

Highlights of the 2002 Budget

Following the macroeconomic reforms and fiscal consolidation since 1996, an expansion in government spending and robust tax performance over the past year provide a sound platform for responding to the challenges of slower global growth and the depreciation of the rand.

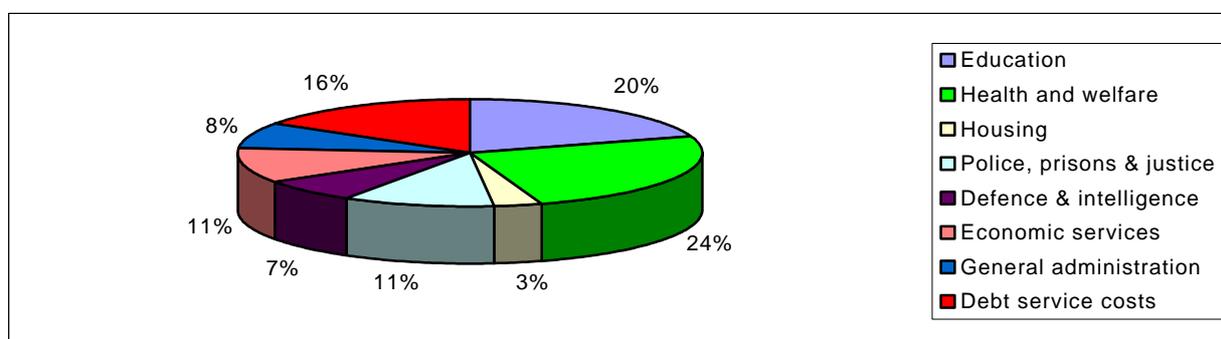
The 2002 Budget reinforces the growth-oriented stance of last year's Budget. It deepens Government's commitment to support the redistribution of economic opportunities, encourage investment and promote growth and development, in partnership with communities, labour and business.

The Budget heralds further acceleration in social and infrastructure spending, together with substantial tax relief for individuals and to encourage business investment. A budget deficit of 2,1 per cent of GDP is projected in 2002/03 and debt service costs will continue to fall as a share of expenditure, releasing resources for extending and improving delivery of public services.

Summary of macroeconomic projections

	2001	2002	2003	2004
Real growth				
Household consumption	2.7%	2.5%	2.8%	3.1%
Capital formation	3.2%	4.5%	5.5%	7.1%
Gross domestic product	2.2%	2.3%	3.3%	3.6%
Consumer price inflation (CPIX)	6.6%	6.9%	5.8%	4.7%
Balance of Payments current account (% of GDP)	0.0%	-0.5%	-0.5%	-0.7%

Breakdown of consolidated national and provincial spending



The consolidated national budget framework

R billion	2001/02	2002/03	2003/04	2004/05
National Revenue Fund				
Revenue	248.4	265.2	288.7	313.2
Expenditure	262.6	287.9	311.2	334.6
Main budget deficit	14.1	22.7	22.5	21.4
% of GDP	1.4	2.1	1.9	1.7
RDP Fund & foreign technical cooperation				
Receipts	1.0	0.8	0.8	0.8
Social security funds				
Revenue	8.6	9.6	10.0	10.3
Expenditure	8.2	9.1	9.6	10.2
Consolidated national budget				
Revenue	257.4	275.2	299.2	324.1
% of GDP	26.0	25.4	25.4	25.4
Expenditure	270.7	297.4	321.4	345.4
Deficit	13.3	22.1	22.2	21.2
% of GDP	1.3	2.0	1.9	1.7
GDP	990,0	1 082,8	1 178,9	1 277,5

Where we get our revenue from

Personal income tax	R90 billion
Company tax	R66 billion
Skills levy	R 3 billion
VAT	R66 billion
Fuel levy	R15 billion
Excise duties	R10 billion
Customs	R11 billion
Other	R 4 billion
Total	R265 billion

Division of revenue 2002/03

Provinces receive	R132,4 billion
Local government gets	R 8,6 billion
National departments	R 96,0 billion
Contingency reserve	R 3,3 billion
Debt service costs	R 47,5 billion
Total	R287,9 billion

2002 Budget highlights

On the economy:

- Growth slowed to 2,2 per cent in 2001 and is expected to be 2,3 per cent in 2002, rising to 3,3 per cent in 2003 as the global economy recovers.
- CPIX inflation will average about 6,9 per cent in 2002 before declining back to the target 3-6 per cent range in 2003.
- Real wages and productivity have increased by over 20 per cent since 1994, bringing rising living standards to millions of people and improving the competitiveness of the economy.
- Exports are increasingly diversified, with manufactured products up from 9 per cent in 1990 to 27 per cent of the total in 2001.
- Following the depreciation of the rand, both exports and inward investment are expected to strengthen in 2002 and the years ahead.
- South Africa's balance of payments and public finances are in good health, providing a firm foundation for sustainable growth and development.

Tax proposals:

- Income tax cuts will put R15 billion back into taxpayers' pockets, mainly benefiting low and middle income workers.
- Individuals earning below R27 000 a year (R42 640 for senior citizens) will not pay any personal income tax.
- The interest income exemption is raised to R6 000 (R10 000 for taxpayers over 65).
- A tax allowance is introduced to encourage learnerships.
- Accelerated depreciation allowances are proposed to encourage business investment and employment.
- Tax relief for small businesses is extended, to encourage emerging entrepreneurs.
- The general fuel levy remains unchanged, while the Road Accident Fund levy is increased by 2c a litre.
- A packet of cigarettes will cost 34c more. Beer goes up by 3,2c a 340ml can, a 750 ml bottle of wine by 4,5c and a 750 ml bottle of spirits by R1,08. Duties on soft drinks are abolished.

Spending plans:

- Real spending on services will grow by 4,1 per cent a year over the MTEF period, while interest on debt falls from 4,8 per cent of GDP last year to 4,1 per cent in 2004/05.
- Education remains Government's first priority, rising to R59,5 billion next year, or 24 per cent of non-interest expenditure.
- To fight crime, R31,8 billion goes to Police, Justice and Correctional Services in 2002/03, while R20,6 billion is allocated to Defence and intelligence services.
- Provinces receive R132,4 billion next year, or 56 per cent of the national Budget, including:
 - Improved funding of tertiary hospital services and an enhanced response to HIV/Aids
 - Increases in old age and disability grants (8,8 per cent) and child support grants (18 per cent), brought forward to April
 - Additional funding for roads, schools, clinics and rural development.
- Assistance for municipalities grows by 18 per cent a year, including support for water and sanitation, electrification, free basic services and local economic development.