/93	First print: Budget 1993/94 1)	Second print: Budget 1993/94 2)	%-change: Second print on Revised 1992/93
	R'000	R'000	R'000	
Extraordinary capital revenue: 5)				
Proceeds from privatisation of State assets	107 692			
Transfer from Land Supplies Procurement Fund	255 607	149 957	149 957	
Transfer from Central Energy Fund	780 519	535 010	535 010	
Premium on consolidation of Government stock				
	<b>1 143 818</b>	<b>684 967</b>	<b>684 967</b>	
Gross total for Inland Revenue	<b>67 733 676</b>	<b>74 370 597</b>	<b>80 022 597</b>	<b>18.1%</b>
Less:				
Payments to self-governing territories (Act 21 of 1971):				
Persons and individuals (sec. 6(2)(a)(iA))	1 317 000	1 496 000	1 496 000	
Companies (other than tax on mining) (sec. 6(2)(a)(ii))	1 300	1 300	1 300	
Sales tax and Value-added tax (sec. 6(2)(a)(iv))	28 858	31 630	31 630	
Payments to TBVC countries (Act 89 of 1991 as amended):				
Value-added tax (sec. 75)	760 700	760 700	1 350 700	
<b>TOTAL FOR INLAND REVENUE</b>	<b>65 625 818</b>	<b>72 080 967</b>	<b>77 142 967</b>	<b>17.5%</b>

(Table 2 continues on page B.8)

HEAD OF REVENUE	Revised Estimate 1992/93	First print: Budget 1993/94 1)	Second print: Budget 1993/94 2)	%-change: Second print on Revised 1992/93
	R'000	R'000	R'000	
<b>CUSTOMS AND EXCISE:</b>				
Customs duty	2 975 000	3 132 000	3 132 000	5.3%
Surcharge on imports	1 525 000	1 635 000	1 635 000	7.2%
Excise duty:	4 372 000	4 536 000	4 856 440	11.1%
Beer	1 320 000	1 373 000	1 485 000	
Sorghum beer and -powder	12 000	13 000	19 000	
Wine	64 500	66 000	85 000	
Mineral water	162 000	168 000	202 000	
Spirits	450 000	450 000	500 000	
Cigarettes and -tobacco	925 000	935 000	1 034 000	
Pipe tobacco and cigars	19 000	19 500	19 940	
Petroleum products	483 000	495 000	495 000	
Motor cars	310 000	330 000	330 000	
Ad valorem: Schedule 1, Part 2B (Local)	350 000	385 000	385 000	
Chemical products	1 500	1 500	1 500	
Revenue from neighbouring countries	275 000	300 000	300 000	
Fuel levy	6 810 000	6 893 000	7 633 000	12.1%
Ordinary levy	85 000	88 000	88 000	3.5%
Miscellaneous	80 000	83 000	83 000	3.8%
<b>Gross total for Customs and Excise</b>	<b>15 847 000</b>	<b>16 367 000</b>	<b>17 427 440</b>	<b>10.0%</b>
<b>Less:</b>				
Payments in terms of Custom Union Agreements (sec. 51(2) of Act 91 of 1964)	5 160 000	5 675 000	5 675 000	10.0%
<b>TOTAL FOR CUSTOMS AND EXCISE</b>	<b>10 687 000</b>	<b>10 692 000</b>	<b>11 752 440</b>	<b>10.0%</b>
<b>GRAND TOTAL 6)</b>	<b>76 312 818</b>	<b>82 772 967</b>	<b>88 895 407</b>	<b>16.5%</b>
<b>Less:</b>				
Proceeds from privatisation of State assets	107 692			
Transfer from Land Supplies Procurement Fund (LSPF)	255 607	149 957	149 957	
Transfer from Central Energy Fund (CEF)	780 519	535 010	535 010	
Premium on consolidation of Government stock				
<b>TOTAL ORDINARY REVENUE</b>	<b>75 169 000</b>	<b>82 088 000</b>	<b>88 210 440</b>	<b>17.3%</b>

1) Before tax proposals are taken into account.

2) After tax proposals are taken into account.

3) Gross collections, that is before payments to self-governing territories and TBVC countries.

4) Value added tax from 30 September 1991.

5) These receipts must by law be paid into the State Revenue Account via Inland Revenue, but does not form part of their normal revenue.

6) Includes extraordinary capital receipts - see note 5.

