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Glossary

Accounting officer	The civil servant in a department who is accountable to Parliament for financial management, usually the Director-General or head of the department.
Accrual	An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place.
Active income	Income derived from the direct participation by the taxpayer in a trade, business, profession or employment.
Ad valorem duty	A tax based on the value of a good, raised as a percentage of the price at the retail, wholesale or manufacturing stage, or at import.
Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Agency payments	Payments made by one government department to another, in the same or in a different sphere of government, to pay for services administered by the department receiving the payments. Agency payments do not form part of the budget of the department receiving the payment. (See also <i>conditional grants</i>)
Amortisation	The method by which a loan is repaid in instalments over the duration of the loan.
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by the provincial legislature from the Provincial Revenue Account. (See <i>statutory appropriation; standing appropriation; vote</i>)
Asset swap	An arrangement whereby financial institutions are permitted to exchange a portfolio of South African shares and securities for a portfolio of foreign shares and securities. This enables South African investors to diversify offshore, while minimising the impact on domestic financial markets and the rand.
Available expenditure	The part of the national budget that can be divided between the national, provincial and local spheres of government, after debt interest and the contingency reserve have been taken into account.
Average tax rate	Usually applied to personal income tax and understood to mean the proportion of tax paid to total income.

Balance of payments	A summary statement of all the international transactions of the residents of the nation with the rest of the world during a particular period.
Bond market capitalisation	The total value of securities issued in the bond market.
Budget Council	A body established to coordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for finance.
Buoyancy of tax revenue	The extent to which the tax yield keeps pace with or exceeds the rate of growth of a country's gross national product or rise in the retail price index.
Capital asset	Property of any kind, including assets that are movable or immovable, tangible or intangible, fixed or circulating, but excluding trading stock held for the purpose of business activities.
Capital formation	A measure of the net increase in the country's total stock of capital goods, after allowing for depreciation.
Capital gains tax	Tax levied on the profits realized from the disposal of capital assets or investments by a taxpayer. A capital gain is the excess selling price over purchase price of the capital asset.
Capital goods	Durable produced goods used over a period of time for the production of other goods. (See also <i>intermediate goods</i>).
Capital inflow	An increase of foreign assets in the country or a reduction in the country's assets abroad.
Capital-output ratio	The ratio of the stock of capital employed to the output produced.
Collective bargaining	Negotiations between employees and employers on procedures and rules to cover conditions of work and rates of pay.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements. Conditional grants appear as expenditure in the budget of the department making the grant and as revenue of the province or municipality receiving the grant. (See also <i>agency payments</i>)
Consolidated expenditure	Total expenditure by national and provincial government, including transfers to municipalities and other extra-budgetary agencies. Consolidated expenditure includes spending by provinces financed from own revenues. Consolidated spending is therefore the sum of national and provincial spending, excluding the double counting of transfers from national to provincial government.
Consolidated general government	National, provincial and local government, as well as extra-budgetary government institutions and social security funds.

Consumer price inflation	Price increases as measured by the consumer price index (CPI), which reflects the prices of a representative basket of consumer goods and services. (See also <i>inflation</i> ; <i>GDP inflation</i>)
Contingency reserve	The portion of the spending total which is set aside in advance to accommodate changes to the economic environment and to meet unforeseen spending pressures.
Controlled foreign entity (CFE)	A term generally used in the context of a tax regime designed to combat the tax sheltering of profits in companies resident in low- or no-tax jurisdictions. An essential feature of such regimes is that they attribute a proportion of the income sheltered in such companies to the shareholder resident in the country concerned.
Core inflation	The change in the overall consumer price index, excluding the prices of fresh and frozen meat and fish; vegetables, fresh fruit and nuts; interest rates on mortgage bonds, overdrafts and personal loans; value-added tax and property taxes. Core inflation measures the underlying inflation trend in the economy and excludes more volatile or policy-related elements. (See also <i>consumer price inflation</i>)
Corporatisation	The transformation of state-owned enterprises into commercial companies, subject to commercial legal requirements and governance structures, while retaining ownership within the state.
Crowding-out	A fall in either private consumption or investment as a result of a rise in government expenditure.
Current account deficit	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. A current account deficit means that South African residents consume more than they produce; and must be financed by capital inflows from abroad.
<i>De minimis</i> /primary exemption	An annual exempt amount that a taxpayer is allowed to deduct against net capital gains.
Debt interest	The cost of interest on government debt.
Dedicated levy	Revenue earmarked or assigned for specific purposes, usually outside the budget process, but accounted for in the consolidated accounts of the general government.
Deficit	The amount by which total expenditure exceeds total revenue. (See also <i>primary deficit</i>)
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
Depreciation (exchange rates)	A reduction in the external value of the rand. A depreciation makes South African goods cheaper to foreign purchasers and imported goods more expensive to South African buyers.

