

People's Guide #RSABUDGET2019

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ISSUED BY



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WHAT IS THE BUDGET

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

HOW IS THE BUDGET PUT TOGETHER?

1. Departmental guideline is issued indicating budget information required
2. Departments prioritise their programmes, compile spending plans and service delivery commitments
3. Budget proposals are submitted to treasury and deliberated on
4. Allocation proposals are considered by Interdepartmental committees of Directors-General
5. Budget recommendations are made to Ministers' Committee
6. Medium Term Budget Policy Statement signals the upcoming Budget
7. Finally allocations are decided in Cabinet
8. Budget documents are prepared
9. Main Budget is tabled
10. Parliament deliberates and adopts a Budget
11. Sent to the President for signing into Law



CONFRONTING OUR CHALLENGES AND REBUILDING CONFIDENCE

Government is acting to turn the economy around and make the public finances more sustainable over the long term. Reforms are under way to increase investment and growth in mining, tourism and telecommunications.

New partnerships with the private sector have led to major investment commitments. Building on these steps, the 2019 Budget sets out broad measures to boost confidence, promote economic growth and stabilise public debt.

- Government has started reforms at state-owned companies like Eskom to strengthen governance and operations. The reforms at Eskom aim at improving electricity

The 2019 Budget continues to prioritise learning and culture, social development, health and community development

supply, which will in turn support investment and growth.

- Efforts to rebuild the South African Revenue Service (SARS) are under way, including the announcement of a new commissioner. Reforming SARS is crucial since it is trusted with collecting taxes on behalf of government.

- Government has committed to partnering with the private sector and development finance institutions to reduce costs and improve the quality of social and economic infrastructure.

The 2019 Budget continues to prioritise learning and culture, social development, health and community development. Funding has been set aside for public transport, school infrastructure, and the revitalisation of townships and industrial parks.

Since the 2018 MTBPS, economic growth has been revised down from 1.7 per cent to 1.5 per cent. Growth is now expected to increase to 2.1 per cent in 2021. In light of the weak economic environment and the large support required by Eskom, the 2019

Budget proposes additional fiscal measures to stabilise debt. Eskom is under severe financial stress, and will require support of R23 billion per year over the medium term. To offset these costs, other baselines will be reduced by an amount of R50.3 billion over the next three years, mainly from compensation spending. An additional R25 billion will be raised through taxes over the next two years.

Despite these measures, government still need to borrow R243 billion in 2019/20, R253 billion in 2020/21 and R252 billion in 2021/22. Gross debt stabilises at 60.2 per cent of GDP, slightly above the MTBPS estimates. Government is committed to careful management of debt in an environment of great uncertainty ■



ACCELERATING POLICY REFORMS FOR INVESTMENT AND ECONOMIC GROWTH



MESSAGE FROM THE MINISTER

This budget outlines a series of economic and fiscal measures intended to put the South African economy on a new trajectory and reduce long term risks to the country's public finances. Government's central economic objective remains the acceleration of balanced, sustainable and equitable growth.

In managing public finances, the main objective is to ensure that they are sustainable, and this can be done by containing the gap between expenditure and revenue to within sustainable levels and stabilising government debt.

We have to do all of this in a much more difficult environment, both locally and globally. We have revised economic growth for this year down from what we had forecast in October when we tabled the Medium Term Budget Policy Statement in Parliament. This is due to a fragile recovery in investment and employment locally as well as a less supportive trade environment globally.

The poor economic performance means that government is not going to be able to collect the revenue, primarily taxes, as originally expected in October last year. In addition, some of the major state-owned companies, the biggest of which is Eskom, are in a dire financial position, and therefore require increased government funding. To create room for these funding pressures, we have had to shift funds from other expenditures. We have done adjustments on the tax side as well. The shifting of funds has been done in a manner that protects the expenditures that benefit the poorest among us ■

Boosting South Africa's economic growth, which is essential for job creation and improving the living standards of the people, requires different interventions and reforms.