1993/94-BUDGET

SUMMARY OF TAX PROPOSALS

PART I: INLAND REVENUE

A. INCOME TAX

1. INDIVIDUALS

1.1 Exemptions

It is proposed that the R30 000 exemption in terms of section 10(1)(x) be made applicable to certain employees who become unemployed as a result of dismissal or retrenchment, irrespective of such employees' age. This concession will apply to all employees who were or are retrenched on or after 1 March 1992.

1.2 Tax on Fringe Benefits

It is proposed that the portion of a car allowance which employees receive to reimburse them for official or business use of their vehicles, which is subject to PAYE, should be increased from 25 per cent to 35 per cent with effect from 1 July 1993.

1.3 Provisional Tax

The exemption limit in respect of persons over the age of 65 be increased from R25 000 to R35 000 with effect from the 1994 tax year.

2. LONG TERM INSURERS

The implementation of the "four-fund" approach and the repeal of the Sixth Schedule as recommended by the Jacobs-Committee is proposed.

3. COMPANIES

3.1 Non-mining companies

The rate of tax in respect of companies is to be reduced by 8 percentage points, from 48 per cent to 40 per cent. This rate will be applicable in respect of companies whose years of assessment end between 1 April 1993 and 31 March 1994.

3.2 Mining companies other than gold mines

The tax rate in respect of those mines is also decreased from 48 per cent to 40 per cent whilst the surcharge on these mines is finally phased out, from 3 per cent to nil per cent. This rate will be applicable in respect of companies whose years of assessment end between 1 April 1993 and 31 March 1994.

3.3 Dual tax on companies

It is proposed that as part of the tax of the companies mentioned above, a further tax of 15 per cent be levied on the net amount of distributed profits on or after 17 March 1993 in the form of dividends (subject to certain exemptions).

B. STAMP DUTY

The stamp duty of R2,00 which is leviable on "ordinary" agreements and contracts, is abolished from 1 April 1993.

C. TRANSFER DUTY

The rates of tax and exemptions in respect of transfer duty are, with effect from 7 April 1993, amended as follows:

Acquisitions of property by natural persons:

From 1 per cent of the value not exceeding R50 000 and 5 per cent of the value exceeding R50 000 to  
1 per cent on the first R60 000,  
5 per cent on R60 001 to R250 000 and  
8 per cent on amounts in excess of R250 000.

Acquisitions of property by persons other than natural persons:

From 7 per cent to 10 per cent

In addition to the changes in the rates, the exemptions in respect of the acquisitions of property by natural persons are also increased as follows:

- in the case of the acquisition of a dwelling house or flat under sectional title, the exemption will be increased from R50 000 to R60 000; and
- in the case of the acquisition of unimproved property for the purposes of erecting a dwelling thereon; the exemption will be increased from R20 000 to R24 000.

D. VALUE-ADDED TAX (VAT)

It is proposed that the rate of tax in respect of VAT be increased from 10 per cent to 14 per cent, with effect from 7 April 1993. Certain foodstuffs will however be zero rated.

**PART II: CUSTOMS AND EXCISE**

\*That, subject to the provisions of an Act to be passed during the present session of Parliament and subject to such rebates, refunds or remissions of duty as may be provided for therein -

(1) the excise and customs duties in Section A of Part 2 of Schedule No. 1 to the Customs and

Excise Act, 1964, on the goods described hereunder and classified under the tariff items or subitems set forth hereunder, be amended to the extent shown:

TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY		PROPOSED RATE OF DUTY	
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
104.00		PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO				
104.01	19.01	MALT EXTRACT; FOOD PREPARATIONS OF FLOUR, MEAL, STARCH OR MALT EXTRACT, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS OF LESS THAN 50 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED; FOOD PREPARATIONS OF GOODS OF HEADINGS NOS. 04.01 TO 04.04, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS, OF LESS THAN 10 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED:				
.10		Preparations based on sorghum flour, put up for making beverages	10c/kg	10c/kg	15c/kg	15c/kg
104.05	22.01	WATERS, INCLUDING NATURAL OR ARTIFICIAL MINERAL WATERS AND AERATED WATERS, NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER NOR FLAVOURED; ICE AND SNOW;				
	22.02	WATERS, INCLUDING MINERAL WATERS AND AERATED WATERS, CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED, AND OTHER NON-ALCOHOLIC BEVERAGES (EXCLUDING FRUIT OR VEGETABLE JUICES OF HEADING NO. 20.09):				
.10		Mineral waters including spa waters and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	10,36c/ℓ	11,42c/ℓ	12,36c/ℓ	13,42c/ℓ
.20		Lemonade and flavoured mineral waters, including flavoured spa and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	10,36c/ℓ	11,42c/ℓ	12,36c/ℓ	13,42c/ℓ
.30		Non-alcoholic beverages not elsewhere specified or included in this tariff item, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	10,36c/ℓ	11,42c/ℓ	12,36c/ℓ	13,42c/ℓ
104.10	22.03	BEER MADE FROM MALT:				
.10		Of a relative density before fermentation not exceeding 1.040°	5 789c/ 100ℓ	5 788c/ 100ℓ	6 249c/ 100ℓ	6 248c/ 100ℓ
		Plus a suspended duty of:				
		(i) In operation	Nil	Nil	Nil	Nil
		(ii) Maximum rate	275c/ 100ℓ	275c/ 100ℓ	275c/ 100ℓ	275c/ 100ℓ

TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY	PRESENT RATE OF DUTY	PROPOSED RATE OF DUTY	PROPOSED RATE OF DUTY
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
.20		Of a relative density before fermentation exceeding 1 040° but not exceeding 1 050°, which is cleared ex any customs and excise manufacturing warehouse during any financial year, or which is imported into the Republic, or which is illicit beer:				
		(1) On the first 4 500 000ℓ or any quantity less than 4 500 000ℓ so cleared during a financial year	6 044c/ 100ℓ	-	6 524c/ 100ℓ	-
		(2) On the quantity so cleared during a financial year which is more than 4 500 000ℓ but not exceeding 9 000 000ℓ	6 176c/ 100ℓ	-	6 656c/ 100ℓ	-
		(3) On the quantity so cleared during a financial year which is more than 9 000 000ℓ but not exceeding 18 000 000ℓ	6 308c/ 100ℓ	-	6 788c/ 100ℓ	-
		(4) On the quantity so cleared during a financial year which is more than 18 000 000ℓ but not exceeding 27 000 000ℓ	6 440c/ 100ℓ	-	6 920c/ 100ℓ	-
		(5) On the quantity so cleared during a financial year which is more than 27 000 000ℓ but not exceeding 36 000 000ℓ	6 572c/ 100ℓ	-	7 052c/ 100ℓ	-
		(6) On the quantity so cleared during a financial year which is more than 36 000 000ℓ	6 704c/ 100ℓ	-	7 184c/ 100ℓ	-
		(7) If duty is paid on illicit beer	6 704c/ 100ℓ	-	7 184c/ 100ℓ	-
		(8) If imported	-	6 022c/ 100ℓ	-	6 502c/ 100ℓ
.30		Of a relative density before fermentation exceeding 1 050°	6 803c/ 100ℓ	6 242c/ 100ℓ	7 283c/ 100ℓ	6 722c/ 100ℓ
		Plus, for every degree of relative density before fermentation exceeding 1 080°	22c/100ℓ	22c/100ℓ	22c/100ℓ	22c/100ℓ
104.15	22.04	WINE OF FRESH GRAPES, INCLUDING FORTIFIED WINES; GRAPE MUST OTHER THAN THAT OF HEADING NO. 20.09;				
	22.05	VERMOUTHS AND OTHER WINE OF FRESH GRAPES FLAVOURED WITH PLANTS OR AROMATIC SUBSTANCES;				
	22.06	OTHER FERMENTED BEVERAGES (FOR EXAMPLE, CIDER, PERRY, MEAD):				
.05		Sorghum beer (excluding beer made from preparations based on sorghum flour)	200c/ 100ℓ	200c/ 100ℓ	300c/ 100ℓ	300c/ 100ℓ
.10		Unfortified still wine	1 700c/ 100ℓ	1 700c/ 100ℓ	2 300c/ 100ℓ	2 300c/ 100ℓ
.40		Fortified still wine	5 568c/ 100ℓ	5 568c/ 100ℓ	6 168c/ 100ℓ	6 168c/ 100ℓ

TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY		PROPOSED RATE OF DUTY	
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
.50		Other still fermented beverages, unfortified	1 700c/ 100ℓ	1 700c/ 100ℓ	2 700c/ 100ℓ	2 700c/ 100ℓ
.60		Other still fermented beverages, fortified	5 702c/ 100ℓ	5 702c/ 100ℓ	6 702c/ 100ℓ	6 702c/ 100ℓ
.70		Sparkling wine	7 174c/ 100ℓ	7 174c/ 100ℓ	7 774c/ 100ℓ	7 774c/ 100ℓ
.80		Other fermented beverages (excluding sorghum beer)	7 404c/ 100ℓ	7 404c/ 100ℓ	8 404c/ 100ℓ	8 404c/ 100ℓ
104.20	22.07	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF 80 PERCENT VOLUME OR HIGHER; ETHYL ALCOHOL AND OTHER SPIRITS, DENATURED, OF ANY STRENGTH;				
	22.08	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF LESS THAN 80 PERCENT VOLUME; SPIRITS, LIQUEURS AND OTHER SPIRITUOUS BEVERAGES; COMPOUND ALCOHOLIC PREPARATIONS OF A KIND USED FOR THE MANUFACTURE OF BEVERAGES:				
.10		Wine spirits, manufactured in the Republic by the distillation of wine	152135c/ 100ℓ of absolute alcohol	-	163838c/ 100ℓ of absolute alcohol	-
.15		Spirits, manufactured in the Republic by the distillation of any sugar cane product	162098c/ 100ℓ of absolute alcohol	-	173801c/ 100ℓ of absolute alcohol	-
.25		Spirits, manufactured in the Republic by the distillation of any grain product	166605c/ 100ℓ of absolute alcohol	-	178308c/ 100ℓ of absolute alcohol	-
.29		Other spirits, manufactured in the Republic	156572c/ 100ℓ of absolute alcohol	-	168275c/ 100ℓ of absolute alcohol	-
.60		Imported spirits of any nature, including spirits in imported spirituous beverages (excluding liqueurs, cordials and similar spirituous beverages containing added sugar) and in compound alcoholic preparations of an alcoholic strength exceeding 1,713 per cent alcohol by volume	-	142522c/ 100ℓ of absolute alcohol or 62 142c/ 100ℓ	-	154225c/ 100ℓ of absolute alcohol or 67 174c/ 100ℓ
.70		Spirits of any nature in imported liqueurs, cordials and similar spirituous beverages containing added sugar, with or without flavouring substances	-	142522c/ 100ℓ of absolute alcohol	-	154225c/ 100ℓ of absolute alcohol



TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY	PRESENT RATE OF DUTY	PROPOSED RATE OF DUTY	PROPOSED RATE OF DUTY
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
104.30	24.02	CIGARS, CHERROOTS, CIGARILLOS AND CIGARETTES, OF TOBACCO OR OF TOBACCO SUBSTITUTES;				
	24.03	OTHER MANUFACTURED TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES, "HOMOGENISED" OR "RECONSTITUTED" TOBACCO EXTRACTS AND ESSENCES:				
.10		Cigars	225c/kg net	247c/kg net	230c/kg net	252c/kg net
.20		Cigarettes	26c/10 cigarettes	26c/10 cigarettes	28,45c/10 cigarettes	28,45c/10 cigarettes
		Plus in respect of cigarettes the mass of the tobacco of which exceeds 1,5 kg/1 000	1 156c/kg tobacco content	1 156c/kg tobacco content	1 264c/kg tobacco content	1 264c/kg tobacco content
.30		Cigarette tobacco	30,5c/50g or fraction thereof plus 213c/kg tobacco	30,5c/50g or fraction thereof plus 213c/kg tobacco	35,5c/50g or fraction thereof plus 213c/kg tobacco	35,5c/50g or fraction thereof plus 213c/kg tobacco
		Plus a suspended duty of:				
		(i) In operation	Nil	Nil	Nil	Nil
		(ii) Maximum rate	73c/kg tobacco	73c/kg tobacco	73c/kg tobacco	73c/kg tobacco
.40		Pipe tobacco in immediate packings of a content of less than 5 kg	255c/kg net	255c/kg net	260c/kg net	260c/kg net
.50		Pipe tobacco in immediate packings of a content of not less than 5 kg	237c/kg net	237c/kg net	242c/kg net	242c/kg net*

(2) the proposed rates of duty be applicable only to the goods concerned which have not been entered for home consumption at the time the Taxation Proposals are tabled.