Derivative financial instrument	A financial asset that derives its value from an underlying asset, which may be a physical asset such as gold, or a financial asset such as a government bond.
Designated countries	Countries with which South Africa has agreements to prevent double taxation. See also <i>double tax agreement</i> .
Devaluation	A deliberate change in the exchange rate by a nation's monetary authorities from one fixed level to another.
Direct investment	Investment from abroad in physical assets such as factories. (See also <i>portfolio investment</i>)
Direct taxes	Taxes charged on taxable income of individuals and legal entities.
Disposable income	Excess income after paying all taxes and necessary expenses.
Dissaving	An excess of current expenditure over current income.
Division of revenue	The allocation of funds between the spheres of government, as required by the Constitution.
Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Double tax agreement	An agreement between two countries to prevent income that is taxed in one country from being taxed in the other as well.
Economic growth	An increase in total output, income and spending in the economy.
Economically active population	The part of the population of working age that is employed or seeking work in the market economy.
Effective tax rate	Actual tax liability (or a reasonable estimate thereof) expressed as a percentage of a pre-tax income base rather than as a percentage of taxable income, i.e. tax rates that take into account not only the statutory or nominal tax rate, but other aspects of the tax system (e.g. allowable deductions), which determine the tax liability.
Equalisation Fund levy	A dedicated fuel levy that is used to subsidise the local synthetic fuel industry.
Equitable shares	The allocation of revenue to the national, provincial and local spheres of government, as required by the Constitution.
Excise duties	Taxes on the manufacture or sale of certain domestic or imported products. It is imposed either as a user charge for government services, as a regulatory charge on activities, or as a special tax on the consumption of a commodity. Excise duties are usually charged on products such as alcoholic beverages, tobacco products and petroleum products.
Expenditure and production switching	Changes in expenditure or output patterns brought about by tariff policies, exchange rate movements or other relative prices changes.

Externalities	The positive or negative spillover effect that one activity may have on another. For example, the environmental pollution generated by a factory may impose a negative externality on surrounding communities.
Financial and Fiscal Commission (FFC)	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial year	The 12 months according to which companies and organisations budget and account. (See also <i>fiscal year</i>)
Fiscal drag	The effect of inflation on average or effective tax rates. Under an unindexed progressive income tax system, the effective tax rate is increased when money incomes increase, even though real incomes may not be increasing. This happens because taxpayers are pushed into higher income tax brackets where higher marginal rates apply.
Fiscal policy	Policy on tax, spending and borrowing by the government.
Fiscal year	The 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
Fixed investment	Spending on buildings, machinery and equipment contributing to production capacity.
Foreign direct investment (FDI)	Movements of international capital entailing the purchase or establishment of ownership and control of a domestic operation by a foreign company.
Foreign investment	Any investment in another country, which is carried out by private companies or individuals (not government aid).
Foreign source dividend	Dividends accruing to a taxpayer from an interest in a company in a foreign jurisdiction.
Foreign source income	Income accruing from a foreign jurisdiction.
Forward cover	Transactions involving an agreed exchange rate at which foreign currency will be purchased or sold at a future date. (See also <i>forward markets</i>)
Forward markets	Markets in which currencies, commodities or securities are bought and sold at agreed prices for delivery at specified future dates.
Fuel levy	An excise tax on liquid hydrocarbon fuels.
Function shift	The movement of a function from one departmental vote or sphere of government to another.
Funded pension arrangements	A pension scheme in which expected future benefits are funded in advance and as entitlement accrues.