Reforms announced in the President's economic stimulus and recovery plan to relieve policy uncertainty and boost growth have begun to produce positive results, including:

- **Visa amendments:** Government has gazetted amendments to the Immigration Act of 2002 to

make it easier for tourists, business people and investors to visit South Africa. These changes can increase tourism, business and investment activity, which are great sources of job creation.

- **Telecommunications spectrum:** Licensing for high-demand spectrum will take place this year, with the process expected to be completed in 2020/21.
- **Mining policy:** Government issued a new Mining Charter and amendments to the Mineral and Petroleum Resources

Development Act (2002) are under review. Separate legislation for the regulation of oil and gas is being developed and consultations with various stakeholders are under way.

- **Procurement:** a new Public Procurement Bill, which will consolidate various procurement laws into a single framework, is being finalised. Amendments in the Bill will allow for greater participation of black-, youth- and women-owned businesses in state procurement ■



GOVERNMENT STRENGTHENS GOVERNANCE AND UPROOTS CORRUPTION

Efficient and effective operation of state-owned companies (SOCs) like Eskom, Transnet and South African Airways that provide transportation networks, bulk infrastructure, energy and technology can contribute positively to the growth and development of the country.

Hence, government has begun

major reforms to improve finances and operations in struggling SOC's by establishing the Presidential State-owned Company Council. The Council will review the roles of SOC's and supervise the implementation of the needed reforms. Government is appointing new leadership in major SOC's to strengthen governance and is pursuing charges against corrupt officials ■

SANITARY PRODUCTS FOR YOUNG GIRLS AT POOR SCHOOLS



In 2019/20, government will introduce the sanitary dignity project to provide free sanitary products to girls in the country's poorest schools (quintiles 1, 2 and 3).

R157 million has been allocated in 2019/20 through the provincial equitable share. Results from the first year of the project will be used to determine the total project costs over the next few years ■

TAKING THE BUDGET TO THE PEOPLE

In partnership with the civil society organisations that includes IMALI YETHU, the government continues to hold outreach events throughout the country to inform communities about the public finances.

Since its launch in February 2018, the Vulekamali online portal has become the main source of transparent, user-friendly information for the public to learn more about how government compiles its budget and spends public funds. Look out for new developments and upcoming events in your province by visiting www.vulekamali.gov.za ■



GOVERNMENT IS INVESTING IN INFRASTRUCTURE



Enrolment rates have increased at public universities in the last 15 years. There is now a shortage of safe and affordable student housing in the universities.

In 2019/20, government will provide R105 million for the Student Housing Infrastructure Programme, to complete 3 student accommodation projects at Sefako Makgatho Health Sciences University, Nelson Mandela University and Vaal University of Technology. Over the next 10 years, this programme plans to provide 300 000 new beds at 26 public universities and 50 TVET colleges. This programme falls under the Budget Facility for Infrastructure,

an initiative to improve the quality of infrastructure spending that was revealed in the 2017 MTBPS.

In 2018, the President announced an Infrastructure Fund initiative that builds on efforts to transform public infrastructure delivery. The initiative encourages collaboration between the public sector and the private sector in the planning and implementation of infrastructure projects. Government will contribute R100 billion to the fund over 10 years. Through the National Treasury, the Development Bank of Southern Africa will lead the co-funding of projects with the private sector and other Development Finance Institutions ■

SOCIAL GRANTS TO BENEFIT THE POOR

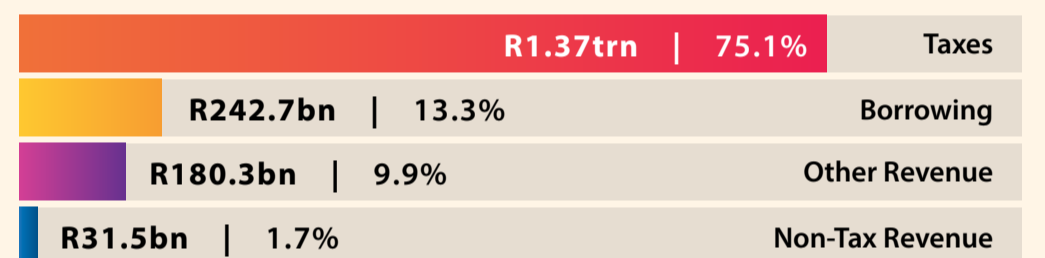
In the 2019 Budget, government increases the child support grant by R20 per month, the foster care grant by R40 per month and the old age grant by R85 a month in 2019/20.

