



# The People's Guide to the 2000 Budget

*A better life for all*

Department of Finance

## What is the Budget?

Every person or family has, or should have, a budget. The Government Budget and your budget both deal with income and expenditure.

The Government's spending and tax plans for the next three years are called the Budget.

On Budget Day, the Minister of Finance presents these plans to Parliament.

The Budget aims to ensure that :

- ✓ Everybody pays their fair share of taxes
- ✓ People have schools, clinics, protection and other services
- ✓ The economy grows and jobs are created



## Tax changes

Tax relief for individuals:



- 👍 R10 billion back in taxpayers pockets
- 👍 Tax cuts mainly for low and middle income earners
- 👍 Workers under 65 who earn R35 000 a year pay R660 less tax
- 👍 4 cents a litre reduction in soft drinks

Increase in duties:

- 👎 38 cents more for 20 cigarettes
- 👎 2 cents more for a can of malt beer
- 👎 2,5 cents more for a bottle of wine



New taxes:

- 👎 0,5 % of payroll to fund skills & training
- 👎 R100 departure tax on international air travel
- 👎 A capital gains tax, that is a tax levied on special type of income

## New spending proposals

The 2000 Budget includes more money for:

- ✓ Training and skills development
- ✓ Fighting crime and improving the courts
- ✓ Modernising the Defence Force
- ✓ Improving hospitals and schools
- ✓ Combating HIV/AIDS
- ✓ Local government elections



Spending on services can increase because:

- ✓ The deficit is being reduced so interest on debt is lower
- ✓ The Post Office no longer makes losses
- ✓ Government forests are being commercialised
- ✓ The economy is growing faster

## The Budget and the distribution of income

The Budget affects everyone through both taxes and spending.

People who are rich pay a larger share of their income on taxes. But everybody pays some tax through Value Added Tax (VAT) and duties on fuel, cigarettes or alcohol. The poor benefit from lower taxes on basic foods.

Since 1994, Government has increased spending on education, health, housing and welfare services. Government is now spending more on each poor household than it is on each rich household.

In this way the Budget reduces inequality in the South African economy.

AIDS is not a secret - let us talk about it !

English continues on Page 4

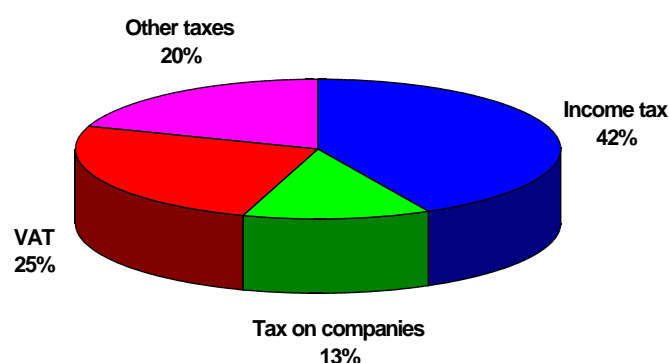
## Where the money comes from

Government collects taxes from people's earnings and their spending. Everyone contributes to the Budget by paying taxes.

- ▣ Income tax - R89,2 billion
- ▣ Tax on companies - R26,7 billion
- ▣ VAT - R52,9 billion
- ▣ Other taxes - R41,6 billion

*The estimate of Revenue for the year ending 31 March 2001 is R210,4 billion*

### Breakdown of Revenue 2000/01



Through the *Batho Pele (People First)* programme, Government strives to enhance the quality and transparency of public services by improving productivity and reducing waste in Government departments.

## The Budget and the economy

South Africa needs a strong economy and more jobs. The Government contributes to economic growth by spending on education and skills, supporting industry and tourism and investing in roads, electricity and other infrastructure.

The Government and the Reserve Bank have agreed to set a target for lower inflation. Inflation targeting aims to keep prices as steady as possible to maintain people's buying power. By reducing the budget deficit - the difference between revenue and expenditure - the Government helps bring down inflation and interest rates.

Lower inflation means that food, goods and services become more affordable.

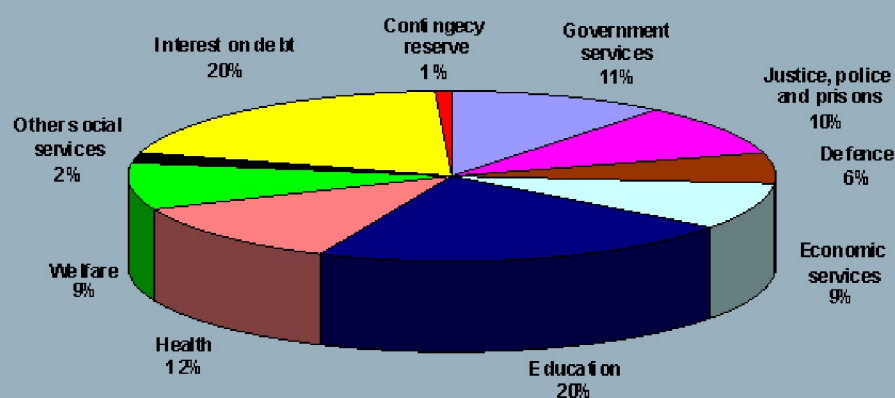
## Where the money goes

- ▣ Provinces - R103,0 billion
- ▣ National departments - R79,1 billion
- ▣ Local government - R2,9 billion
- ▣ Interest on debt - R46,5 billion
- ▣ Contingency reserve - R2,0 billion

*The estimate of Expenditure for the year ending 31 March 2001 is R233,5 billion*

This spending promotes reconstruction and development of South Africa and helps the economy to grow.

### Breakdown of Expenditure 2000/01



## Provincial governments

Your provincial government provides schools, health, roads and other public services.

## Local governments

Your municipality provides services like water, sewerage, electricity and refuse removal.

Everyone must pay for these services so they can be cheaper and better.

The boundaries of municipalities are being redrawn to ensure efficient and economically viable municipalities.

## Contact us

*If you have questions about the Budget please contact us at telephone (012) 315 5111 or visit our website <http://www.finance.gov.za>*

*This Guide is also available in isiXhosa, Setswana, Tshivenda, isiZulu and Afrikaans.*

