2024 BUDGET

Budget Review

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

2030 NDP

30 YEARS OF FREEDOM
South Africa 1994 - 2024

Budget Review

2024

National Treasury

Republic of South Africa

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2024 BUDGET

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2024/25 HIGHLIGHTS

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ECONOMIC OUTLOOK

- South Africa's 2023 GDP growth estimate has been revised down to 0.6 per cent due to widespread power cuts, operational and maintenance failures in freight rail and at ports, and high living costs.
- The medium-term outlook has improved marginally, with average growth of 1.6 per cent forecast, compared with 1.4 per cent at the time of the 2023 Medium Term Budget Policy Statement (MTBPS).
- GDP growth has averaged only 0.8 per cent since 2012, a rate of economic growth that is insufficient to address high levels of unemployment and poverty.
- Long-term growth is highly dependent on improving capacity in energy, freight rail and ports, and on continuing to reduce structural barriers to economic activity.
- The economic growth strategy prioritises macroeconomic stability, structural reforms and improvements in state capability to raise growth rates in a sustainable manner.

BUDGET FRAMEWORK

- Government is staying the course on the fiscal strategy outlined in the 2023 Medium Term Budget Policy Statement (MTBPS) and will achieve a primary budget surplus in 2023/24, with debt stabilising by 2025/26.
- Debt-service costs will peak as a share of revenue in 2025/26 and decline thereafter.
- The consolidated budget deficit is projected to narrow from 4.9 per cent of GDP in 2023/24 to 3.3 per cent by the end of the 2024 medium-term expenditure framework (MTEF) period.
- The balanced approach to fiscal consolidation includes expenditure restraint and moderate revenue increases, while continuing to support the social wage and ensuring additional funding for critical services.
- Government will, after extensive consultation, propose a binding fiscal anchor for future sustainability. In the interim, the debt-stabilising primary surplus will anchor fiscal policy.

SPENDING PROGRAMMES

- Consolidated government spending will amount to R2.37 trillion in 2024/25, R2.47 trillion in 2025/26 and R2.6 trillion in 2026/27.
- As part of the overall changes, R251.3 billion has been added to the MTEF to ensure that the salaries of teachers, doctors, nurses, police and many other public servants are funded, and to maintain strong levels of social protection through 2026/27.
- Spending across functions supports the implementation of new and existing policy priorities. Learning and culture receives 24.4 per cent (R1.51 trillion) of the total function budgets, while general public services receives the smallest share at 3.7 per cent (R231.5 billion).
- An amount of R7.4 billion is set aside in 2024/25 for the presidential employment initiative.
- The social wage will constitute an average of 60.2 per cent of total non-interest spending over the next three years

TAX PROPOSALS

- Government proposes tax increases totalling R15 billion in 2024/25 to alleviate immediate fiscal pressures.
- No Inflation adjustments to the personal income tax tables and medical tax credits are provided.
- Excise duties on alcohol will increase between 6.7 and 7.2 per cent, while duties on certain tobacco products will increase between 4.7 and 8.2 per cent.
- As in the 2022 and 2023 Budgets, government again proposes no changes to the general fuel levy or the Road Accident Fund levy, resulting in tax relief of around R4 billion.
- South Africa will implement a global minimum corporate tax, with multinational corporations subject to an effective tax rate of at least 15 per cent, regardless of where its profits are located.
- Producers of electric vehicles in South Africa will be able to claim 150 per cent of qualifying investment spending as an incentive to aid the transition to new energy vehicles.

#RSABUDGET2024

BUDGET 2024

KEY BUDGET STATISTICS

A full set of 2024 Budget data can be found in the statistical tables at the back of the *Budget Review*. The data on this page may differ from the statistical annexure due to classification, definition and rounding.

MACROECONOMIC PERFORMANCE AND PROJECTIONS

Percentage change	2020	2021	2022	2023	2024	2025	2026
	Actual			Estimate	Forecast		
Household consumption	-6.1	5.8	2.5	0.7	1.3	1.8	1.7
Gross fixed-capital formation	-14.6	0.6	4.8	4.2	3.7	4.0	3.6
Exports	-12.0	9.1	7.4	3.2	2.1	2.5	3.2
Imports	-17.6	9.6	14.9	4.8	1.9	2.6	2.6
Real GDP growth	**-6.0**	**4.7**	**1.9**	**0.6**	**1.3**	**1.6**	**1.8**
CPI inflation	3.3	4.6	6.9	6.0	4.9	4.6	4.6
Current account balance (% of GDP)	1.9	3.7	-0.5	-1.8	-2.8	-3.0	-3.0

CONSOLIDATED FISCAL FRAMEWORK

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Estimate	Medium-term estimates		
Revenue	**1 409.9**	**1 751.7**	**1 896.4**	**1 921.4**	**2 036.6**	**2 176.4**	**2 323.6**
	25.1%	*27.8%*	*28.2%*	*27.3%*	*27.3%*	*27.5%*	*27.6%*
Expenditure	**1 965.1**	**2 043.9**	**2 141.1**	**2 268.9**	**2 369.0**	**2 471.4**	**2 597.8**
	35.0%	*32.4%*	*31.9%*	*32.2%*	*31.8%*	*31.2%*	*30.8%*
Budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-9.9%	*-4.6%*	*-3.6%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*
Gross domestic product	**5 615.9**	**6 312.0**	**6 721.8**	**7 049.0**	**7 452.2**	**7 913.8**	**8 422.3**

BUDGET REVENUE, 2024/25

R billion	
TAX REVENUE	**1 863.0**
of which:	
Personal income tax	738.7
Corporate income tax	302.7
Value-added tax	476.7
Taxes on international trade and transactions	78.7
Non-tax revenue	**41.9**
Less: SACU payments	-89.9
Main budget revenue	**1 815.0**
Provinces, social security funds and public entities	221.6
Consolidated budget revenue	**2 036.6**
As percentage of GDP	
Tax revenue	25.0%
Main budget revenue	24.4%

DIVISION OF NATIONALLY RAISED REVENUE

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Estimate	Medium-term estimates		
DIVISION OF AVAILABLE FUNDS							
National departments	790.5	822.8	855.9	823.9	848.5	853.7	890.5
Provinces	628.8	660.8	694.1	706.4	729.5	760.9	790.8
Local government	137.1	135.6	150.7	157.8	170.3	177.7	183.8
Provisional allocation not assigned to votes	-	-	-	-	0.6	41.1	53.5
Non-interest allocation	**1 556.4**	**1 619.2**	**1 700.7**	**1 688.1**	**1 748.8**	**1 833.3**	**1 918.5**
PERCENTAGE SHARES							
National departments	50.8%	50.8%	50.3%	48.8%	48.5%	47.6%	47.7%
Provinces	40.4%	40.8%	40.8%	41.8%	41.7%	42.5%	42.4%
Local government	8.8%	8.4%	8.9%	9.3%	9.7%	9.9%	9.9%

CONSOLIDATED SPENDING BY FUNCTIONAL AND ECONOMIC CLASSIFICATION, 2024/25

R billion	Compensation of employees	Goods and services	Capital spending and transfers	Current transfers and subsidies	Interest payments	Total
Basic education	241.9	39.8	14.5	28.3	0.0	**324.5**
Post-school education and training	14.4	3.0	4.2	122.4	0.0	**144.0**
Arts, culture, sport and recreation	4.6	3.5	1.1	2.9	0.0	**12.1**
Health	174.6	76.9	14.6	5.9	0.0	**271.9**
Social protection	16.9	8.8	0.6	271.9	0.0	**298.3**
Social security funds	6.6	6.8	1.5	73.9	0.2	**89.0**
Community development	18.5	16.8	96.3	133.5	0.1	**265.3**
Industrialisation and exports	11.7	7.6	3.7	16.1	0.0	**39.1**
Agriculture and rural development	12.7	8.3	4.8	1.9	0.0	**27.7**
Job creation and labour affairs	4.1	8.9	0.4	8.8	0.0	**22.2**
Economic regulation and infrastructure	27.7	62.8	42.9	4.9	7.9	**146.1**
Innovation, science and technology	5.9	4.8	2.7	6.9	0.0	**20.2**
Defence and state security	31.6	12.6	1.5	7.8		**53.5**
Police services	100.1	19.8	3.2	1.9		**125.0**
Law courts and prisons	39.1	13.2	1.1	0.9	0.0	**54.4**
Home affairs	6.7	3.2	0.9	0.3		**11.1**
Executive and legislative organs	8.9	5.3	0.9	2.1	0.0	**17.0**
Public administration and fiscal affairs	25.1	16.3	2.2	5.4	0.2	**49.1**
External affairs	3.2	2.2	0.4	2.5	0.2	**8.5**
Payments for financial assets						**2.6**
Debt-service costs					382.2	**382.2**
Contingency reserve						**5.0**
Total	**754.2**	**320.5**	**197.6**	**698.2**	**390.9**	**2 369.0**

Note: Payments for financial assets are not shown in the table, but are included in the row totals.

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2024/25 EXPENDITURE

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CONSOLIDATED GOVERNMENT EXPENDITURE R2.37 TRILLION → R1.41 TRILLION **SOCIAL SERVICES**

R255.4 bn ECONOMIC DEVELOPMENT

Economic regulation and infrastructure	R146.1bn
Industrialisation and exports	R39.1bn
Agriculture and rural development	R27.7bn
Job creation and labour affairs	R22.2bn
Innovation, science and technology	R20.2bn

R480.6 bn LEARNING AND CULTURE

Basic education	R303.0bn
National Student Financial Aid Scheme	R53.6bn
University transfers	R47.7bn
Skills development levy institutions	R28.6bn
Education administration	R19.4bn
Technical & vocational education and training	R13.6bn

R244.0 bn PEACE AND SECURITY

Police services	R125.0bn
Law courts and prisons	R54.4bn
Defence and state security	R53.5bn
Home affairs	R11.1bn

R271.9 bn HEALTH

District health services	R120.0bn
Central hospital services	R52.8bn
Provincial hospital services	R47.5bn
Other health services	R40.2bn
Facilities management and maintenance	R11.3bn

R74.7 bn GENERAL PUBLIC SERVICES

Public administration and fiscal affairs	R49.1bn
Executive and legislative organs	R17.0bn
External affairs	R8.5bn

R265.3 bn COMMUNITY DEVELOPMENT

Municipal equitable share	R101.2bn
Human settlements, water and electrification programmes	R59.2bn
Public transport	R57.2bn
Other human settlements and municipal infrastructure	R47.7bn

R382.2 bn DEBT-SERVICE COSTS

R387.3 bn SOCIAL DEVELOPMENT

Old-age grant	R107.0bn
Social security funds	R89.0bn
Child-support grant	R85.8bn
Other grants	R73.4bn
Provincial social development	R22.0bn
Policy oversight and grant administration	R10.1bn

R5.0 bn CONTINGENCY RESERVE

FOREWORD

South Africa's limited public resources have been under significant strain for over a decade. Economic growth has averaged only 0.8 per cent since 2012, far below the level needed to address high levels of joblessness and poverty. Over the same period, government borrowing ballooned to support rapidly rising expenditure. As a result, debt-service costs are choking the economy and the public finances. These costs now consume one of every five rands of revenue and absorb a larger share of the budget than basic education, social protection or health.

The 2024 Budget strikes a careful balance between the urgent demands of national development and the sustainability of our public finances. In the context of persistently low GDP growth, government is protecting critical services, supporting the economy through reforms and public investment, and stabilising public debt.

Critically, government is staying the fiscal course to protect the public finances for future generations. By the end of next month, for the first time since 2008/09, we will achieve a primary budget surplus, meaning revenue exceeds non-interest expenditure. Over time, as debt decreases, maintaining this critical benchmark will create fiscal space.

Stabilising debt is only part of the equation. To grow faster and create jobs, South Africa needs massive investment, the bulk of which will come from the private sector. To that end, the budget prioritises macroeconomic stability, structural reforms to reduce binding constraints to growth and improved state capacity. Broad reforms are under way in energy, rail, ports and the water sector. It will take time to reverse the consequences of myriad operational, maintenance and governance failures at key state-owned companies.

The budget allocates six of every 10 rands to the social wage – spending on health, education, social protection, community development and employment programmes. At the same time, the budget reduces pressure on key service delivery programmes, supported by moderate tax increases. About R58 billion of the spending reductions announced in the 2023 *Medium Term Budget Policy Statement* are reversed, increasing funding to pay the salaries of teachers, nurses, doctors, police and others.

Over the medium term, capital investment will grow as government increases the use of public-private partnerships, and new institutional arrangements crowd in private funding for public infrastructure.

Although I have served the National Treasury in various roles since 2013, this is my first budget as Director-General. I would like to thank Cabinet, the Minister and Deputy Minister of Finance for their leadership – and the Portfolio Committee on Finance, the Standing Committee on Appropriations, the Budget Council and my counterparts across government for their contributions to shaping the budget in these challenging times. And I extend my heartfelt appreciation to my National Treasury colleagues, who work without fail to fulfil their obligations to the Constitution and the people of South Africa.

Duncan Pieterse

Dr Duncan Pieterse
Director-General

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2024 BUDGET REVIEW

BALANCING DEVELOPMENT AND FISCAL SUSTAINABILITY

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CHAPTER 1

BALANCING DEVELOPMENT AND FISCAL SUSTAINABILITY

In brief

- The 2024 Budget balances development and sustainable public finances. In the context of persistently low economic growth, government will protect critical services, support economic growth through reforms and public investment, and stabilise public debt.
- Although South Africa continues to confront difficult economic conditions, a moderate recovery is forecast in the economic outlook. GDP growth is projected to increase from an estimated 0.6 per cent in 2023 to average 1.6 per cent between 2024 and 2026.
- Broad reforms are under way in energy, freight, water and telecommunications. Yet it will take time to reverse the consequences of operational, maintenance and governance failures at state-owned companies responsible for electricity, rail and ports.
- Rapid growth in debt-service costs chokes the economy and the public finances. Government is staying the course to narrow the budget deficit and stabilise debt. This year, for the first time since 2008/09, government will achieve a primary budget surplus. Debt will stabilise in 2025/26.
- The 2024 Budget allocates six of every 10 rands to the social wage. Over the medium term, proposed additional spending of R57.6 billion since the 2023 *Medium Term Budget Policy Statement* (MTBPS) will ensure that the salaries of teachers, nurses, doctors and many other public servants are catered for.

OVERVIEW

Following more than a decade of low growth, South Africa confronts difficult fiscal choices. Accordingly, the 2024 Budget outlines a balanced policy stance that will support higher public and private investment, while stabilising debt and reducing overall fiscal risks.

The economy is estimated to have grown by 0.6 per cent in real terms in 2023. The negative impact of power cuts, the poor state of ports and freight rail, and inflation have taken a toll. The outlook, however, shows moderate improvement. Global inflationary pressures are receding and interest rates are expected to start declining. Power cuts should become more infrequent as additional generating capacity comes online. Economic growth is projected to average 1.6 per cent per year from 2024 to 2026.

To accelerate economic growth, spur job creation and promote a broad improvement in livelihoods, structural reforms are needed to reduce binding constraints to growth. Such reforms remain central to government's medium-term plans, with the focus on creating a competitive electricity market and efficient port and rail logistics systems.

Fiscal policy continues to prioritise stabilising debt and debt-service costs. Government remains on course to achieve a primary budget surplus in 2023/24, and to stabilise debt at 75.3 per cent of GDP in 2025/26.

The 2024 Budget includes tax proposals to raise R15 billion in revenue in 2024/25, a reduction in the budget pressures on critical service delivery programmes and increases in capital spending. At the same time, public investment is being prioritised through upscaling the use of public-private partnerships and new institutional arrangements that will crowd in private funding for public infrastructure.

THE MEDIUM-TERM FISCAL STRATEGY

The 2023 MTBPS outlined the three elements of fiscal policy:

- Achieve fiscal sustainability
- Support economic growth
- Reduce fiscal and economic risks.

The 2024 Budget details how these objectives will be achieved.

A balanced approach to fiscal sustainability

Government remains committed to a fiscal consolidation that balances the needs of the most vulnerable in society and protects the public finances for future generations. High and rising government debt hampers service delivery and investment by draining ever-larger amounts of taxpayer resources for debt service. Debt-service costs now consume one of every five rands of government revenue and absorb a larger share of the budget than basic education, social protection or health.

Figure 1.1 Debt-service cost trends in South Africa and peers*

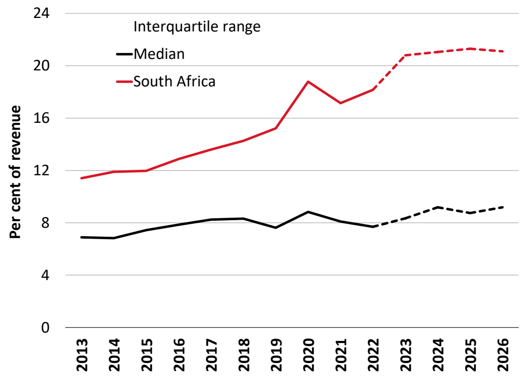
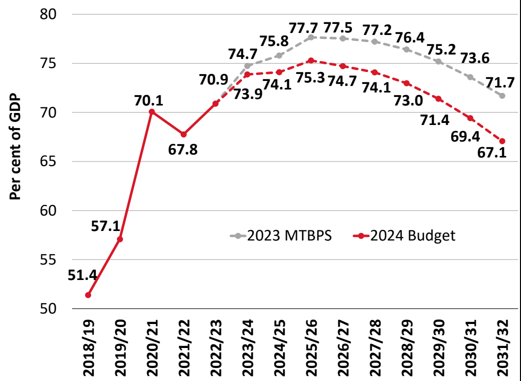


Figure 1.2 Gross debt-to-GDP outlook



**Consists of 74 non-oil-producing emerging market economies*
Source: National Treasury and IMF World Economic Outlook, October 2023

Stabilising debt is a central policy objective. Beyond the crowding-out effect of debt-service costs on service delivery, high and rising public debt hinders economic recovery. Investors who lend to South Africa demand a premium to compensate them for the risks of investing in the country due to its high debt. This in turn raises borrowing costs across the economy. In this context, fiscal consolidation will reduce the risk premium and bolster confidence, providing an incentive for investment and job creation.

The 2024 Budget strikes a careful balance between fiscal consolidation and development. On average, 60.2 per cent of consolidated non-interest spending will continue to be spent on the social wage (health, education, social protection, community development and employment programmes). Proposed additional spending of R18.6 billion in 2024/25, R19.2 billion in 2025/26 and R19.8 billion in 2026/27 will ensure that the salaries of teachers, nurses, doctors, police and many other public servants are catered for. Spending on social transfers will rise from R283.4 billion in 2023/24 to R331.5 billion in 2026/27.

The 2024 Budget prioritises capital budgets, with a 7.3 per cent increase in capital investment over the medium term.

STRUCTURAL REFORMS FOR GROWTH

The economic growth strategy is premised on clear and stable macroeconomic policies, structural reforms and restoring the capability of the state.

Progress is being made on a range of economic reforms to support investment and job creation. Energy supply and logistics failures are being addressed through measures to accelerate private investment in infrastructure and stabilise Eskom and Transnet. Other reforms encompass a range of operational and regulatory functions affecting key aspects of the economy, such as faster processing of water licence applications for large water users, which supports agriculture and tourism.

The Eskom debt-relief arrangement remains on schedule to conclude in 2025/26, subject to strict conditions. It will support the utility's ability to restructure operations and conduct critical maintenance. Meanwhile, improved electricity regulations have led to more than R100 billion in new private energy generation projects. The solar rooftop tax incentive announced in the 2023 Budget has promoted the installation of solar panels that are now generating 5 200 MW of electricity for households and businesses.

Transnet has been granted a guarantee of R47 billion in 2023/24 to meet its borrowing requirements. Use of the guarantee is conditional on the implementation of a comprehensive turnaround plan recently approved by the board of directors. Government is working closely with Transnet to ensure it implements changes needed to improve operational efficiency and achieve financial sustainability.

IMPROVING PUBLIC FINANCIAL MANAGEMENT

As a result of the measures implemented since the 2021 Budget, the budget deficit, which is the amount government has to borrow to cover the gap between spending and revenue, has declined from R550.6 billion in 2020/21 to R331.4 billion in 2023/24. The deficit will continue to narrow over the 2024 medium-term expenditure framework (MTEF) period.

To chart a sustainable long-term path for the public finances, government will, after extensive consultation, propose a binding fiscal anchor. This will secure the benefits of fiscal consolidation and ensure that permanent fiscal imbalances do not reappear in a way that requires painful future adjustments.

Over the medium term, the debt-stabilising primary budget surplus will anchor fiscal policy.

Building on South Africa's strong record of fiscal transparency

South Africa has a strong record of fiscal transparency and consistently ranks among the top three countries worldwide for transparency, according to the International Budget Partnership. A predictable and transparent fiscal policy underpins macroeconomic stability.

In 2024 the International Monetary Fund will publish the results of South Africa's most recent fiscal transparency evaluation. The report notes a strong performance in fiscal reporting and budget transparency, and suggests improvements in three areas:

- Fiscal reporting: Expand and align fiscal reporting to international best practice by including other spheres of the public sector, strengthening tax expenditure disclosure and improving adherence to audit timelines for published financial statements.
- Forecasting and budgeting: Implement precise, time-bound and stable fiscal rules.
- Fiscal risk analysis: Enhance analysis of risks in the fiscal risk statement (Annexure A of the MTBPS), publish public-private partnership financial data regularly, consolidate transfers to state-owned companies to show fiscal impact and set limits on government guarantees.

Government intends to address these areas to enhance fiscal credibility, ensuring continued transparency and accountability in the management of public finances.

Government has decided to further mitigate fiscal risks by reducing borrowing over the medium term using a portion of valuation gains in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). As a result, debt-service costs will decline by R30.2 billion over the 2024 MTEF period compared with the 2023 MTBPS estimate.

Gold and Foreign Exchange Contingency Reserve Account distribution

GFECRA is an account held at the Reserve Bank. It captures losses and profits on foreign-currency reserve transactions, protecting the Reserve Bank from currency volatility. When the rand exchange rate against the US dollar and other reserve currencies strengthens, the account balance declines; when the rand depreciates, the balance improves.

The last settlement of balances in this account was reached in 2003, to the value of R28 billion in favour of the central bank. Since then, the value of the account has grown to over R500 billion due to significant rand depreciation.

A proposed settlement agreement to be formalised between the National Treasury and the Reserve Bank will settle a portion of the valuation gains, after ensuring that the necessary buffer and contingency reserve are fully funded. Consequently, between 2024/25 and 2026/27, government will draw down R150 billion of the GFECRA balance. This will be formalised through legislation. Government will use these funds to reduce borrowing, and consequently the growth in debt-service costs.

This reform is governed by several principles. Critically, any distributions should be transparent (with full details published for the public); governed by a formal framework that rules out ad hoc decisions; and used to reduce government borrowing.

Additional details are provided in Chapter 7.

SUPPORTING PUBLIC INFRASTRUCTURE INVESTMENT

Total infrastructure investment planned by government over the next three years amounts to R943.8 billion. This includes investments of R486.1 billion by state-owned companies and public entities, R213.8 billion from municipalities and R224.8 billion from provincial and national government. Consolidated spending on buildings and other fixed structures will increase by an average of 15.9 per cent over the next three years.

Rolling out institutional reforms to boost capital investment

Following a review of the public-private partnership (PPP) regulatory framework, government is implementing reforms to reduce waste and inefficiency, improve quality and increase the impact of public investment on growth. The key elements of the reforms are to:

- Consolidate the financing, preparation and planning arrangements for large projects in a single entity to crowd in private-sector finance and expertise.
- Increase the use of PPPs to deliver infrastructure projects.
- Reduce fragmentation and duplication across spheres of government.

During 2024/25, an infrastructure finance and implementation support agency will be established to coordinate the planning and preparation of large projects, engaging directly with private financial institutions. The agency will incorporate the functions of project preparation, PPP technical support and data management. Departments, public entities and municipalities will be able to use its services to prepare, plan and execute projects.

Proposed amendments out for public comment (see Annexure D) are intended to encourage more regular use of PPPs and revive the pipeline, harnessing private financing and capitalising on private-sector efficiencies. Red tape will be reduced by granting exemptions for projects valued below R2 billion from obtaining multiple approvals. Limits on the ability of accounting officers to cancel key projects that have passed the feasibility stage will provide greater security to investors.

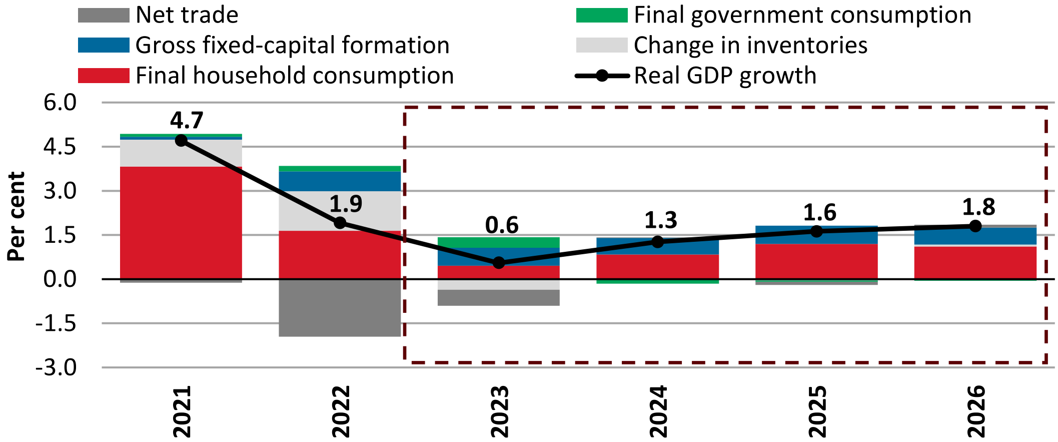
SUMMARY OF THE 2024 BUDGET

Economic outlook

The economy is estimated to have grown by only 0.6 per cent in real terms in 2023, largely as a result of intensive and persistent power cuts. Real GDP growth has been revised to 1.3 per cent for 2024. Over the next three years, growth will average 1.6 per cent.

Chapter 2 discusses the economic outlook and associated risks, provides details on government's economic growth strategy and reports on the status of economic reforms.

Figure 1.3 Macroeconomic outlook*



**Stacked bars indicate the contributions of each component to real GDP growth*
Source: National Treasury

Table 1.1 Macroeconomic outlook – summary

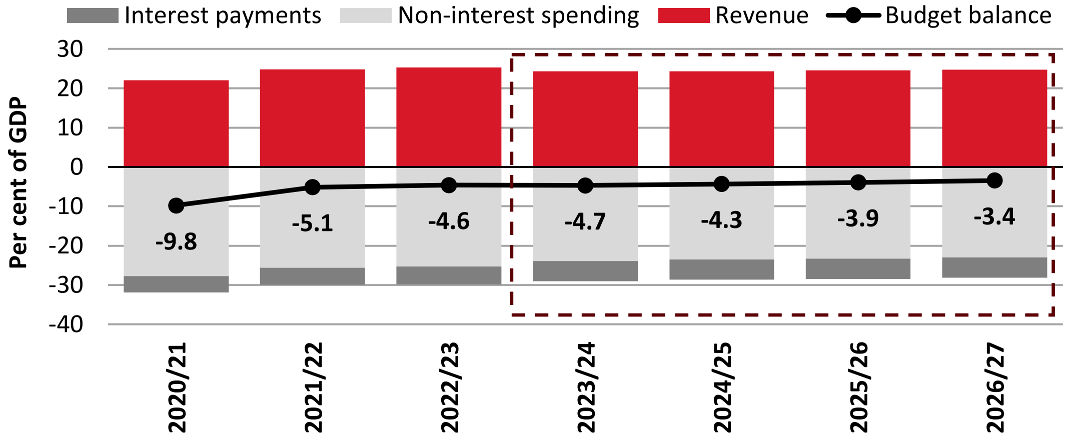
Real percentage growth	2023	2024	2025	2026
	Estimate	Forecast		
Household consumption	0.7	1.3	1.8	1.7
Gross fixed-capital formation	4.2	3.7	4.0	3.6
Exports	3.2	2.1	2.5	3.2
Imports	4.8	1.9	2.6	2.6
Real GDP growth	**0.6**	**1.3**	**1.6**	**1.8**
Consumer price index (CPI) inflation	6.0	4.9	4.6	4.6
Current account balance (% of GDP)	-1.8	-2.8	-3.0	-3.0

Across all tables in the Budget Review, the use of "0" refers to a value of small magnitude that is rounded up or down to zero. If a value is exactly zero, it will be denoted by "–". If data is not available, it is denoted by "N/A"
Source: National Treasury, Reserve Bank and Statistics South Africa

Fiscal policy

The consolidated budget deficit is projected to continue declining over the MTEF period, narrowing to 3.3 per cent of GDP in 2026/27. Gross loan debt will stabilise at 75.3 per cent of GDP in 2025/26. Debt-service costs will rise from R356.1 billion in 2023/24 to R440.2 billion in 2026/27. As a result of the fiscal strategy, debt-service costs will peak at 21.3 per cent of revenue in 2025/26 and decline thereafter.

