

# **Budget Review**

**2000**

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**Department of Finance**

**Republic of South Africa**

23 February 2000



ISBN: 0-621-29963-4

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# Foreword

The 2000 Budget coincides with a significant improvement in South Africa's economic outlook. Government seeks to reinforce positive changes in the wider economy through a Budget that promotes social development, reduces tax rates and maintains a sound fiscal stance.

Economic growth is set to strengthen, as Government's fiscal and economic policies have eased interest rates, attracted investment and restored confidence in South Africa despite recent turmoil in world markets.

Stronger growth, lowered debt interest payments and buoyant revenue collection have enabled Government to increase spending on public services while reducing tax rates markedly. The deficit will remain low, reinforcing economic strength and helping ease debt costs. State asset restructuring will further improve the public finances and boost the economy.

Government has proposed big tax reductions and significant improvements in the tax system. Income tax cuts are targeted mainly at those on lower incomes. Reforms, such as the introduction of capital gains tax, will reduce scope for avoiding tax. A cut in tax for small business will help create jobs.

Priorities supported in this Budget include fighting crime, building rural infrastructure, tackling poverty, securing South Africa's defences and consolidating social service provision. A new spending allocation will finance a more effective and integrated response to HIV/Aids, focusing especially on children and the youth. Training initiatives beginning this year will provide people with the skills needed for modern employment.

Preliminary work commissioned by the Department of Finance shows that Government's tax and spending policies redistribute from the richer to the poorer. There has been a notable shift in the targeting of spending in favour of the previously disadvantaged. Rural areas are also being targeted for help. But large inequities remain: reconstruction, development, and redistribution continue to be central principles of public policy.

The Budget is the outcome of cooperative efforts of a national treasury team of hard working, dedicated professionals in the Departments of Finance and State Expenditure. I want to thank each one of them. A special word of thanks goes to André Roux who headed the Budget Office in the Department of Finance. His leadership, drive and commitment to the process of fiscal reform have helped shape much of our work in the past three years.

The South African Revenue Service and the nine provincial treasuries play leading roles in the budget process. Thanks are due to them all and to those in every other national and provincial department whose work makes the Budget possible.

**Maria Ramos**  
**Director-General: Finance**

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