By 2021/22, 18.6 million South Africans will be receiving social grants, with the child support grant reaching an estimated 13.1 million children and the old age grant reaching 3.9 million beneficiaries ■

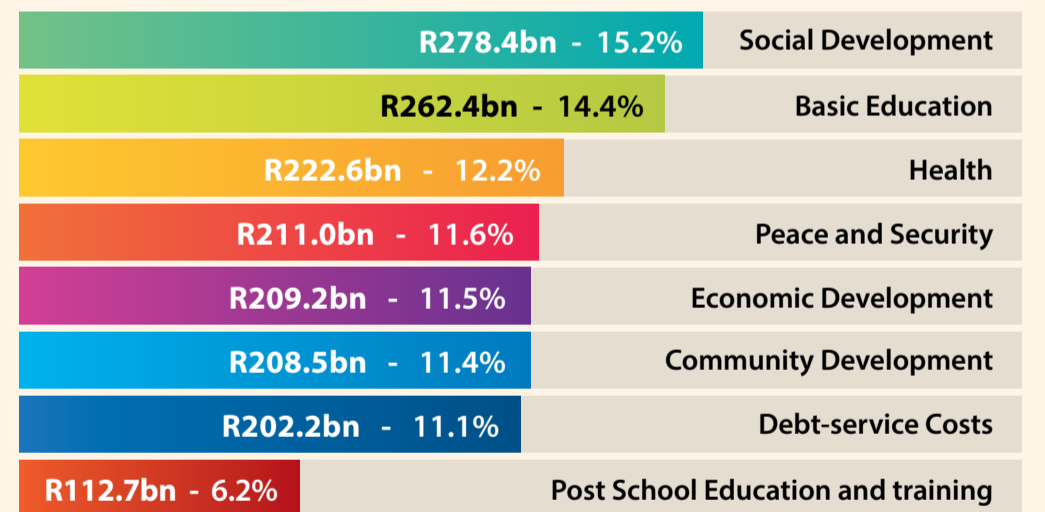
SOCIAL GRANTS	2018/19	2019/20
STATE OLD AGE GRANT	R1 695	R1 780
STATE OLD AGE GRANT, OVER 75	R1 715	R1 800
WAR VETERANS GRANT	R1 715	R1 800
DISABILITY GRANT	R1 695	R1 780
FOSTER CARE GRANT	R960	R1 000
CARE DEPENDENCY GRANT	R1 695	R1 780
CHILD SUPPORT GRANT	R405	R425