Figure 1.4 Main budget fiscal outlook



Source: National Treasury

Table 1.2 Consolidated government fiscal framework

R billion/percentage of GDP	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27
Revenue	**1 921.4**	**2 036.6**	**2 176.4**	**2 323.6**
	27.3%	*27.3%*	*27.5%*	*27.6%*
Expenditure	**2 268.9**	**2 369.0**	**2 471.4**	**2 597.8**
	32.2%	*31.8%*	*31.2%*	*30.8%*
Budget balance	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-4.9%	*-4.5%*	*-3.7%*	*-3.3%*

Source: National Treasury

Revenue trends and tax proposals

Gross tax revenue for 2023/24 is expected to be R1.73 trillion, which is R56.1 billion lower than expected in the 2023 Budget. As foreshadowed in the 2023 MTBPS, fiscal consolidation includes tax policy measures of R15 billion in 2024/25 to alleviate immediate fiscal pressure and support debt stabilisation. These measures mainly affect personal income taxes, with no adjustment of the tax brackets for inflation. Specific excise duties on alcohol and tobacco products will increase, but there will be no increase in the fuel levy. Two long-term reforms – the two-pot retirement system and the minimum corporate tax rate – will be implemented in 2024/25.

Over the next three years, tax revenue is expected to grow by R401.7 billion, reaching R2.13 trillion in 2026/27 and a tax-to-GDP ratio of 25.3 per cent.

Table 1.3 Impact of tax proposals on medium-term revenue[1]

R million	2024/25	2025/26	2026/27
	Effect of tax proposals		
Gross tax revenue (before 2024 Budget tax proposals)	**1 848 035**	**1 975 277**	**2 108 458**
2024 Budget proposals	**15 000**	**–**	**7 500**
Direct taxes[2]	**18 200**	**19 330**	**28 182**
Personal income tax			
No inflationary adjustment to tax brackets and rebates	16 300	17 342	18 603
No inflationary adjustment to medical tax credits	1 900	1 989	2 079
Corporate income tax			
Global minimum corporate tax			8 000
Electric vehicles tax incentive			-500
Indirect taxes	**-3 200**	**-3 397**	**-3 617**
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 248	-4 521
Specific excise duties			
Above-inflation increase in excise duties on alcohol	800	851	904
Net impact of tax proposals	**15 000**	**15 933**	**24 565**
Gross tax revenue (after tax proposals)	**1 863 035**	**1 991 210**	**2 133 023**

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. Includes carry-through effect of tax policy proposals
Source: National Treasury

Medium-term spending plans

Excluding debt-service costs, the largest components of the R2.37 trillion consolidated budget for 2024/25 are basic education, social protection and health.

Table 1.4 Consolidated government expenditure by function

R billion	2023/24 Revised estimate	2024/25 Budget estimate	Average growth 2023/24 – 2026/27
Learning and culture	468.4	480.6	3.9%
Health	267.3	271.9	3.4%
Social development	368.5	387.3	2.7%
Community development	251.5	265.3	4.5%
Economic development	239.8	255.4	6.3%
Peace and security	236.8	244.0	4.0%
General public services	76.9	74.7	1.0%
Payments for financial assets	3.5	2.6	
Allocated expenditure	**1 912.7**	**1 981.8**	**3.9%**
Debt-service costs	356.1	382.2	7.3%
Contingency reserve	–	5.0	
Consolidated expenditure[1]	**2 268.9**	**2 369.0**	**4.6%**

1. Consisting of national and provincial government, social security funds and selected public entities. Refer to Annexure W2 on the National Treasury website for a full list of entities included
Source: National Treasury

Compared with estimates outlined in the 2023 MTBPS, additional resources of R57.6 billion are provided mainly to preserve staffing levels in the health and education functions and to protect the peace and security function from deeper reductions.

Transfers to public entities continue to be reduced as part of baseline reductions in administrative functions. Over the medium term, South Africa needs to get better value for money from its budget.

Division of revenue

Over the 2024 MTEF period, after payments for debt-service costs, the contingency reserve and provisional allocation, 48 per cent of nationally raised funds are allocated to national government, 42.2 per cent to provinces and 9.8 per cent to local government.

Table 1.5 Division of revenue

	2023/24	2024/25	2025/26	2026/27
R billion	Revised estimate	Medium-term estimates		
National allocations	823.9	848.5	853.7	890.5
Provincial allocations	706.4	729.5	760.9	790.8
Equitable share	*585.1*	*600.5*	*627.4*	*655.7*
Conditional grants	*121.3*	*129.0*	*133.4*	*135.1*
Local government allocations	157.8	170.3	177.7	183.8
Provisional allocations not assigned to votes	–	0.6	41.1	53.5
Total allocations	**1 688.1**	**1 748.8**	**1 833.3**	**1 918.5**
Percentage shares				
National	*48.8%*	*48.5%*	*47.6%*	*47.7%*
Provincial	*41.8%*	*41.7%*	*42.5%*	*42.4%*
Local government	*9.3%*	*9.7%*	*9.9%*	*9.9%*

Source: National Treasury

Government debt and contingent liabilities

Gross government debt is projected to reach R5.2 trillion, or 73.9 per cent of GDP, in 2023/24. Gross loan debt is expected to stabilise at 75.3 per cent of GDP in 2025/26, slightly lower than the 77.7 per cent projected in the 2023 MTBPS. Debt-service costs are expected to stabilise in the same year.

Table 1.6 Projected state debt and debt-service costs

R billion/percentage of GDP	2023/24	2024/25	2025/26	2026/27
Gross loan debt	**5 207.3**	**5 522.2**	**5 959.2**	**6 293.2**
	73.9%	*74.1%*	*75.3%*	*74.7%*
Debt-service costs	**356.1**	**382.2**	**414.7**	**440.2**
	5.1%	*5.1%*	*5.2%*	*5.2%*

Source: National Treasury

Financial position of public-sector institutions

Public institutions, incorporating state-owned enterprises and major public entities, continue to pose a large risk to the fiscal outlook. The overall financial position of state-owned companies deteriorated in 2022/23. Government's reform programme for state-owned companies focuses on improving the transparency of guarantees to enable better monitoring and accountability, and using guarantee conditions to drive structural reforms – including cost optimisation and private-sector participation – that improve operational efficiency and reduce reliance on the fiscus.

Table 1.7 Combined financial position of public institutions

R billion/net asset value	2020/21	2021/22	2022/23
State-owned companies	380.2	419.0	407.4
Development finance institutions	124.0	157.6	160.9
Social security funds	-210.3	-182.6	-158.3
Other public entities[1]	834.5	942.9	1 018.0

1. State-owned institutions without a commercial mandate and listed in either schedule 1 or 3 of the PFMA
Source: National Treasury

BUDGET DOCUMENTATION

The 2024 Budget is accompanied by several other documents and submissions to Parliament. These include:

- The Budget Speech
- The Division of Revenue Bill
- The Appropriation Bill
- The Gold and Foreign Exchange Contingency Reserve Account Defrayal Amendment Bill
- The Estimates of National Expenditure.

These and other fiscal and financial publications, including the People's Guide to the Budget, are available at www.treasury.gov.za

2

2024 BUDGET REVIEW

ECONOMIC OUTLOOK

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- South Africa's 2023 GDP growth estimate has been revised down to 0.6 per cent due to widespread power cuts, operational and maintenance failures in freight rail and at ports, and high living costs.
- The medium-term outlook has improved marginally, with average growth of 1.6 per cent forecast, compared with 1.4 per cent at the time of the 2023 *Medium Term Budget Policy Statement* (MTBPS).
- GDP growth has averaged only 0.8 per cent since 2012, a rate of economic growth that is insufficient to address high levels of unemployment and poverty.
- Long-term growth is highly dependent on improving capacity in energy, freight rail and ports, and on continuing to reduce structural barriers to economic activity.
- The economic growth strategy prioritises macroeconomic stability, structural reforms and improvements in state capability to raise growth rates in a sustainable manner.

OVERVIEW

Over the next three years, South Africa's economy is forecast to grow at an average of 1.6 per cent, a moderate improvement on the 1.4 per cent average expected at the time of the 2023 MTBPS. The outlook is supported by an expected recovery in household spending as inflation declines, and an increase in energy-related fixed investments.

Power cuts and operational problems in freight rail and ports continue to disrupt economic activity and limit the country's export potential. Comprehensive reforms are under way in these sectors, although it will take time to see a recovery in growth. Household consumption is under pressure from high living costs, and investment remains low due to weak confidence and challenging business conditions linked to structural constraints.

South Africa has experienced over a decade of weak economic growth. GDP growth has averaged only 0.8 per cent annually since 2012, entrenching high levels of unemployment and poverty. To turn the tide and raise economic growth sustainably, government is prioritising energy and logistics reforms, along with measures to arrest the decline in state capacity. Successful efforts to improve the fiscal position, complete structural reforms and bolster the capacity of the state will, in combination, reduce borrowing costs, raise confidence, increase investment and employment, and accelerate economic growth.

ENHANCING ECONOMIC GROWTH

A macroeconomic framework that supports growth

A sound macroeconomic framework promotes stable prices, lower interest rates and more predictable exchange rate movements. It also proactively manages the risks of macroeconomic imbalances such as high budget deficits and is resilient to external shocks. This stability and resilience supports savings, investment decision-making and job creation. The inflation-targeting framework helps keep the cost of living stable, while a prudent fiscal policy strategy that stabilises public finances can reduce the costs associated with a high sovereign credit risk premium.

South Africa's sovereign credit risk premium remains elevated, with public debt as a share of GDP accelerating from 35.1 per cent in 2010 to an estimated 73.9 per cent in 2023 (Figure 2.2). This has led to higher government borrowing costs and, because government bonds are used as a benchmark in credit markets, contributed to elevated borrowing costs across the economy.

In this context, the fiscal strategy aims to lower the risk premium, bolster investor confidence and increase the appetite for domestic assets, which will also support the rand. In combination, these measures will help to reduce price pressures resulting from a weaker currency, especially in consumption staples such as food and fuel, providing relief to poor households.

Budget deficits are financed through borrowing in credit markets where government competes with the private sector for the available savings in the economy. Large budget deficits therefore reduce savings in the economy, with gross savings averaging 14.6 per cent of GDP since 2010 (Figure 2.3) compared to a world average of 26.8 per cent. Higher savings are needed to finance private investment, which accounts for over 70 per cent of total investment in 2023, to support faster economic growth.

Figure 2.1 South Africa's economic growth performance

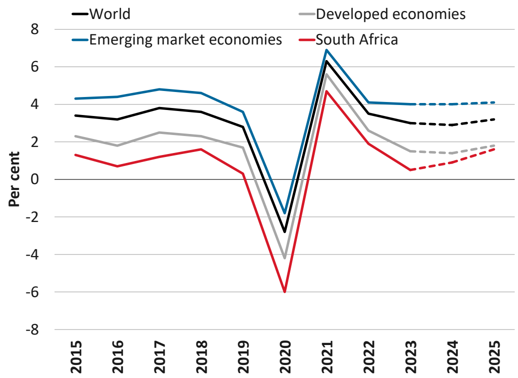


Figure 2.2 Sovereign credit risk premium and the debt-to-GDP ratio

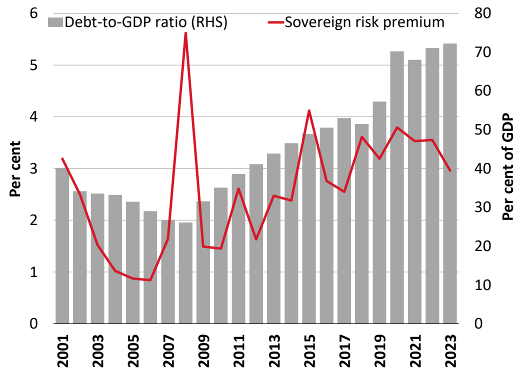


Figure 2.3 Gross savings breakdown

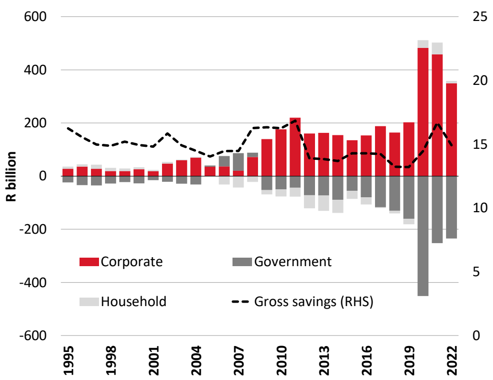
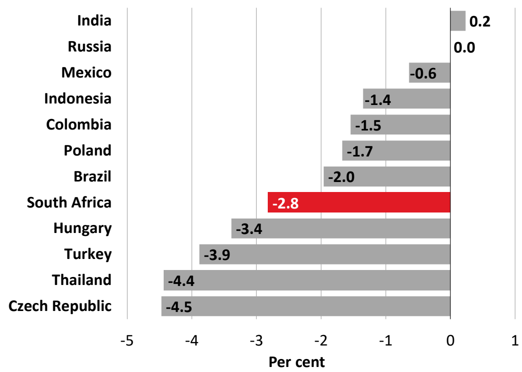


Figure 2.4 Year-to-date emerging market currency performance against the US dollar



Source: National Treasury, Bloomberg, Reserve Bank and IMF

Catalysing economic growth through structural reforms

South Africa's economic prospects are highly dependent on well-functioning network industries. Over the past three years, Operation Vulindlela has accelerated the implementation of structural economic reforms that will bolster growth. Noteworthy reforms include the following:

- In **freight logistics**, Cabinet approved the freight logistics roadmap in December 2023, outlining immediate steps needed to improve equipment and locomotive availability and network security. It also sets out structural reforms required in the logistics system, including the introduction of third-party access to the freight rail network by May 2024.
- In **ports,** Transnet is expected to finalise its partnership with a private company by April 2024 to upgrade Pier 2 of the Durban Container Terminal. The Port of Durban handles 46 per cent of South Africa's port traffic, and this joint venture will increase private investment for equipment, technological capability and higher operational efficiency.
- In **energy sector reform**, the Electricity Regulation Amendment Bill will be submitted to the National Council of Provinces this year. The bill will establish a competitive electricity market to promote long-term energy security. The board of the National Transmission Company was appointed in January 2024 – a step toward the unbundling of Eskom into separate generation, transmission and distribution entities.
- In **generation capacity**, despite record-high power cuts, the severity of load-shedding declined towards the end of 2023 (Figure 2.5) and should continue to fall in 2024 due to improved generation by Eskom and independent power producers. Renewable energy capacity under construction through the Renewable Energy Independent Power Producer Procurement Programme Bid Window 5 stands at 1 160 MW. Changes to schedule 2 of the Electricity Regulation Act (2006) have spurred private investment, with 6 000 MW of large-scale projects worth over R100 billion registered with the National Energy Regulator of South Africa expected to become operational in the medium term (Figure 2.6).

Figure 2.5 Load-shedding by stages

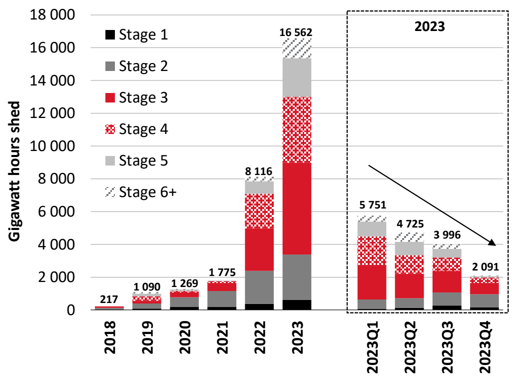
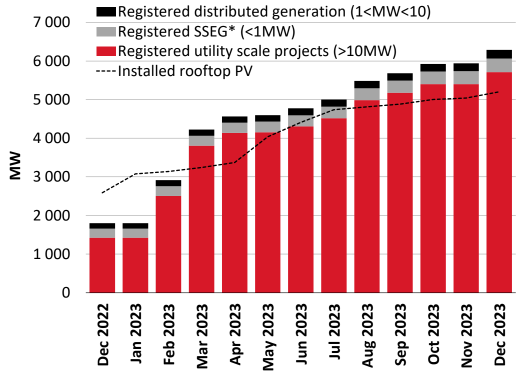


Figure 2.6 Cumulative capacity registered and rooftop PV installed during 2023



**SSEG refers to small-scale embedded generation*
Source: Eskom, NERSA and National Treasury calculations

- In the **water** sector, the National Water Resources Infrastructure Agency Bill was introduced in June 2023, with plans to establish the National Water Resources Infrastructure Agency by March 2025. Additionally, the Minister of Finance is set to agree on the updated Raw Water Pricing Strategy in 2024. Comments on the Water Services Amendment Bill, which allows for interventions by the Department of Water and Sanitation in failing municipalities, closed in mid-January 2024.
- In **telecommunications**, auctioned spectrum that has been made available to licensees is expected to attract over R40 billion in investment. In December 2023, Cabinet approved the Next Generation Radio Frequency Spectrum Policy, which will increase spectrum availability and promote competition. Investments following the auction of high-demand spectrum in March 2022 enhanced network quality and reduced data costs. Since 2021, 100-megabyte data bundle prices have dropped by 25 per cent.

Boosting growth through a capable state

South Africa needs a capable state that promotes economic growth and that crafts and enforces regulations to improve the business climate. Initiatives like the National Logistics Crisis Committee and partnerships with the private sector to improve procurement help to bolster state capability. Government is committed to professionalising public administration, improving the governance of state-owned enterprises and fostering a more stable and attractive environment for investment.

GLOBAL OUTLOOK

The International Monetary Fund (IMF) has revised its 2024 global economic growth forecast to 3.1 per cent – up from 2.9 per cent in October of last year. The IMF projects growth of 3.2 per cent in 2025. The moderate improvement is due to better-than-expected growth in the second half of 2023, particularly in the United States and several large emerging market economies, as well as fiscal support for disaster relief in China. Robust US economic growth has partially offset weaker-than-expected outcomes in the euro area, which, nevertheless, is expected to recover gradually. Commodity prices are expected to continue to decline in 2024 and 2025.

Global inflation is expected to decline faster than previously expected due to softening labour markets, lower energy prices and easing supply-side constraints. The IMF expects inflation in advanced economies to fall from 4.6 per cent in 2023 to 2.6 per cent in 2024 and 2 per cent in 2025. The pace of disinflation has raised expectations that central banks in advanced economies will begin cutting interest rates in 2024 and continue into 2025.

Figure 2.7 Global inflation outlook

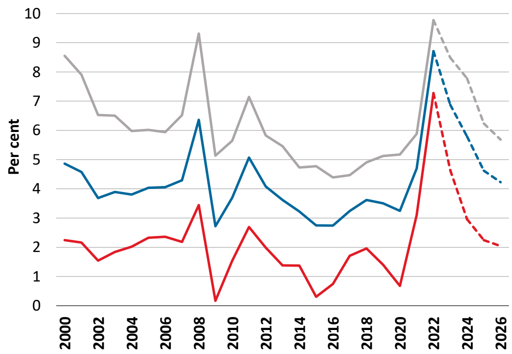
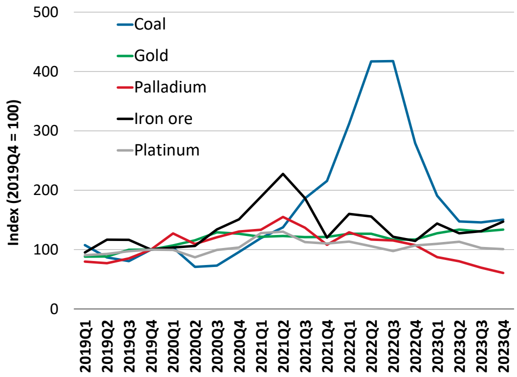


Figure 2.8 Key commodity export prices



Source: IMF World Economic Outlook Database, January 2024, and Bloomberg

As global monetary conditions become more favourable, the US dollar is expected to depreciate, supporting moderate improvements in the foreign exchange value of the rand. Despite the improved global outlook for 2024, South Africa's near-term growth prospects remain hamstrung by subdued prices for key export commodities and domestic supply-side constraints. Downside risks remain from potential spikes in the global oil price if the conflict in the Middle East escalates and if growth falters in China – the country's largest trade partner – due to its continuing real estate crisis.

Table 2.1 Economic growth in selected countries

Region/country	2022	2023	2024	2025
Percentage	Actual	Estimate	Forecast	
World	**3.5**	**3.1**	**3.1**	**3.2**
Advanced economies	**2.6**	**1.6**	**1.5**	**1.8**
United States	1.9	2.5	2.1	1.7
Euro area	3.4	0.5	0.9	1.7
United Kingdom	4.3	0.5	0.6	1.6
Japan	1.0	1.9	0.9	0.8
Emerging and developing countries	**4.1**	**4.1**	**4.1**	**4.2**
Brazil	3.0	3.1	1.7	1.9
Russia	-1.2	3.0	2.6	1.1
India	7.2	6.7	6.5	6.5
China	3.0	5.2	4.6	4.1
Sub-Saharan Africa	**4.0**	**3.3**	**3.8**	**4.1**
Nigeria	3.3	2.8	3.0	3.1
South Africa[1]	1.9	0.6	1.3	1.6
World trade volumes	**5.2**	**0.4**	**3.3**	**3.6**

1. National Treasury forecast
Source: IMF World Economic Outlook, January 2024

DOMESTIC OUTLOOK

The National Treasury estimates real economic growth of 0.6 per cent in 2023. This is down from growth of 0.8 per cent projected in the 2023 MTBPS due to weaker-than-expected outcomes in the third quarter of 2023, resulting in downward revisions to household spending growth and spending on gross fixed investment. GDP growth is projected to average 1.6 per cent from 2024 to 2026 as the frequency of power cuts declines, lower inflation supports household consumption, and employment and credit extension recover gradually. New energy projects will improve fixed investment and business sentiment.

Employment

The unemployment rate moderated to 31.9 per cent in the third quarter of 2023, its lowest level in three years. That quarter marked the first time that employment exceeded pre-pandemic levels, with 325 000 more jobs than in the fourth quarter of 2019. Yet joblessness remains extremely high, with the pace of employment creation expected to moderate in 2024. To date, the jobs recovery has been led by the community and social services sector. Faster economic growth is needed for a significant and sustainable increase in private-sector jobs.

Inflation

Headline inflation is projected to moderate from 6 per cent in 2023 to 4.9 per cent in 2024 and 4.6 per cent in 2025 as food and fuel inflation continue to decline. In 2023, food inflation slowed less than expected due to power cuts and rand depreciation, keeping imported food costs high. An avian influenza outbreak also increased prices for poultry and eggs. These factors are expected to dissipate over the medium term. As crude oil prices continue to normalise after the spike at the outbreak of the Russia-Ukraine war, upward pressure on domestic fuel prices is expected to subside.

Higher vehicle and insurance prices, which have contributed to core inflation pressure, are easing slowly. Near-term inflation may increase if global crude oil prices rise due to an escalation in the Middle East conflict and a weaker rand exchange rate. Elevated administered prices, including water and electricity, also pose an upside risk to the medium-term outlook.

Household consumption

Household consumption remains under significant pressure after contracting for two consecutive quarters in 2023. This reflects the effects of inflation and borrowing costs, weak consumer confidence and shrinking real incomes. Growth in credit extended to households has steadily declined since February 2023. The household consumption forecast for 2024 has been revised down to 1.3 per cent compared to 1.4 per cent at the time of the 2023 MTBPS. Risks to the near-term outlook remain skewed to the downside due to the possibility of food prices remaining elevated for a large percentage of households even as inflation declines and tight credit conditions ease. Improvements in confidence, employment and real incomes, alongside an anticipated easing of interest rates by the end of 2024, will sustainably raise household spending over the medium term.

Investment

After growing for seven consecutive quarters, gross fixed-capital formation contracted by 3.4 per cent in the third quarter of 2023 due to low business confidence and weaker growth. Machinery and equipment – the largest category of gross fixed-capital formation

– is the only category that has fully recovered from the pandemic, likely thanks to private-sector investments in renewable energy. Investment growth is estimated to have slowed to 4.2 per cent in 2023 and is expected to decline to 3.7 per cent in 2024, due to challenging business conditions including high borrowing costs and low confidence. Machinery and equipment spending will benefit from renewable energy and Transnet's port investments, supporting overall investment.

Figure 2.9 Gross fixed-capital formation and business confidence

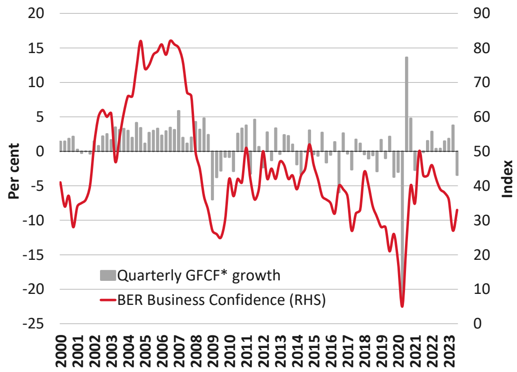
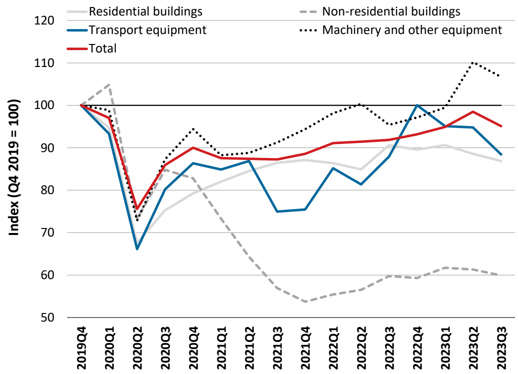


Figure 2.10 Gross fixed-capital formation by type



**Gross fixed-capital formation*

Sources: Statistics South Africa, BER and National Treasury

Determinants of corporate cash holdings in South Africa

Research using the South African Revenue Service/National Treasury tax database from 2010 to 2017 investigated the determinants of corporate cash holdings in South Africa.[1] The findings imply that implementing economic reforms to boost growth and aggregate demand will also catalyse greater fixed investment by firms. Furthermore, improvements in investor perceptions of government's ability to implement sound policies that promote private-sector development will encourage private investment rather than firms retaining cash. Greater private-sector investment will support faster economic growth.

As a share of GDP, corporate cash and liquidity holdings have not increased since 2014. However, at a firm level, cash holdings increased between 2010 and 2017, led by the manufacturing sector. Cash holdings in South Africa were broadly higher than in other emerging market countries.

1. Karwowski, E., Szymborska, H., Lesame, K. and Thoka, T. 2022. Determinants of corporate cash holdings in South Africa. WIDER Working Paper 2022/212. Helsinki: UNU-WIDER.

Balance of payments

The current account deficit is expected to widen from 1.8 per cent of GDP in 2023 to 2.8 per cent of GDP in 2024 and to average 2.9 per cent over the medium term. The outlook is driven by a weaker trade balance as exports – constrained by near-term rail and port delays and power cuts – are expected to grow slower than imports. Import volume growth between 2024 and 2026 is anticipated to be boosted by energy-related fixed investment outlays. The risks to the outlook are tilted to the downside due to subdued external demand, lower commodity prices and logistical bottlenecks.

