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Glossary

<i>Accounting officer</i>	The civil servant in a department who is accountable to Parliament for financial management, usually the director-general or head of the department.
<i>Accrual</i>	An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place.
<i>Ad valorem duties</i>	Duties levied on commodities as a certain percentage of their value.
<i>Adjustments estimate</i>	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
<i>Administered prices</i>	Prices set outside ordinary market processes, through administrative decisions by government, a public entity or a regulator.
<i>African Renaissance and International Cooperation Fund</i>	A fund established by government to enhance cooperation and promote democracy, good governance and socioeconomic development, and to provide international humanitarian assistance.
<i>Allocated expenditure</i>	The part of the national budget that can be divided between the national, provincial and local spheres of government, after debt interest and the contingency reserve have been taken into account.
<i>Amortisation</i>	The repayment of a loan by instalments over the duration of the loan.
<i>Appropriation</i>	The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from a provincial revenue fund.
<i>Asset swap</i>	An arrangement whereby financial institutions are permitted to exchange a portfolio of South African shares and securities for a portfolio of foreign shares and securities. This enables South African investors to diversify offshore, while minimising the impact on domestic financial markets and the rand.
<i>Balance of payments</i>	A summary statement of all the international transactions of the residents of a country with the rest of the world over a particular period of time.
<i>Baseline</i>	The initial allocations used during the budget process, derived from the previous year's forward estimates
<i>Bond</i>	A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.
<i>Budget Council</i>	A body established to coordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for finance.

<i>Budget deficit/surplus</i>	The difference between budgeted expenditure and budgeted revenue. If expenditure exceeds revenue the budget is in deficit.
<i>Capital asset</i>	Property of any kind, including assets that are movable or immovable, tangible or intangible, fixed or circulating, but excluding trading stock held for the purpose of realising a financial or economic return.
<i>Capital expenditure</i>	Expenditure on assets that last for a year or more, such as buildings, land, infrastructure and equipment.
<i>Capital formation</i>	A measure of the net increase in the country's total stock of capital goods, after allowing for depreciation.
<i>Capital gains tax</i>	Tax levied on the income realised from the disposal of a capital asset by a taxpayer. A capital gain is the excess of the selling price over the purchase price of the capital asset.
<i>Capital goods</i>	Durable goods used over a period of time for the production of other goods. See also <i>intermediate goods</i> .
<i>Capital flow</i>	A flow of investments in and out of the country.
<i>Capital-output ratio</i>	The ratio of the stock of capital employed to the output produced.
<i>Category A, B and C municipalities</i>	The Constitution establishes three categories of municipality: Category A, or metropolitan municipalities; Category B, or local municipalities; and Category C, or district municipalities.
<i>Collective bargaining</i>	Negotiations between employees and employers on procedures and rules to cover conditions of work and rates of pay.
<i>Conditional grants</i>	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
<i>Consolidated expenditure</i>	Total expenditure by national and provincial government, social security funds, and transfers to municipalities and public entities.
<i>Consolidated general government</i>	National, provincial and local government, as well as extra-budgetary government institutions and social security funds.
<i>Consumption expenditure</i>	Expenditure on goods and services, including salaries, which are used up within a short period of time, usually a year. See also <i>current expenditure</i> .
<i>Contingency reserve</i>	An amount that is not allocated in advance, intended to accommodate changes to the economic environment and to meet unforeseeable and unavoidable spending pressures.
<i>Contingent liabilities</i>	A government obligation that will only result in expenditure upon the occurrence of a specific event – such as a government guarantee.
<i>Controlled foreign entity</i>	A foreign business in which South Africans hold a greater than 50 per cent interest, usually of the share capital of a company.
<i>Corporatisation</i>	The transformation of state-owned enterprises into commercial entities, subject to commercial legal requirements and governance structures, while retaining state ownership.
<i>Cost-push inflation</i>	Inflation that is caused by an increase in production costs, such as wages or oil prices.

