

# #RSABUDGET2019 HIGHLIGHTS

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f RSA Budget

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## BUDGET FRAMEWORK

- Over the medium term, spending reductions amount to R50.3 billion, 54 per cent of which comes from compensation budget adjustments.
- Provisional allocations of R75.3 billion are budgeted over the 2019 medium-term expenditure framework (MTEF) period, mainly for Eskom's reconfiguration plan.
- Since the 2018 *Medium Term Budget Policy Statement* the contingency reserve has been increased by R6 billion in 2019/20 to respond to requests for fiscal support from smaller state-owned companies. Additional support will be financed by selling non-core assets.
- The consolidated budget deficit is projected to narrow from 4.5 per cent of GDP in 2019/20 to 4 per cent in 2021/22.
- Gross debt is expected to stabilise at 60.2 per cent of GDP in 2023/24.
- Real growth in consolidated non-interest expenditure will average 2 per cent over the next three years.

## SPENDING PROGRAMMES

- Total public spending over the MTEF period is expected to be R5.9 trillion.
- The bulk of spending is allocated to learning and culture, social development, health and community development.
- The expenditure ceiling is increased by R16 billion over the next three years, mainly due to provisional allocations for reconfiguring Eskom, which amount to R69 billion.
- Compensation of employees remains the largest category of spending, accounting for an average of 34.4 per cent of consolidated expenditure over the MTEF period. Measures are introduced to realise a R27 billion reduction in compensation.
- Funds amounting to R33.4 billion have been reprioritised over the MTEF period, mainly for service delivery and infrastructure.

## TAX PROPOSALS

- No changes will be made to personal income tax brackets, while the tax-free threshold increases from R78 150 to R79 000. By not adjusting the income tax brackets for inflation, government will raise R12.8 billion.
- The carbon tax will be implemented on 1 June 2019.
- Below-inflation increases in fuel taxes together with the carbon tax on fuel will raise R1.3 billion.
- Increases in alcohol and tobacco excise duties will raise revenue of R1 billion.
- White bread flour, cake flour and sanitary pads will be zero-rated for VAT purposes from 1 April 2019.
- The eligible income bands for the employment tax incentive will be increased from 1 March 2019.

## TAX REVENUE 2019/20

**R552.9 bn** Personal income tax

**R360.5 bn** VAT

**R229.6 bn** Corporate income tax

**R106.8 bn** Customs and excise duties

**R89.5 bn** Other

**R83.0 bn** Fuel levies

## MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2018	2019	2020	2021
	Estimate	Forecast		
Household consumption	1.5	1.5	2.0	2.3
Gross fixed-capital formation	-0.2	1.5	2.1	3.0
Exports	2.0	2.3	2.7	2.8
Imports	3.8	1.7	3.2	3.3
<b>Real GDP growth</b>	<b>0.7</b>	<b>1.5</b>	<b>1.7</b>	<b>2.1</b>
CPI inflation	4.7	5.2	5.4	5.4
Current account balance (% of GDP)	-3.5	-3.4	-3.8	-4.0

## CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2018/19	2019/20	2020/21	2021/22
	Revised estimate	Medium-term estimates		
<b>Revenue</b>	<b>1 455.2</b>	<b>1 583.8</b>	<b>1 696.4</b>	<b>1 836.6</b>
	28.8%	29.3%	29.2%	29.4%
<b>Expenditure</b>	<b>1 665.4</b>	<b>1 826.6</b>	<b>1 948.9</b>	<b>2 089.0</b>
	32.9%	33.7%	33.5%	33.4%
<b>Budget balance</b>	<b>-210.2</b>	<b>-242.7</b>	<b>-252.6</b>	<b>-252.4</b>
	-4.2%	-4.5%	-4.3%	-4.0%
<b>Gross domestic product</b>	<b>5 059.1</b>	<b>5 413.8</b>	<b>5 812.4</b>	<b>6 249.1</b>

## CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2018/19 - 2021/22

R billion	2018/19	2019/20	2020/21	2021/22	2018/19 2021/22
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	354.8	386.4	415.2	442.6	7.6%
Health	208.8	222.6	238.8	255.5	7.0%
Social development	256.9	278.4	298.9	317.1	7.3%
Community development	186.4	208.5	225.1	243.7	9.3%
Economic development	192.4	209.2	219.9	235.9	7.0%
Peace and security	203.5	211.0	222.9	233.0	4.6%
General public services	65.0	65.3	67.6	76.9	5.8%
Payments for financial assets	15.5	29.8	30.4	30.9	
<b>Allocated expenditure</b>	<b>1 483.2</b>	<b>1 611.3</b>	<b>1 718.9</b>	<b>1 835.6</b>	<b>7.4%</b>
Debt-service costs	182.2	202.2	224.1	247.4	10.7%
Contingency reserve	-	13.0	6.0	6.0	
<b>Consolidated expenditure</b>	<b>1 665.4</b>	<b>1 826.6</b>	<b>1 948.9</b>	<b>2 089.0</b>	<b>7.8%</b>

# BUDGET2019/20

# BUDGET EXPENDITURE

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## CONSOLIDATED GOVERNMENT EXPENDITURE

# R1.83 TRILLION



# R1.10 TRILLION

## SOCIAL SERVICES



## R209.2 bn

### ECONOMIC DEVELOPMENT

Economic regulation and infrastructure	R101.3 bn
Industrialisation and exports	R37.5 bn
Agriculture and rural development	R30.7 bn
Job creation and labour affairs	R23.2 bn
Innovation, science and technology	R16.5 bn

Basic education	R250.4 bn
University transfers	R37.0 bn
National Student Financial Aid Scheme	R33.3 bn
Skills development levy institutions	R21.7 bn
Education administration	R17.6 bn
Technical & vocational education and training	R12.7 bn



## R386.4 bn

### LEARNING AND CULTURE



## R211.0 bn

### PEACE AND SECURITY

Police services	R104.2 bn
Defence and state security	R50.0 bn
Law courts and prisons	R48.4 bn
Home affairs	R8.4 bn

District health services	R98.2 bn
Central hospital services	R43.1 bn
Provincial hospital services	R36.7 bn
Other health services	R35.6 bn
Facilities management and maintenance	R8.8 bn



## R222.6 bn

### HEALTH



## R65.3 bn

### GENERAL PUBLIC SERVICES

Public administration and fiscal affairs	R41.6 bn
Executive and legislative organs	R16.2 bn
External affairs	R7.6 bn

Municipal equitable share	R69.0 bn
Human settlements, water and electrification programmes	R56.4 bn
Public transport	R43.6 bn
Other human settlements and municipal infrastructure	R39.6 bn



## R208.5 bn

### COMMUNITY DEVELOPMENT



## R202.2 bn

### DEBT-SERVICE COSTS

Old-age grant	R77.0 bn
Social security funds	R71.3 bn
Child-support grant	R65.0 bn
Other grants	R33.2 bn
Provincial social development	R22.3 bn
Policy oversight and grant administration	R9.6 bn



## R278.4 bn

### SOCIAL DEVELOPMENT