Table 2.2 Macroeconomic performance and projections

Percentage change	2020	2021	2022	2023	2024	2025	2026
	Actual			Estimate	Forecast		
Final household consumption	-6.1	5.8	2.5	0.7	1.3	1.8	1.7
Final government consumption	0.9	0.5	1.0	1.8	-0.7	-0.2	-0.2
Gross fixed-capital formation	-14.6	0.6	4.8	4.2	3.7	4.0	3.6
Gross domestic expenditure	-7.6	4.8	3.9	1.1	1.2	1.7	1.7
Exports	-12.0	9.1	7.4	3.2	2.1	2.5	3.2
Imports	-17.6	9.6	14.9	4.8	1.9	2.6	2.6
Real GDP growth	**-6.0**	**4.7**	**1.9**	**0.6**	**1.3**	**1.6**	**1.8**
GDP inflation	5.3	6.5	4.8	4.6	4.0	4.5	4.5
GDP at current prices (R billion)	**5 568**	**6 209**	**6 629**	**6 972**	**7 346**	**7 801**	**8 298**
CPI inflation	3.3	4.6	6.9	6.0	4.9	4.6	4.6
Current account balance (% of GDP)	1.9	3.7	-0.5	-1.8	-2.8	-3.0	-3.0

Sources: National Treasury, Reserve Bank and Statistics South Africa

Macroeconomic assumptions

The forecast incorporates the assumptions outlined in Table 2.3.

Table 2.3 Assumptions informing the macroeconomic forecast

Percentage change	2021	2022	2023	2024	2025	2026
	Actual		Estimate	Forecast		
Global demand[1]	6.5	3.7	3.5	3.3	3.3	3.3
International commodity prices[2]						
Oil	70.8	99.0	82.3	77.1	74.0	71.5
Gold	1 799.8	1 801.5	1 943.2	2 029.9	2 119.5	2 199.3
Platinum	1 090.8	960.9	966.7	922.2	947.3	972.8
Coal	125.2	271.1	120.7	113.9	115.3	112.9
Iron ore	158.2	120.7	120.2	121.0	106.4	97.3
Palladium	2 398.2	2 107.4	1 338.7	1 009.4	1 051.6	1 096.8
Food inflation	6.1	9.2	10.7	4.7	4.5	4.5
Sovereign risk premium	3.5	4.1	3.9	3.7	3.7	3.6
Electricity inflation	10.1	11.1	11.8	13.9	12.7	10.5

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2024)
2. Bloomberg futures prices as at 15 January 2024
Source: National Treasury

Global demand is estimated to have expanded by 3.5 per cent in 2023 and projected to slow to 3.3 per cent in 2024. Similarly, key export commodity prices, apart from gold and iron ore, are anticipated to decline further in 2024. The sovereign risk premium is expected to improve from an average of 3.9 per cent in 2023 to 3.7 per cent in 2024 due to a more supportive global financial environment. Compared with the 2023 MTBPS, food prices are revised higher in the near term.

Economic scenarios

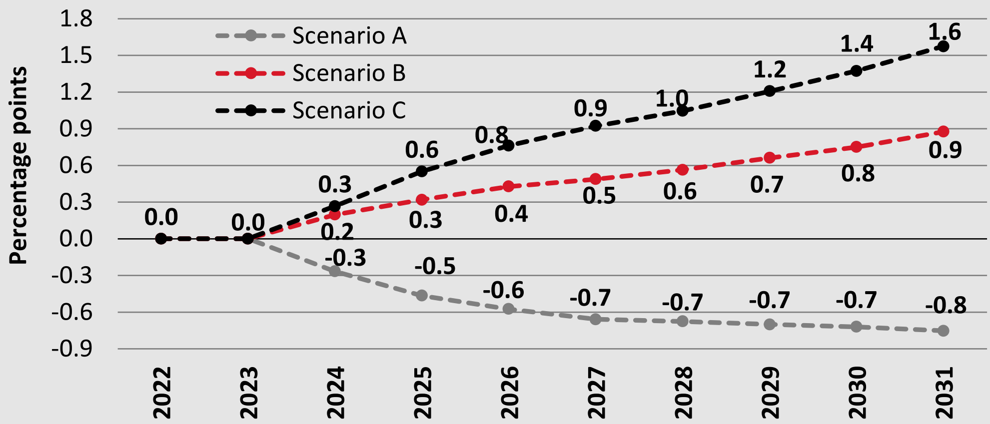
The National Treasury has modelled three alternative scenarios to the baseline economic forecast.

Scenario A – The conflict in the Middle East escalates, leading to continued disruption in the global oil and gas trade and raising food, energy and transportation costs. In response, global monetary policy tightens, raising borrowing costs. Economies with weak fundamentals face a growing risk of debt distress, triggering capital outflows and weakening exchange rates. Global trade disruptions dampen incomes and output. Domestic consumer prices reach 5.5 per cent in 2024, 0.6 percentage points above the baseline, before easing to 4.5 per cent in the long term. GDP trends below the baseline, with an estimated 0.8 per cent shortfall by 2031.

Scenario B – Rapid interventions by the National Logistics Crisis Committee resolve problems in ports and certain rail corridors, with an immediate boost to transport volumes. Targeted investment benefits various sectors, including mining. As confidence improves, with benefits for investment and trade, GDP is 0.9 per cent above the baseline by 2031. Implementation of the comprehensive reforms outlined in the freight logistics roadmap would further bolster capital stock and long-term growth.

Scenario C – Supported by reforms, gradual improvements in the level and quality of public investment spending as outlined in Chapter 1 increase coordination and partnerships with the private sector. As underspending declines, public-sector capital programmes approach full efficiency. The additional capital expenditure supports the scaling-up of projects, leading to increased availability and reliability of infrastructure. These changes encourage private investment and boost exports. GDP is 1.6 per cent above the baseline by 2031.

Figure 2.11 Deviation from baseline GDP forecast



Source: National Treasury

RISKS TO THE DOMESTIC OUTLOOK

The primary risks to the economic growth outlook are as follows:

- Continued operational and maintenance failures in electricity, freight rail and ports remain a persistent and binding constraint on output in the near term.
- A longer-than-expected period of high sovereign credit risks could increase borrowing costs further, weighing on investment and growth. Domestic interest rates could further erode consumption spending, alongside the risk of continued food inflation.

- Conversely, the domestic growth outlook may improve if there is less load-shedding than expected in the near term, coupled with a faster-than-expected resolution of the rail and port infrastructure constraints.

SECTOR PERFORMANCE AND OUTLOOK

Agriculture

In 2023, the agriculture sector's gross value added decreased by 3.2 per cent in the first three quarters compared with the same period in 2022. Load-shedding, animal diseases (foot and mouth, African swine fever and avian flu), localised flooding and declining grain prices hampered growth. Although the anticipated El Niño weather cycle could affect the sector, its effects are expected to be less severe than in 2015. In 2024, agriculture is likely to see moderate growth as grain production normalises from record highs and the livestock sector recovers from diseases. However, continued transport and port constraints will continue to exert pressure on the sector.

Mining

Gross value added in the mining sector contracted by 1.6 per cent in the first three quarters of 2023 compared with the same period in 2022. Production continues to be suppressed by domestic constraints, including power cuts and transport failures that reduce export capacity. Safety stoppages, strikes and crime also weighed on production. Mining sales declined by 14.9 per cent over the same period in response to weaker global demand. In 2024, domestic constraints will maintain pressure on the mining sector.

Manufacturing

In the first three quarters of 2023, the manufacturing sector saw a marginal 0.2 per cent increase in gross value added compared to the same period in 2022. It remains below pre-pandemic levels due to energy and transport constraints, as well as specific incidents (truck torching on the N3 in July, a strike and Western Cape floods in August and September). Despite this, sales grew by 9.7 per cent, driven by demand for petrochemicals and vehicles. The sector faces a subdued 2024 outlook, hampered by persistent supply-side issues, variable export growth and weaker European demand.

Construction

In 2023, the construction sector grew by 2.6 per cent in the first three quarters compared with the same period a year earlier, marking a recovery from six years of contraction. Growth resulted mainly from increased activity in civil construction, while the building sector remains sluggish due to low demand for new residential buildings and elevated interest rates. Growth in gross fixed-capital formation is expected to continue into 2024, although from a low base.

Utilities

The electricity, gas and water sector contracted by 5.4 per cent in the first nine months of 2023 compared with the same period in 2022, mainly due to Eskom constraints and delays in new generation capacity procurement. The electricity crisis is likely to boost demand for alternative energy sources in 2024, while reducing power cuts and securing new generation capacity remain crucial for long-term energy security.

Transport

The transport, storage and communication sector grew by 4 per cent in the first nine months of 2023, compared with the same period in 2022. Due to bottlenecks in rail infrastructure, there has been a marked substitution from rail to road – a pattern that is expected to reverse as the rail network is improved. In telecommunications, the rollout of digital infrastructure has enabled new investment in the sector and an improvement in the quality of broadband internet.

Trade, catering and accommodation

In the first nine months of 2023, the trade, catering and accommodation sector saw a 1.6 per cent drop in gross value added year-on-year. High borrowing costs and inflation affected household finances, leading to shifts in spending. Yet sales in clothing, footwear and household items grew. Power cuts encouraged people to dine out, boosting the restaurant and hospitality sector. Overall, the sector’s recovery is tied to improved incomes and consumer confidence.

Finance and business services

In the first nine months of 2023, the finance, real estate and business services sector grew by 0.9 per cent compared with the same period in 2022. Banks have effectively managed the rise in non-performing loans and credit losses, particularly in retail lending and mortgages. Their capital adequacy ratios, liquidity and leverage remain well above minimum prudential requirements, showing resilience despite moderate growth.

Improving resilience and disaster response in the face of climate change

Recent years have seen a significant increase in extreme weather events and economic losses amid mounting concern over the effects of climate change. Between 1980 and 2021, 86 notable weather-related disasters have been recorded, affecting more than 22 million people and causing economic losses of about R113 billion.[1]

The 2017 Knysna wildfires, Cape Town (2015–2018) and Eastern Cape (2015–2020) droughts and KwaZulu-Natal floods in 2022 have heavily affected agriculture and tourism, with negative implications for government spending and revenue. These events exacerbate economic inequality, particularly in poor communities that are highly exposed to droughts, floods and wildfires and their consequences.

The National Treasury is finalising a disaster risk financing strategy, centred on innovative financing and risk transfer to effectively mitigate climate impacts. The strategy will boost state capacity to fund disaster recovery efforts and expand insurance mechanisms to protect against the financial strain of natural disasters.

1. South Africa: First Nationally Determined Contribution under the Paris Agreement, September 2021

CONCLUSION

To accelerate GDP growth after an extended period of weak economic performance, South Africa needs large-scale private investment. Government is working to improve the fiscal position, complete structural reforms and bolster the capacity of the state to reduce borrowing costs, raise confidence, increase investment and put the economy on a higher, job-creating growth path.

3

2024 BUDGET REVIEW

FISCAL POLICY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government is staying the course on the fiscal strategy outlined in the 2023 *Medium Term Budget Policy Statement* (MTBPS) and will achieve a primary budget surplus in 2023/24, with debt stabilising by 2025/26.
- Debt-service costs will peak as a share of revenue in 2025/26 and decline thereafter.
- The consolidated budget deficit is projected to narrow from 4.9 per cent of GDP in 2023/24 to 3.3 per cent by the end of the 2024 medium-term expenditure framework (MTEF) period.
- The balanced approach to fiscal consolidation includes expenditure restraint and moderate revenue increases, while continuing to support the social wage and ensuring additional funding for critical services.
- Government will, after extensive consultation, propose a binding fiscal anchor for future sustainability. In the interim, the debt-stabilising primary surplus will anchor fiscal policy.

OVERVIEW

The balanced fiscal stance set out in the 2024 Budget will stabilise the public finances and reduce fiscal and economic risks, while promoting economic growth and supporting the most vulnerable members of society.

This year, for the first time since 2008/09, government will achieve a primary budget surplus – meaning revenue exceeds non-interest spending. Over time, as the debt burden decreases, maintaining this critical benchmark will create fiscal space. Government debt is expected to peak at 75.3 per cent of GDP in 2025/26, with debt-service costs as a share of revenue peaking in the same year.

Over the 2024 MTEF period, 60.2 per cent of consolidated non-interest spending goes to the social wage. The 2024 Budget reverses some of the spending reductions announced in the 2023 MTBPS by adding R57.6 billion to expenditure over the medium term, mainly to cover the costs of the 2023 public-service wage agreement.

FISCAL POLICY: OUTCOMES AND PROJECTIONS

South Africa’s government gross loan debt as a percentage of GDP is at its highest point since 1947, and the debt-to-GDP trajectory is about 16 percentage points higher than the median emerging market level. Gross loan debt has grown from R1.58 trillion in 2013/14 to R5.21 trillion in 2023/24.

In 2023/24, for the first time since 2000/01, debt-service costs absorb more than 20 cents of every rand collected in revenue, and this metric will persist over the medium term. Debt-service costs consume a greater share of the budget than social development, health, community development, economic development or peace and security (Figure 3.4). Reducing these costs is critical for growth and development.

Over the next eight years, a large portion of the liabilities that government has incurred since 2009/10 will fall due with interest (Figure 3.1). These foreign and domestic debt redemptions will average R249.1 billion between 2024/25 and 2031/32, compared with an average of R61.7 billion over the past decade. The fiscal strategy is designed in part to help manage these large liabilities.

Figure 3.1 Historical and future redemptions

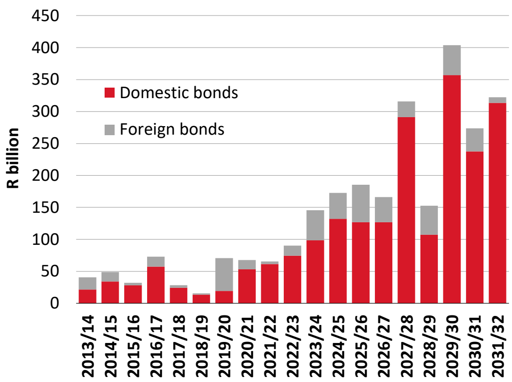


Figure 3.2 Debt-service costs as a share of main budget revenue

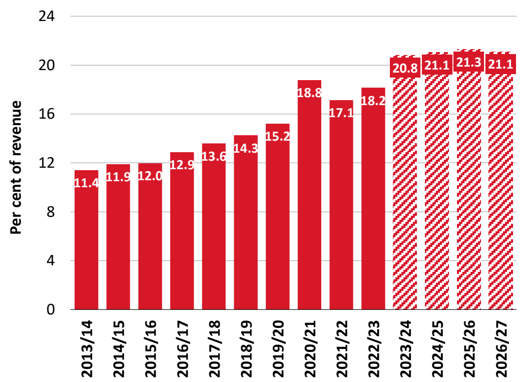


Figure 3.3 Gross debt-to-GDP outlook

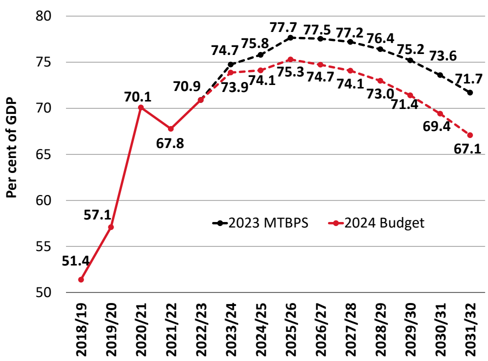
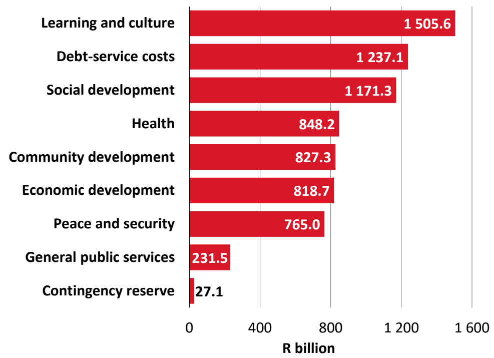


Figure 3.4 Consolidated government expenditure, 2024/25 – 2026/27



Source: National Treasury

Medium-term fiscal strategy and outlook

Government remains on course with the medium-term fiscal strategy outlined in the 2023 MTBPS. A key objective of the strategy is to realise a primary budget surplus in the current year. The surplus will grow over the medium term, narrowing the budget deficit and allowing debt to stabilise at 75.3 per cent of GDP in 2025/26. In turn, this will enable government to arrest the trend of rising debt-service costs, which will peak as a proportion of revenue at 21.3 per cent in 2025/26 and decline thereafter.

Compared with 2023 MTBPS estimates, the debt-to-GDP trajectory improves (Figure 3.3) mainly due to a lower gross borrowing requirement – the sum of the budget deficit, maturing loans and the Eskom debt-relief arrangement. A distribution totalling R150 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) over the MTEF period will reduce government borrowing, as explained in more detail in

Chapter 7. Over the medium term, the main budget deficit is projected to be lower than estimated in the 2023 MTBPS, driven by lower debt-service cost projections and rising primary budget surpluses, as higher revenue offsets additions to non-interest expenditure.

Table 3.1 shows selected macroeconomic variables that underpin the fiscal framework. Details of the economic outlook are presented in Chapter 2.

Table 3.1 Macroeconomic performance and projections

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Percentage change	Actual			Estimate	Forecast		
Real GDP growth	-6.8	6.0	1.3	0.7	1.4	1.7	1.8
Nominal GDP growth	-1.7	12.4	6.5	4.9	5.7	6.2	6.4
CPI inflation	2.9	5.2	7.2	5.5	4.7	4.7	4.5
GDP at current prices (R billion)	**5 615.9**	**6 312.0**	**6 721.8**	**7 049.0**	**7 452.2**	**7 913.8**	**8 422.3**

Source: National Treasury

Long-term fiscal anchor

International analysis links well-designed and binding fiscal rules to improved fiscal balances, less frequently missed fiscal targets and lower borrowing costs. With the primary budget surplus in place, government will consult widely on the matter of a legislated fiscal anchor in the year ahead.

CHANGES IN REVENUE AND EXPENDITURE

Revenue

Uncertainty in the tax revenue outlook remains a challenging feature of fiscal planning. Relative to the 2023 MTBPS, gross tax revenue projections have been revised up by R0.7 billion in 2023/24 and by R45.6 billion over the 2024 MTEF period. The revenue projections include tax increases of R15 billion in 2024/25 as part of the fiscal consolidation measures set out in the 2023 MTBPS. Details are in Chapter 4.

Table 3.2 Revised gross tax revenue projections

R billion	2022/23[1]	2023/24	2024/25	2025/26	2026/27
Revised estimate	**1 686.7**	**1 731.4**	**1 863.0**	**1 991.2**	**2 133.0**
Buoyancy	*1.21*	*0.54*	*1.33*	*1.11*	*1.11*
2023 MTBPS	**1 686.7**	**1 730.7**	**1 854.0**	**1 975.8**	**2 111.9**
Buoyancy	*1.21*	*0.61*	*1.15*	*1.07*	*1.05*
2023 Budget	**1 692.2**	**1 787.5**	**1 907.7**	**2 043.5**	
Buoyancy	*1.42*	*1.06*	*1.06*	*1.09*	
Projected improvement against 2023 MTBPS	0.0	0.7	9.1	15.4	21.1
Projected shortfall against 2023 Budget	-5.5	-56.1	-44.7	-52.2	

1. Actual outcome
Source: National Treasury

Since the 2023 MTBPS, medium-term non-tax revenue estimates have been increased by R9.5 billion, mainly driven by higher projections for mineral and petroleum royalties and the expected flow of revenue from the sale of strategic oil reserves in 2024/25. Projections of National Revenue Fund receipts have been revised up by R0.7 billion in 2023/24, mainly due to higher expected revaluation profits on foreign-currency transactions.

Payments to the Southern African Customs Union have been revised down by R8.4 billion in 2025/26 and R4.3 billion in 2026/27 compared with the 2023 MTBPS estimates. This is mainly a result of downward revisions to customs duties projections.

Overall, compared with the 2023 Budget estimates, main budget revenue is projected to be lower by R46.4 billion in 2023/24 and by a total of R113.3 billion in 2024/25 and 2025/26. This significant projected shortfall in revenue collections and projections mainly reflects downward revisions due to prevailing economic conditions and the resulting decline in corporate and net value-added tax.

Table 3.3 Revisions to main budget revenue estimates

	2024/25			2025/26			2026/27
R billion/percentage of GDP	2024 Budget	Deviation from the 2023 MTBPS	Deviation from the 2023 Budget	2024 Budget	Deviation from the 2023 MTBPS	Deviation from the 2023 Budget	2024 Budget[2]
Revenue							
Gross tax revenue	1 863.0	9.1	-44.7	1 991.2	15.4	-52.2	2 133.0
Non-tax revenue	34.6	5.4	-6.8	32.8	1.8	-10.4	32.3
SACU[1]	-89.9	–	-3.4	-77.2	8.4	2.8	-79.7
National Revenue Fund receipts	7.2	-1.5	1.8	0.6	0.2	-0.4	0.4
Main budget revenue	**1 815.0**	**12.9**	**-53.1**	**1 947.4**	**25.7**	**-60.3**	**2 086.0**
	24.4%			*24.6%*			*24.8%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments
2. The main budget revenue for 2026/27 estimated in the 2024 Budget is R27.5 billion higher than the estimate in the 2023 MTBPS
Source: National Treasury

Expenditure

Table 3.4 presents changes to in-year main budget non-interest expenditure since the 2023 Budget. Non-interest expenditure decreased by a net R6 billion, mainly as a result of the proposed reductions to baselines, as well as declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Funds are provided for the 2023/24 wage increase in labour-intensive departments.

Table 3.4 Revisions to non-interest expenditure for 2023/24

R million	2023/24
Non-interest expenditure (2023 Budget)	**1 694 120**
Upward expenditure adjustments	**30 221**
2023 MTBPS	
Allocation for the 2023/24 wage increase	23 558
Provincial departments [1]	*17 558*
National departments [2]	*6 000*
Other allocations in the AENE[3]	5 864
Second adjustments appropriation: shifts to votes	470
National Revenue Fund payments adjustments in 2024 Budget	329
Downward expenditure adjustments	**-36 260**
Downward revisions to baselines[4]	-21 726
Projected underspending	-5 600
Drawdown on contingency reserve	-5 000
Net other downward adjustments[5]	-3 464
Second adjustments appropriation: shifts from votes	-470
Revised non-interest expenditure (2024 Budget)	**1 688 081**
Change in non-interest expenditure from 2023 Budget	-6 039

1. Mainly for departments of education and health
2. Departments of Police, Defence and Correctional Services
3. 2023 Adjusted Estimates of National Expenditure
4. National government, and provincial and local government conditional grants
5. Declared unspent funds and drawdown to provisional allocations not assigned to votes
Source: National Treasury

Table 3.5 outlines proposed revisions to main budget non-interest spending over the MTEF period ahead. It shows a net decrease of R80.6 billion compared with the 2023 Budget. This consists of:

- Proposed reductions of R206 billion to departmental baselines and provisional allocations not assigned to votes.
- A drawdown of the 2023 Budget unallocated reserve, partially offset by an increase in the contingency reserve.
- Spending additions of R251.3 billion, mainly for the carry-through costs of the 2023/24 wage increase and wage bill pressures in labour-intensive departments, including basic education, health and police.

Most other departments are expected to absorb the wage increase within their baselines. This will include managing headcounts, such as by implementing controls on payroll systems to ensure departments operate within their budgets. Government is exploring other measures, which will be tabled for discussion in the Public Service Co-ordinating Bargaining Council as part of a broader discussion on containing wage bill growth.

Table 3.5 Changes to main budget non-interest expenditure over MTEF period

R million	2024/25	2025/26	2026/27	MTEF total
Non-interest expenditure (2023 Budget)	**1 775 105**	**1 869 432**	**1 963 716**	**5 608 253**
Additions to baselines and provisional allocations	**80 436**	**83 641**	**87 252**	**251 330**
Additions for wage pressures and 2023/24 wage increase carry-through costs	46 299	48 263	50 277	144 839
Provincial departments [1]	*33 803*	*35 089*	*36 577*	*105 469*
National departments [2]	*12 496*	*13 174*	*13 700*	*39 369*
Implementation of the recommendations of the State Capture Commission and FATF [3]	200	209	219	628
COVID-19 social relief of distress grant	33 587	–	–	33 587
Provisional allocation for social protection	–	35 169	36 756	71 926
Additional funding for elections (police and defence)	350	–	–	350
Change in reserves and other adjustments [4]	**-38 505**	**-42 538**	**-44 882**	**-125 925**
Reductions to baselines and provisional allocations	**-63 252**	**-69 623**	**-73 104**	**-205 979**
Revised non-interest expenditure (2024 Budget)	**1 753 784**	**1 840 913**	**1 932 982**	**5 527 679**
Change in non-interest expenditure from 2023 Budget	-21 321	-28 519	-30 734	-80 574

1. Mainly for departments of education and health
2. Departments of Police, Defence, Correctional Services, Justice and Constitutional Development and Home Affairs
3. Financial Action Task Force
4. Includes drawdown of 2023 Budget unallocated reserves, increase in contingency reserve in 2025/26 and 2026/27, revisions to skills development levy projections, and rescheduling of capital projects
Source: National Treasury

What is the impact of government spending on economic growth?

Fiscal multipliers – a measure of the impact of government's spending and tax decisions on GDP – offer important insights into the performance of fiscal policy. In South Africa, the impact of these multipliers has declined over time.

The National Treasury's internal estimates confirm that the fiscal multiplier is below one, meaning higher government spending has not been contributing to higher economic growth. This is mainly due to how the accumulation of debt by government crowds out private investment by raising interest rates. It also points to the importance of the composition of government spending. Higher spending on capital investment leads to higher growth in the longer term, while consumption spending entrenches deficits and debt without stronger long-term growth.

Relevant papers published through Southern Africa – Towards Inclusive Economic Development reveal interesting dynamics.[1] Four explanations emerge for low fiscal multipliers. First, unsustainable spending increases do not boost economic growth because higher debt-service costs crowd out important economic and social expenditure. Second, the efficiency of government spending is weak due in particular to poor governance in municipalities and state-owned companies. Third, structural constraints, such as the lack of reliable electricity and logistics challenges, mean that government spending fails to promote and facilitate private-sector participation and investment. Fourth, tax increases to fund higher government spending can harm economic growth.

These findings support government's focus on the implementation of structural reforms to address the binding constraints to growth and reforms to increase infrastructure investment.

1. *https://sa-tied.wider.unu.edu/macro-fiscal-analysis*

Compared with the 2023 Budget, the expenditure ceiling has decreased by R21 billion in 2024/25 and R28.1 billion in 2025/26.

Table 3.6 Main budget expenditure ceiling

R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
2021 MTBPS	1 487 388	1 570 890	1 552 268	1 558 725	1 627 154		
2022 Budget	1 487 399	1 575 002	1 630 905	1 613 671	1 686 932		
2022 MTBPS	1 487 385	1 566 490	1 667 118	1 665 349	1 744 762	1 832 678	
2023 Budget	1 487 419	1 566 498	1 653 459	1 671 030	1 750 276	1 842 572	
2023 MTBPS	1 487 419	1 566 327	1 657 767	1 667 370	1 713 335	1 795 241	1 884 736
2024 Budget	**1 487 419**	**1 566 327**	**1 657 767**	**1 664 709**	**1 729 270**	**1 814 458**	**1 904 385**

Source: National Treasury

CONSOLIDATED FISCAL FRAMEWORK

Between the 2023 Budget and the 2024 Budget, the estimated consolidated budget deficit for 2023/24 grew from 4 per cent to 4.9 per cent of GDP. The deficit is projected to decline to 3.3 per cent of GDP in 2026/27 as the main budget deficit narrows and social security funds, provinces and public entities move into a combined cash surplus in 2025/26. Over the next three years, consolidated non-interest expenditure will contract at an annual average rate of 0.5 per cent in real terms.

Table 3.7 Consolidated fiscal framework

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 409.9**	**1 751.7**	**1 896.4**	**1 921.4**	**2 036.6**	**2 176.4**	**2 323.6**
	25.1%	*27.8%*	*28.2%*	*27.3%*	*27.3%*	*27.5%*	*27.6%*
Expenditure	**1 965.1**	**2 043.9**	**2 141.1**	**2 268.9**	**2 369.0**	**2 471.4**	**2 597.8**
	35.0%	*32.4%*	*31.9%*	*32.2%*	*31.8%*	*31.2%*	*30.8%*
Non-interest expenditure	*1 724.2*	*1 767.9*	*1 825.3*	*1 904.9*	*1 978.1*	*2 048.1*	*2 149.3*
	30.7%	*28.0%*	*27.2%*	*27.0%*	*26.5%*	*25.9%*	*25.5%*
Budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-9.9%	*-4.6%*	*-3.6%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*

Source: National Treasury

The budget limits potentially damaging reductions to key services. The budgets for basic education, health and the police are projected to grow in nominal annual average terms at 4.7 per cent, 3.4 per cent and 5.4 per cent, respectively, over the 2024 MTEF period. Spending on the community and economic development functions will grow by 4.5 per cent and 6.3 per cent respectively. In contrast, spending on general public services grows marginally over the medium term.