<i>Coupon (bond)</i>	The periodic interest payment made to the bondholders during the life of the bond. The interest is usually paid twice a year.
<i>CPIX inflation</i>	A measurement of the price increases of a basket of consumer goods and services. This measure differs from the consumer price index in that it excludes mortgage costs.
<i>Credit rating</i>	An indicator of the risk of default by a borrower or the riskiness of a financial instrument.
<i>Crowding-in</i>	Increase of private investment through the income-raising effect of government spending financed by deficits.
<i>Crowding-out</i>	A fall in private investment or consumption as a result of rising government expenditure financed in the financial markets, thereby competing with firms or persons for borrowed funds; that is, firms and households unable to borrow at a low rate of interest curtail their investment and consumption spending.
<i>Current account</i>	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.
<i>Current expenditure (see consumption expenditure)</i>	Government expenditure on goods and services, such as salaries, rent, maintenance and interest payments.
<i>Debt service costs</i>	The cost of interest on government debt.
<i>Debt switching</i>	The restructuring of the term structure and maturity profile of government debt.
<i>Depreciation (capital)</i>	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
<i>Depreciation (exchange rate)</i>	A reduction in the external value of a currency.
<i>Derivative financial instrument</i>	A financial asset that derives its value from an underlying asset, which may be a physical asset such as gold, or a financial asset such as a government bond.
<i>Designated countries</i>	Foreign countries from which income may be exempt from South African tax under certain circumstances. See also <i>double tax agreement</i> .
<i>Direct taxes</i>	Taxes charged on taxable income or capital of individuals and legal entities.
<i>Disposable income</i>	Total income by households less all taxes and employee contributions.
<i>Dissaving</i>	The excess of current expenditure, including the depreciation of fixed capital, over current income. The shortfall is either financed by assets or borrowing.
<i>Division of revenue</i>	The allocation of funds between the spheres of government, as required by the Constitution. See also <i>equitable share</i> .
<i>Domestic demand</i>	The total level of spending in an economy, including imports but excluding exports.

<i>Double tax agreement</i>	An agreement between two countries to prevent income that is taxed in one country from being taxed in the other as well. See also <i>designated countries</i> .
<i>Economic growth</i>	An increase in the total amount of output, income and spending in the economy.
<i>Economically active population</i>	The part of the population that is of working age and is either employed or seeking work.
<i>Economic rents</i>	The difference between the return made by a factor of production (capital or labour) and the return necessary to keep the factor in its current occupation. For example: a firm making excess profits is earning economic rent. True economic rents can be taxed without distorting production decisions.
<i>Effective tax rate</i>	Actual tax liability (or a reasonable estimate thereof) expressed as a percentage of a pre-tax income base rather than as a percentage of taxable income, i.e. tax rates that take into account not only the statutory or nominal tax rate, but also other aspects of the tax system (e.g. allowable deductions), which determine the tax liability.
<i>Emerging markets</i>	A name given by international investors to middle-income economies.
<i>Equalisation Fund levy</i>	A dedicated fuel levy used to subsidise the local synthetic fuel industry. It is also used to smooth the impact of fluctuations in the international oil price (and exchange rate) on the domestic fuel price.
<i>Equitable share</i>	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution. See also <i>division of revenue</i> .
<i>Exchange control</i>	Rules that regulate the flow of currency out of South Africa, or restrict the amount of foreign assets held by South African individuals and companies.
<i>Excise duties</i>	Taxes on the manufacture or sale of certain domestic or imported products. Excise duties are usually charged on products such as alcoholic beverages, tobacco and petroleum.
<i>Extra-budgetary institutions</i>	Public entities not directly funded from the fiscus.
<i>Financial account</i>	A statement of all financial transactions between the nation and the rest of the world, including portfolio and fixed investment flows and movements in foreign reserves.
<i>Financial and Fiscal Commission (FFC)</i>	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
<i>Financial year</i>	The 12 months according to which companies and organisations budget and account. See also <i>fiscal year</i> .
<i>Fiscal drag</i>	The effect of inflation on average or effective tax rates. Under an unindexed progressive income tax system, the effective tax rate is increased when money incomes increase, even though real incomes may not be increasing. This happens because taxpayers are pushed into higher income tax brackets where higher marginal rates apply.

