#### **BUDGET**2013

# DEODELES GUINT AFRICAN Revenue Service





In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and BUDGET borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

## INFRASTRUCTURE INVESTMENT KEY TO IMPROVING SERVICE DELIVERY



o improve the delivery of, and access to, basic services and increase the capacity and efficiency of the economy, government will over the next three years invest R827 billion in the building of new and the upgrading of existing infrastructure.

These investments will improve access by South Africans to healthcare facilities, schools, water, sanitation, housing and electrification. On the other hand, investment in the construction of ports, roads, railway systems, electricity plants, hospitals, schools and dams will contribute to faster economic growth. The biggest chunk of the investment in infrastructure will continue to come from Eskom which will invest R205.1 billion over the next three years. Eskom's new power stations, Medupi and Kusile, are expected to start producing electricity in 2014 and 2015 respectively.

To upgrade roads and therefore contribute to safety, government has allocated R32.9 billion over the next three years for national roads. A further R27.6 billion has been allocated for the upgrade of provincial roads. In addition, government has set aside R2 billion for the rehabilitation of roads used to transport coal from the mines to Eskom's power stations in Mpumalanga.

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To increase access to water and sanitation, which are vital for the well-being of South Africans, government is investing in dams, bulk water supply schemes and waste water infrastructure. In addition to the rehabilitation of 25 dams across the country, government is building 7 new dams as well as increasing the capacity of existing ones, Hazelmere, Clanwilliams, Tzaneen and Nwamitwa. In addition, government has allocated about R150 million for the cleaning up of water which has been contaminated by mines.

Government remains committed to the provision of housing for low-income groups. In line with this commitment, government has set aside R3 billion over the next three years for social housing (medium-density rental housing in urban areas). R30.3 billion has been made available for the upgrade of informal housing in metropolitan municipalities

and R1.1 billion for rapidly urbanising mining towns.

To upgrade schools, government has allocated R8 billion over the next three years for the replacement of 496 inappropriate schools (of which 395 are mud schools), for the supply of water to 1 257 schools, provision of sanitation to 868 schools and for the connection of a further 878 schools to the electricity grid. These investments are in line with the National Development Plan's objective of ensuring that all schools meet the minimum infrastructure standards by 2016.

Government has also allocated R23.9 billion to provinces in the form of an education infrastructure grant for the building, upgrading or maintenance of existing infrastructure. An additional R6.5 billion has been made available for the construction of two new universities in Mpumalanga and the Northern Cape, as well as to improve facilities for disabled students and staff in existing universities. Government will also continue to investment in health infrastructure. The largest share, for example, of the combined R29.5 billion allocated to the provincial departments of health over the next three years, is for infrastructure at district and regional hospitals.

#### **INFRASTRUCTURE SPENDING CHANGES LIVES IN NEWCASTLE**

Before the construction of a new bridge in Newcastle, SIBONGILE SERIBE used to spend R20 a day on a taxi travelling to work and back. Now she simply walks to the factory. "It's just 15 minutes. And, for night shift there are street lights to keep it safe," says Sibongile. The gleaming new bridge joins the township to the town and has uplifted the local economy as taxi fares are now much cheaper. Taxi driver SIPHO MLOTSHWA says the old road was congested and dangerous. "There's a hairpin bend up there that caused many accidents. The most tragic accident was in 1997 when 33 school children died in a collision between their school bus and a truck. The new bridge is constructed at the scene of this accident and residents call it "Asiphephe Bridge" meaning 'keep it safe"."



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### MINISTER'S MESSAGE

# **ELIMINATING POVERTY & TACKLING INEQUALITY**

#### **FELLOW SOUTH AFRICANS**

outh Africa has a programme of economic change that can steadily roll back unemployment, poverty and inequality. But for that programme to succeed will require an extraordinary national effort by all of us, committed not just to pontificating about our challenges, not just proposing solutions, but also rolling up our collective sleeves and working together to build a prosperous South Africa.

To quote President Jacob Zuma's State of the Nation address, the National Development Plan "is a roadmap to a South Africa where all have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment."

To recap, the NDP sets out six interlinked priorities:

- Uniting all South Africans around a common programme to achieve prosperity and equity
- Promoting active citizenry to strengthen development, democracy and accountability
- Bringing about faster economic growth, higher investment and greater labour absorption
- Focusing on key capabilities of people and the state
- Building a capable and a developmental state
- Encouraging strong leadership throughout society to work together to solve problems

Tangible progress on these and other actions identified in the NDP will require a willingness to do things differently. We must confront our challenges boldly, and with hope. By using all our talents, mobilizing all people, focusing on united action, we can achieve a vibrant economy and a decent quality of life for all. We can reduce poverty and create decent employment opportunities.





early 60 percent of government expenditure is allocated for health, education, housing, transport and local amenities. This is concrete evidence of government's commitment to reduce poverty and inequality.