The composition of spending will remain broadly in line with existing policy. Over the medium term, the wage bill continues to grow near the rate of consumer price index inflation. Over the next three years, capital payments and transfers will grow by a nominal annual average of 7.3 per cent. The consolidated budget deficit is largely driven by the capital financing requirement, as capital spending is projected to grow faster than current spending.

Table 3.8 Consolidated operating and capital accounts

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised estimate	Medium-term estimates		
OPERATING ACCOUNT							
Current revenue	**1 375.9**	**1 735.2**	**1 875.5**	**1 883.5**	**2 018.5**	**2 169.0**	**2 316.3**
Current payments	**1 746.2**	**1 822.0**	**1 947.0**	**2 082.0**	**2 163.8**	**2 255.0**	**2 354.7**
Compensation of employees	634.7	666.5	689.2	721.1	754.2	788.7	822.5
Goods and services	244.7	268.0	292.4	315.9	320.5	339.6	352.0
Interest payments	240.9	275.9	315.8	364.0	390.9	423.3	448.5
Current transfers and subsidies	625.9	611.6	649.6	680.9	698.2	703.4	731.7
Current balance	**-370.4**	**-86.8**	**-71.5**	**-198.5**	**-145.3**	**-86.0**	**-38.4**
	-6.6%	*-1.4%*	*-1.1%*	*-2.8%*	*-1.9%*	*-1.1%*	*-0.5%*
CAPITAL ACCOUNT							
Capital receipts	0.2	0.3	0.4	0.3	0.3	0.2	0.2
Capital payments	62.3	73.3	86.0	107.1	117.8	125.6	142.7
Capital transfers	65.5	72.0	61.6	76.3	79.8	81.2	84.1
Capital financing requirement	**-127.5**	**-144.9**	**-147.1**	**-183.1**	**-197.3**	**-206.6**	**-226.5**
	-2.3%	*-2.3%*	*-2.2%*	*-2.6%*	*-2.6%*	*-2.6%*	*-2.7%*
Financial transactions[1]	-57.3	-60.5	-26.0	34.2	15.2	5.2	5.2
Contingency reserve	–	–	–	–	5.0	7.6	14.5
Budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**
	-9.9%	*-4.6%*	*-3.6%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*

1. Balance of transactions in financial assets and liabilities
Source: National Treasury

ELEMENTS OF THE CONSOLIDATED BUDGET

The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources.

Main budget framework

Table 3.9 summarises spending financed from the National Revenue Fund. In 2022/23, the main budget deficit outcome of 4.6 per cent of GDP was close to the 2023 Budget estimate of 4.5 per cent of GDP. The 2023/24 main budget deficit is projected at 4.7 per cent of GDP, compared with 3.9 per cent in the 2023 Budget, mainly due to lower revenue.

Relative to the 2023 MTBPS projections, improvements are achieved in the main budget primary surplus and the budget deficit from 2025/26 due to higher revenue and lower debt-service costs. Debt-service costs have been revised down by R30.2 billion over the MTEF period. The deficit is expected to continue narrowing over the medium term, from 4.3 per cent of GDP in 2024/25 to 3.4 per cent by 2026/27, as a result of the fiscal strategy.

Table 3.9 Main budget framework

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised estimate	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1 249.7	1 563.8	1 686.7	1 731.4	1 863.0	1 991.2	2 133.0
Non-tax revenue	26.3	40.4	51.0	38.2	34.6	32.8	32.3
SACU[1]	-63.4	-46.0	-43.7	-79.8	-89.9	-77.2	-79.7
National Revenue Fund receipts	25.8	6.1	5.2	23.1	7.2	0.6	0.4
Main budget revenue	**1 238.4**	**1 564.3**	**1 699.2**	**1 712.8**	**1 815.0**	**1 947.4**	**2 086.0**
	22.1%	*24.8%*	*25.3%*	*24.3%*	*24.4%*	*24.6%*	*24.8%*
Expenditure							
National departments	790.5	822.8	855.9	823.9	848.5	853.7	890.5
Provinces	628.8	660.8	694.1	706.4	729.5	760.9	790.8
Local government	137.1	135.6	150.7	157.8	170.3	177.7	183.8
Contingency reserve	–	–	–	–	5.0	7.6	14.5
Provisional allocation not assigned to votes	–	–	–	–	0.6	41.1	53.5
Non-interest expenditure	**1 556.4**	**1 619.2**	**1 700.7**	**1 688.1**	**1 753.8**	**1 840.9**	**1 933.0**
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2
Main budget expenditure	**1 789.0**	**1 887.3**	**2 009.2**	**2 044.2**	**2 136.0**	**2 255.6**	**2 373.2**
	31.9%	*29.9%*	*29.9%*	*29.0%*	*28.7%*	*28.5%*	*28.2%*
Main budget balance	**-550.6**	**-323.0**	**-309.9**	**-331.4**	**-320.9**	**-308.2**	**-287.2**
	-9.8%	*-5.1%*	*-4.6%*	*-4.7%*	*-4.3%*	*-3.9%*	*-3.4%*
Primary balance	**-318.1**	**-54.9**	**-1.5**	**24.8**	**61.2**	**106.5**	**153.0**
	-5.7%	*-0.9%*	*-0.0%*	*0.4%*	*0.8%*	*1.3%*	*1.8%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the next two years include projected forecast error adjustments for 2022/23 and 2023/24, respectively
Source: National Treasury

Social security funds, public entities and provincial balances

In 2022/23, public entities – mainly the South African National Roads Agency Limited, the National Skills Fund and the Trans-Caledon Tunnel Authority – recorded a combined cash surplus of R43.2 billion. Due to higher capital spending, this surplus moves to a projected deficit from 2023/24. In 2025/26 and 2026/27, social security funds are expected to run cash surpluses, offsetting the projected cash deficits for public entities.

Table 3.10 Consolidated budget balances

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Main budget	-550.6	-323.0	-309.9	-331.4	-320.9	-308.2	-287.2
Social security funds	-46.7	-6.2	8.4	-0.1	-0.1	23.3	27.0
Provinces	3.0	2.1	13.4	-11.5	-3.9	0.3	0.5
Public entities	39.3	35.5	43.2	-4.6	-7.5	-10.6	-14.7
RDP Fund[1]	-0.1	-0.6	0.2	0.1	0.1	0.1	0.1
Consolidated budget balance	**-555.2**	**-292.2**	**-244.7**	**-347.4**	**-332.4**	**-295.0**	**-274.2**

1. Reconstruction and Development Programme Fund
Source: National Treasury

PUBLIC-SECTOR BORROWING REQUIREMENT

In 2022/23, the public-sector borrowing requirement fell to R306.6 billion, or 4.6 per cent of GDP, reflecting the narrowing of the consolidated budget deficit. Borrowing requirements for 2023/24 are revised up by R84.1 billion to R470 billion (6.7 per cent of GDP) compared with the expectations in the 2023 *Budget Review*.

Table 3.11 Public-sector borrowing requirement[1]

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24			2024/25	2025/26	2026/27
	Outcome			Budget 2023	Budget 2024	Deviation	Medium-term estimates		
Main budget	550.6	323.0	309.9	275.4	331.4	56.0	320.9	308.2	287.2
Social security funds	46.7	6.2	-8.4	8.2	0.1	-8.1	0.1	-23.3	-27.0
Provinces	-3.0	-2.1	-13.4	1.0	11.5	10.4	3.9	-0.3	-0.5
Public entities	-39.3	-35.5	-43.2	-0.9	4.6	5.5	7.5	10.6	14.7
RDP Fund	0.1	0.6	-0.2	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Consolidated government	**555.2**	**292.2**	**244.7**	**283.7**	**347.4**	**63.8**	**332.4**	**295.0**	**274.2**
National borrowing for Eskom debt-relief arrangement	–	–	–	78.0	76.0	-2.0	64.2	110.2	–
GFECRA settlement	–	–	–	–	–	–	-100.0	-25.0	-25.0
Consolidated borrowing	**555.2**	**292.2**	**244.7**	**361.7**	**423.4**	**61.8**	**296.5**	**380.2**	**249.2**
	9.9%	*4.6%*	*3.6%*	*5.2%*	*6.0%*		*4.0%*	*4.8%*	*3.0%*
Local authorities[2]	**6.8**	**7.5**	**8.8**	**13.0**	**13.1**	**0.1**	**14.5**	**17.2**	**15.9**
	0.1%	*0.1%*	*0.1%*	*0.2%*	*0.2%*		*0.2%*	*0.2%*	*0.2%*
State-owned companies[3]	**32.9**	**15.6**	**53.1**	**11.3**	**33.5**	**22.2**	**21.4**	**27.3**	**13.9**
	0.6%	*0.2%*	*0.8%*	*0.2%*	*0.5%*		*0.3%*	*0.3%*	*0.2%*
Borrowing requirement	**594.8**	**315.3**	**306.6**	**385.9**	**470.0**	**84.1**	**332.5**	**424.7**	**279.0**
	10.6%	*5.0%*	*4.6%*	*5.5%*	*6.7%*		*4.5%*	*5.4%*	*3.3%*

1. A negative number reflects a surplus and a positive number a deficit
2. 2022/23 is an adjusted budget estimate, as the outcome is still being audited
3. Comprises Eskom, South African Airways (SAA), Transnet, Airports Company South Africa (ACSA) and Denel. Eskom, SAA, ACSA and Denel are not projecting to borrow in 2023/24 and over the medium term.
South African National Roads Agency Limited and Trans-Caledon Tunnel Authority are included in consolidated government net borrowing
Source: National Treasury

RISKS TO THE FISCAL OUTLOOK

The major risks are largely unchanged since the 2023 MTBPS. They include:

- Weaker-than-expected economic growth, which would slow revenue growth and widen the budget deficit.
- Higher borrowing costs.
- An unaffordable wage increase in the second year of the MTEF period.
- Further deterioration in the balance sheet of major public-sector institutions, such as municipalities and state-owned companies, which could result in bailout demands.

CONCLUSION

Government remains committed to a fiscal consolidation that balances the needs of the most vulnerable in society and protects the public finances for future generations. The 2024 Budget will yield a primary budget surplus, leading to the stabilisation of debt by 2025/26. Over the medium term, a binding fiscal rule will be introduced to anchor sustainable public finances.

4

2024 BUDGET REVIEW

REVENUE TRENDS AND TAX PROPOSALS

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Revenue collection in 2023/24 has weakened significantly relative to projections in the 2023 Budget, and tax revenue for 2024/25 is expected to amount to R1.86 trillion.
- In combination, tax proposals will raise revenue of R15 billion in 2024/25. The main tax proposals include no inflation adjustments for personal income tax brackets and above-inflation adjustments to some excise tax rates. No increase is proposed to the fuel levy.
- Two long-term tax reforms – the two-pot retirement system and the minimum corporate tax rate – will be implemented in 2024/25.
- Over the next three years tax revenue is expected to grow by R401.7 billion, reaching R2.13 trillion and a tax-to-GDP ratio of 25.3 per cent in 2026/27.

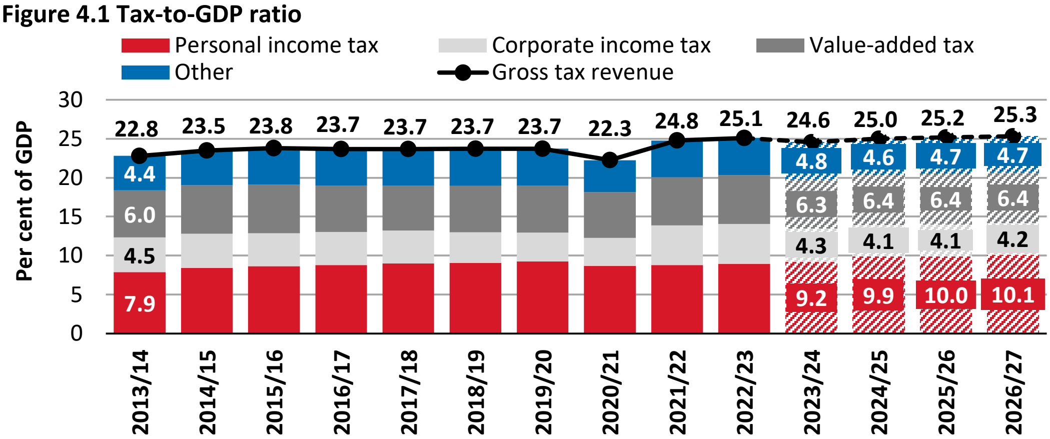
OVERVIEW

Tax revenue performed better than expected in 2021/22 and 2022/23, largely as a result of higher commodity prices. Over the past year, however, many of the risks identified in the 2023 *Budget Review* have materialised. Tax revenue for 2023/24 is now expected to amount to R1.73 trillion, which is R56.1 billion less than expected in the 2023 Budget.

The 2024 Budget tax proposals and longer-term reforms improve the medium-term revenue outlook, with the tax-to-GDP ratio reaching 25.3 per cent by 2026/27. An enduring improvement in revenue performance, however, is contingent on higher GDP growth rates.

Many tax bases remain resilient, but underlying vulnerabilities limit the extent to which taxes can be increased sustainably. Revenue from both corporate income tax and value-added tax (VAT) is expected to remain subdued due to low profitability in many sectors and the adjustment costs of new investments in energy generation and storage. Recent personal income tax collections have outpaced expectations, but rate increases could threaten economic growth and prompt negative taxpayer behaviours.

Figure 4.1 Tax-to-GDP ratio



Source: National Treasury and SARS

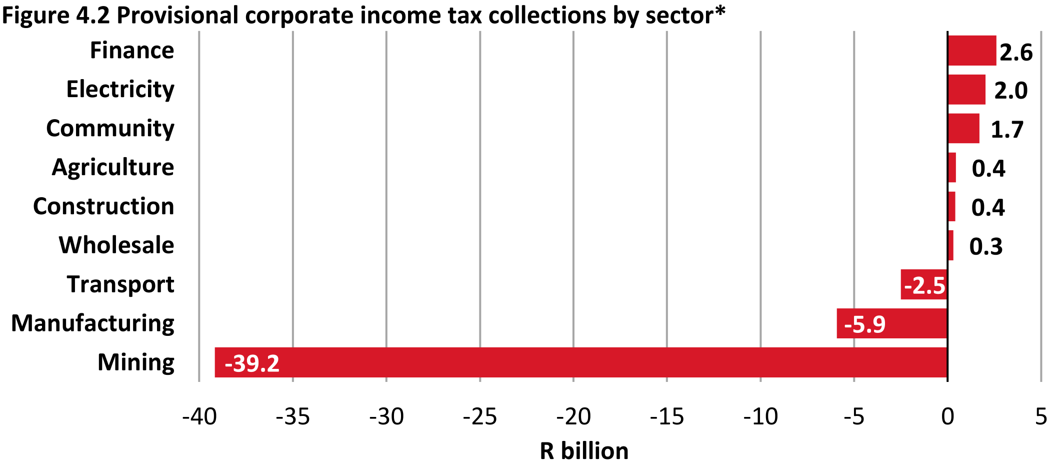
In line with the 2023 *Medium Term Budget Policy Statement* (MTBPS), tax increases are proposed to alleviate immediate fiscal pressures. The proposals include no inflation adjustments for personal income tax tables and medical tax credits, and higher excise duties on alcohol and tobacco products. No increase in the fuel levy is proposed. These measures will contribute to a more stable fiscal position with long-term benefits for the economy.

REVENUE COLLECTION AND OUTLOOK

Revenue collection has deteriorated substantially over the past year due to weak economic conditions. Tax revenue for 2023/24 is expected to reach R1.73 trillion, an upward revision of R0.7 billion from the 2023 MTBPS estimate. The tax-to-GDP ratio is expected to decline to 24.6 per cent in 2023/24.

While earnings have remained resilient, corporate profits have declined. Tax revenue slowed in 2023/24 as corporate tax collections contracted by close to 14 per cent over the first 10 months of the financial year relative to the same period in the previous year.

Figure 4.2 Provisional corporate income tax collections by sector*



**First 10 months of 2023/24 relative to same period in prior year*
Source: National Treasury and SARS

Windfall tax gains from high commodity prices over the last two years have come to an end, leading to a sharp fall in mining tax revenue. For the first 10 months of 2023/24, mining provisional corporate tax collections fell by R39.2 billion or 50.4 per cent relative to the same period in 2022/23. Lower commodity prices, weaker global growth, increased power cuts and operational problems at South Africa's ports have weighed heavily on the sector.

Although commodity prices are expected to stabilise, corporate profitability is projected to remain weak in 2024/25. Collections from the manufacturing sector also contracted over the period, while the finance sector registered marginal growth. Following robust growth over the two prior years, import VAT and customs duties collections slowed considerably. Net VAT collections for 2023/24 have been revised down by R26.1 billion compared with 2023 Budget expectations.

Table 4.1 Budget estimates and revenue outcomes[1]

R million	2022/23			2023/24			Percentage
	Budget[2]	Outcome	Deviation	Budget[2]	Revised	Deviation	change[3]
Taxes on income and profits	**989 877**	**988 505**	**-1 371**	**1 021 213**	**997 924**	**-23 289**	**1.0%**
Personal income tax	601 649	600 367	-1 283	640 300	649 783	9 483	8.2%
Corporate income tax	344 944	344 660	-285	336 119	301 367	-34 751	-12.6%
Dividends tax	38 515	38 119	-396	39 819	39 705	-114	4.2%
Other taxes on income and profits[4]	4 768	5 360	592	4 975	7 069	2 094	31.9%
Skills development levy	**21 238**	**20 892**	**-346**	**23 027**	**22 713**	**-314**	**8.7%**
Taxes on property	**22 656**	**21 238**	**-1 418**	**23 863**	**19 486**	**-4 377**	**-8.3%**
Domestic taxes on goods and services	**581 871**	**579 990**	**-1 881**	**642 765**	**616 951**	**-25 814**	**6.4%**
Value-added tax	426 283	422 416	-3 867	471 477	445 340	-26 136	5.4%
Specific excise duties	55 228	55 155	-73	58 956	53 942	-5 014	-2.2%
Health promotion levy	2 320	2 195	-125	2 476	2 254	-222	2.7%
Ad valorem excise duties	4 461	5 520	1 059	4 699	7 782	3 083	41.0%
Fuel levy	79 131	80 473	1 342	90 408	93 372	2 964	16.0%
Other domestic taxes on goods and services[5]	14 448	14 231	-217	14 750	14 261	-489	0.2%
Taxes on international trade and transactions	**76 535**	**76 068**	**-468**	**76 588**	**74 279**	**-2 309**	**-2.4%**
Customs duties	74 176	73 945	-230	74 221	72 492	-1 729	-2.0%
Health promotion levy on imports	114	110	-3	114	107	-6	-2.7%
Diamond export levy	151	151	0	150	155	4	2.2%
Export tax	819	844	25	815	401	-414	-52.5%
Miscellaneous customs and excise receipts	1 276	1 017	-259	1 288	1 124	-165	10.5%
Gross tax revenue	**1 692 177**	**1 686 697**	**-5 479**	**1 787 456**	**1 731 353**	**-56 104**	**2.6%**
Non-tax revenue[6]	55 078	56 205	1 127	51 583	61 294	9 711	9.1%
of which:							
Mineral and petroleum royalties	*25 483*	*25 338*	*-145*	*22 469*	*15 718*	*-6 751*	*-38.0%*
Less: SACU[7] payments	-43 683	-43 683	–	-79 811	-79 811	–	82.7%
Main budget revenue	**1 703 571**	**1 699 219**	**-4 353**	**1 759 229**	**1 712 836**	**-46 393**	**0.8%**
Provinces, social security funds and selected public entities	189 176	197 189	8 012	199 678	208 587	8 908	5.8%
Consolidated budget	**1 892 747**	**1 896 407**	**3 660**	**1 958 907**	**1 921 423**	**-37 485**	**1.3%**

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure
2. 2023 Budget Review estimates
3. Percentage change between outcome in 2022/23 and revised estimate in 2023/24
4. Includes interest on overdue income tax and interest withholding tax
5. Includes turnover tax for micro businesses, air departure tax, plastic bag levy, electricity levy, CO_2 tax on motor vehicle emissions, incandescent light bulb levy, Universal Service Fund, tyre levy, carbon tax and International Oil Pollution Compensation Fund
6. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets
7. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury

High VAT refund payments resulted from increased investment in embedded generation and higher costs of doing business, including the use of more expensive road transport due to operational and maintenance failures in the rail network. Stronger import VAT collections partially offset VAT refund payments.

Table 4.2 Budget revenue[1]

R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised	Medium-term estimates		
Taxes on income and profits[2]	**718 180**	**912 870**	**988 505**	**997 924**	**1 084 989**	**1 157 045**	**1 248 687**
of which:							
Personal income tax	*487 011*	*553 951*	*600 367*	*649 783*	*738 749*	*787 476*	*850 473*
Corporate income tax	*202 123*	*320 447*	*344 660*	*301 367*	*302 702*	*323 482*	*349 611*
Skills development levy	12 250	19 336	20 892	22 713	24 500	26 441	28 582
Taxes on property	15 947	22 033	21 238	19 486	20 600	21 876	23 282
Domestic taxes on goods and services	455 867	549 806	579 990	616 951	654 290	702 478	743 865
of which:							
VAT	*331 197*	*390 895*	*422 416*	*445 340*	*476 749*	*510 130*	*539 785*
Taxes on international trade and transactions	47 455	59 719	76 068	74 279	78 655	83 370	88 607
Gross tax revenue	**1 249 711**	**1 563 754**	**1 686 697**	**1 731 353**	**1 863 035**	**1 991 210**	**2 133 023**
Non-tax revenue[3]	52 053	46 485	56 205	61 294	41 856	33 461	32 696
of which:							
Mineral and petroleum royalties	*14 228*	*28 456*	*25 338*	*15 718*	*16 000*	*16 930*	*17 850*
Less: SACU[4] payments	-63 395	-45 966	-43 683	-79 811	-89 871	-77 246	-79 714
Main budget revenue	**1 238 369**	**1 564 273**	**1 699 219**	**1 712 836**	**1 815 020**	**1 947 425**	**2 086 004**
Provinces, social security funds and selected public entities	171 548	187 385	197 189	208 587	221 602	228 970	237 592
Consolidated budget revenue	**1 409 917**	**1 751 657**	**1 896 407**	**1 921 423**	**2 036 623**	**2 176 395**	**2 323 596**
As percentage of GDP							
Tax revenue	*22.3%*	*24.8%*	*25.1%*	*24.6%*	*25.0%*	*25.2%*	*25.3%*
Main budget revenue	*22.1%*	*24.8%*	*25.3%*	*24.3%*	*24.4%*	*24.6%*	*24.8%*
GDP (R billion)	*5 615.9*	*6 312.0*	*6 721.8*	*7 049.0*	*7 452.2*	*7 913.8*	*8 422.3*
Tax buoyancy	*4.62*	*2.03*	*1.21*	*0.54*	*1.33*	*1.11*	*1.11*

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure
2. Includes secondary tax on companies/dividends tax, interest withholding tax and interest on overdue income tax
3. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets
4. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury and SARS

Personal income tax collection has remained buoyant as earnings and employment recovered in the wake of the COVID-19 pandemic, with employees' tax from the finance sector driving strong year-to-date growth. Fuel levy collections benefited from increased demand for road bulk transport, notwithstanding the tax relief provided since 2022. Specific excise duty collections from cigarette and cigarette tobacco remain well below pre-pandemic levels, weighing down overall collections.

Medium-term revenue outlook

The medium-term revenue outlook has been revised up by R45.6 billion relative to the 2023 MTBPS. Even though there are weaker growth projections in many tax bases, the tax proposals in this budget and long-term reforms under way improve the revenue outlook.

The buoyancy of tax revenue for a given level of economic growth is expected to be slightly higher over the medium term, mainly due to revenue-raising proposals amounting to

R15 billion in 2024/25. The economic recovery remains slow, however, and careful consideration will be given to ensuring tax increases do not undermine tax base growth.

The tax-to-GDP ratio is expected to reach 25.3 per cent by 2026/27. Gross tax revenue collections are expected to increase by 7.6 per cent, 6.9 per cent and 7.1 per cent over the next three years respectively as economic growth gradually improves. This translates into gross tax revenue increasing from an expected R1.73 trillion in 2023/24 to R2.13 trillion in 2026/27. Higher revenue collection requires sustained investment and economic growth, supported by continued improvements in tax administration.

TAX POLICY

Government relies on the tax system to raise revenue while supporting economic growth, employment and policy objectives such as climate action. High levels of inequality in income and wealth, reinforced by concentration in key economic sectors, render South Africa highly reliant on direct and progressive taxation.

Since 2020, tax rates have remained stable while the economy suffered a series of shocks, including the COVID-19 pandemic and the associated lockdown, outbreaks of public violence, high inflation, elevated fuel prices and increased power cuts. Tax policy responded to these shocks with targeted temporary measures. Although the tax bases have remained remarkably resilient, they are under pressure from the weak economy, and the commodity price cycle has turned. The resultant deceleration in revenue growth has added pressure to an already strained fiscal position.

Government's long-term tax policy strategy remains focused on broadening the tax base while improving tax compliance and administrative efficiency. In combination, this approach will raise long-term revenue in a sustainable manner while limiting tax rate increases where possible.

Two longer-term policy reforms are in the final stages of refinement before coming into effect, namely the two-pot retirement reform and international corporate tax reform. While these reforms will not yield immediate revenue, they may alleviate some revenue pressures once implemented. Both reforms are discussed later in this chapter.

Government has given careful consideration to the proposed tax adjustments. Raising revenue in a constrained economic environment comes with significant risks that need to be weighed against the effects of large spending adjustments and an unsustainable debt trajectory. Making these adjustments will establish a more sustainable balance between revenue and spending. Delaying revenue increases now could require larger increases in future, particularly if spending cannot be further reduced.

The choice of revenue proposals is informed by the negative feedback effects of tax increases on economic growth and the tax bases, the distributional effects of specific instruments and the buoyancy of tax instruments. To ensure revenue can be raised reliably, the most stable and resilient tax base, personal income tax, is targeted for the largest increases. Where possible, opportunities to improve the equity and efficiency of tax instruments are targeted in tandem with revenue objectives.

Tax administration update

The South African Revenue Service (SARS) continues to rebuild and implement recommendations from the Nugent Commission of Inquiry following the period of state capture. Over the past four years, SARS has raised revenue collection by improving debt collection, expanding the tax register, curbing trade valuation fraud and issuing additional assessments where tax is underdeclared. Its focus remains on collecting all revenues due, enhancing compliance and facilitating legitimate trade while curbing illicit activities. Taxpayers can meet their tax obligations more easily due to improved service offerings and digital platforms. During the last tax season, about 4 million taxpayers were auto-assessed. Using big data and artificial intelligence, SARS's automated risk engines prevented over R60 billion in impermissible refunds and fraud this past year. SARS is also raising awareness of tax requirements through outreach to small and medium enterprises.

TAX PROPOSALS

This budget contains tax increases of R15 billion in 2024/25 to alleviate immediate fiscal pressure and support faster debt stabilisation. Nearly all of the increase in revenue is effected through direct taxes, with no rate increases (Table 4.3). Personal income tax is increased by not adjusting the tax brackets, rebates and medical tax credits for inflation. The remainder will be collected through increased indirect taxes. The fuel levies will not be increased, resulting in R4 billion in tax foregone, partially offset by above-inflation increases in excise duties on alcohol and certain categories of tobacco products.