<i>Fiscal incidence</i>	The way in which (or the range or extent) fiscal policy affects the economy.
<i>Fiscal policy</i>	Policy on tax, spending and borrowing by the government.
<i>Fiscal year</i>	The 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
<i>Fixed investment</i>	Spending on buildings, machinery and equipment contributing to production capacity.
<i>Foreign direct investment (FDI)</i>	Movements of international capital entailing the purchase or establishment of ownership and control of a domestic operation by a foreign company.
<i>Forward book</i>	The total amount of contracts for the future exchange of foreign currency entered into by the Reserve Bank at any given point in time.
<i>Forward cover</i>	Transactions involving an agreed exchange rate at which foreign currency will be purchased or sold at a future date.
<i>Forward markets</i>	Markets in which currencies, commodities or securities are bought and sold at agreed prices for delivery at specified future dates.
<i>Fuel levy</i>	An excise tax on liquid fuels.
<i>Function shift</i>	The movement of a function from one departmental vote or sphere of government to another.
<i>Funded pension arrangements</i>	A pension scheme in which expected future benefits are funded in advance and as entitlement accrues.
<i>GDP inflation</i>	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported and intermediate goods such as machines, but excludes imported goods.
<i>Gold and foreign exchange reserve account</i>	Reserves held by the South African Reserve Bank to meet foreign exchange obligations and to maintain liquidity in the presence of external shocks.
<i>Government debt</i>	The total amount of money owed by the government as a consequence of its borrowing in the past.
<i>Gross domestic product (GDP)</i>	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
<i>Gross fixed capital formation</i>	The addition to a country's fixed capital stock during a specific period, before provision for depreciation.
<i>Hedging</i>	An action taken by a buyer or seller to protect income against changes in prices, interest rates or exchange rates.

<i>Horizontal equity</i>	A key principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden, i.e. taxpayers earning the same amount of income or capital should be accorded equal treatment.
<i>Import parity pricing</i>	When a firm sells goods locally at the price that customers would pay if they were to import the same goods from another country.
<i>Inflation</i>	An increase in the general level of prices.
<i>Inflation targeting</i>	A monetary policy framework intended to achieve price stability over a certain period of time. The Reserve Bank and government agree on a target range to be achieved over a stipulated period.
<i>Intermediate goods</i>	Goods produced to be used as inputs in the production of final goods.
<i>Inventories</i>	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
<i>Investment</i>	The flow of expenditure on new capital goods.
<i>Labour intensity</i>	The relative amount of labour that is required to produce a fixed quantity of output.
<i>Liquidity</i>	The ease with which assets can be bought and sold.
<i>Liquidity requirements</i>	The amount of liquid or freely convertible assets that banks are required to hold relative to their liabilities, for prudential and regulatory purposes.
<i>M3</i>	The broadest definition of money supply in South Africa, including notes and coins, demand and fixed deposits, and credit.
<i>Macroeconomics</i>	The branch of economics that deals with the whole economy – including issues such as growth, inflation, unemployment and the balance of payments.
<i>Marginal lending rate</i>	A penalty rate of interest charged by the Reserve Bank for lending to financial institutions in the money market in excess of the daily liquidity provided to the money market at the repurchase rate. See also <i>repurchase agreements</i> .
<i>Marginal income tax rate</i>	The rate of tax on an incremental unit of income.
<i>Marketable securities</i>	Tradeable financial securities listed with a securities exchange.
<i>Medium Term Expenditure Committee (MTEC)</i>	The technical committee responsible for evaluating the MTEF budget submissions of national departments and making recommendations to the Minister of Finance regarding allocations to national departments.
<i>Medium-term expenditure framework (MTEF)</i>	The three-year spending plans of national and provincial governments, published at the time of the Budget.
<i>Microeconomics</i>	The branch of economics that deals with the behaviour of individual firms, consumers and markets.
<i>Ministers' Committee on the Budget</i>	The political committee that considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet.

<i>MinMEC</i>	A MinMEC is a political forum where national and provincial departments in the same sector discuss policy issues. It consists of the national Minister and the nine provincial MECs, supported by key departmental officials.
<i>Monetary policy</i>	Policy concerning total money supply, exchange rates and the general level of interest rates.
<i>Money supply</i>	The total stock of money in an economy.
<i>National budget</i>	The projected revenue and expenditures that flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
<i>National Revenue Fund</i>	The consolidated account of the national government into which all taxes, fees and charges collected by SARS and departmental revenue must be paid.
<i>Negotiable certificate of deposit (NCD)</i>	Short-term deposit instruments issued by banks, at a variable interest rate, for a fixed period.
<i>Net exports</i>	Exports less imports.
<i>Net international liquidity position</i>	See <i>net open foreign currency position</i> .
<i>Net open foreign currency position (NOFP)</i>	Gold and foreign exchange reserves minus oversold forward book. The figure is expressed in dollars.
<i>Nominal exchange rates</i>	The current rate of exchange between the rand and foreign currencies. The “effective” exchange rate is a trade-weighted average of the rates of exchange with other currencies.
<i>Nominal wage</i>	The return, or wage, to employees at the current price level.
<i>Non-financial public enterprises</i>	Government-owned or controlled organisations in goods and non-financial services, trading as business enterprises. Includes Eskom, Telkom, SABC, Transnet, etc.
<i>Non-interest expenditure</i>	Total expenditure by government less debt service costs.
<i>Non-tax revenue</i>	Income received by the government as a result of administrative charges, licences, fees, sales of goods and services, etc.
<i>Opportunity cost</i>	The value of that which must be given up to achieve or acquire something. It is represented by the next highest valued alternative use of a resource.
<i>Organisation for Economic Cooperation and Development (OECD)</i>	An organisation of 29 mainly industrialised member countries. South Africa is not a member.
<i>Outputs</i>	Goods and services delivered by government.
<i>Personal saving rate</i>	Saving as a percentage of disposable income.
<i>Portfolio investment</i>	Investment in financial assets such as stocks and bonds.
<i>Primary deficit/surplus</i>	The difference between total revenue and non-interest expenditure.
<i>Primary sector</i>	The agricultural and mining sectors of the economy.