WHERE THE MONEY COMES FROM AND HOW IT WILL BE SPENT IN 2019/20

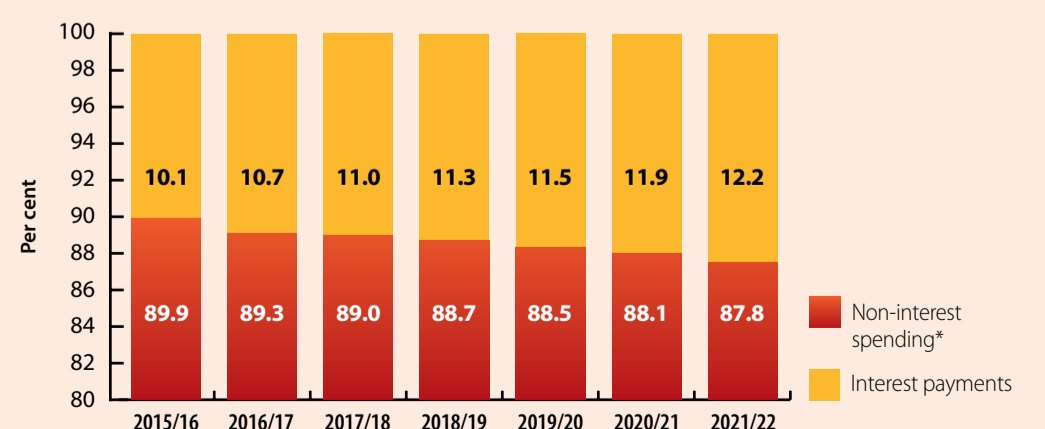
GOVERNMENT SOURCES OF INCOME IN 2019/20



GOVERNMENT SPENDING IN 2019/20



GOVERNMENT NON-INTEREST AND INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE



* Non-interest expenditure is total spending by government excluding interest paid on debt.

2019 TAX PROPOSALS



Personal Income Tax

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2019 Budget provides for an increase in personal income tax rebates.

The amount an individual can earn before being required to pay tax has been adjusted as follows for the tax year from 1 March 2019 to 29 February 2020.

TAX THRESHOLDS	TAX YEAR: 2018/19	TAX YEAR: 2019/20
Below age 65	R78 150	R79 000
Age 65 to 74	R121 000	R122 300
Age 75 and over	R135 300	R136 750

The new tax thresholds are due to increases in the tax rebates for individual taxpayers

TAX REBATES	TAX YEAR: 2018/19	TAX YEAR: 2019/20
Primary (age below 65)	R14 067	R14 220
Secondary (age 65 and over)	R7 713	R7 794
Tertiary (age 75 and over)	R2 574	R2 601

Sin Taxes

RISE IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages and tobacco products will increase by between 7.4 and 9 per cent.

	INCREASES BY:
Malt beer	12c per 340ml can
Unfortified wine	22c per 750ml bottle
Fortified wine	37c per 750ml bottle
Sparkling wine	84c per 750ml bottle
Ciders and alcoholic fruit beverages	12c per 340ml can
Spirits	R4.54 per 750ml bottle
Cigarettes	R1.14 per packet of 20
Cigarette tobacco	R1.29 per 50g
Pipe tobacco	45c per 25g
Cigars	R7.41 per 23g

Fuel Levies

INCREASES IN FUEL LEVIES

A carbon levy on fuel at 9c per litre on petrol and 10c per litre on diesel will take effect on 5 June 2019.

The general fuel levy will increase by 15 cents per litre and the road accident fund levy will increase by 5 cents. This will increase:

Tax Rates

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax payable by individuals for the tax year ending between 1 March 2019 and 29 February 2020.

Taxable Income (R)	Rate of Tax (R)
0 to 195 850	18% of taxable income
195 851 to 305 850	35 253 + 26% of taxable income above 195 850
305 851 to 423 300	63 853 + 31% of taxable income above 305 850
423 301 to 555 600	100 263 + 36% of taxable income above 423 300
555 601 to 708 310	147 891 + 39% of taxable income above 555 600
708 311 to 1 500 000	207 448 + 41% of taxable income above 708 310
1 500 001 and above	532 041 + 45% of taxable income above 1 500 000
Trusts other than special trusts	Rate of tax 45%

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2019 and 31 March 2020.

Type	Rate of Tax (R)
Companies	28% of taxable income

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2019 and 31 March 2020.

Taxable Income (R)	Rate of Tax (R)
0 – 79 000	0% of taxable income
79 001 – 365 000	7% of taxable income above 79 000
365 001 – 550 000	20 020 + 21% of taxable income above 365 000
550 001 and above	58 870 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESS

Financial years ending on any date between 1 March 2019 and 29 February 2020.

Taxable Turnover (R)	Rate of Tax (R)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

- The general fuel levy to R3.52 per litre of petrol and to R3.37 per litre of diesel*
- The road accident fund levy to R1.98 per litre for both petrol and diesel*

* The increased levies take effect on 3 April 2019.