Table 4.3 Impact of tax proposals on medium-term revenue[1]

	2024/25	2025/26	2026/27
R million	**Effect of tax proposals**		
Gross tax revenue (before 2024 Budget tax proposals)	**1 848 035**	**1 975 277**	**2 108 458**
2024 Budget proposals[2]	**15 000**		**7 500**
Direct taxes[3]	**18 200**	**19 330**	**28 182**
Personal income tax			
No inflationary adjustment to tax brackets and rebates	16 300	17 342	18 603
No inflationary adjustment to medical tax credits	1 900	1 989	2 079
Corporate income tax			
Global minimum corporate tax			8 000
Electric vehicles tax incentive			-500
Indirect taxes	**-3 200**	**-3 397**	**-3 617**
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 248	-4 521
Specific excise duties			
Above-inflation increase in excise duties on alcohol	800	851	904
Net impact of tax proposals	**15 000**	**15 933**	**24 565**
Gross tax revenue (after tax proposals)	**1 863 035**	**1 991 210**	**2 133 023**

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals
Source: National Treasury

The introduction of global minimum tax rules in line with the Organisation for Economic Co-operation and Development's base erosion and profit-shifting framework is expected to increase corporate tax collection by R8 billion in 2026/27. This is partially offset by the initial cost of providing investment incentives for the production of electric vehicles.

Expanding the tax proposal impact table

Table 4.3 expands the table showing the effect of tax proposals to provide revenue estimates over the medium-term expenditure framework (MTEF) period, rather than only for the year ahead. The revised table captures the impact of proposed tax measures for each year and gives a better indication of their temporary or permanent nature. The table shows:

- **Revenue before 2024 tax proposals,** indicating the expected revenue before new tax proposals are taken into account, including proposals that were announced in prior periods but have revenue effects that flow through to the current MTEF period. The numbers assume full inflation-related adjustments of rates and brackets for each year.
- **Tax proposals** announced in the current Budget and their revenue effects over the MTEF period. For example, a policy decision not to increase tax rates or brackets for inflation in a particular year will have permanent revenue effects. Even though the revenue outlook for the following years assumes full adjustment for inflation, those future adjustments are based on a lower amount than without the policy proposal.
- **Revenue after 2024 tax proposals,** which is the sum of the previous two categories and corresponds to Table 4.2 as the expected revenue that flows into the fiscal framework. From a technical perspective, this revenue indicates the buoyancy of the tax system, as it includes changes in both the economic environment and tax policy.

Personal income tax thresholds

The personal income tax tables are reviewed annually to limit the effects of inflation on taxpayers.

Table 4.4 Personal income tax rates and bracket adjustments

2023/24		2024/25	
Taxable income (R)	**Rates of tax**	**Taxable income (R)**	**Rates of tax**
R0 - R237 100	18% of each R1	R0 - R237 100	18% of each R1
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R370 501 - R512 800	R77 362 + 31% of the amount above R370 500	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000
Rebates		**Rebates**	
Primary	R17 235	Primary	R17 235
Secondary	R9 444	Secondary	R9 444
Tertiary	R3 145	Tertiary	R3 145
Tax threshold		**Tax threshold**	
Below age 65	R95 750	Below age 65	R95 750
Age 65 and over	R148 217	Age 65 and over	R148 217
Age 75 and over	R165 689	Age 75 and over	R165 689

Source: National Treasury

Table 4.5 Estimates of individuals and taxable income, 2024/25

Taxable bracket	Registered individuals		Taxable income		Income tax before any relief		Tax relief from proposals		Final income tax payable	
R thousand	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R96[1]	6 832 031	–	286.9	–	–		–		–	
R96 - R150	1 596 335	21.5	193.3	5.9	16.3	2.2	–	0%	16.3	2.2
R150 - R250	1 514 988	20.4	299.5	9.2	21.9	3.0	–	0%	21.9	3.0
R250 - R350	1 132 341	15.3	336.5	10.3	42.9	5.8	–	0%	42.9	5.8
R350 - R500	1 315 092	17.7	548.9	16.9	92.5	12.5	–	0%	92.5	12.5
R500 - R750	988 658	13.3	599.6	18.4	132.2	17.9	–	0%	132.2	17.9
R750 - R1 000	371 316	5.0	322.3	9.9	87.6	11.9	–	0%	87.6	11.9
R1 000 - R1 500	292 810	4.0	351.4	10.8	109.1	14.8	–	0%	109.1	14.8
R1 500 +	197 866	2.7	605.1	18.6	236.2	32.0	–	0%	236.2	32.0
Total	**7 409 406**	**100.0**	**3 256.7**	**100.0**	**738.7**	**100.0**	**–**	**0%**	**738.7**	**100.0**
Grand total	**14 241 437**		**3 543.6**		**738.7**		**–**		**738.7**	

1. Registered individuals with taxable income below the income-tax threshold
Source: National Treasury

This year no adjustment will be made, raising additional revenue of R16.3 billion. As a result, the annual tax-free threshold for a person under the age of 65 will remain at R95 750 from 1 March 2024. In addition, medical tax credits will remain at R364 per month for the first two members and R246 per month for additional members.

Policy update: Two-pot retirement reforms

The two-pot retirement reform allows pre-retirement access to a portion of one's retirement assets. This can assist fund members in times of need while encouraging higher savings rates and ensuring preservation of the remainder of savings to retirement. It will harmonise permissible pre-retirement withdrawals across funds.

From 1 September 2024, contributions to retirement funds will be split, with one-third going into a "savings component" and two-thirds going into a "retirement component". Contributions remain tax deductible and tax free while growing in the fund. Retirement fund members will be able to withdraw amounts from the savings component before retirement, while the retirement component will remain protected.

Savings accumulated up to the date of implementation will not be affected, except for the initial seed capital amount. This amount will be the lower of 10 per cent of the fund value on 31 August 2024 or R30 000, and will be transferred from accumulated retirement savings to the savings component to assist fund members who may prefer an immediate withdrawal due to a financial emergency. This seeding will be a once-off event. If not used, it will still be available in the future.

Pre-retirement withdrawals from the savings component will be taxed at marginal rates, like all other income. However, when taxable income is lower, taxpayers will be taxed at lower rates. Only one withdrawal may take place in a tax year, and the minimum withdrawal amount is R2 000.

The optimal option is still to preserve retirement savings as long as possible, as the amounts grow at compound rates and can attract lower tax rates. Amounts left in the savings component on retirement can be withdrawn and will be taxed according to the retirement lump sum table, which includes a tax-free lump sum of R550 000.

The reforms will be implemented through amendments contained in the Revenue Laws Amendment Bill and the Pension Fund Amendment Bill, both currently before Parliament. This will enable changes to fund rules of retirement funds.

An estimated R5 billion is likely to be raised in 2024/25 due to tax collected as fund members access once-off withdrawals due to the two-pot retirement reform. The seed capital transfer is a once-off event, so this revenue will not flow into the following fiscal years.

Incentivising local electric vehicle production

To encourage the production of electric vehicles in South Africa, it is proposed that an investment allowance be made available for new investments from 1 March 2026. Producers will be able to claim 150 per cent of qualifying investment spending on production capacity for electric and hydrogen-powered vehicles in the first year of investment. The tax expenditure is estimated to amount to R500 million for 2026/27.

Learnership tax incentive extension

The section 12H learnership tax incentive is aimed at supporting workplace education, skills development and employment. The sunset date for this incentive will be extended by three years to 31 March 2027 to allow sufficient time for the incentive to be evaluated before a decision is made on its future.

Implementing the global minimum corporate tax

Implementation of the global minimum tax is gathering pace. It aims to limit the race to the bottom of effective corporate tax rates for large multinationals, with countries competing to attract income by offering low tax rates and tax incentives. Implementing the minimum tax in South Africa will bolster the corporate tax base.

South Africa helped develop tax rules to address base erosion and tax challenges arising from the digitalisation of the economy as a member of the Steering Group of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. These rules are designed to limit the channels that multinationals use to shift profits from high- to low-tax countries.

The 2023 *Budget Review* outlined the two pillars of this framework, which were endorsed by more than 135 countries in 2021. The first focuses on the digital economy and the coherent tax treatment of multinationals. It will be implemented through a multilateral convention to ensure that the biggest and most profitable multinationals reallocate part of their profit to all countries where they sell their products and provide their services.

The second pillar introduces the global minimum tax. It ensures that any multinational with annual revenue exceeding €750 million will be subject to an effective tax rate of at least 15 per cent, regardless of where its profits are located. Government proposes to introduce two measures to effect this change – an income inclusion rule and a domestic minimum top-up tax – for qualifying multinationals from 1 January 2024.

The income inclusion rule will enable South Africa to apply a top-up tax on profits reported by qualifying South African multinationals operating in other countries with effective tax rates below 15 per cent. The domestic minimum top-up tax will enable SARS to collect a top-up tax for qualifying multinationals paying an effective tax rate of less than 15 per cent in South Africa.

The Explanatory Memorandum and Draft Global Minimum Tax Bill will contain more details on these proposals as well as a request for public input.

Excise duties on alcoholic beverages and tobacco-related products

The guideline excise tax burdens for wine, beer and spirits are 11 per cent, 23 per cent and 36 per cent respectively of the weighted average retail price. Excise duties have increased more than inflation in recent years, resulting in a higher tax incidence. Government proposes to increase excise duties on alcoholic beverages by between 6.7 and 7.2 per cent for 2024/25.

The guideline excise tax burden as a percentage of the retail selling price of the most popular brand within each tobacco product category is currently 40 per cent. Government proposes to increase tobacco excise duties by 4.7 per cent for cigarettes and cigarette tobacco and by 8.2 per cent for pipe tobacco and cigars for 2024/25.

Government implemented an excise duty on electronic nicotine and non-nicotine delivery systems, colloquially referred to as vaping, with effect from 1 June 2023 at a flat excise duty rate of R2.90 per millilitre on both nicotine and non-nicotine solutions. Government proposes to increase these excise duties in line with expected inflation to R3.04 per millilitre for 2024/25.

Table 4.6 Changes in specific excise duties, 2024/25

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Traditional African beer	7,82c / litre	7,82c / litre	–	-4.67
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-4.67
Unfortified wine	R5.20 / litre	R5.57 / litre	7.17	2.50
Fortified wine	R8.77 / litre	R9.40 / litre	7.17	2.50
Sparkling wine	R16.64 / litre	R17.83 / litre	7.17	2.50
Ciders and alcoholic fruit beverages	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Spirits	R257.23 / litre of absolute alcohol (R82.96 / 750ml bottle)	R274.39 / litre of absolute alcohol (R88.49 / 750ml bottle)	6.67	2.00
Cigarettes	R20.80 / 20 cigarettes	R21.77 / 20 cigarettes	4.67	–
HTPs sticks	R15.60 / 20 sticks	R16.33 / 20 sticks	4.67	–
Cigarette tobacco	R23.38 / 50g	R24.47 / 50g	4.67	–
Pipe tobacco	R6.96 / 25g	R7.53 / 25g	8.17	3.50
Cigars	R116.40 / 23g	R125.91 / 23g	8.17	3.50
ENDS/ENNDS	R2.90 / ml	R3.04 / ml	4.67	–

Source: National Treasury

Fuel taxes and levies

The general fuel levy remained unchanged in the 2022 and 2023 Budgets to mitigate the effects of higher inflation arising from fuel price increases. Fuel prices have remained high, with diesel retail prices reaching R27/litre in October 2023. No increases to the general fuel levy are proposed for 2024/25, resulting in tax relief of around R4 billion. The Road Accident Fund levy and the customs and excise levy will also remain unchanged.

Carbon tax

The carbon tax increased from R159 to R190 per tonne of CO_2 equivalent from 1 January 2024. The carbon fuel levy will increase to 11c/litre for petrol and 14c/litre for diesel effective from 3 April 2024, as required under the Carbon Tax Act (2019). Effective

1 January 2024, the carbon tax cost recovery quantum for the liquid fuels sector increased from 0.66c/litre to 0.69c/litre.

In the 2022 Budget government proposed a gradual reduction of the carbon tax's basic tax-free allowance from 1 January 2026 to 31 December 2030. To provide policy certainty, a discussion paper outlining proposals for the second phase of the carbon tax will be published for public comment later in the year.

Table 4.7 Total combined fuel taxes on petrol and diesel

	2022/23		2023/24		2024/25	
Rands/litre	93 octane petrol	Diesel	93 octane petrol	Diesel	93 octane petrol	Diesel
General fuel levy	3.85	3.70	3.85	3.70	3.85	3.70
Road Accident Fund levy	2.18	2.18	2.18	2.18	2.18	2.18
Customs and excise levy	0.04	0.04	0.04	0.04	0.04	0.04
Carbon tax[1]	0.09	0.10	0.10	0.11	0.11	0.14
Total	**6.16**	**6.02**	**6.17**	**6.03**	**6.18**	**6.06**
Pump price[2]	22.85	23.14	23.01	21.46	22.92	21.36
Taxes as percentage of pump price	*27.0%*	*26.0%*	*26.8%*	*28.1%*	*27.0%*	*28.4%*

1. The carbon tax on fuel became effective from 5 June 2019
2. Average Gauteng pump price for the 2022/23 and 2023/24 years. The 2024/25 figure is the Gauteng pump price in February 2024. Diesel (0.05% sulphur) wholesale price (retail price not regulated)
Source: National Treasury

Aligning the carbon tax and carbon budget

The Climate Change Bill remains under consideration in Parliament. The 2022 Budget announced a higher carbon tax rate of R640 per tonne of CO_2 equivalent on all greenhouse gas emissions exceeding the carbon budget. The amendments were to be legislated once the Climate Change Bill was enacted. It is now proposed that the higher tax rate on emissions exceeding carbon budgets come into effect after the bill is enacted and the Department of Forestry, Fisheries and the Environment gazettes the relevant regulations. Implementation is expected from 1 January of the calendar year after the legislation is finalised.

The carbon budget allowance of 5 per cent would fall away once the mandatory carbon budgeting system comes into effect. Government proposes that once that allowance falls away, there is an equivalent increase of the carbon offset allowance by 5 per cent to encourage investment in green energy projects.

Embedded generation initiatives

Government proposes to increase the threshold for eligible renewable energy projects from 15 megawatts to 30 megawatts installed capacity for purposes of the carbon offset allowance. The amendments are effective from 1 January 2024.

The Department of Mineral Resources and Energy aims to finalise the framework for the approval of domestic carbon offset standards this year. This will reduce the cost burden on carbon offset project developers for the registration and approval of offset projects.

Plastic bag levy and incandescent globe taxes

Government proposes to increase the plastic bag levy from 28c/bag to 32c/bag from 1 April 2024. To encourage the uptake of more efficient lighting such as light-emitting diode bulbs and reduce electricity demand, it proposes to raise the incandescent light bulb levy from R15 to R20 per light bulb from 1 April 2024. This complements the phase-out of inefficient light bulbs and promotes compliance with the new energy efficiency standards published in May 2023 by the Department of Trade, Industry and Competition.

Motor vehicle emissions tax

Government proposes to increase the motor vehicle emissions tax rate for passenger vehicles from R132 to R146 per gram of CO_2 emissions per kilometre and the tax rate for double cabs from R176 to R195 per gram of CO_2 emissions per kilometre from 1 April 2024.

Other matters under consideration

Tax treatment of certain infrastructure projects. To encourage infrastructure investment, government will investigate the feasibility of a flow-through tax treatment, similar to what is afforded to trusts and other investment vehicles, for certain clearly defined infrastructure projects under specified circumstances.

12B renewable energy allowance. Currently, embedded solar photovoltaic energy production assets with generation capacity not exceeding 1 megawatt are written off in one year. This was linked to the private electricity generation threshold. However, the private threshold has since been lifted due to the electricity crisis. As a result, government will reconsider the generation threshold and leasing restrictions of section 12B. Any proposals will be designed to take effect from 1 March 2025.

Interest limitation rules. Current law limits interest deductions when there is a relationship between a debtor and a creditor, and the corresponding interest income is not taxed fully. An unintended consequence of this rule may unfairly prejudice tax-exempt investors, such as pension funds, when they lend to a related party. Government will consider this matter further, with the possibility of including amendments in the 2024 Taxation Laws Amendment Bill.

CONCLUSION

A combination of prudent tax increases, long-term base-broadening initiatives, improved tax compliance and strengthened revenue administration positions South Africa well to face near-term challenges. The stable, resilient and progressive tax system will enable sustainable increases in tax revenue as economic growth improves.

5

2024 BUDGET REVIEW

CONSOLIDATED SPENDING PLANS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Consolidated government spending will amount to R2.37 trillion in 2024/25, R2.47 trillion in 2025/26 and R2.6 trillion in 2026/27.
- Since the 2023 Budget, government has made a range of adjustments in response to continued fiscal pressures. The net effect of these adjustments is an R80.6 billion reduction in main budget non-interest expenditure over the 2024 medium-term expenditure framework (MTEF) period.
- As part of the overall changes, R251.3 billion has been added to the MTEF to ensure that the salaries of teachers, doctors, nurses, police and many other public servants are funded, and to maintain strong levels of social protection through 2026/27.
- An amount of R7.4 billion is set aside in 2024/25 for the presidential employment initiative.
- The social wage will constitute an average of 60.2 per cent of total non-interest spending over the next three years.

OVERVIEW

Over the medium term, total consolidated spending is expected to increase from R2.37 trillion in 2024/25 to R2.6 trillion in 2026/27. Government's priority is to enhance spending quality and minimise inefficiency while ensuring sustainable public finances – in other words, to increase the value for money from this spending. An amount of R251.3 billion has been added to functions including health, education, peace and security and social development. This is mainly to provide for the carry-through costs of the 2023/24 wage increase, the extension of the *COVID-19 social relief of distress grant* and other social protection spending.

Table 5.1 Social wage

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome			Revised	Medium-term estimates		
Community development	**161.4**	**164.2**	**182.2**	**181.9**	**197.5**	**205.3**	**214.1**
Housing development	23.7	27.0	25.7	10.5	13.2	14.0	14.8
Transport	25.9	29.4	37.5	42.5	44.4	44.8	47.6
Basic services and local government[1]	111.7	107.8	119.0	128.9	139.9	146.5	151.8
Employment programmes	**16.7**	**17.7**	**19.2**	**19.3**	**19.5**	**20.5**	**21.4**
Health	**222.7**	**228.5**	**235.3**	**244.4**	**251.6**	**260.6**	**272.2**
Basic education	**247.6**	**262.5**	**276.2**	**290.5**	**299.7**	**312.8**	**326.3**
Higher education and training	**45.6**	**55.9**	**63.6**	**74.0**	**69.5**	**72.6**	**76.4**
Social protection	**247.0**	**252.2**	**260.3**	**279.5**	**294.4**	**312.8**	**327.3**
of which: Social grants	*218.9*	*222.7*	*233.0*	*251.0*	*266.2*	*248.4*	*259.8*
Social security funds	**106.9**	**76.2**	**66.6**	**71.1**	**73.9**	**53.3**	**52.1**
Total	**1 048.0**	**1 057.2**	**1 103.3**	**1 160.7**	**1 206.0**	**1 237.8**	**1 289.7**
Percentage of non-interest spending	*60.5%*	*59.5%*	*60.2%*	*60.7%*	*60.7%*	*60.2%*	*59.8%*
Percentage of consolidated spending	*53.3%*	*51.7%*	*51.5%*	*51.2%*	*50.9%*	*50.1%*	*49.6%*

1. Includes local government equitable share
Source: National Treasury

Over the MTEF period, the social wage will account for an average of 60.2 per cent of non-interest spending, covering education, health, social protection, community development and employment programmes.

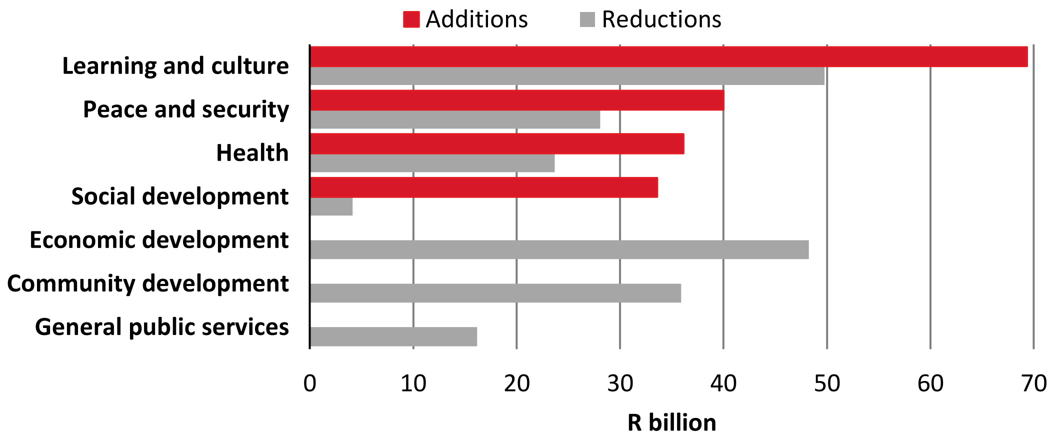
In the context of continued fiscal pressure, departments and institutions need to evaluate spending priorities against policy objectives and review and rationalise programmes. Over the medium term, the National Treasury will continue to support the implementation of recommendations from the 2021 spending reviews, particularly proposals to close certain programmes or institutions, as part of a broader government rationalisation process.

REVISIONS TO SPENDING PLANS

The budget proposes a net reduction to main budget non-interest expenditure of R80.6 billion compared with the 2023 Budget. Resources are reallocated to fund spending pressures in key service delivery departments.

Over the past 12 months, government made two sets of adjustments in the context of lower-than expected revenue performance and new expenditure pressures. It reduced the unallocated reserve by R125.9 billion and removed R206 billion from departmental baselines and provisional allocations. Subsequent improvements in revenue and reduced debt-service costs associated with the expected Gold and Foreign Exchange Contingency Reserve Account distribution have made it possible to reverse some of these reductions. The net effect is shown in Figure 5.1, and full details of the adjustments are shown in Chapter 3.

Figure 5.1 Baseline additions and reductions over the MTEF period*



**Excludes adjustments to provisional allocations and unallocated reserves*
Source: National Treasury

As reflected in Table 3.5 in Chapter 3, an amount of R144.8 billion is added to a number of baselines, mainly to address compensation shortfalls in provincial health and education departments, and the national departments of Home Affairs, Justice and Constitutional Development, Police, Defence and Correctional Services. Most other departments are expected to absorb the wage increase within their baselines. In addition, cost pressures and policy priorities over the MTEF period are addressed by reprioritising and reallocating budgets within departments and across function groups, as indicated in Figure 5.1.

The social protection function receives R33.6 billion to fund the extension of the *COVID-19 social relief of distress grant* until March 2025, with further provisional allocations in 2025/26 and 2026/27.

Funding for the presidential employment initiative

An amount of R7.4 billion is set aside for the presidential employment initiative in 2024/25 through a combination of reprioritisation, provisional allocations and funding from the Unemployment Insurance Fund’s Labour Activation Programme.

Government introduced this initiative in 2020 to address unemployment, especially as it affects youth. The initiative has assisted over 1.7 million people through a combination of job creation, job retention and income and skills support interventions.

About R4 billion will be made available for hiring more teacher assistants through the basic education schools employment initiative in the provinces. An amount of R1.1 billion is reprioritised towards the Social Employment Fund administered by the Industrial Development Corporation to promote work in local communities. Additionally, R750 million is reprioritised towards the Food Security and Livelihoods Programme, which provides subsistence farmers with vouchers to purchase agricultural inputs.

The Cities Public Employment Programme will receive R650 million to create employment in local communities and townships to assist with upgrading informal settlements, developing township economies, conducting maintenance, and developing and managing public spaces and assets. The National Youth Service will receive R250 million to support youth employment initiatives. The National Pathway Management Network will receive R250 million to help connect unemployed people to job opportunities.

PROVISIONAL ALLOCATIONS

The 2024 Budget includes provisional allocations not assigned to votes of R570 million in 2024/25, R41.1 billion in 2025/26 and R53.5 billion in 2026/27. These are mainly for social protection, infrastructure funds reserved for the Budget Facility for Infrastructure and employment programmes.

Table 5.2 Provisional allocations not assigned to votes

R million	2024/25	2025/26	2026/27	MTEF total
Provisional allocation for social protection	–	35 169	36 756	71 926
Employment programmes	–	4 592	7 415	12 007
Infrastructure Fund provisional allocation	–	–	7 841	7 841
Western Cape Rapid Schools Build Programme (BFI)	251	1 048	1 250	2 549
Construction of the Tygerberg hospital	203	212	–	414
Public entity: South African Social Security Agency	–	5	183	188
Construction of the Klipfontein hospital	57	60	–	117
Other	60	8	8	75
Total	**570**	**41 093**	**53 453**	**95 116**

Source: National Treasury

CONSOLIDATED GOVERNMENT EXPENDITURE

Table 5.3 outlines government spending plans by function, debt-service costs and the contingency reserve. Total consolidated government spending is expected to grow at an average annual rate of 4.6 per cent, from R2.27 trillion in 2023/24 to R2.6 trillion in 2026/27.

Payments for capital assets, debt-service costs and compensation of employees are the fastest-growing spending items over the MTEF period, with an average annual growth rate of 10 per cent, 7.3 per cent and 4.5 per cent, respectively. Over the MTEF period, government will spend more on debt-service costs than on health, basic education or social development.

Table 5.3 Consolidated government expenditure by function[1]

R million	2023/24 Revised estimate	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Learning and culture	**468 364**	**480 569**	**499 257**	**525 819**	**24.4%**	**3.9%**
Basic education	313 736	324 491	341 399	360 039	16.6%	4.7%
Post-school education and training	142 790	143 976	146 169	153 719	7.2%	2.5%
Arts, culture, sport and recreation	11 838	12 102	11 689	12 061	0.6%	0.6%
Health	**267 324**	**271 885**	**281 139**	**295 205**	**13.7%**	**3.4%**
Social development	**368 536**	**387 329**	**385 047**	**398 937**	**19.0%**	**2.7%**
Social protection	283 377	298 308	316 840	331 497	15.3%	5.4%
Social security funds	85 159	89 022	68 208	67 440	3.6%	-7.5%
Community development	**251 461**	**265 310**	**274 869**	**287 099**	**13.4%**	**4.5%**
Economic development	**239 779**	**255 394**	**274 877**	**288 416**	**13.3%**	**6.3%**
Industrialisation and exports	37 551	39 141	40 064	41 100	1.9%	3.1%
Agriculture and rural development	27 902	27 685	28 605	29 479	1.4%	1.8%
Job creation and labour	22 106	22 224	24 629	25 800	1.2%	5.3%
Economic regulation and infrastructure	131 483	146 140	161 456	171 551	7.8%	9.3%
Innovation, science and technology	20 737	20 203	20 123	20 486	1.0%	-0.4%
Peace and security	**236 828**	**244 040**	**254 488**	**266 458**	**12.4%**	**4.0%**
Defence and state security	53 506	53 507	55 428	57 906	2.7%	2.7%
Police services	117 094	125 007	131 230	137 108	6.4%	5.4%
Law courts and prisons	52 122	54 428	56 798	59 404	2.8%	4.5%
Home affairs	14 106	11 098	11 032	12 041	0.6%	-5.1%
General public services	**76 926**	**74 670**	**77 489**	**79 303**	**3.7%**	**1.0%**
Executive and legislative organs	18 532	17 041	17 379	17 573	0.8%	-1.8%
Public administration and fiscal affairs	49 681	49 146	51 266	52 464	2.5%	1.8%
External affairs	8 713	8 482	8 843	9 266	0.4%	2.1%
Payments for financial assets	**3 499**	**2 616**	**1 966**	**1 826**		
Allocated by function	**1 912 717**	**1 981 813**	**2 049 133**	**2 143 064**	**100.0%**	**3.9%**
Debt-service costs	356 141	382 183	414 664	440 240		7.3%
Contingency reserve	–	5 000	7 600	14 500		
Consolidated expenditure	**2 268 857**	**2 368 996**	**2 471 396**	**2 597 804**		**4.6%**

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

In terms of economic classification, Table 5.4 shows that current payments constitute the largest share of the budget, driven mainly by compensation of employees, which makes up 31.9 per cent of total spending. Transfers and subsidies grow at an annual average rate of 2.5 per cent. Payments for capital assets are the fastest-growing item, growing at 10 per cent annually, mainly because of infrastructure allocations for transport and water projects.