<i>Private sector credit extension</i>	Credit provided to the private sector by banks. This includes all loans, credit cards and leases.
<i>Privatisation</i>	The full or partial sale of state-owned enterprises to private individuals or companies.
<i>Producer price inflation (PPI)</i>	Price increases measured by the producer price index (PPI), a measure of the prices paid based mainly on published price lists by producers.
<i>Productivity</i>	A measure of the amount of output generated from every unit of input. Typically used to measure changes in labour efficiency.
<i>Public entities</i>	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law.
<i>Public benefit organisations</i>	Organisations that are mainly funded by donations from the public and other institutions, which engage in social activities meeting the needs, interest and the well-being of the general public.
<i>Public goods</i>	Goods and services that would not be provided in a pure free-market system (e.g. defence), and are largely provided by government.
<i>Public Investment Corporation (PIC)</i>	A government-owned investment management company that invests funds on behalf of public-sector entities. Its largest client is the Government Employees Pension Fund.
<i>Public private partnerships (PPPs)</i>	A contractual arrangement whereby a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria.
<i>Public sector</i>	National government, provincial government, local government, extra-budgetary governmental institutions, social security funds and non-financial public enterprises.
<i>Public sector borrowing requirement (PSBR)</i>	The consolidated cash borrowing requirement of general government and public enterprises.
<i>Rating agency</i>	Institutions that evaluate the ability of countries or other borrowers to honour their international and domestic debt obligations. Credit ratings are used by international investors as indications of sovereign risk.
<i>Real effective exchange rate</i>	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and the countries included.
<i>Real exchange rate</i>	The level of the exchange rate taking account of inflation differences.
<i>Real expenditure</i>	Expenditure measured in constant prices, i.e. after taking account of inflation.
<i>Real wage</i>	The return, or wage, to employees, measured at a constant price level.
<i>Recession</i>	A period in which national output and income declines. A recession is usually defined as two consecutive quarters of negative growth.
<i>Regional integration</i>	An economic policy intended to boost economic activity in a geographical area extending beyond one country.

<i>Regional Services Council (RSC) levy</i>	The RSC levy (referred to as the Joint Services Board levy in KwaZulu-Natal) was introduced in 1985 to fund the local provision of basic services.
<i>Remuneration</i>	The costs of personnel including salaries, housing allowances, car allowances and other benefits received by personnel.
<i>Repo rate</i>	The rate of interest that the Reserve Bank pays on repurchase agreements with money market participants.
<i>Repurchase agreements</i>	Short-term contracts between the Reserve Bank and private banks in the money market to sell specified amounts of money at an interest rate determined by daily auction.
<i>Reserves (foreign exchange)</i>	Holdings of foreign exchange, either of the Reserve Bank only or of the Reserve Bank and domestic banking institutions.
<i>Residence-based income tax system</i>	A tax system in which the worldwide income accruing to a resident of a country is subject to the taxes of that country.
<i>Saving</i>	The difference between income and spending.
<i>Secondary rebate</i>	A rebate from income tax, in addition to the primary rebate, that is available to taxpayers 65 and over.
<i>Secondary sector</i>	The part of the economy concerned with the manufacture of goods.
<i>Secondary tax on companies (STC)</i>	Tax on dividends declared by a company, calculated at the rate of 12,5 per cent of the net amount of dividends declared.
<i>Section 21 company</i>	Non-profit entities registered in terms of Section 21 of the Companies Act.
<i>Service and transfer payments</i>	Services involve transactions of non-tangible commodities, while transfers are unrequited transactions that do not generate a counter economic value (e.g. gifts and grants).
<i>Skills development levy</i>	A payroll tax designed to finance training initiatives, in terms of the skills development strategy.
<i>Source-based income tax system</i>	A system in which income is taxed in the country where the income originates.
<i>Southern African Customs Union (SACU)</i>	An agreement that allows for the unrestricted flow of goods and services between South Africa, Botswana, Namibia, Lesotho and Swaziland.
<i>Southern African Development Community (SADC)</i>	A regional governmental organisation that promotes collaboration, economic integration and technical cooperation throughout Southern Africa. Member nations are South Africa, Botswana, Namibia, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Angola, Malawi, Tanzania, the Democratic Republic of Congo, Mauritius and the Seychelles.
<i>Sovereign debt rating</i>	An assessment of the likelihood that a government will default on its debt obligations.
<i>Specific excise duty</i>	A tax on each unit of output or sale of a good, unrelated to the value of a good.