## COMPARATIVE SUMMARY OF THE STATE REVENUE ACCOUNT

	1992/93	1993/94		Percentage change
	Revised Estimate	Printed Estimate and Supplementary proposals		
	Rm	Rm	Rm	%
<b>EXPENDITURE:</b>				
Printed Estimate (R.P.2-'93: First Print)			112 743,8	
<i>Plus:</i> Supplementary expenditure proposals:				
Housing		200,0		
NEF initiatives		60,0		
Small business		15,0		
Tourism		25,0	300,0	
<i>Plus:</i> Expenditure that cannot be allocated at this stage and will be voted in the Additional Appropriation:				
Reserve for personnel retrenchment cost		300,0		
Possible general election		125,0		
Capital expenditure to be financed from transfers from the NSPF and CEF		685,0	1 110,0	
<b>TOTAL ESTIMATED EXPENDITURE</b>	<b>104 876,6</b>		<b>114 153,7</b>	<b>8,8%</b>
<b>REVENUE:</b>				
Printed Estimate (R.P.3-'93: First Print)			82 773,0	
<i>Ordinary revenue:</i>				
Customs and Excise at existing rates			10 692,0	
<i>Plus:</i> Tax proposals in respect of:				
Excise duties:		320,4		
Beer		112,0		
Spirits		50,0		
Cigarettes and -tobacco		99,0		
Pipe tobacco and cigars		0,4		
Cooldrinks and mineral water		34,0		
Wine		18,8		
Other fermented beverages		0,2		
Sorghum beer and -powder		6,0		
Fuel levy		740,0	1 060,4	
<b>Customs and Excise after tax proposals</b>	<b>10 687,0</b>		<b>11 752,4</b>	<b>10,0%</b>

(continues on page D.2)

**COMPARATIVE SUMMARY OF THE STATE REVENUE ACCOUNT (continued)**

	1992/93	1993/94		Percentage change
	Revised Estimate	Printed Estimate and Supplementary proposals		
	Rm	Rm	Rm	%
Inland Revenue at existing rates:			71 396,0	
<u>Plus:</u> Tax proposals in respect of:				
Value-added tax (net)		5 080,0		
Transfer duty		69,0		
Income tax on individuals:				
Fringe benefits tax		54,0	5 203,0	
			76 599,0	
<u>Less:</u> Tax proposals in respect of:				
Stamp duty on "ordinary" agreements and contracts		10,0		
Income tax on individuals:				
Provisional tax		7,0		
Taxation of retrenchment packages		100,0		
Income tax on non-gold mining companies:				
Phasing out of surcharge		24,0	141,0	
Inland Revenue after tax proposals	64 482,0		76 458,0	18,6%
<b>Total estimated ordinary revenue</b>	<b>75 169,0</b>		<b>88 210,4</b>	<b>17,3%</b>
<u>Plus:</u> Extraordinary capital receipts	1 143,8		685,0	
<b>TOTAL ESTIMATED REVENUE</b>	<b>76 312,8</b>		<b>88 895,4</b>	<b>16,5%</b>
<b>BUDGET DEFICIT</b> (As percentage of GDP)	<b>28 563,8</b> (8,6%)		<b>25 258,3</b> (6,8%)	
<u>Less:</u> Surplus of previous financial year	1 011,4		0,7	
<b>NET BORROWING REQUIREMENT</b>	<b>27 552,4</b>		<b>25 257,6</b>	
<b>LOAN REDEMPTIONS</b>	<b>5 541,5</b>		<b>6 781,0</b>	
Domestic loans	5 199,1		6 671,0	
Foreign loans	342,4		110,0	
<b>GROSS BORROWING REQUIREMENT</b>	<b>33 093,9</b>		<b>32 038,6</b>	

**COMPARATIVE SUMMARY OF THE STATE REVENUE ACCOUNT (continued)**

	1992/93	1993/94		Percentage change
	Revised Estimate	Printed Estimate and Supplementary proposals		
	Rm	Rm	Rm	%
<b>FINANCING</b>				
Treasury Bills (net)	2 261,0		500,0	
Domestic loans:	30 910,0		31 618,0	
Government stock	30 815,0		31 568,0	
Bonds	95,0		50,0	
Loan levy	0,1		-	
<b>TOTAL FINANCING</b>	<b>33 171,1</b>		<b>32 118,0</b>	
Balance	77,2		79,4	
<u>Less:</u> Guarantee liability (sec. 10 (1) (d) of Act 66 of 1975), Currency subscription: International Development Association and International Bank for Reconstruction and Development and IMF-valuation adjustment (sec. 58 of Act 11 of 1977)	76,5		78,0	
	<u>0,7</u>		<u>1,4</u>	