The most direct means of fighting poverty is the social assistance programme which has been allocated R113 billion for 2013/14, increasing to R129.5 billion in 2015/16. The number of grants beneficiaries will increase from nearly 16.1 million people in 2012/13 to 17.2 million in 2015/16.

To reduce inequality and poverty, government is increasing the number of schools where pupils do not pay school fees and is investing more in the provision of meals for learners. About 70 per cent of learners in 20 688 schools did not pay school fees last year and approximately 8.8 million children were fed a meal each school day. The focus over the next three years will be on improving the quality of the meals provided.

Government also provides a minimum of free basic services. These are provided by municipalities and will cost R28 billion in 2013/14. The 2011 Census shows that more than 36 per cent of households have access to free clean water, 26 per cent have access to free basic electricity and 23 per cent to free sanitation. In addition, government plans to build a further 409 143 houses over the next three years for households with a monthly income below R3 500. An

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additional 244 699 sites will be connected to services.

Over the next three years, government has budgeted to provide sanitation services to 36 742 rural households and 119 223 housing loans through the microfinance programme.

Job creation plays an important role in reducing poverty and inequality.
Government is growing employment opportunities through programmes such as Expanded Public Works Programmes (EPWP), Jobs Fund, and the Skills Development Fund.

#### ECONOMIC SNAPSHOT

- South Africa's economy continues to grow, but at a slower rate than previously expected. It is projected to grow at 2.7 per cent in 2013, 3.5 per cent in 2014 and 3.8 per cent in 2015.
- The pace of economic recovery depends on the rate at which private investment and exports strengthen.
- Mining remains a cornerstone of the South African economy:
  - It is a large contributor to corporate tax and export revenues;
- A substantial direct and indirect source of economic activity and jobs;
- Manufacturing sector is important for growth and development, but other sectors are increasingly becoming important.
- Job creation, which is expected to be moderate over the next three years, will depend largely on the private-sector which accounts for 77 per cent of formal employment.
- About 4.5 million South Africans are unemployed.
- Strikes and higher wage increases present acute risks to the fragile labour market recovery.
- Unemployment is highest among the youth.
- Government is exploring a range of measures to encourage youth employment by public and private sectors.

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## **QUALITY HEALTH CARE FOR ALL**

rimary health care is available free of charge and hospital services are provided at relatively low cost according to income. Children under the age of six, pregnant women and social grants beneficiaries receive free hospital services.

The 2013 Budget will strengthen prevention and treatment programmes for HIV/Aids, TB, enhance medical research and improve infrastructure management and delivery.

- Over the next three years, R429.2 billion has been allocated to health spending.
- An additional R800 million has been provided for the expansion of antiretroviral treatment to cover an additional 500 000 people per year.
- A further R78 million has been allocated to the National Institute of Communicable Diseases to strengthen surveillance programmes for rotavirus, pneumococcus, HIV, TB and other infectious diseases.
- The Medical Research Council will receive R440 million over the next three years to improve research programmes and infrastructure and to support joint projects carried out

The 2013 Budget will strengthen prevention and treatment programmes for HIV/Aids, TB, enhance medical research, and improve infrastructure management and delivery

with development partners.

- Over the next three years, provinces will use a large share of their combined R29.5 billion budget to fund infrastructure at district and regional hospitals, including Edendale Hospital and the Natalspruit Hospital in Ekurhuleni.
- The Department of Health will spend R5 billion on primary health care facilities, of which R3.2 billion is for clinics.





**ELSIE BOGATSWE** considers herself very lucky to be alive. Infected with HIV in 1988, she experienced rejection from the community that did not understand the disease. Her health deteriorated in 1994 and by the time she sought medical help, the mother of three was near death. "My feet were shaking. I was very thin. My face was white. My mouth was black. I was scared and ashamed. I was thinking: "I'm going to die. What's going to happen to my children?" Elsie spent three months in hospital and was strong by the time she was discharged. "I was feeling well. I was looking good," she says. "I was given a chance and I thought I now had to do everything right. I told my family: 'I am not as I

was before – I am living with HIV/Aids." In 2005, Elsie's CD4 started slipping and she began ARV treatment. As an outpatient at the Charlotte Maxeke Academic Hospital, she now visits the HIV-AIDS clinic every six months to collect her free ARVs and to consult with a doctor. "I don't know if the taxpayers notice they're helping people

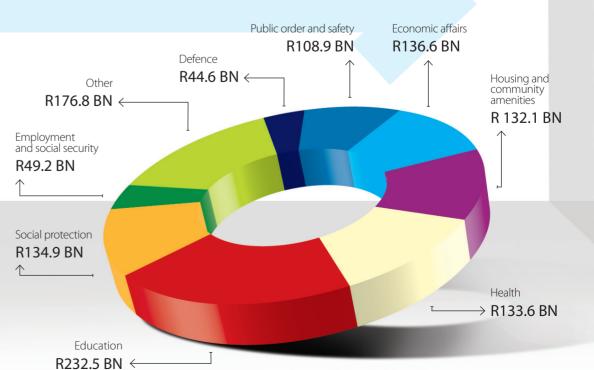
like me," she says. "They help me and lots of other people. We say thank you very much for helping us – for not leaving us to die."