Table 5.4 Consolidated government expenditure by economic classification[1]

R million	2023/24 Revised estimate	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Economic classification						
Current payments	**1 401 043**	**1 465 597**	**1 551 599**	**1 622 996**	**62.6%**	**5.0%**
Compensation of employees	721 115	754 235	788 663	822 529	31.9%	4.5%
Goods and services	315 924	320 466	339 616	351 972	13.7%	3.7%
Interest and rent on land	364 004	390 897	423 320	448 495	17.0%	7.2%
of which:						
Debt-service costs	*356 141*	*382 183*	*414 664*	*440 240*	*16.7%*	*7.3%*
Transfers and subsidies	**757 216**	**777 946**	**784 582**	**815 810**	**32.1%**	**2.5%**
Municipalities	173 116	184 733	192 926	200 908	7.8%	5.1%
Departmental agencies and accounts	25 901	24 037	21 966	22 270	0.9%	-4.9%
Higher education institutions	51 641	54 982	55 733	58 256	2.3%	4.1%
Foreign governments and international organisations	3 354	3 152	3 293	3 462	0.1%	1.1%
Public corporations and private enterprises	41 004	39 268	38 323	40 785	1.6%	-0.2%
Non-profit institutions	42 666	40 037	41 102	42 655	1.7%	-0.0%
Households	419 536	431 738	431 239	447 475	17.7%	2.2%
Payments for capital assets	**107 099**	**117 836**	**125 650**	**142 671**	**5.2%**	**10.0%**
Buildings and other fixed structures	71 701	84 792	95 142	111 512	3.9%	15.9%
Machinery and equipment	31 272	28 818	27 396	27 891	1.1%	-3.7%
Other capital assets	4 126	4 227	3 111	3 267	0.1%	-7.5%
Payments for financial assets	**3 499**	**2 616**	**1 966**	**1 826**		
Total	**2 268 857**	**2 363 996**	**2 463 796**	**2 583 304**	**100.0%**	**4.4%**
Contingency reserve	–	5 000	7 600	14 500		
Consolidated expenditure	**2 268 857**	**2 368 996**	**2 471 396**	**2 597 804**		**4.6%**

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

SPENDING PRIORITIES BY FUNCTION

Spending across functions supports the implementation of new and existing policy priorities. Learning and culture receives 24.4 per cent (R1.51 trillion) of the total function budgets, while general public services receives the smallest share at 3.7 per cent (R231.5 billion).

Figure 5.2 Percentage of total MTEF allocation, 2026/27

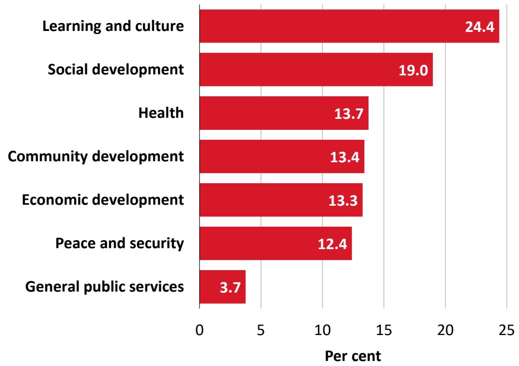
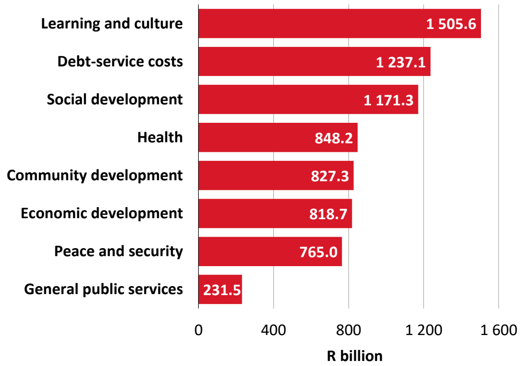


Figure 5.3 Total consolidated government expenditure, 2024/25 – 2026/27



Source: National Treasury

Learning and culture

This function includes basic and post-school education and training, as well as arts, culture, sport and recreation. Compensation of employees in provincial education departments accounts for 50.3 per cent of total function group spending and 77 per cent of provincial education budgets. While R69.4 billion is added to this function for the carry-through costs of the 2023 public-service wage agreement over the medium term, there are baseline reductions of R49.8 billion in other areas. Improved efficiency in the procurement of learner-teacher support materials and in the management of the placement of educators will continue. Infrastructure projects will mainly focus on the provision of additional classrooms and maintenance. No reductions have been made to the *national school nutrition programme conditional grant*, given its importance in combating child hunger, or the *early childhood development conditional grant*, as not all qualifying learners are currently subsidised. More than 10 million learners receive a meal on each school day through the National School Nutrition Programme, while the early childhood development programme in provinces will subsidise just over 1 million children by 2026/27.

Spending in the post-school education and training sector grows by 2.5 per cent over the medium term. Student enrolment growth may be affected by reductions in subsidies to universities and the National Student Financial Aid Scheme over the MTEF period. Infrastructure spending will be brought in line with the ability to spend across the sector. The sector will focus on raising the quality of services provided by post-school education and training institutions, including improving the throughput rates at tertiary institutions. Spending in the sector education and training authorities and the National Skills Fund grows by 3.9 per cent over the medium term, allowing the institutions to improve the quality of their offerings.

The arts, culture, sport and recreation sector is set to receive R35.9 billion over the medium term to support school sports; preserve and promote cultural, heritage and linguistic diversity; and foster nation-building and social cohesion.

Table 5.5 Learning and culture expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Basic education	**313 736**	**324 491**	**341 399**	**360 039**	**68.1%**	**4.7%**
of which:						
Provincial compensation of employees	*235 342*	*241 074*	*252 552*	*264 032*	*50.3%*	*3.9%*
Workbooks and LTSM [1]	*6 147*	*6 539*	*6 826*	*7 130*	*1.4%*	*5.1%*
National school nutrition programme	*9 279*	*9 798*	*10 314*	*10 786*	*2.1%*	*5.1%*
Subsidies to schools [2]	*28 571*	*26 108*	*27 401*	*28 553*	*5.5%*	*-0.0%*
School infrastructure [3]	*13 794*	*14 953*	*15 630*	*15 846*	*3.1%*	*4.7%*
Early childhood development	*9 638*	*10 540*	*11 224*	*11 735*	*2.2%*	*6.8%*
of which:						
Early childhood development grant	*1 184*	*1 589*	*1 946*	*2 035*	*0.4%*	*19.8%*
Post-school education and training	**142 790**	**143 976**	**146 169**	**153 719**	**29.5%**	**2.5%**
of which:						
University subsidies	*43 959*	*44 499*	*47 003*	*49 017*	*9.3%*	*3.7%*
of which:						
Higher education institutions infrastructure	*673*	*3 176*	*1 388*	*1 646*	*0.4%*	*34.8%*
National Student Financial Aid Scheme [4]	*58 792*	*53 555*	*55 788*	*58 687*	*11.2%*	*-0.1%*
Technical and vocational education and training	*12 658*	*13 245*	*13 678*	*14 298*	*2.7%*	*4.1%*
of which:						
Compensation of employees	*7 922*	*8 422*	*8 848*	*9 354*	*1.8%*	*5.7%*
TVET infrastructure	*492*	*388*	*196*	*98*	*0.0%*	*-41.7%*
Subsidies	*4 245*	*4 436*	*4 634*	*4 847*	*0.9%*	*4.5%*
Community education and training	*2 678*	*3 065*	*3 257*	*3 243*	*0.6%*	*6.6%*
of which:						
Compensation of employees	*2 627*	*2 694*	*2 857*	*3 024*	*0.6%*	*4.8%*
CET infrastructure	*51*	*371*	*400*	*218*	*0.1%*	*62.4%*
Skills development levy institutions [5]	*26 157*	*28 572*	*27 349*	*29 325*	*5.7%*	*3.9%*
Arts culture, sport and recreation	**11 838**	**12 102**	**11 689**	**12 061**	**2.4%**	**0.6%**
Total	**468 364**	**480 569**	**499 257**	**525 819**		**3.9%**

1. Learner and teacher support material
2. Includes some provision for LTSM and property payments for schools that manage their own budgets
3. Education infrastructure grant and the school infrastructure backlogs grant
4. Total payments made from all income sources, including Funza Lushaka teacher bursaries and debt repayments from students
5. Spending of the 21 sector education and training authorities and the National Skills Fund
Source: National Treasury

Social development

Over the MTEF period, R1.17 trillion is allocated for social grants and welfare services, and to strengthen advocacy for women, youth and people living with disabilities. Social grants constitute 81.8 per cent of spending in this function over the medium term.

Expenditure on social grants (excluding the *COVID-19 social relief of distress grant*) will increase from R217.1 billion in 2023/24 to R259.3 billion in 2026/27 to keep pace with inflation and increase access for the eligible population. The *COVID-19 social relief of distress grant* is allocated R33.6 billion in 2024/25. Provisional allocations for social protection are added to the fiscal framework in 2025/26 and 2026/27, pending a decision on the continuity and funding sources of the grant beyond March 2025. Grant beneficiaries (excluding *COVID-19 social relief of distress grant* beneficiaries) are projected to increase from 18.8 million in 2023/24 to 19.7 million in 2026/27. The *child support grant* and *old age grant* make up 64.9 per cent of total grant expenditure over the MTEF period.

Table 5.6 Social development expenditure

R million	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
Social protection expenditure	**283 377**	**298 308**	**316 840**	**331 497**	**100.0%**	**5.4%**
of which:						
Social grants	*250 967*	*266 210*	*248 408*	*259 788*	*81.8%*	*1.2%*
of which:						
Child support	*81 017*	*85 807*	*90 286*	*93 442*	*28.5%*	*4.9%*
Old age [1]	*98 600*	*107 016*	*115 682*	*121 424*	*36.4%*	*7.2%*
Disability	*27 155*	*29 233*	*31 090*	*33 038*	*9.9%*	*6.8%*
Foster care	*4 041*	*3 644*	*3 424*	*3 210*	*1.1%*	*-7.4%*
Care dependency	*4 097*	*4 400*	*4 735*	*5 086*	*1.5%*	*7.5%*
Grant-in-aid	*2 164*	*2 416*	*2 768*	*3 145*	*0.9%*	*13.3%*
Social relief of distress	*33 893*	*33 693*	*424*	*443*	*3.7%*	
Provincial social development	21 817	21 961	22 788	23 755	7.2%	2.9%
Women, youth and persons with disabilities	1 007	1 008	785	822	0.3%	-6.6%
Social security funds	**85 159**	**89 022**	**68 208**	**67 440**	**23.7%**	**-7.5%**
Road Accident Fund	48 833	48 561	25 507	21 548	10.1%	-23.9%
Unemployment Insurance Fund	25 909	29 028	30 731	33 369	9.8%	8.8%
Compensation funds	10 417	11 432	11 970	12 522	3.8%	6.3%
Total	**368 536**	**387 329**	**385 047**	**398 937**	**100.0%**	**2.7%**
Social grants as percentage of GDP	*3.6%*	*3.6%*	*3.1%*	*3.1%*		
Social grant beneficiary numbers by grant type (thousands)						
Child support	13 285	13 450	13 628	13 814	60.7%	1.3%
Old age[1]	4 009	4 141	4 273	4 405	19.0%	3.2%
Disability	1 064	1 088	1 112	1 136	4.9%	2.2%
Foster care	238	218	201	185	0.9%	-8.1%
Care dependency	163	168	173	178	0.8%	2.8%
COVID-19 SRD	9 023	9 242			13.7%	-100.0%
Total	**27 782**	**28 307**	**19 386**	**19 717**	**100.0%**	**-10.8%**

1. Includes war veterans
Source: National Treasury

The *old age grant*, *war veterans grant*, *disability grant* and *care dependency grant* will all increase by R90 in April 2024 and another R10 in October 2024. The *foster care grant* will increase by R50 in April 2024, and the *child support grant* will rise by R20 in April 2024.

Table 5.7 Average monthly social grant values

Rand	2023/24	2024/25	Percentage increase
Old age	2 085	2 185	4.8%
Old age, over 75	2 105	2 205	4.8%
War veterans	2 105	2 205	4.8%
Disability	2 085	2 185	4.8%
Foster care	1 125	1 180	4.9%
Care dependency	2 085	2 185	4.8%
Child support	505	530	5.0%
Grant-in-aid	505	530	5.0%

Source: National Treasury

Over the medium term, the focus for women, youth and people with disabilities will be on raising awareness of programmes advocating for the rights of these groups, empowering them, supporting equal treatment and addressing gender-based violence.

Health

The health function is allocated R271.9 billion in 2024/25, rising to R295.2 billion by 2026/27, for the provision of and equitable access to healthcare services. Primary care will be a significant portion of this, with the largest provincial programme, District Health Services, budgeting about R120 billion in 2024/25, increasing to R129.6 billion in 2026/27. Additional allocations will be channelled through the provincial equitable share and conditional grants to help absorb the implications of the 2023 public-service wage agreement.

Additional allocations to provincial health departments mitigate the impact of baseline reductions on health service provision. However, the health budget is anticipated to grow more slowly than inflation over the MTEF period due to the R23.7 billion baseline reductions over the medium term. The function will prioritise greater efficiency, better management of commuted overtime and intensified promotion of preventative care. Spending reviews in the sector have led to some savings in vaccine and antiretroviral tenders. The health sector continues to recover from service disruptions due to the COVID-19 pandemic, particularly in antiretroviral treatment and tuberculosis screening and treatment.

The Department of Health and its provincial counterparts will prioritise building tertiary services like oncology through earmarked funds in the *national tertiary services grant* in provinces with inadequate services. This grant grows by 8.8 per cent in 2024/25 as funding is shifted into it from the oncology portion of the *national health insurance conditional grant*.

Table 5.8 Health expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Health expenditure	**267 324**	**271 885**	**281 139**	**295 205**	**100.0%**	**3.4%**
of which:						
Central hospital services	*51 789*	*52 760*	*55 554*	*57 901*	*19.6%*	*3.8%*
Provincial hospital services	*43 857*	*47 545*	*49 220*	*51 357*	*17.5%*	*5.4%*
District health services	*119 450*	*120 043*	*123 900*	*129 625*	*44.0%*	*2.8%*
of which:						
HIV and TB	*22 935*	*24 724*	*24 843*	*25 983*	*8.9%*	*4.2%*
Emergency medical services	*9 769*	*10 075*	*10 411*	*10 748*	*3.7%*	*3.2%*
Facilities management and maintenance	*10 594*	*11 305*	*11 529*	*12 072*	*4.1%*	*4.4%*
Health science and training	*5 775*	*6 551*	*6 633*	*6 929*	*2.4%*	*6.3%*
National Health Laboratory Service	*13 812*	*11 287*	*11 557*	*12 559*	*4.2%*	*-3.1%*
National Department of Health [1]	*5 807*	*6 127*	*6 518*	*6 311*	*2.2%*	*2.8%*
Total	**267 324**	**271 885**	**281 139**	**295 205**	**100.0%**	**3.4%**
of which:						
Compensation of employees	*171 058*	*174 581*	*181 442*	*188 992*	*64.3%*	*3.4%*
Goods and services	*78 071*	*76 852*	*78 634*	*84 435*	*28.3%*	*2.6%*
Transfers and subsidies	*6 336*	*5 870*	*6 070*	*6 324*	*2.2%*	*-0.1%*
Buildings and other fixed structures	*6 168*	*8 819*	*9 222*	*9 288*	*3.2%*	*14.6%*
Machinery and equipment	*5 583*	*5 737*	*5 747*	*6 137*	*2.1%*	*3.2%*

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas

Source: National Treasury

Community development

Over the medium term, spending in this function is expected to increase by an average of 4.5 per cent annually due to growth in the local government equitable share, which makes up about 40 per cent of the total function budget. This will cover the operational and maintenance costs of water, sanitation, electricity and solid waste removal for 11.5 million households. Baseline reductions of R35.9 billion over the medium term are mainly focused on transfers to the Passenger Rail Agency of South Africa, the *human settlements development grant,* the *informal settlements upgrading partnership grant* and the *integrated national electrification programme grant*.

The rail recovery programme of the Passenger Rail Agency of South Africa is continuing, with 27 corridors reopened by December 2023. This will increase the number of passengers on Metrorail from 15.6 million in 2022/23 to an estimated 48.6 million by 2026/27. Reforms are also expected to improve service provision at the municipal level, with the *urban settlements development grant* providing financing for water infrastructure services rehabilitation in 2024/25. The Department of Water and Sanitation is amending legislation to strengthen regulation of the water services sector.

Table 5.9 Community development expenditure

R million	2023/24 Revised estimate	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Community development	**251 461**	**265 310**	**274 869**	**287 099**	**100.0%**	**4.5%**
of which:						
Human settlements	*36 715*	*40 103*	*41 796*	*43 386*	*15.1%*	*5.7%*
Public transport, including commuter rail	*54 230*	*57 186*	*58 477*	*60 850*	*21.3%*	*3.9%*
Local government equitable share	*92 689*	*101 178*	*106 087*	*110 661*	*38.4%*	*6.1%*
Municipal infrastructure grant	*16 342*	*17 054*	*17 927*	*19 444*	*6.6%*	*6.0%*
Regional and local water and sanitation services	*15 003*	*15 260*	*14 945*	*13 781*	*5.3%*	*-2.8%*
Electrification programmes	*5 792*	*4 227*	*4 290*	*4 366*	*1.6%*	*-9.0%*
Total	**251 461**	**265 310**	**274 869**	**287 099**	**100.0%**	**4.5%**
of which:						
Compensation of employees	*18 106*	*18 537*	*18 901*	*19 668*	*6.9%*	*2.8%*
Goods and services	*18 135*	*16 782*	*17 393*	*18 142*	*6.3%*	*0.0%*
Transfers and subsidies	*192 036*	*204 483*	*211 918*	*220 461*	*77.0%*	*4.7%*
Buildings and other fixed structures	*11 903*	*12 588*	*14 464*	*16 088*	*5.2%*	*10.6%*
Machinery and equipment	*10 668*	*11 270*	*10 883*	*11 431*	*4.1%*	*2.3%*

Source: National Treasury

Economic development

Spending within this function will grow at an average of 6.3 per cent, from R239.8 billion in 2023/24 to R288.4 billion in 2026/27, despite baseline reductions amounting to R48.2 billion over the medium term. Most of the funding is allocated to economic regulation and infrastructure, particularly water resources and bulk infrastructure.

The Department of Trade, Industry and Competition has reprioritised R964 million for the transition to electric vehicles, in line with the New Energy Vehicles White Paper approved by Cabinet in 2023, and R600 million for the global business services incentive for offshore business processing. Government has also allocated R16.4 billion for business incentives through the Department of Trade, Industry and Competition over the next three years.

The Department of Small Business Development plans to support 120 000 township and rural enterprises, focusing on enterprises owned by women, youth and other disadvantaged groups, with interventions such as grants and training. Government will also support resettled farmers through land redistribution and tenure reform programmes, which have been allocated R6 billion over the MTEF period.

The Department of Tourism will focus on supporting the recovery of the tourism sector and making it more sustainable and resilient. The Department of Forestry, Fisheries and the Environment is enhancing its producer responsibility policy framework and regulations to reduce the costs of recycling and of waste through increased recycling and implementing industry-led waste streams under section 18 of the National Environmental Management: Waste Act (2008). Government is supporting the manufacturing sector, small businesses and public employment programmes to boost economic growth and employment. In 2024, an independent evaluation will be conducted on public employment programmes to address fragmentation and inform future funding decisions.

Table 5.10 Economic development expenditure

R million	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
Economic regulation and infrastructure	**131 483**	**146 140**	**161 456**	**171 551**	**58.5%**	**9.3%**
of which:						
Water resource and bulk infrastructure	*33 700*	*42 131*	*47 334*	*51 730*	*17.2%*	*15.4%*
Road infrastructure	*72 010*	*77 661*	*89 990*	*90 947*	*31.6%*	*8.1%*
Environmental programmes	*10 383*	*10 290*	*10 330*	*10 781*	*3.8%*	*1.3%*
Job creation and labour affairs	**22 106**	**22 224**	**24 629**	**25 800**	**8.9%**	**5.3%**
of which:						
Employment programmes [1]	*19 301*	*19 455*	*20 492*	*21 418*	*7.5%*	*3.5%*
Industrialisation and exports	**37 551**	**39 141**	**40 064**	**41 100**	**14.7%**	**3.1%**
of which:						
Economic development and incentive programmes	*21 343*	*20 213*	*20 492*	*21 117*	*7.6%*	*-0.4%*
Innovation, science and technology	**20 737**	**20 203**	**20 123**	**20 486**	**7.4%**	**-0.4%**
Agriculture and rural development	**27 902**	**27 685**	**28 605**	**29 479**	**10.5%**	**1.8%**
of which:						
Land reform	*1 154*	*1 113*	*1 180*	*1 230*	*0.4%*	*2.1%*
Agricultural land holding account	*1 159*	*1 203*	*1 069*	*1 156*	*0.4%*	*-0.1%*
Restitution	*3 818*	*3 947*	*4 174*	*4 358*	*1.5%*	*4.5%*
Farmer support and development	*3 683*	*3 687*	*3 856*	*4 032*	*1.4%*	*3.1%*
Total	**239 779**	**255 394**	**274 877**	**288 416**	**100.0%**	**6.3%**
of which:						
Compensation of employees	*58 346*	*62 075*	*65 550*	*68 525*	*24.0%*	*5.5%*
Goods and services	*85 475*	*92 331*	*103 399*	*99 853*	*36.1%*	*5.3%*
Transfers and subsidies	*44 794*	*42 863*	*42 091*	*43 460*	*15.7%*	*-1.0%*
Buildings and other fixed structures	*36 290*	*43 293*	*49 901*	*63 365*	*19.1%*	*20.4%*
Machinery and equipment	*6 242*	*5 514*	*4 686*	*4 282*	*1.8%*	*-11.8%*

1. Includes the Expanded Public Works Programme, the Community Works Programme and the Jobs Fund
Source: National Treasury

Peace and security

The peace and security function is allocated R765 billion over the medium term to combat crime and ensure territorial integrity. This total includes additional allocations of R39.4 billion to selected departments to cover the carry-through costs of the 2023/24 public-service wage increase. Of this, R22 billion is allocated to the Department of Police. To improve efficiency, the department will rationalise its organisational structure, align police districts with municipal districts, implement cost containment measures and improve operations. It is also fostering strategic partnerships with local communities to enhance safety.

Table 5.11 Peace and security expenditure

R million	2023/24 Revised estimate	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Defence and state security	53 506	53 507	55 428	57 906	21.8%	2.7%
Police services	117 094	125 007	131 230	137 108	51.4%	5.4%
Law courts and prisons	52 122	54 428	56 798	59 404	22.3%	4.5%
Home affairs	14 106	11 098	11 032	12 041	21.6%	-5.1%
Total	**236 828**	**244 040**	**254 488**	**266 458**	**100.0%**	**4.0%**
of which:						
Compensation of employees	*162 136*	*177 525*	*186 686*	*195 275*	*73.1%*	*6.4%*
Goods and services	*51 872*	*48 817*	*49 860*	*52 786*	*19.8%*	*0.6%*
Transfers and subsidies	*14 155*	*11 295*	*11 430*	*11 896*	*4.5%*	*-5.6%*
Buildings and other fixed structures	*2 584*	*2 137*	*1 990*	*2 125*	*0.8%*	*-6.3%*
Machinery and equipment	*5 763*	*4 158*	*4 384*	*4 237*	*1.7%*	*-9.7%*

Source: National Treasury

The Department of Justice and Constitutional Development is allocated R627.8 million over the medium term to implement recommendations from the Financial Action Task Force and the State Capture Commission. For land rights representation, R156 million is shifted from the Department of Agriculture, Land Reform and Rural Development to Legal Aid South Africa. An amount of R16.5 million is reprioritised to the Office of the Legal Services Ombud to fulfil its mandate, which includes protecting public interest, investigating misconduct complaints and promoting the independence and integrity of the legal profession.

The Department of Defence will prioritise acquiring vehicles and technology to safeguard the country's borders. An amount of R1.9 billion is reallocated within the Department of Defence for day-to-day maintenance and emergency repairs. Measures are being implemented to reduce the pressure on employee compensation and sustain critical defence capabilities.

General public services

Spending in this function is expected to increase from R76.9 billion in 2023/24 to R79.3 billion in 2026/27, accounting for 3.7 per cent of total government expenditure, excluding debt-service costs. To partially offset the effect of baseline reductions of R16.2 billion over the medium term, the function group reprioritised R4.6 billion from goods and services. This funding will enhance information and communications technology, fund key policy initiatives such as the operational budget of the Presidency, meet international commitments such as government's membership fees to international organisations, and cover exchange rate fluctuations. The Department of Public Enterprises is focusing on reforming state-owned companies.

Table 5.12 General public services expenditure

R million	2023/24 Revised estimate	2024/25 Medium-term estimates	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
Executive and legislative organs	18 532	17 041	17 379	17 573	22.5%	-1.8%
Public administration and fiscal affairs	49 681	49 146	51 266	52 464	66.0%	1.8%
External affairs	8 713	8 482	8 843	9 266	11.5%	2.1%
Total	**76 926**	**74 670**	**77 489**	**79 303**	**100.0%**	**1.0%**
of which:						
Compensation of employees	*35 550*	*37 141*	*38 369*	*38 661*	*0.0%*	*2.8%*
Goods and services	*23 927*	*23 785*	*25 176*	*26 502*	*0.0%*	*3.5%*
Transfers and subsidies	*11 647*	*10 288*	*10 809*	*11 151*	*0.0%*	*-1.4%*
Buildings and other fixed structures	*3 459*	*2 138*	*2 002*	*1 693*	*0.0%*	*-21.2%*
Machinery and equipment	*1 278*	*660*	*559*	*638*	*0.0%*	*-20.7%*

Source: National Treasury

CONCLUSION

Consolidated government spending is projected to grow from R2.37 trillion in 2024/25 to R2.6 trillion in 2026/27. Over the medium term, government aims to improve the way in which policy objectives are achieved by increasing efficiency and effectiveness in spending.

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6

2024 BUDGET REVIEW

DIVISION OF REVENUE AND SPENDING BY PROVINCES AND MUNICIPALITIES

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 6

DIVISION OF REVENUE AND SPENDING BY PROVINCES AND MUNICIPALITIES

In brief

- The 2024 Budget reverses a substantial portion of the spending reductions initially proposed at the time of the 2023 *Medium Term Budget Policy Statement* (MTBPS).
- Over the medium-term expenditure framework (MTEF) period, after providing for debt-service costs, the contingency reserve and provisional allocations, 48 per cent of nationally raised funds are allocated to national government, 42.2 per cent to provincial government and 9.8 per cent to local government.
- Provinces will be able to fund the wages of teachers, nurses, doctors and other critical skills that are essential for service delivery. Nevertheless, fiscal consolidation remains in place, affecting mainly conditional grants and transfers to local government.
- Government is prioritising infrastructure development through a combination of reforms and incentivising the pledging of conditional grants.

OVERVIEW

National government transfers more than half of nationally raised revenues to the nine provinces and 257 municipalities, empowering them to fulfil their mandated functions and serve their communities. Provinces oversee essential services, such as basic education, healthcare, roads, human settlements, social development and agriculture. Meanwhile, municipal services include water, sanitation, electricity reticulation, roads and community services. Additional government revenues and a marginal decline in debt-service costs allow the 2024 Budget to reverse some of the reductions that were introduced in the 2023 MTBPS. Nevertheless, as fiscal consolidation measures remain, provinces and municipalities will continue to experience smaller conditional grant transfers.

Transfers to both provinces and municipalities will differ somewhat from the 2023 Budget, due to a combination of these consolidation measures and the impact of the 2023 public-service wage agreement. While equitable share transfers to provinces are higher compared to the previous budget, conditional grants funds remain limited. Transfers to municipalities are also reduced. Provinces and municipalities need to prioritise their resources to ensure critical services are not negatively affected. Through strategic planning, structural reforms and robust financial management, they can continue to deliver the necessary services to their communities.

DIVISION OF REVENUE

For the 2024 MTEF period, provinces and municipalities are allocated R2.8 trillion or 51.1 per cent of total non-interest spending. Of this amount, R2.3 trillion goes to provinces, while local governments receive R531.7 billion. Funds are allocated to provinces and municipalities in the form of equitable shares and conditional grants. Equitable shares are distributed through a formula that factors in demographic and developmental considerations. Conditional grants are intended to achieve specific objectives, and they are made available to provinces and municipalities upon meeting specific criteria and fulfilling conditions relating to their use.