GDP inflation	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported, excludes imported goods, and includes intermediate goods such as machines. (See also <i>consumer price inflation; inflation</i>)
Generally recognised accounting practice (GRAP)	Accounting standards for government as required by the Constitution. The public sector equivalent of generally accepted accounting practice (GAAP), which sets out private sector accounting standards.
Government debt	The total amount of money owed by the government as a consequence of its borrowing in the past.
Gross domestic fixed investment (GDFI)	The addition to a country's fixed capital stock during a specific period, before provision for depreciation.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
Hedging	An action taken by a buyer or seller to protect income against changes in prices, interest rates or exchange rates.
Horizontal equity	A key principle in taxation that holds that similarly situated taxpayer should face a similar tax treatment or tax burden, i.e. taxpayers earning same amount of income or capital should be accorded equal treatment.
Improvements in conditions of service (ICS)	The sum set aside to meet the costs of pay increases for public servants. The distribution of improvements in conditions of service depends on the agreements between the government as employer and the public service unions.
Inflation	The rate of increase of prices. (See also <i>consumer price inflation; GDP inflation</i>)
Inter vivos	A transfer of wealth while the transferor is still alive.
Intermediate goods	Goods produced to be used as inputs in the production of final goods.
Intra-SADC trade	Cross-border trade among SADC member countries.
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
Investment	The flow of expenditure on new capital goods. (See <i>also capital goods</i>)
Labour intensity	The relative amount of labour that is required to produce a fixed quantity of output.
Late requests and surrenders	Requests for additional funds, or the surrender of surplus funds, made by government departments after the end of the financial year.

Levies	Compulsory statutory payments made in exchange for non-direct benefits received, e.g. fuel levies.
Liquidity	The ease with which assets can be bought and sold.
Liquidity requirements	The amount of liquid or freely convertible assets that banks are required to hold relative to their liabilities, for prudential and regulatory purposes. (See also <i>liquidity</i>)
M3	The broadest definition of money supply in South Africa, including notes and coins; demand and fixed deposits; and credit. (See also <i>money supply</i>)
Marginal lending rate	A penalty rate of interest charged by the Reserve Bank for lending to financial institutions in the money market in excess of the daily liquidity provided to the money market at the repurchase rate. (see also <i>repurchase agreements</i>)
Marginal return to labour	The fraction of income attributed to the portion of output produced by an additional unit of labour.
Marginal tax rate	The rate of tax on an incremental unit of income. The rate is also applied to increments of expenditure and gifts.
Marketable securities tax	A charge on the purchase of securities traded on a stock exchange. It operates as an ad valorem excise tax at a rate of 0,25 per cent on the value of the stock exchange transactions.
Maturity	The date on which the liability of the issuer of a security expires. The date for the repayment of the principal.
Medium-term expenditure framework (MTEF)	The 3-year spending plans of national and provincial governments, published at the time of the budget.
Merchandise exports	Exports of goods, but not services. In the South African accounts this usually excludes exports of gold.
Merger	A term generally used to describe a number of operations involving the reorganisation of companies. It includes operations such as acquisitions, amalgamations, takeovers and consolidations. In essence, it is the absorption of one company by another, where the absorbing company retains its name and identity and acquires the assets, liabilities and powers of the absorbed company.
Monetary policy	Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy is usually focused mainly on controlling of inflation. (See also <i>inflation</i>)
Money supply	The amount of money in an economy. (See also M3)
Mutual insurer	A life insurance company that is owned by its policy holders.
National Budget	The projected revenue and expenditures that flow through the national Exchequer Account. Does not include spending by provinces or local government from their own revenues.

Negotiable certificate of deposit (NCD)	Short-term deposit instruments issued by banks, at a variable interest rate, for a fixed period.
Net open forward position	The difference between aggregate future commitments of purchases and sales of foreign exchange by the South African Reserve Bank.
Nominal exchange rates	The current rate of exchange between the rand and foreign currencies. (see also <i>real exchange rate</i>)
Nominal wage	The return, or wage, to employees at the current price level.
Non-financial public enterprises	Government-owned or controlled organisations, in goods and non-financial services, trading as business enterprises. Includes Eskom, Telkom, SABC, Transnet, Mossgas, etc.
Non-tax revenue	Income received by the government as a result of administrative charges, licences, fees, sales of goods and services, etc.
Organisation for Economic Co-operation and Development (OECD)	An organisation of 29 mainly industrialised member countries. South Africa is not a member of the OECD.
Outputs	Goods and services delivered by government.
Passive income	Income from an indirect source or where the taxpayer does not take part in producing the income, e.g. interest income, rental income, royalties, dividends, annuities.
Permanent establishment	Term used in double taxation agreements to determine when a non-resident entrepreneur/firm is taxable in a country; i.e. an enterprise in one country will not be liable for the income tax of the other country unless it has a 'permanent establishment' through which it conducts business in that other country.
Permanent structure	Physical infrastructure works with a long economic life, such as roads, railway tracks, power transmission lines or pipelines.
Personal saving rate	Saving as a percentage of disposable income.
Portfolio investment	Investment in financial assets, such as stocks and shares or government bonds. (see also <i>fixed investment</i>)
Primary deficit	The amount by which total government expenditure exceeds total revenue, minus interest payments on government debt.
Primary rebate	A rebate from income tax that is available to all taxpayers.
Producer price inflation	Price increases measured by the producer price index (PPI), which reflects the prices of a representative basket of goods used in domestic production. (See also <i>inflation</i> ; <i>GDP inflation</i>)
Productivity	A measure of the amount of output generated from every unit of input. Typically used to measure changes in labour efficiency.

