

# BUDGET 2015 HIGHLIGHTS

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**national treasury**  
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REPUBLIC OF SOUTH AFRICA

## BUDGET FRAMEWORK

- A budget deficit of 3.9 per cent of GDP is expected for 2014/15, narrowing to 2.5 per cent in 2017/18.
- Debt stock as a percentage of GDP is expected to stabilise at 43.7 per cent in 2017/18.
- The main budget non-interest expenditure ceiling has been reduced by R25 billion over the next two years.
- Increases in personal income tax rates and the general fuel levy are set to add R16.8 billion to gross tax revenue in 2015/16.
- Any additions to personnel headcount for 2015/16 and 2016/17 will be paid for from existing allocations.
- Real growth in non-interest spending will average 2.1 per cent over the next three years and will be more closely aligned to long-term average real GDP growth from 2017/18.
- Capital remains the fastest-growing item of non-interest spending over the medium term, with compensation and goods and services growing slowest.

## SPENDING PROGRAMMES

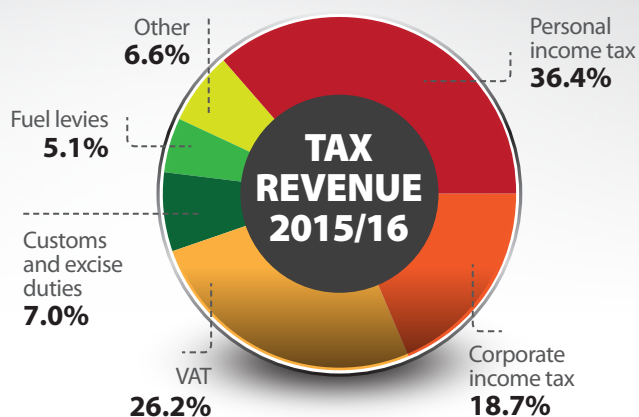
Over the next three years, government will spend:

- An addition 7.9 per cent per year, increasing expenditure from R1.24 trillion in 2014/15 to R1.56 trillion in 2017/18.
- At least 60 per cent of non-interest expenditure to improve social services and alleviate poverty.
- R647 billion on basic education, including R36.7 billion on school infrastructure.
- R634 billion on local development and social infrastructure, including R145.5 billion on municipal infrastructure.
- R502 billion on health, with R46.6 billion on the *HIV and AIDS conditional grant*.
- R498 billion social protection.
- R197 billion on post-school education and training.
- R18 billion on providing free meals to over 9 million learners.

## TAX PROPOSALS

Government proposes to:

- Increase marginal personal income tax rates by one percentage point for all taxpayers earning more than R181 900, and adjusting tax brackets and rebates to account for fiscal drag.
- Raise the general fuel levy by 30.5 c/litre. The Road Accident Fund levy will also increase by 50 c/litre, bringing the total fuel levy increases to 80.5 c/litre.
- Take further steps to combat base erosion and profit shifting.
- Provide a more generous turnover-tax regime for small businesses.
- Increase excise duties on alcohol and tobacco products.
- Review the diesel refund scheme.
- Strengthen the energy-efficiency savings initiative.
- Raise the electricity levy.
- Change transfer duty rates and brackets to provide relief for middle-income households.



## BUDGET AT A GLANCE

### MACROECONOMIC OUTLOOK – SUMMARY

Percentage Change	2014	2015	2016	2017
	Estimate	Forecast		
Household consumption	1.2	2.0	2.6	3.0
Capital formation	-0.6	2.2	3.4	3.8
Exports	0.9	3.3	4.6	5.0
Imports	-0.3	4.6	5.3	5.5
<b>Gross domestic product</b>	1.4	2.0	2.4	3.0
CPI Inflation	6.1	4.3	5.9	5.7
Balance of payments current account (percentage of GDP)	-5.8	-4.5	-4.9	-5.2

### CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2014/15	2015/16	2016/17	2017/18
	Revised estimate	Medium-Term Estimates		
<b>Revenue</b>	1 091.0	1 188.9	1 331.5	1 439.5
Percentage of GDP	28.1%	28.4%	29.3%	29.2%
<b>Expenditure</b>	1 243.4	1 351.0	1 448.8	1 561.7
Percentage of GDP	32.0%	32.2%	31.9%	31.7%
<b>Budget balance</b>	-152.4	-162.2	-117.3	-122.2
Percentage of GDP	-3.9%	-3.9%	-2.6%	-2.5%
Gross domestic product	3 879.9	4 191.8	4 538.8	4 926.1

### CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2014/15 – 2017/18

	2014/15	2015/16	2016/17	2017/18	2014/15–2017/18
R billion	Revised estimate	Medium-term estimates			Average annual growth
Basic education	189.5	203.5	216.0	227.8	6.3%
Health	144.6	157.3	167.5	177.5	7.1%
Defence, public order and safety	163.0	171.2	181.2	192.7	5.7%
Post-school education and training	56.6	62.2	65.6	69.6	7.1%
Economic affairs	189.4	206.2	219.5	225.5	6.0%
Local development and social infrastructure	176.6	199.6	210.2	223.8	8.2%
General public services	64.7	64.4	66.8	69.8	2.6%
Social protection	143.9	155.3	166.0	176.5	7.0%
<b>Allocated expenditure</b>	<b>1 128.4</b>	<b>1 219.6</b>	<b>1 292.8</b>	<b>1 363.4</b>	<b>6.5%</b>
Debt-service costs	115.0	126.4	141.0	153.4	10.1%
Unallocated reserves	–	5.0	15.0	45.0	–
<b>Consolidated expenditure</b>	<b>1 243.4</b>	<b>1 351.0</b>	<b>1 448.8</b>	<b>1 561.7</b>	<b>7.9%</b>

# CONSOLIDATED GOVERNMENT EXPENDITURE

R1.35 TRILLION | 8.7%

# SOCIAL SERVICES

R777.9 BILLION | 9.4%

## ECONOMIC AFFAIRS

R206.2bn  
8.8%

Economic infrastructure and network regulation	R72.3bn	5.8%
Industrial development, trade and innovation	R69.7bn	7.8%
Employment, labour affairs and social security funds	R64.1bn	13.6%

## DEFENCE, PUBLIC ORDER AND SAFETY

R171.2bn  
5.0%

Police services	R82.7bn	5.7%
Defence and state security	R49.4bn	4.0%
Law courts and prisons	R39.1bn	4.6%

## DEBT-SERVICE COSTS

R126.4bn  
9.9%

## GENERAL PUBLIC SERVICES

R64.4bn  
-0.6%

General public administration and fiscal affairs	R38.6bn	4.2%
Executive and legislative organs	R12.3bn	-0.3%
Home affairs	R6.3bn	-18.4%
External affairs and foreign aid	R7.1bn	-5.8%

## EDUCATION

R265.7bn  
8.0%

Basic education	R191.1bn	7.6%
University transfers	R26.2bn	8.6%
Skills development and adult education	R25.3bn	15.3%
Education administration	R13.1bn	-0.3%
National Student Financial Aid Scheme	R10bn	8.2%

## HEALTH

R157.3bn  
8.8%

District health services	R66.7bn	7.6%
Provincial hospital services	R30.2bn	6.3%
Other health services	R26.4bn	18.2%
Central hospital services	R25.9bn	5.9%
Facilities management and maintenance	R8.1bn	9.7%

## LOCAL DEVELOPMENT AND SOCIAL INFRA-STRUCTURE

R199.6bn  
13.0%

Municipal equitable share and infrastructure grant	R65.2bn	12.9%
Human settlements, water and electrification programmes	R49.3bn	13.2%
Public transport	R41.3bn	15.8%
Other local development and social infrastructure	R33.1bn	12.4%
Rural development and land reform	R10.7bn	4.8%

## SOCIAL PROTECTION

R155.3bn  
7.9%

Old-age grant	R53.5bn	8.4%
Child support grant	R47.8bn	10.2%
Disability grant	R20.2bn	6.6%
Provincial social development	R16.7bn	9.1%
Other grants	R8.5bn	-2.5%
Policy oversight and grant administration	R8.5bn	4.8%