<i>Standing appropriations</i>	Government's expenditure obligations that do not require a vote or statutory provision, including contractual guarantee commitments and international agreements.
<i>Statutory appropriations</i>	Amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.
<i>Syndicated loan</i>	A large loan in which a group of banks, headed by a lead manager, work together to provide funds which they solicit from their clients for the borrower.
<i>Tax amnesty</i>	A period allowed by tax authorities during which taxpayers who are outside the tax net, but should be registered for tax purposes, can register for tax without incurring penalties.
<i>Tax avoidance</i>	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
<i>Tax base</i>	The aggregate value of income, sales or transactions on which particular taxes are levied.
<i>Tax evasion</i>	When individuals or businesses illegally reduce their tax liability.
<i>Tax gap</i>	A measure of tax evasion that emerges from comparing the tax liability or tax base declared to the tax authorities with the tax liability or tax base calculated from other sources.
<i>Tax incentives</i>	Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities.
<i>Tax incidence</i>	The final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to those who experience a decrease in real income as a result of the imposition of a tax.
<i>Tax loopholes</i>	Unintended weakness in the legal provisions in the tax system used by taxpayers to avoid paying tax liability.
<i>Tax-to-GDP ratio</i>	For public finance comparison purposes a country's tax burden, or tax-to-GDP ratio, is computed by taking the total tax payments for a particular fiscal year as a fraction or percentage of the GDP for that year.
<i>Terms of trade</i>	The weighted average price of a country's exports relative to its imports.
<i>Tertiary sector</i>	The part of the economy concerned with the provision of services.
<i>Total factor productivity (TFP)</i>	An index used to measure the efficiency of all inputs that contribute to the production process. Increases in TFP are usually attributable to technological improvements.
<i>Trade balance</i>	The monetary record of a country's net imports and exports of physical merchandise.
<i>Trade regime</i>	The system of tariffs, quotas and quantitative restrictions applied to protect domestic industries, together with subsidies and incentives used to promote international trade.
<i>Trade-weighted rand</i>	The value of the rand pegged to or expressed relative to a market basket of selected foreign currencies.

<i>Trademark</i>	A legal right pointing distinctly to the origin or ownership of merchandise to which it is applied and legally reserved for the exclusive use of the owner as maker or seller.
<i>Treasury committee</i>	The Cabinet committee that evaluates all requests for additional funds for unavoidable and unforeseen expenditure during a financial year.
<i>Unallocated reserves</i>	Potential expenditure provision not allocated to a particular use. Mainly consists of the contingency reserve and amounts of money left unallocated by provinces.
<i>Unit labour cost</i>	The cost of labour per unit of output. Calculated by dividing average wages by productivity (output per worker per hour).
<i>User charge</i>	Payments made in exchange for direct benefits accrued, e.g. road toll fees.
<i>Vertical division</i>	The division of revenue between spheres of government.
<i>Vertical equity</i>	A doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions; i.e. taxpayers with more income and/or capital should pay more tax.
<i>Virement</i>	The transfer of resources from one programme to another within the same department during the financial year.
<i>Vote</i>	An appropriation voted by Parliament.
<i>Withholding tax</i>	Tax on income deducted at source. Withholding taxes are widely used in respect of dividends, interest and royalties.
<i>Yield</i>	A financial return or interest paid to buyers of government bonds. The yield/rate of return on bonds takes into account the total of annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.
<i>Yield curve</i>	A graph showing the relationship between the yield on bonds of the same credit quality but different maturity at a given point in time.

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