Public authorities	Includes national, regional and local government departments and extra-budgetary government bodies and funds.
Public corporations	Companies that are fully or partly owned by government or public authorities and are regulated by law. (See also <i>public authorities</i>)
Public sector	National government, provincial government, local government, extra budgetary governmental institutions, social security funds and non-financial public enterprises.
Public sector borrowing requirement (PSBR)	The consolidated cash borrowing requirement of general government and public enterprises.
R293 towns	Towns in which municipal services are provided by a provincial department in terms of regulations applied in former homeland areas.
Rating agency	Institutions that evaluate the ability of countries or other borrowers to honour their international and domestic debt obligations. Credit ratings are used by international investors as indications of the sovereign risk of a country.
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and in these countries.
Real exchange rate	The level of the exchange rate taking account of inflation differences. (See also <i>nominal exchange rate</i>)
Real expenditure	The level of expenditure after taking account of inflation. (See also <i>inflation</i>)
Real wage	The return, or wage, to employees, measured at a constant price level.
Realization basis	The sale or disposal of assets for a consideration or deemed consideration could give rise to a taxable event in terms of capital gains tax provision in the income tax system. It could be either ordinary income on a revenue account or a taxable or tax free capital gain.
Recession	A period in which national output and income declines. A recession is usually defined as two consecutive quarters of negative growth. (see also <i>economic growth</i>)
Regional service council (RSC) levies	Taxes on payroll and turnover collected by local authorities to fund mainly infrastructural development projects.
Remuneration	The costs of personnel, including salaries, housing allowances, car allowances, and other benefits.

Repo rate	The discount rate at which the Reserve Bank accepts repurchases of certain liquid securities from banks. Under this system, the Bank determines, on a daily basis, the amount of liquidity it is willing to supply and allows the market to determine the respective interest rate. (See also <i>repurchase agreements</i>)
Repurchase agreements	Short-term contracts between the Reserve Bank and private banks in the money market to sell specified amounts of money at an interest rate determined by daily auction. (See also <i>repo rate</i>)
Reserves	Holdings of foreign exchange, either of the Reserve Bank only, or of the Reserve Bank and domestic banking institutions.
Residence-based taxation	Principle according to which residents of a country are subject to tax on their world-wide income and non-residents are only subject to tax on domestic-source income.
Restraint of trade	A legal order issued in exchange for a consideration by the acquiring party that keeps a taxpayer from practising his/her profession or trade.
Retained earnings	Those funds retained from net profits for use in the financing of a firm's activities.
Rolling budgets	A budget system in which 3-year forward projections are revised annually.
Rollover relief	Rollover relief allows gains on the disposal of an asset to be deferred if a replacement asset is acquired within a certain specified period from the disposal of the asset.
RP1	The final Estimate of Expenditure including initial estimates, supplementary proposals and adjustments announced later in the year.
RP2	The First Print of the Estimate of Expenditure or "White Book", setting out the initial budget estimates.
RP2&4	The Second and Final Print of the Estimate of Expenditure or "Blue Book", including budget estimates and supplementary allocations announced at the time of the Budget.
RP3 (First Print)	The Estimate of Revenue, setting out revenue forecasts for the next financial year based on the preceding financial year's tax rates and brackets, i.e. before tax proposals.
RP3 (Second Print)	The Second and Final Print of the Estimate Revenue, including budget estimates and tax proposals announced at the time of the Budget.
RP4	The Supplementary Estimate of Expenditure.
Saving	The difference between income and spending.

