NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 264 [CW359E]
DATE OF PUBLICATION: 8 JUNE 2018

264. Mr F Essack (Mpumalanga: DA) to ask the Minister of Finance:

Whether he will reduce (a) budget deficit and (b) government spending; if not, why not; if so, what are the relevant details?

CW359E

REPLY:

In 2018 Budget, government presented its plan to reduce the budget deficit through spending adjustments and revenue measures over the medium term. Baseline reductions and reallocations for new spending commitments were projected to result in main budget non-interest expenditure remaining stable at 26.6 per cent of GDP. The central adjustments to the fiscal framework in 2018/19 as presented in 2018 Budget are:

- Raising an additional R36 billion in tax revenue through an increase in the VAT rate, limited personal income tax bracket adjustments and other measures.
- Reducing MTBPS baseline expenditure by R26 billion.
- Allocating R12.4 billion for fee-free higher education and training.
- Setting aside an additional R5 billion for the contingency reserve.
- Provisionally allocating R6 billion for drought management and public infrastructure.

The baseline spending reductions and tax measures feed through to the outer years of the framework, while allocations to higher education increase sharply. Together with an improved growth outlook, the proposals were projected to reduce the consolidated budget deficit from 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21.

Government remains committed to these budget deficit targets and will make adjustments in line with growth outlook and policy commitments. Details of these adjustments will be announced in the 2018 Medium Term Budget Policy Statement.