



A People's guide...

BUDGET 2007



What is the National Budget?

In February of each year, the Minister of Finance announces government's spending, tax and borrowing plans for the next three years. This is called the national budget. It describes how government will raise money and how it will be spent. The national budget divides money between national departments, provinces and municipalities.

Budget Highlights

The main changes to the budget for the next three years are:

Spending Changes

- R8,1 billion extra for teacher salaries, teaching assistants, support staff in schools and districts
- R7,2 billion extra for health to cover HIV and Aids, additional pay for health workers and for improving hospitals
- R17,4 billion for the 2010 FIFA World Cup
- R7,8 billion for public transport, water and other municipal infrastructure
- R2,7 billion for housing
- R2,4 billion for additional police
- R1,5 billion to improve the work of the courts.

Tax proposals

- The tax on retirement funds will be abolished, helping to boost retirement savings
- The secondary tax on companies will be reformed and the rate lowered from 12,5% to 10% to help support economic growth
- People younger than 65 years earning below R43 000 will not pay any income tax
- Personal income tax will be reduced by R8,4 billion
- Taxes on a litre of petrol or diesel will rise by 10 cents from 4 April 2007
- A can of beer will cost 5 cents more
- A packet of 20 cigarettes will cost 60 cents more
- A 750 ml bottle of liquor (spirits) will cost R1,88 more.

Shared growth

The South African economy grew by 5 per cent last year and is expected to expand strongly over the next three years. More jobs have been created and government has more money to spend on services such as education, health, policing and public transport.

The challenge for our country is to make sure that we grow even faster, to create more jobs and reduce the level of poverty. The 2007 Budget contributes towards faster growth and shared benefits for everyone.

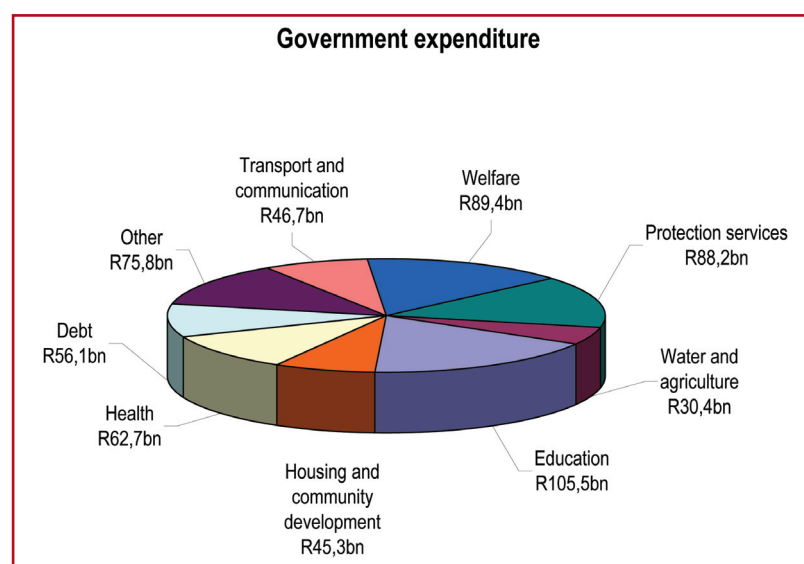
Some of government's programmes provide immediate benefits, while others benefit all of us, and our children, in the long term. Spending for the future is called investment. Government is investing in public transport, clinics and hospitals, electricity, housing, water and schools to ensure that our economy continues to grow and that everyone has access to these services. We are also changing the way in which we do things to ensure that we build a secure country and improve the standard of living for all, for the long term.

A growing economy helps improve the lives of more people through:

- More jobs - over one million jobs have been created since 2004.

- Housing, water, sanitation and electrification programmes reach more people with township development a priority of government.
- Better public transport systems help to take people to and from places of work or to look for work.
- Additional spending on education, health and welfare services allows more people to get better quality services.
- Better access to social grants, more deserving people can benefit.
- More police, better courts and more prison spaces to make our communities safer.

The 2007 Budget supports economic growth and ensures that all share in the fruits of our economy so that we reduce unemployment and poverty.



Social Grants increases

South Africa pays social grants to over 11 million people. These grants are an important contribution to fighting poverty and creating a decent life for all. We now spend about 13 per cent of the budget or R62,4 billion on paying social grants.

From 1 April 2007, the following increases to our social grants will come into effect:

- Old age pension - from R820 to R870 a month
- Child support grant - from R190 to R200 a month
- Disability grant - from R820 to R870 a month
- Foster care grant - from R590 to R620 a month
- Care dependency grant - from R820 to R870 a month

It is important that everyone who qualifies should receive their social grant. But unfortunately some people have tried to get grants when they don't qualify. They have been charged with fraud in the courts.

The 2007 Budget makes available R10 billion over the next three years to improve the services provided by social welfare organisations in the community. Through partnerships with community organisations, we can best serve those in need.



New social security system to benefit all

Between 2007 and 2010, government will extend the social security system so that the benefits of growth are shared by all.

Many working people do not save enough for their retirement or for unexpected events such as early death or disability. Some people who do save, lose their money because they invest in the

wrong products. The new social security system will ensure that everyone saves while they are earning an income, and that their money is safely invested. It will provide protection against unemployment and will pay benefits if workers die or are disabled.

The government will pay a refund through the tax system to help low-wage workers pay the social security contribution. This will also lower the cost of creating jobs and encourage companies to hire more workers. By saving for retirement through the new social security system, all South Africans will together contribute to better protection against accidents or unemployment and more security in old age.

Over the next three years, our tax system together with the systems used to pay our social grants, unemployment insurance payments and road accident fund claims will be changed so that government can collect tax and deliver social security benefits to all at a low cost.

Many of these ideas need more work. Government will be releasing more information on these changes during the course of the year.



2010 FIFA World Cup preparations underway

In three years time, South Africa will host the world's biggest sporting event. The 2010 FIFA World Cup is an opportunity for our country to showcase our people, talent, natural beauty, culture and organisational abilities.

The World Cup also provides an opportunity for us to improve our public transport infrastructure, road networks, policing capacity and communications facilities. Many of these projects will leave a lasting impact on our communities and on the quality of life for many.

The national budget makes available R17,4 billion for infrastructure related to the tournament. Of this

amount, R8,4 billion is for stadiums and R9 billion is for transport infrastructure and to upgrade areas around the stadiums.

The money allows for new stadiums to be built in Cape Town, eThekweni, Nelson Mandela Bay, Mbombela and Polokwane. Stadiums in Johannesburg (Soccer City and Ellis Park), Mangaung, Rustenburg and Tshwane will be upgraded to meet FIFA World Cup standards.

The building of these stadiums has begun and plans are being prepared to ensure that everything is ready for the big event in 2010. All South Africans are united behind the World Cup and our team, Bafana Bafana.

Improving school education

Improving the quality of schools has been a major priority of government since 1994. In 2006, government introduced no-fee schools for the poorest children, aimed at ensuring that nobody could be excluded from education because they could not afford to pay fees.

Since 2002, there has been a large increase in funding for new classrooms and schools, and for electricity, water and sanitation facilities in schools that did not have these facilities.

The 2007 Budget makes available R8,1 billion to improve teacher pay,

to hire teaching assistants and to recruit clerical support staff in schools and district offices. These initiatives are aimed at further improving the quality of school education for all.

While government has done well in getting almost all children into schools and providing more money to schools, we have much more to do to improve the quality of education. Our performance is not yet good enough. We need strong support from parents and communities to ensure that schools perform to the highest standards. Only strong partnerships can improve our schools.