Secondary rebate	A rebate from income tax, in addition to the primary rebate, that is available to taxpayers over the age of 65.
Secondary tax on companies	Tax on dividends declared by a company which is calculated at the rate of 12,5 per cent of the net amount of dividends declared.
Section 21 company	Non-profit making entities registered in terms of Section 21 of the Companies Act.
Service and transfer payments	Services involve transactions of non-tangible commodities, while transfers are unrequited transactions that do not generate a counter economic value (e.g. gifts and grants).
Skills Development levy	A payroll tax designed to finance training initiatives, in terms of the skills development strategy.
Source-based taxation	A tax system where income is taxed in the country where it originates.
South African Customs Union (SACU)	An agreement that allows for the unrestricted flow of goods and services between South Africa, Botswana, Namibia, Lesotho and Swaziland. The Customs Union collects taxes on member states' imports from the rest of the world and allocates the amounts, together with excise duties collected, according to an agreed formula.
Southern African Development Community (SADC)	A regional governmental organisation which promotes collaboration, economic integration and technical cooperation throughout Southern Africa. Member nations are South Africa, Botswana, Namibia, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Angola, Malawi, Tanzania, the Democratic Republic of Congo, Mauritius and the Seychelles.
Sovereign debt rating	An assessment of the likelihood that a government will default on its debt obligations. (See also <i>rating agency</i>)
Specific excise duty	A tax on each unit of output of a good, unrelated to the value of the good.
Spot exchange rates	The nominal price of a currency traded for immediate delivery.
Spot markets	Markets in which currencies or commodities are traded for immediate delivery.
Stamp duty	A duty imposed on the issue of official documents such as passports, contracts, deeds for the transfer of ownership and cheques.
Standing appropriations	Government's expenditure obligations that do not require a vote or statutory provision, including contractual guarantee commitments and international agreements.
Statutory appropriations	Amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.

Tax amnesty	When tax authorities allow a period within which taxpayers who are outside the tax net, but should be registered for tax purposes, can register for tax without incurring penalties for the period in which they were illegitimately outside the net.
Tax arbitrage	This entails taking advantage of the different rates at which different kinds of income or different individuals are taxed, or where the same kinds of income or individuals are taxed differently in different tax jurisdictions.
Tax avoidance	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
Tax base	The aggregate value of income, sales or transactions on which particular taxes are levied.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax gap	A measure of tax evasion that emerges from comparing the tax liability or taxable income declared to the tax authorities with the tax base or taxable income calculated from other sources.
Tax incentives	Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities, e.g. accelerated depreciation provisions to encourage investment and provisions to encourage retirement saving.
Tax incidence	The final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to those who experience a decrease in real income as a result of the imposition of a tax.
Tax loopholes	Unintended weakness in the legal provisions in the tax system, which taxpayers use to avoid paying tax liability.
Tax-GDP ratio	For public finance comparison purposes a country's tax burden, or tax-GDP ratio, is computed by taking the total tax payments for a particular fiscal year as a fraction or percentage of the gross domestic product for that year.
Total factor productivity (TFP)	An index used to measure the efficiency of all inputs that contribute to the production process. Increases in TFP are usually attributable to technological improvements. (See also <i>productivity</i>)
Trademark	A legal right pointing distinctly to the origin or ownership of merchandise to which it is applied and legally reserved for the exclusive use of the owner as maker or seller.
Trade regime	The system of tariffs, quotas and quantitative restrictions applied to protect domestic industries, together with subsidies and incentives used to promote international trade.
Transfer pricing	The pricing of goods and services outside normal commercial parameters so as to gain some tax advantage.

Treasury committee	Committee that evaluates all requests for additional funds for unavoidable and unforeseen expenditure during a financial year.
Unauthorised expenditure	Money that was spent for purposes other than for which it was appropriated, or expenditure in excess of appropriations. (see also <i>appropriation</i>)
Unit labour cost	The cost of labour per unit of output. Calculated by dividing average wages by productivity (output per worker per hour).
User charge	Voluntary payments made in exchange for direct benefits accrued, e.g. road toll fees.
Velocity	The number of times that a unit of currency changes hands in a year. Calculated as GDP divided by money supply. (See also <i>money supply</i> ; <i>GDP</i>).
Vertical division	The division of revenue between spheres of government. (See also <i>horizontal division</i>)
Vertical equity	A doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions; i.e. taxpayers with more income and/or capital should pay more tax.
Vote	An appropriation voted by Parliament.
Withholding tax	Tax on income deducted at source. Withholding taxes are widely used in respect of dividends, interest and royalties.
Zero coupon bonds	A security upon which interest is accrued and paid on maturity. (See also <i>accrual</i>)
Zero-rate tax countries	This refers to jurisdictions that levy a zero rate corporate income tax. In effect no tax is paid; this is akin to an indefinite tax holiday.