Provinces and municipalities face significant spending and revenue pressures from the rising costs of basic and social services, as well as declining economic growth and high borrowing costs. Table 6.1 sets out the division of revenue over the MTEF period. In this period, after providing for debt-service costs, the contingency reserve and provisional allocations, 48 per cent of nationally raised funds are allocated to national government, 42.2 per cent to provincial government and 9.8 per cent to local government.

Table 6.1 Division of nationally raised revenue

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Average annual MTEF growth
	Outcome			Revised estimate	Medium-term estimates			
Division of available funds								
National departments	**790.5**	**822.8**	**855.9**	**823.9**	**848.5**	**853.7**	**890.5**	**2.6%**
of which:								
Indirect transfers to provinces	*3.0*	*3.8*	*3.5*	*4.0*	*3.8*	*4.2*	*4.2*	*1.5%*
Indirect transfers to local government	*4.1*	*5.7*	*7.0*	*8.3*	*7.1*	*7.5*	*8.0*	*-1.1%*
Provinces	**628.8**	**660.8**	**694.1**	**706.4**	**729.5**	**760.9**	**790.8**	**3.8%**
Equitable share	520.7	544.8	570.9	585.1	600.5	627.4	655.7	3.9%
Conditional grants	108.1	116.0	123.3	121.3	129.0	133.4	135.1	3.7%
Local government	**137.1**	**135.6**	**150.7**	**157.8**	**170.3**	**177.7**	**183.8**	**5.2%**
Equitable share	83.1	76.2	83.9	92.7	101.2	106.1	110.7	6.1%
Conditional grants	40.0	44.8	51.4	49.7	53.0	54.7	55.5	3.8%
General fuel levy sharing with metros	14.0	14.6	15.3	15.4	16.1	16.8	17.6	4.5%
Provisional allocation not assigned to votes[1]	–	–	–	–	0.6	41.1	53.5	
Non-interest allocations	**1 556.4**	**1 619.2**	**1 700.7**	**1 688.1**	**1 748.8**	**1 833.3**	**1 918.5**	**4.4%**
Percentage increase	*4.7%*	*4.0%*	*5.0%*	*-0.7%*	*3.6%*	*4.8%*	*4.6%*	
Debt-service costs	232.6	268.1	308.5	356.1	382.2	414.7	440.2	7.3%
Contingency reserve	–	–	–	–	5.0	7.6	14.5	
Main budget	**1 789.0**	**1 887.3**	**2 009.2**	**2 044.2**	**2 136.0**	**2 255.6**	**2 373.2**	**5.1%**
Percentage increase	*5.8%*	*5.5%*	*6.5%*	*1.7%*	*4.5%*	*5.6%*	*5.2%*	
Percentage shares								
National	*50.8%*	*50.8%*	*50.3%*	*48.8%*	*48.5%*	*47.6%*	*47.7%*	
Provinces	*40.4%*	*40.8%*	*40.8%*	*41.8%*	*41.7%*	*42.5%*	*42.4%*	
Local government	*8.8%*	*8.4%*	*8.9%*	*9.3%*	*9.7%*	*9.9%*	*9.9%*	

1. Includes amounts for Budget Facility for Infrastructure projects and other provisional allocations
Source: National Treasury

The *Explanatory Memorandum to the Division of Revenue* sets out the provincial and municipal allocations, details the equitable share formula and explains how the division takes into account the recommendations of the Financial and Fiscal Commission. The memorandum is available as Annexure W1 of the *Budget Review* on the National Treasury website.

PROVINCIAL REVENUE AND SPENDING

Provinces have very limited legal authority to tax or levy fees. They expect to collect R79.7 billion in own revenue over the MTEF period, mainly from motor vehicle licence fees. These own revenues make up just 3.4 per cent of their total resources, with the rest transferred through the equitable share and conditional grants.

Provinces are responsible for providing social services according to nationally determined norms and standards, including public basic education for 13.4 million learners and healthcare for 51.9 million South Africans who do not have private medical insurance. In 2022/23, transfers through the division of revenue accounted for approximately 97 per cent of provincial revenue. Direct national transfers to provinces are projected to increase from R706.4 billion in 2023/24 to R729.5 billion in 2024/25 and grow at an average rate of 3.8 per cent annually to reach R790.8 billion in 2026/27. The transfers include R600.5 billion for the provincial equitable share and R129 billion for conditional grants.

Table 6.2 Provincial equitable share

	2023/24	2024/25	2025/26	2026/27	Average annual
R million	Estimate	Medium-term estimates			MTEF growth
Eastern Cape	75 605	78 093	81 550	84 495	3.8%
Free State	32 429	33 091	34 582	36 188	3.7%
Gauteng	124 465	127 992	133 771	139 994	4.0%
KwaZulu-Natal	119 722	121 145	126 360	131 972	3.3%
Limpopo	67 359	69 625	72 925	76 482	4.3%
Mpumalanga	48 051	49 499	51 739	54 150	4.1%
Northern Cape	15 573	16 143	16 905	17 727	4.4%
North West	41 289	42 816	44 882	47 109	4.5%
Western Cape	60 593	62 071	64 728	67 588	3.7%
Total	**585 086**	**600 476**	**627 442**	**655 704**	**3.9%**

Source: National Treasury

Review on the education component of the provincial equitable share

The provincial equitable share is the primary revenue source for provinces, made up of six key components: education, health, basic, institutional, poverty and economic activity. It is updated annually to ensure that funding is allocated fairly to each province, reflecting demographic changes and the demand for services based on need.

A review of the education component is under way, led by a task team made up of representatives from the National Treasury and provincial treasuries. Sector departments, Statistics South Africa and the Financial and Fiscal Commission are consulted on various aspects of the review. The Technical Committee on Finance oversees the task team's work and proposed modifications to the formula must be approved by the Budget Council. The technical work is complete and consultations on the proposed changes are in progress. The review sought to address the funding needs of different types of schools and learners, collaborating with the Department of Basic Education to develop options. From 2024/25, the updated enrolment subcomponent will be implemented within the education component.

Table 6.3 Conditional grants to provinces

R million	2023/24 Revised estimate	2024/25	2025/26	2026/27	MTEF total
		Medium-term estimates			
Direct conditional grants					
Comprehensive agricultural support programme	1 502	1 741	1 754	1 774	5 270
Ilima/Letsema projects	585	448	677	708	1 834
Land care programme grant: poverty relief and infrastructure development	79	90	94	99	283
Early childhood development grant	1 184	1 589	1 946	2 035	5 571
Education infrastructure	12 278	13 681	14 234	14 373	42 288
HIV and AIDS (life skills education) grant	214	250	261	273	783
Learners with profound intellectual disabilities grant	260	279	291	304	875
Maths, science and technology grant	383	444	459	480	1 383
National school nutrition programme	9 279	9 798	10 314	10 786	30 899
Provincial disaster response grant	146	149	151	158	459
District health programmes grant	25 866	27 963	28 228	29 523	85 714
Health facility revitalisation	6 680	7 152	7 243	7 575	21 969
Human resources and training grant	5 479	5 517	5 598	5 855	16 970
National health insurance grant	695	456	462	471	1 389
National tertiary services	14 024	15 264	15 919	16 662	47 845
Human settlements development	13 255	13 655	14 149	14 332	42 137
Informal settlements upgrading partnership	3 826	3 251	2 770	930	6 951
Mass participation and sport development grant	561	618	626	655	1 900
Expanded public works programme integrated grant for provinces	404	312	316	330	957
Social sector expanded public works programme incentive grant for provinces	396	306	310	324	939
Community library services	1 503	1 612	1 643	1 719	4 974
Provincial roads maintenance	15 317	16 672	17 883	17 279	51 834
Public transport operations	7 403	7 735	8 082	8 452	24 270
Total direct conditional grants	**121 318**	**128 984**	**133 411**	**135 098**	**397 493**
Indirect transfers	**3 998**	**3 841**	**4 195**	**4 177**	**12 213**
School infrastructure backlogs	1 899	1 642	1 777	1 870	5 288
National health insurance indirect	2 099	2 200	2 418	2 307	6 924

Source: National Treasury

To cover the carry-through cost of implementing the 2023 public-service wage agreement, mainly in the education and health sectors, the 2024 Budget allocates an additional R105.5 billion over the next three years to provinces. The provision of additional funds to cushion these wage bill pressures has released resources for capital investment and goods and services. An amount of R3.9 billion, which was previously added to the provincial equitable share for wage bill costs, is now shifted to conditional grants in the education and health sectors. Moreover, reductions that were previously made to several grants have been reversed. Restoring the baselines of these grants will help maintain important services for the most vulnerable and provide for critical capital investments. Conversely, reductions are made to several other grant baselines due to reprioritisation and spending reductions in the context of fiscal consolidation. Government has taken a balanced approach to these reductions to ensure that the total grant funding envelope remains stable. As reflected in Table 6.3, total conditional grant funding increases from R125.3 billion in 2023/24 to R139.3 billion in 2026/27.

MUNICIPAL REVENUE AND SPENDING

In 2022/23, local governments received approximately R150.7 billion from national government, accounting on average for about 24 per cent of total municipal revenue. The balance is made up of own revenue raised by local governments, which have significant revenue-raising powers, including cost recovery on main services and property rates. Figure 6.1 shows the division of revenue between the three spheres of government in line with Table 6.1. Transfers to local governments tend to hover around 10 per cent of total revenue. When own revenue raised by local government is included, however, local government accounts for 28 per cent of the total, as shown in Figure 6.2.

Figure 6.1 Division of revenue in 2022/23

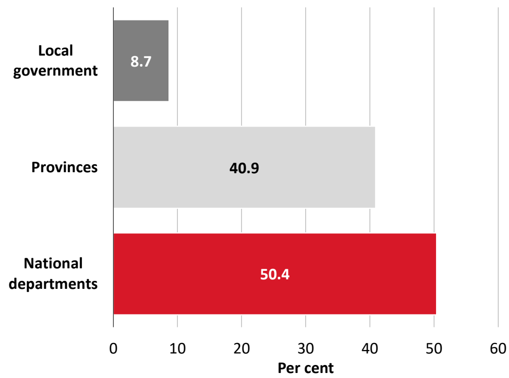
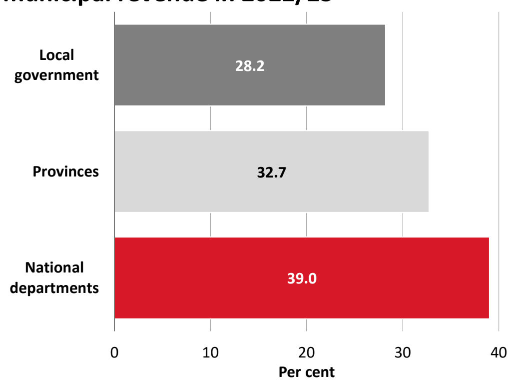


Figure 6.2 Division of revenue plus own municipal revenue in 2022/23



Source: National Treasury

Despite these powers, municipal budgets are under tremendous pressure and spending is often inefficient. For example, municipal councils approved salary and wage increases of 5.4 per cent for 2023/24, which require the diversion of funds from local government policy priorities to pay salaries. These above-inflation increases are hard to justify, especially when productivity has been low.

Review of the local government fiscal framework

Government's five-year programme of action to improve local governance, as endorsed by the Budget Forum, includes efforts to improve the funding model for local government. The National Treasury is reviewing a draft report for regulating municipal surcharges on electricity and identifying alternative sources of revenue to replace these. The next step will be consultation with external stakeholders.

The local government equitable share formula is being updated in various ways, including improving its responsiveness to the different functions assigned to district and local municipalities. In addition, the formula will be refined with reforms such as exploring the feasibility of introducing cost differential models, community services components for health services and firefighting functions, objective criteria for benchmarking municipalities in relation to their administrative functions, and infrastructure financing options for small and rural areas. The Department of Cooperative Governance, the National Treasury, the South African Local Government Association, the Financial and Fiscal Commission, and Statistics South Africa are identifying areas for refinement over the 2024 MTEF period.

Table 6.4 Transfers to local government

R million	2023/24 Adjusted Budget	2024/25 Medium-term estimates	2025/26	2026/27	MTEF total
Equitable share and related	**95 189**	**101 178**	**106 087**	**110 661**	**317 926**
General fuel levy sharing with metros	**15 433**	**16 127**	**16 849**	**17 621**	**50 597**
Direct conditional grants	**49 997**	**52 990**	**54 720**	**55 493**	**163 203**
Integrated urban development	1 172	1 146	1 202	1 304	3 652
Municipal disaster recovery	1 505	741	709	–	1 450
Municipal disaster response	745	378	395	413	1 187
Municipal infrastructure	16 342	17 054	17 927	19 444	54 425
Energy efficiency and demand-side management	224	236	246	258	740
Integrated national electricification programme	2 032	1 746	1 697	1 655	5 098
Informal settlements upgrading partnership	4 059	4 515	4 717	4 934	14 166
Urban settlements development	7 596	8 705	9 250	9 819	27 774
Infrastructure skills development	151	165	173	181	519
Local government financial management	569	582	590	617	1 789
Neighbourhood development partnership	1 346	1 291	669	700	2 660
Programme and project preparation support	319	386	391	409	1 185
Expanded public works programme integrated	749	560	567	593	1 721
Public transport network	6 194	7 473	8 084	7 619	23 177
Rural roads asset management systems	115	121	126	132	379
Regional bulk infrastructure	3 259	3 852	3 757	3 005	10 615
Water services infrastructure	3 620	4 038	4 219	4 412	12 668
Total direct transfers	**160 619**	**170 294**	**177 656**	**183 775**	**531 725**
Indirect transfers	**8 297**	**7 098**	**7 540**	**8 034**	**22 614**
Municipal infrastructure	30	58	–	–	58
Municipal systems improvement	147	145	151	158	454
Integrated national electricification programme	3 518	2 196	2 294	2 400	6 890
Smart meters	–	500	650	800	1 950
Neighbourhood development partnership	189	95	99	104	298
Regional bulk infrastructure	3 298	3 058	3 227	3 232	9 516
Water services infrastructure	1 114	1 047	1 119	1 341	3 507

Source: National Treasury

Additions made in the 2024 Budget include R1.4 billion for the municipal disaster recovery grant to fund the repair and reconstruction of municipal infrastructure damaged by the floods that occurred in 2023. Allocations to the neighbourhood development partnership grant are increased by R650 million as part of the Public Employment Programme.

The conditional grant review process has identified various reforms to be considered in the 2025 budget process, with phased implementation. It has also identified challenges within the intergovernmental fiscal system, highlighting action needed at different levels, from grant management to individual grants.

INVESTING FOR SERVICE DELIVERY EFFICIENCY AND GROWTH

Driving efficiency gains through infrastructure reform

Government continues to streamline the infrastructure delivery system to improve efficiency and ensure that limited resources are allocated effectively, delivering infrastructure that meets the needs of the people.

Unlocking financing for bulk infrastructure to drive economic growth

The Development Bank of Southern Africa has introduced a new financing instrument called Project Vumela, which blends municipal revenue sources with financing from development finance institutions and commercial finance. It is aimed at raising funds for bulk infrastructure required for services such as water, sanitation, roads and stormwater, electricity and solid waste, without affecting the borrowing capacity of municipalities. Financing will be secured against future revenue, including development charges, municipal grants and a portion of property rates. This initiative complements other actions aimed at increasing investment in infrastructure by leveraging private-sector resources and expertise to support economic growth and improve the quality of life for South Africans.

The quality and reliability of urban utility services, including water, wastewater and electricity, have declined due to neglect and inadequate maintenance. Government allocated R61.7 billion to local government in 2022/23 to address these challenges, but little progress has been made. From 2025/26, a new incentive grant will be available to cities that demonstrate a certain level of transparency, display strong governance and reach key milestones in transforming their water businesses.

The infrastructure delivery management system and the framework for infrastructure delivery and procurement management are the guiding methodologies for infrastructure delivery practitioners. These are being customised for local governments. In addition, the infrastructure reporting model has been expanded to cover all spheres of government. Over time, this will allow infrastructure budgets to be analysed and spending to be reviewed across all spheres. The National Treasury is also providing accredited training based on the infrastructure delivery management system.

Pledging of conditional grants

Grant pledging, which refers to committing all or part of a conditional grant over one or many years towards the repayment of a loan to finance infrastructure, has been used in local government for many years. The National Treasury, alongside provincial treasuries and other stakeholders, has recently extended pledging to provinces. This will help mitigate cuts in provincial allocations. Pledging can only occur for projects that have passed the necessary planning stages and are construction-ready. Strong leadership, planning and coordination are needed to unlock the benefits of pledging. To date, the Northern Cape government has applied to pledge R600 million over three years to build 2 500 housing units through the *human settlements development grant*. This process would usually take three to four years without pledging, but is expected to take one year with pledging. The National Treasury has introduced a practice note to guide provinces on how to pledge their conditional grant allocations to leverage financing for faster infrastructure delivery.

Rationalising public entities for effective use of resources

Over 300 public entities and state-owned companies are in operation. Many face challenges including financial distress, weak boards, duplication of functions and inadequate oversight. National departments and some provinces have initiated efforts to merge, close down or repurpose certain entities. Rationalisation is anticipated to reduce the number of provincial and national entities from 281 to 264. Overall, government's aim is to have a strong and capable state that serves the public's needs and enables transformation, growth and development.

PROGRESS IN ESKOM DEBT RELIEF FOR MUNICIPALITIES

National government has invited municipalities to apply for debt relief for arrears debt to Eskom. In order for the debt to be written off in equal annual tranches over a three-year period, municipalities need to comply with set conditions. These conditions include enforcing strict credit controls, paying their monthly electricity accounts and enhancing revenue collection. By December 2023, 72 applications had been submitted, totalling R56.7 billion or 96.9 per cent of total municipal debt owed to Eskom at end-March 2023. Seventy applications totalling R55.2 billion had been approved as of January 2024.

The 2024 Budget introduces amendments to conditional grant frameworks to improve service delivery and address financial pressures in municipalities. A new conditional grant will be created to fund the rollout of smart prepaid meters, initially in municipalities that have been approved for Eskom debt relief. The National Treasury will distribute this grant. A total of R2 billion has been allocated for the grant, made up of R500 million in 2024/25, R650 million in 2025/26 and R800 million in 2026/27.

CONCLUSION

The 2024 *Budget Review* highlights the vital role provinces and municipalities play in providing social and economic services, as well as the need to balance institutional capacity building with real growth in transfers to address the needs of growing populations. The Budget protects key service delivery and investment capacity by reversing previous reductions to allocations. Key reforms are being undertaken that will assist provinces and municipalities to improve their efficiency and accelerate the delivery of infrastructure.

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7

2024 BUDGET REVIEW

GOVERNMENT DEBT AND CONTINGENT LIABILITIES

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GOVERNMENT DEBT AND CONTINGENT LIABILITIES

In brief

- Government's gross borrowing requirement is projected to decrease from R553.1 billion in 2023/24 to R428.5 billion in 2026/27.
- The decrease is driven mainly by the Gold and Foreign Exchange Contingency Reserve Account settlement amounting to R150 billion over the medium term.
- Gross loan debt is projected to stabilise at 75.3 per cent of GDP in 2025/26, slightly lower than the level of 77.7 per cent projected in the 2023 *Medium Term Budget Policy Statement* (MTBPS).
- Debt-service costs will stabilise at 21.3 per cent of revenue in 2025/26 and decline thereafter.

OVERVIEW

Relative to the 2023 Budget, government's gross borrowing requirement in 2023/24 has increased by R37.6 billion to an estimated R553.1 billion, or 7.8 per cent of GDP. This increase is due to lower revenue collection and higher spending.

The medium-term gross borrowing requirement will be R196 billion lower than projected in the 2023 MTBPS, mainly due to a change in the arrangements governing the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) between the National Treasury and the Reserve Bank. Accordingly, government will receive distributions of R100 billion in 2024/25, R25 billion in 2025/26 and R25 billion in 2026/27 from the Reserve Bank. This will reduce domestic market financing requirements, as well as the growth of debt stock and debt-service costs.

Gross debt stock is expected to increase from R5.21 trillion (73.9 per cent of GDP) in 2023/24 to R6.29 trillion in 2026/27 (74.7 per cent of GDP). Net loan debt – gross loan debt less cash balances – will increase from R5.06 trillion (71.7 per cent of GDP) to R6.22 trillion (73.8 per cent of GDP) over the same period. In line with government's fiscal strategy, gross loan debt is expected to stabilise at 75.3 per cent of GDP in 2025/26, an improvement on the 2023 MTBPS estimate of 77.7 per cent of GDP.

To combat inflation, the Reserve Bank has kept the repo rate – the rate at which it lends to commercial banks – unchanged at 8.25 per cent since May 2023. The yield curve – the relationship between bonds of different maturities – continues to steepen, reflecting higher borrowing costs stemming from the impact of prolonged power cuts and concerns about growth and rising debt stock.

In 2023, Moody's and S&P maintained South Africa's sovereign credit rating at sub-investment grade with a stable outlook. In January 2024, Fitch affirmed the country's long-term foreign and local currency debt ratings at "BB-" and maintained its stable outlook. Fitch cited the constraints of low real GDP growth, high inequality, a high and rising government debt-to-GDP ratio and a modest fiscal consolidation path. Over the medium term, government will focus on raising GDP growth through structural reforms, and stabilising debt and debt-service costs.

Gold and Foreign Exchange Contingency Reserve Account reform

GFECRA captures valuation gains on South Africa's foreign exchange reserves. Currently, such gains or losses are not settled but are reflected as assets or liabilities on the financial statements of the National Treasury and the Reserve Bank.

As the rand has depreciated against the US dollar – making foreign reserve holdings more valuable when reported in the local currency – the GFECRA balance has grown from R1.8 billion in March 2006 to R507.3 billion in January 2024. Under the existing practice, these balances do not qualify for settlement.

GFECRA helps insulate the central bank's profit-and-loss statement from currency swings, as valuation losses are charged to the National Treasury. However, this account is now larger than any plausible losses on foreign exchange reserves from rand appreciation. Moreover, this system is unusual. Other countries typically account for valuation gains differently, making the Reserve Bank an outlier among central banks for the size of its liability to government.

A proposed settlement agreement to be formalised between the National Treasury and the Reserve Bank will establish a new framework, the effect of which will be to reduce government borrowing and improve the central bank's equity position. These adjustments will take South Africa closer to peer norms.

The agreement will allocate funds across three "buckets". The first bucket, GFECRA, will retain sufficient funds to absorb exchange rate swings. Failure to do so would create an obligation for the National Treasury to cover exchange rate losses. Once this arrangement has been fulfilled, funds will be distributed to the second bucket, a Reserve Bank contingency reserve, to ensure the central bank's solvency and to pay sterilisation costs to neutralise the interest rate impact. Once the first two obligations have been settled, funds will be distributed to the National Treasury.

The reform is informed by principles developed in consultation between the National Treasury, the Reserve Bank and international experts, including the following:

- The Reserve Bank's policy solvency should not be undermined by any GFECRA distribution. In practical terms, this means the central bank should not suffer sustained negative equity.
- There should be no sales of foreign exchange reserves to realise GFECRA gains if such reserves are below estimated adequacy levels.
- There should be no distribution of unrealised GFECRA balances that could plausibly be unwound by future rand appreciation.
- Any GFECRA distributions should be governed by a framework that rules out ad hoc decisions; should be public to ensure transparency; and should be used to reduce government borrowing.

Figure 7.1 Outstanding GFECRA balance

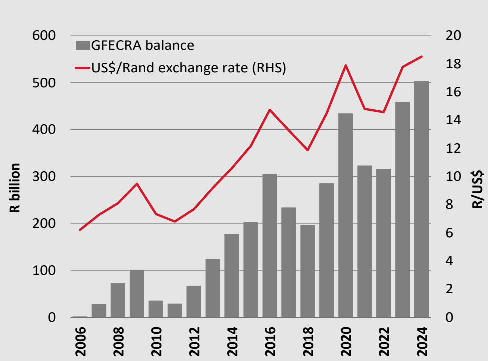
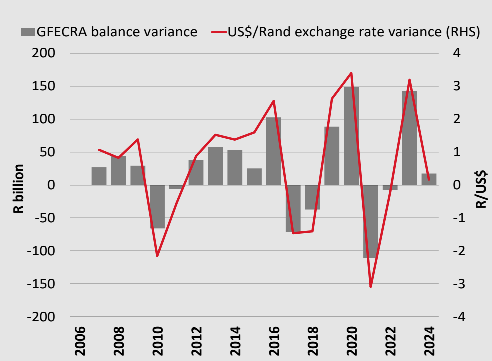


Figure 7.2 Fluctuations in GFECRA balances



Source: National Treasury

FINANCING STRATEGY

Government continues to finance its gross borrowing requirement in a prudent and sustainable manner within its strategic risk benchmarks. The financing strategy enables government to employ a range of instruments to meet its borrowing needs, while reducing risks associated with refinancing and currency fluctuations, and containing aggregate borrowing costs. In 2023/24, government successfully introduced a rand-denominated sukuk (Islamic bond) and a second floating rate note. In 2024/25, the gross borrowing requirement will be financed through domestic short- and long-term loans, foreign-currency-denominated instruments and cash balances.

Over the period ahead, government will ensure that the financing strategy can support infrastructure financing, with emphasis on frameworks and models that can crowd in private-sector capital investment at scale. Special purpose vehicles, dedicated infrastructure instruments and other public-private partnerships are being assessed. Providers of concessional funding, such as multilateral development banks and bilateral development institutions, will play an important role in this regard.

Table 7.1 Performance against strategic portfolio risk benchmarks

Description	Benchmark range or limit	2023/24	2024/25
		Estimates	
Treasury bills as % of domestic debt[1]	15.0	11.8	12.5
Long-term debt maturing in 5 years as % of bonds	25.0	15.4	20.0
Inflation-linked bonds as % of domestic debt	20-25	21.8	19.3
Foreign debt as % of total debt	15.0	10.6	10.8
Weighted term-to-maturity of fixed-rate bonds and Treasury bills (years)	10-14	10.5	9.7
Weighted term-to-maturity of inflation-linked bonds (years)	14-17	13.7	14.7
Other indicators (weighted average)			
Term-to-maturity of total debt (years)		11.2	10.7
Term-to-maturity of foreign debt (years)		12.8	12.1

1. Excludes borrowing from the Corporation for Public Deposits and retail savings bonds
Source: National Treasury

Risks to the financing strategy

The main risks to the strategy are as follows:

- Higher borrowing costs.
- Weaker growth and revenue performance.
- A weaker exchange rate, which could pose risks to the domestic and foreign debt portfolios.
- The materialisation of contingent liabilities at state-owned companies, which could increase funding needs and associated costs.

BORROWING PERFORMANCE AND PROJECTIONS

Government's gross borrowing requirement consists of the budget deficit, maturing loans and the Eskom debt-relief arrangement. Over the next three years, the borrowing requirement will be reduced through the GFECRA settlement. This will be applied in three tranches: R100 billion in 2024/25 and R25 billion in each of the subsequent two years.