#### WHERE THE MONEY HOW WILL IT BE SPENT? **COMES FROM**

TAX REVENUE	2013/14	%
Personal Income Tax	306 188	34
Excise Duties	31 265	3
Corporate Income Tax	169 830	19
Customs Duties	41 340	5
VAT	242 990	27
Fuel Levies	44 970	5
OTHER	61 421	7
TOTAL	898 004	100

Government raises money mainly from personal, corporate and value added taxes, and by issuing debt. All the money received by national government is paid into the National Revenue Fund. Spending of R1.1 trillion in 2013/14 will be funded from total revenue collections of R985.7 billion and borrowing of R163.7 billion. By 2015/16 total government debt will reach R1.9 trillion before stabilizing and falling thereafter. Government recognizes the risk associated with accumulating debt. Accordingly, it has reprioritised spending amounting to R52.1 billion towards priority programmes such as education, health, infrastructure and employment.

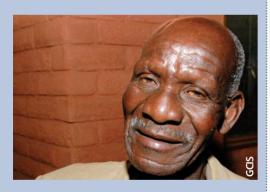


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# 2015 BUDGET BREAKDOWN

## TAX **PROPOSALS**

- Individuals whose taxable income is only from a single employer and does not exceed R250 000 for the 2012/13 tax year are not required to submit tax returns;
- Tax and compliance relief for small businesses;
- Fringe benefit tax relief for lowerincome earners in respect of employer provided housing;
- Monthly tax credits for medical scheme contributions will be increased:
- The tax treatment of contributions to pension, retirement annuity and provident funds will be harmonised;
- Tax incentives for businesses that locate in special economic zones;
- Alignment of the proposed carbon tax, electricity levy and the energyefficiency tax incentive;
- An incentive for the employment of first-time seekers of low income jobs.



# **SOCIAL**

	2012/13	2013/14
Old age grant	1 200	1 260
Old age grant, over 75	1 220	1 280
War veterans grant	1 220	1 280
Disability grant	1 200	1 260
Foster care grant	770	800
Care dependency grant	1 200	1 260
Child support grant	280	290

#### **EXCISE DUTIES: ALCOHOL AND TOBACCO**

The targeted total tax burden (excise duties plus VAT) expressed as a percentage of the weighted average retail selling price of wine, beer and spirits is 23, 35 and 48 per cent respectively. For tobacco products, the targeted tax burden is 52 per cent of the retail price. To maintain these levels of tax the following increases will now apply:



#### **ENVIRONMENTAL TAXES GO UP**



Fuel levies -

From 3 April 2013, the general fuel levy will rise by 15 cents per litre to R2.13 while the Road Accident Fund levy will increase by 8 cents per litre to 96 cents per litre of petrol.



Plastic bag levy

The levy on plastic shopping bags has encouraged consumers to reduce their use. The levy will rise from 4 cents to 6 cents per bag from 1 April 2013.



Incandescent light bulb levy To promote energy efficiency a levy on incandescent light bulbs was introduced in 2009. The levy is to be increased from R3 to R4 per bulb from 1 April 2013.



Motor vehicle carbon dioxide emissions tax

The tax on motor vehicle carbon dioxide emissions, which is intended to encourage consumers to buy vehicles with lower carbon emissions, will increase from 1 April 2013. For passenger cars, the tax will rise from R75 to R90 for every gram of emissions per kilometre above 120 gCO2/km. In the case of double cabs it will increase from R100 to R125 for every gram of emissions per kilometre above 175 gCO2/km.

#### **VAT PROPOSED ON IMPORTED ELECTRONICS AND SERVICES**



VAT on imported electronic services

Government proposes that all foreign businesses supplying e-books, music and other electronic services to South Africans register as VAT vendors from a date to be announced. This would reduce the competitive advantage these foreign businesses have over local competitors.

#### **TAX RELIEF FOR INDIVIDUALS**

Tax relief of R7 billion for individual taxpayers is proposed. Personal income tax brackets and rebates have been largely adjusted to reduce the effect of inflation on tax payable. The amount an individual can earn before being required to pay income tax has been increased for the 2013/14 tax year as follows:

	Tax year 1 March 2013 to 28 February 2014		
	Below age 65	R67 111	
	Age 65 - 74	R104 611	
	Age 75 and older	R117 111	

The annual tax rebates for individuals have also been increase as follows:

Tax year>	1 March 2012 to 28 February 2013	1 March 2013 to 28 February 2014
Primary (for all individuals)	R11 440	R12 080
Secondary (age 65 - 74	R6 390	R6 750
Tertiary (age 75 and older)	R2 130	R2 250

#### Tax credits for medical scheme contributions

Monthly tax credits for medical scheme contributions (reduction of tax payable) will be increased from R230 to R242 for the first two beneficiaries on a medical scheme and from R154 to R162 for each additional beneficiary on the medical scheme for the 2013/14 tax year.

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