Table 7.2 Financing of national government gross borrowing requirement[1]

	2022/23	2023/24		2024/25	2025/26	2026/27
R million	Outcome	Budget	Revised	Medium-term estimates		
Main budget balance	**-309 938**	**-275 351**	**-331 386**	**-320 946**	**-308 151**	**-287 218**
Redemptions	**-90 324**	**-162 232**	**-145 759**	**-172 568**	**-185 598**	**-166 295**
Domestic long-term loans	-74 562	-117 865	-98 614	-132 087	-126 730	-126 730
Foreign loans	-15 762	-44 367	-47 145	-40 481	-58 868	-39 565
Eskom debt-relief arrangement	–	**-78 000**	**-76 000**	**-64 154**	**-110 223**	–
GFECRA settlement (net)[4]	–	–	–	**100 000**	**25 000**	**25 000**
Total	**-400 262**	**-515 583**	**-553 145**	**-457 669**	**-578 972**	**-428 513**
Financing						
Domestic short-term loans	**-25 577**	**48 000**	**88 000**	**33 000**	**47 000**	**34 000**
Treasury bills (net)	-25 493	48 000	88 000	33 000	47 000	34 000
Corporation for Public Deposits	-84	–	–	–	–	–
Domestic long-term loans	**322 420**	**329 900**	**327 900**	**328 100**	**422 200**	**303 200**
Market loans	321 669	329 900	328 032	328 100	352 200	303 200
Loans issued for switches	87	–	532	–	–	–
Loans issued for repos (net)	664	–	-664	–	–	–
Eskom debt-relief arrangement	–	–	–	–	70 000	–
Foreign loans	**64 466**	**44 360**	**45 166**	**36 700**	**82 163**	**92 195**
Market loans	64 466	44 360	45 166	36 700	82 163	92 195
Change in cash and other balances[2]	**38 954**	**93 323**	**92 079**	**59 869**	**27 609**	**-882**
Cash balances	29 332	86 321	83 649	53 112	21 753	-5 866
Other balances[3]	9 622	7 002	8 430	6 757	5 856	4 984
Total	**400 262**	**515 583**	**553 145**	**457 669**	**578 972**	**428 513**
Percentage of GDP	*6.0%*	*7.4%*	*7.8%*	*6.1%*	*7.3%*	*5.1%*

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
4. In 2024/25, the Reserve Bank will pay R200 billion to government in partial settlement of the GFECRA balances. Of this amount government will pay the Reserve Bank R100 billion towards the contingency reserve
Source: National Treasury

In 2023/24, the budget deficit has increased by R56 billion relative to the 2023 Budget estimate. As a result, the gross borrowing requirement increased from a projected R515.6 billion to R553.1 billion for 2023/24, or from 7.4 per cent to 7.8 per cent of GDP.

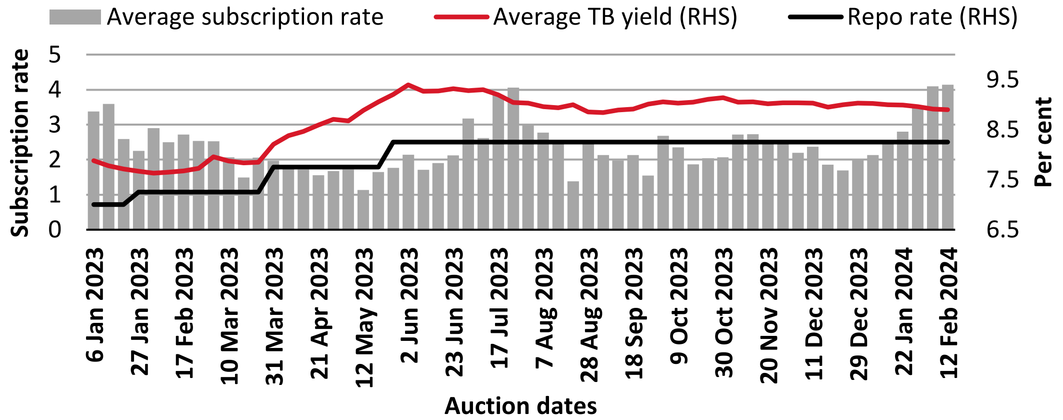
Over the next three years, government will make three transfers to Eskom for capital and interest payments. In 2023/24 and 2024/25, government will transfer R76 billion and R64.2 billion respectively to Eskom. Transfers in each of these years are R2 billion lower than projected as a result of the entity's failure to conclude disposal of the Eskom Finance Company, as stipulated in the debt-relief conditions. In 2025/26, government will transfer R40.2 billion to Eskom. In the same year, government will take over a maximum of R70 billion of Eskom's debt by switching selected debt instruments into government debt.

Domestic and foreign redemptions will average R174.8 billion over the next three years. To mitigate the refinancing risk as a result of high redemptions, government will continue its bond-switch programme, which exchanges short-dated bonds for long-dated bonds.

Domestic short-term borrowing

Government's short-term borrowing consists of Treasury bills and borrowing from the Corporation for Public Deposits. During 2023/24, net Treasury bills issuances were increased by R40 billion to R88 billion to manage liquidity levels. Government also borrowed from the Corporation for Public Deposits for the same purpose.

Figure 7.3 Weekly Treasury bill yield and subscription rate



Source: National Treasury

Over the next three years, net Treasury bill issuance will average R38 billion, or about 10 per cent of total domestic borrowing. The Corporation for Public Deposits will be used as a bridging finance facility over the medium term.

Table 7.3 Domestic short-term borrowing

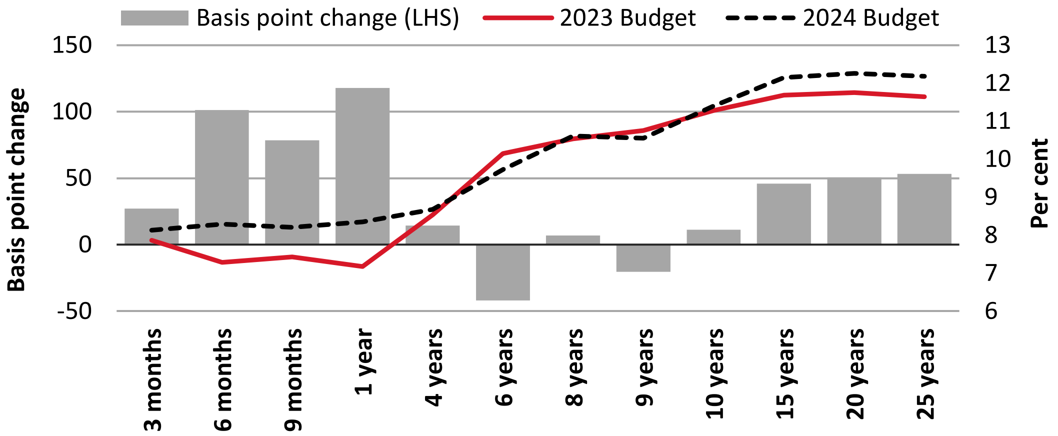
R million	2023/24 Opening balance	2023/24 Net change	2023/24 Closing balance	2024/25 Net change	2024/25 Closing balance	2023/24 Weekly auction estimates	2024/25 Weekly auction estimates
Corporation for Public Deposits	**145**	**-145**	**–**	**–**	**–**	**–**	**–**
Treasury bills	**422 471**	**88 000**	**510 471**	**33 000**	**543 471**	**10 500**	**14 550**
91-days	6 692	8 808	15 500	4 000	19 500	1 000	1 500
182-days	69 384	15 446	84 830	7 470	92 300	2 500	3 550
273-days	143 714	23 186	166 900	12 500	179 400	3 200	4 600
364-days	202 680	40 560	243 240	9 030	252 270	3 800	4 900
Total	**422 616**	**87 855**	**510 471**	**33 000**	**543 471**		

Source: National Treasury

Domestic long-term borrowing

Government's long-term borrowing consists primarily of bonds. In 2023/24, domestic long-term borrowing will amount to R327.9 billion, and will average R327.8 billion over the next three years. Between April 2023 and January 2024, government raised R282.4 billion or 86.1 per cent of this amount. Fixed-rate bonds accounted for 56.1 per cent of the total, with floating rate notes, inflation-linked bonds, domestic sukuk and retail bonds making up the remainder. RSA retail savings bonds raised R6.6 billion in 2023/24 compared with R8.9 billion in 2022/23.

Figure 7.4 Interest rates on domestic government bonds



Source: National Treasury

The yield curve – the relationship between bonds of different maturities – has risen by 37 basis points since the 2023 Budget (Figure 7.4), reflecting investor concerns over the economic impact of prolonged power cuts, rising debt stock and associated risks.

Investor trends in the bond portfolio

Foreign investors remain the largest holders of domestic government bonds, with a 25.3 per cent share as at 31 December 2023, down from 25.6 per cent a year earlier. As shown in Figure 7.6, nominal foreign holdings rose from R846 billion in December 2022 to R899 billion in December 2023. Other financial sector and insurers increased their holdings marginally in 2023.

Figure 7.5 Ownership of domestic bonds

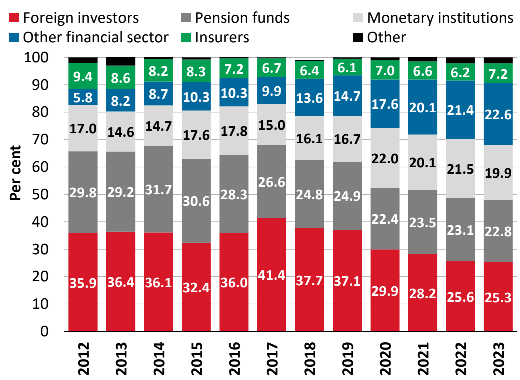
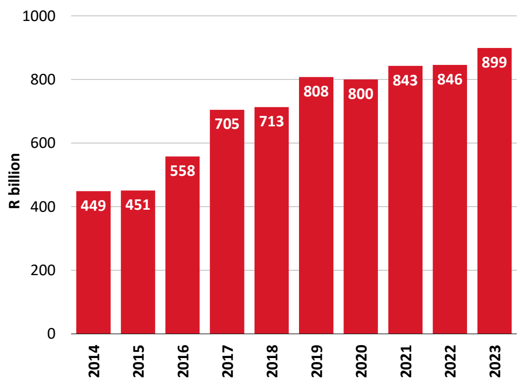


Figure 7.6 Domestic bonds held by foreign investors



Source: National Treasury

International borrowing

Government borrows in foreign currency – mainly US dollars and euros – to meet its foreign-currency commitments. In 2023/24, government will raise US$2.4 billion from multilateral developments banks and international financial institutions as part of diversifying its funding mix for international borrowing.

Table 7.4 Foreign-currency commitments and financing

US$ million	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome	Estimate	Medium-term estimates		
Opening balance	**5 925**	**7 119**	**4 590**	**2 172**	**1 030**
Commitments	**-3 009**	**-4 945**	**-4 420**	**-5 643**	**-4 705**
Redemptions	-1 000	-2 493	-2 141	-3 224	-2 146
Interest	-1 177	-1 643	-1 514	-1 645	-1 780
Departments	-832	-809	-765	-774	-779
Financing	**4 203**	**2 417**	**2 002**	**4 501**	**5 001**
Loans	4 131	2 412	2 000	4 500	5 000
Purchases	–	–	–	–	–
Interest	72	5	2	1	1
Closing balance	**7 119**	**4 590**	**2 172**	**1 030**	**1 327**

Source: National Treasury

Government will continue to explore financing instruments that offer concessional loan terms to support its developmental objectives, including implementation of the Just Energy Transition Investment Plan. In 2024/25, the equivalent of US$2 billion will be raised from international institutions – and US$9.5 billion over the next two years.

Table 7.5 Borrowing from international finance institutions

Institutions	Disbursement date	Interest rate	Terms (years)	Grace period[1] (years)	Amount billion
New Development Bank	20 July 2020	6-month LIBOR[2] plus 1.25%	30	5	US$1.0
International Monetary Fund	29 July 2020	1.0660%	5	3.25	US$4.3
African Development Bank	15 October 2020	3-month JIBAR[3] plus 0.8%	20	5	R5.0
New Development Bank	17 June 2021	6-month LIBOR[2] plus 1.25%	30	5	US$1.0
New Development Bank	15 November 2021	6-month LIBOR[2] plus 1.05%	25	4.5	US$1.0
World Bank	22 March 2022	6-month SOFR[4] plus 0.75%	13	3	US$0.75
World Bank	22 September 2022	6-month EURIBOR[5] plus 0.67%	13	3	EUR0.45
French Development Bank	22 December 2022	6 month EURIBOR[5] plus 1.29%	20	5	EUR0.3
KfW Development Bank	20 January 2023	6-month EURIBOR[5] plus 0.69%	20	5	EUR0.3
African Development Bank	22 December 2023	6-month SOFR[4] plus 1.22%	12	2	US$0.3
World Bank	26 January 2024	Fixed at 3.55%	15	5	US$1.0
KfW Development Bank	09 February 2024	Fixed at 4.4%	15	3	EUR0.5
Government of Canada		TBD[6]	10	–	CAD0.120

1. A period after the disbursement where no capital repayments are required
2. LIBOR (London Interbank Offered Rate)
3. JIBAR (Johannesburg Interbank Average Rate)
4. SOFR (Secured Overnight Financing Rate)
5. EURIBOR (Euro Interbank Offered Rate)
6. Government of Canada's 10-year zero coupon bond rate prevailing at the time of the loan signing
Source: National Treasury

Cash balances

Government's cash holdings consist of deposits held at commercial banks and the Reserve Bank. The latter is foreign-currency accumulation deposits relating to proceeds from foreign loans. At the end of 2023/24, total cash balances are estimated to be at R150.3 billion. Domestic cash balances will amount to R65 billion, of which a portion will be used to finance the gross borrowing requirement in 2024/25. Foreign-currency deposits will be used to finance a portion of the foreign-currency commitments. Over the medium term, foreign-currency balances will average US$1.5 billion.

Table 7.6 Change in cash balance

	2022/23	2023/24		2024/25	2025/26	2026/27
R million	Outcome	Budget	Revised	Medium-term estimates		
Rand currency						
Opening balance	169 853	122 081	120 501	65 000	50 000	50 000
Closing balance	120 501	61 000	65 000	50 000	50 000	50 000
of which:						
Tax and loan accounts	*128 696*	*61 000*	*65 000*	*50 000*	*50 000*	*50 000*
Change in rand cash balance[1] (opening less closing balance)	49 352	61 081	55 501	15 000	–	–
Foreign currency[2]						
Opening balance	93 389	113 209	113 409	85 261	47 149	25 396
Closing balance	113 409	87 969	85 261	47 149	25 396	31 262
US$ equivalent	*7 119*	*5 011*	*4 590*	*2 172*	*1 030*	*1 327*
Change in foreign currency cash balance[1] (opening less closing balance)	-20 020	25 240	28 148	38 112	21 753	-5 866
Total change in cash balances[1]	29 332	86 321	83 649	53 112	21 753	-5 866
Total closing cash balance	233 910	148 969	150 261	97 149	75 396	81 262

1. A positive value indicates that cash is used to finance part of the borrowing requirement
2. Rand values at which foreign currency was purchased or borrowed
Source: National Treasury

GOVERNMENT DEBT AND DEBT-SERVICE COSTS

National government debt

National government debt (Table 7.7) is expected to stabilise at 75.3 per cent of GDP in 2025/26 – lower than the 77.7 per cent projected in the 2023 MTBPS – and to decline thereafter. The GFECRA distribution is the main factor in this reduction.

Table 7.7 Total national government debt[1]

End of period R billion	2022/23 Outcome	2023/24 Estimate	2024/25 Medium-term estimates	2025/26	2026/27
Domestic loans[2]	**4 209.8**	**4 641.1**	**4 949.2**	**5 364.8**	**5 640.0**
Short-term	422.6	510.5	543.5	590.5	624.5
Long-term	3 787.2	4 130.6	4 405.7	4 774.3	5 015.6
Fixed-rate	*2 743.8*	*2 982.9*	*3 220.0*	*3 394.3*	*3 461.3*
Inflation-linked	*992.2*	*1 029.7*	*1 031.2*	*1 184.9*	*1 314.3*
Floating rate note	*51.2*	*118.0*	*154.4*	*195.1*	*239.9*
Foreign loans[2]	**555.7**	**566.2**	**573.0**	**594.4**	**653.1**
Gross loan debt	**4 765.4**	**5 207.3**	**5 522.2**	**5 959.2**	**6 293.2**
Less: National Revenue Fund	-249.2	-150.7	-89.9	-68.8	-74.5
Net loan debt	**4 516.3**	**5 056.6**	**5 432.3**	**5 890.3**	**6 218.7**
As percentage of GDP:					
Gross loan debt	*70.9*	*73.9*	*74.1*	*75.3*	*74.7*
Net loan debt	*67.2*	*71.7*	*72.9*	*74.4*	*73.8*

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review
2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates
Source: National Treasury

Foreign-currency debt will average R606.9 billion or 10.2 per cent of gross debt over the medium term, well within the 15 per cent risk benchmark. Foreign-currency exposure is partly offset by foreign-currency deposits, which amount to US$4.6 billion in 2023/24.

In 2023/24, debt stock increased by R441.9 billion. The main budget deficit accounts for 75 per cent of this increase, while interest-, inflation- and exchange-rate changes account for the remainder. The medium-term increase in gross loan debt will be driven by the budget deficit and the financing of the Eskom debt-relief arrangement, offset by the GFECRA distribution.

Table 7.8 Analysis of annual increase in gross loan debt

R million	2022/23 Outcome	2023/24 Estimate	2024/25 Medium-term estimates	2025/26	2026/27
Budget deficit	309 938	331 386	320 946	308 151	287 218
Eskom debt-relief arrangement	–	76 000	64 154	110 223	–
GFECRA settlement	–	–	-100 000	-25 000	-25 000
Discount on loan transactions	62 252	59 619	30 950	25 044	11 149
Revaluation of inflation-linked bonds[1]	59 881	54 437	48 087	48 073	53 656
Revaluation of foreign-currency debt[1]	94 848	12 553	10 573	-1 913	6 114
Change in cash and other balances[2]	-38 954	-92 079	-59 869	-27 609	882
Total	**487 965**	**441 916**	**314 841**	**436 970**	**334 018**

1. Revaluation based on National Treasury projections of inflation and exchange rates
2. A negative value indicates that cash is used to finance part of the borrowing requirement
Source: National Treasury

National government debt-service costs

Debt-service costs are determined by debt stock, new borrowing and macroeconomic variables such as interest, inflation and exchange rates. In 2023/24, debt-service costs were revised upwards by R15.7 billion compared with the 2023 Budget estimate, mainly due to the higher budget deficit. As a share of GDP, debt-service costs are projected to average 5.2 per cent over the medium term; as a share of revenue, they are expected to increase from 20.8 per cent in 2023/24 to 21.1 per cent in 2026/27.

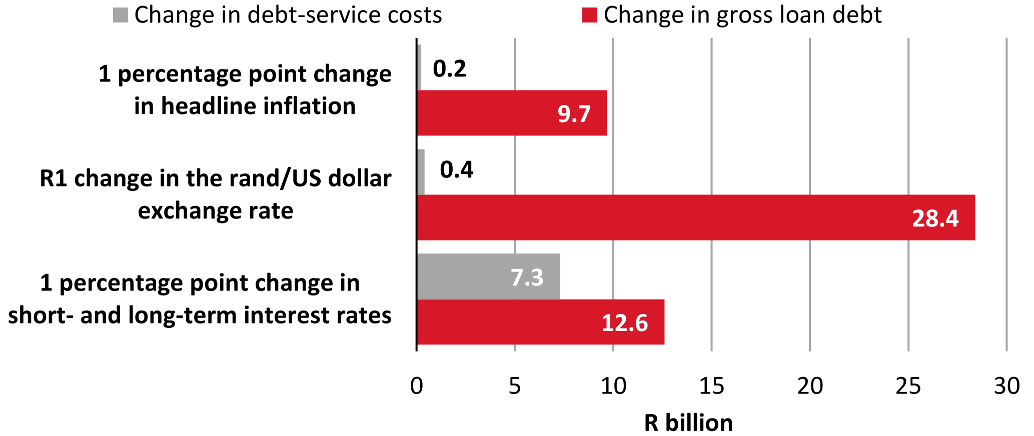
Table 7.9 National government debt-service costs

	2022/23	2023/24		2024/25	2025/26	2026/27
R million	Outcome	Budget	Revised	Medium-term estimates		
Domestic loans	284 134	317 018	325 087	354 083	384 312	407 102
Short-term	41 674	40 473	43 650	48 097	49 304	53 552
Long-term	242 459	276 545	281 437	305 986	335 008	353 550
Foreign loans	24 325	23 442	31 054	28 100	30 351	33 138
Total	**308 459**	**340 460**	**356 141**	**382 183**	**414 664**	**440 240**
As percentage of:						
GDP	*4.6*	*4.9*	*5.1*	*5.1*	*5.2*	*5.2*
Expenditure	*15.4*	*16.7*	*17.4*	*17.9*	*18.4*	*18.6*
Revenue	*18.2*	*19.4*	*20.8*	*21.1*	*21.3*	*21.1*

Source: National Treasury

Figure 7.7 illustrates the sensitivity of debt and debt-service costs to changes in macroeconomic variables such as interest-, inflation- and exchange rates. A 1 percentage point increase in inflation and interest rates, together with a R1 depreciation of the rand against the dollar, results in a R50.7 billion increase in gross loan debt and a R7.9 billion increase in debt-service costs.

Figure 7.7 Sensitivity of debt and debt-service costs



Source: National Treasury

CONTINGENT LIABILITIES

Contingent liabilities are state obligations that will result in expenditure if a specific event occurs. Government closely monitors the status of these liabilities, which include guarantees to state-owned companies, independent power producers and public-private partnerships, along with provisions for multilateral institutions and other fiscal obligations.

Government's *guarantee exposure* consists of the sum of the outstanding value of a loan, accrued interest and adjustments to inflation-linked bonds. The *guarantee amount*, however, reflects only the capital value of the loan. As a result, exposure may exceed the approved guarantee amount.

Total approved guarantees to state-owned companies are expected to increase by R33 billion to R503.3 billion by 31 March 2024, while the exposure amount will decrease by about R16.6 billion to R416.3 billion. Eskom accounts for 85 per cent of exposure.

The main guarantee and exposure changes during 2023/24 were as follows:

- South African National Roads Agency Limited exposure amounts declined by R8.7 billion to R29.5 billion due to redemptions.
- Transnet was granted a new guarantee of R47 billion, with R22.8 billion available for immediate use. The guarantee is mainly to address persistent challenges relating to liquidity and supply chain backlogs.
- In December 2023, the Minister of Finance withdrew historical guarantees from Denel totalling R5.9 billion following the expiration of part of the guarantees and the non-use of another portion.

In line with government's intent to improve transparency and the management of contingent liabilities, Cabinet members who have requested guarantees for state-owned companies are now required to report those requests to Parliament once they have been considered by the Minister of Finance.

Other guarantees and contingent liabilities

Table 7.10 Government guarantee exposure[1]

	2021/22		2022/23		2023/24	
R billion	**Guarantee**	**Exposure[2]**	**Guarantee**	**Exposure[2]**	**Guarantee**	**Exposure[2]**
Public institutions	**559.9**	**395.3**	**470.3**	**433.0**	**503.3**	**416.3**
of which:						
Eskom	*350.0*	*313.0*	*341.6*	*362.3*	*326.6*	*354.0*
SANRAL	*37.9*	*42.0*	*37.9*	*38.2*	*37.9*	*29.5*
Trans-Caledon Tunnel Authority	*25.0*	*9.6*	*25.0*	*8.7*	*25.0*	*8.1*
South African Airways	*19.1*	*2.8*	*19.1*	*0.2*	*19.1*	*0.1*
Land and Agricultural Development Bank of South Africa	*9.6*	*1.9*	*8.1*	*0.6*	*8.0*	–
Development Bank of Southern Africa	*9.9*	*5.2*	*10.1*	*5.7*	*10.2*	*6.1*
Transnet	*3.5*	*3.8*	*3.5*	*3.8*	*50.5*	*9.8*
Denel	*3.4*	*3.5*	*3.4*	*3.4*	–	–
South African Express	*0.0*	*0.0*	–	–	–	–
Industrial Development Corporation	*0.5*	*0.1*	*0.6*	*0.1*	*0.6*	*0.2*
South African Reserve Bank[3]	*100.0*	*12.8*	*20.0*	*9.3*	*21.0*	*8.0*
Independent power producers	**200.2**	**165.7**	**208.5**	**187.1**	**277.9**	**207.1**
Public-private partnerships[4]	**7.9**	**7.9**	**7.1**	**7.1**	**6.2**	**6.2**

1. A full list of guarantees is given in Table 11 of the statistical annexure in the Budget Review
2. Total amount of borrowing, adjustments to inflation-linked bonds as a result of inflation rate changes and accrued interest
3. In April 2022, the Minister approved the reduction of the loan guarantee scheme to R20 billion
4. These amounts only include national and provincial PPP agreements
Source: National Treasury

Contingent liability risks from independent power producers present a low risk to the public finances. As at 31 March 2024, government's commitment in relation to the Renewable Energy Independent Power Producer Procurement Programme is expected to increase to R277.9 billion. The value of signed projects, which represents government's exposure, is expected to amount to R207.1 billion by 31 March 2024. The exposure will increase to R208.6 billion by 2024/25 before declining to R184.7 billion by 2025/26 and R162.6 billion by 2026/27.

Contingent liability exposure from public-private partnerships arises mainly from early termination of contracts. During 2023/24, contingent liabilities from these partnerships decreased by about R900 million to R6.2 billion as a number of projects reached maturity. Total exposure is expected to decline to R4.3 billion in 2024/25, R2.9 billion in 2025/26 and R2.4 billion in 2026/27.

Table 7.11 shows government's exposure to multilateral institutions and other implicit contingent liabilities. South Africa subscribes to shares in several multilaterals, but does not pay the full amount. These commitments represent the unpaid portion of the share subscribed to in the unlikely event these institutions run into financial difficulty.

Table 7.11 Provision for multilateral institutions and other contingent liabilities

R billion	2021/22	2022/23	2023/24
Multilateral institutions	**474.7**	**578.7**	**583.0**
of which:			
New Development Bank	*116.6*	*142.2*	*149.5*
African Development Bank	*122.7*	*149.7*	*157.4*
International Monetary Fund	*204.8*	*246.4*	*233.6*
World Bank Group	*30.6*	*40.4*	*42.5*
Other contingent liabilities	**473.1**	**430.4**	**425.7**
of which:			
Export Credit Insurance Corporation of South Africa	*10.6*	*5.5*	*3.0*
Post-retirement medical assistance	*69.9*	*69.9*	*69.9*
Road Accident Fund	*356.6*	*355.0*	*352.8*

Source: National Treasury

Net valuation profits and losses

Government's largest contingent asset is the Gold and Foreign Exchange Contingency Reserve Account. It reflects profits and losses on gold and foreign exchange reserves, held by the Reserve Bank, to meet foreign exchange obligations and to maintain liquidity in the presence of external shocks. GFECRA is estimated to reach R503.3 billion by 31 March 2024. In terms of the proposed GFECRA settlement agreement, the balance will reduce by R250 billion, of which R150 billion will go towards reducing government's gross borrowing requirement and R100 billion will be distributed to the Reserve Bank's contingency reserve.

CONCLUSION

Government will continue to manage its debt portfolio in a prudent and sustainable manner. Gross debt is now expected to stabilise in 2025/26 at 75.3 per cent of GDP.

8

2024 BUDGET REVIEW

FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Most state-owned companies remain in distress due to weak governance, financial strain and poor operational performance.
- Eskom and Transnet are implementing reforms in line with their respective debt-relief and guarantee conditions, although progress is slow.
- Development finance institutions continue to recover and show resilience in a difficult economic climate, although the Land Bank remains in default.
- The financial position of the social security funds is expected to deteriorate over the medium term.

OVERVIEW

This chapter reports on the financial position of major state-owned companies, development finance institutions and social security funds. These entities continue to be affected by the subdued economic environment, poor governance and operational factors. Most state-owned companies remain in distress and rely on government bailouts to continue operations, while development finance institutions show more resilience.

STATE-OWNED COMPANIES

Companies listed in schedule 2 of the Public Finance Management Act (1999), or major public entities, are intended to operate as sustainable businesses that generate profits and can borrow on the strength of their balance sheets. These entities have extensive borrowing powers compared with other public entities. However, their lack of capital investment has affected their ability to generate revenue, while operational costs continue to increase. Many state-owned companies have failed to implement their turnaround plans. This has resulted in deteriorating profitability, an increased need for guarantees in order to borrow and more requests for bailouts.

Table 8.1 summarises the financial position of state-owned companies at the end of 2022/23. There is a growing trend of entities failing to submit their financial statements on time, largely due to going-concern issues.

Table 8.1 Combined balance sheets of state-owned companies[1]

R billion/per cent growth	2018/19	2019/20	2020/21[2]	2021/22[2]	2022/23[3]
Total assets	1 269.0	1 313.4	1 251.9	1 283.4	1 276.3
	0.5%	*3.5%*	*-4.7%*	*2.5%*	*-0.6%*
Total liabilities	927.0	960.7	871.7	864.4	868.9
	2.9%	*3.6%*	*-9.3%*	*-0.8%*	*0.5%*
Net asset value	342.0	352.7	380.2	419.0	407.4
	-5.5%	*3.1%*	*7.8%*	*10.2%*	*-2.8%*
Return on equity (average)	-8.0%	-9.9%	-13.1%	-2.6%	-7.7%

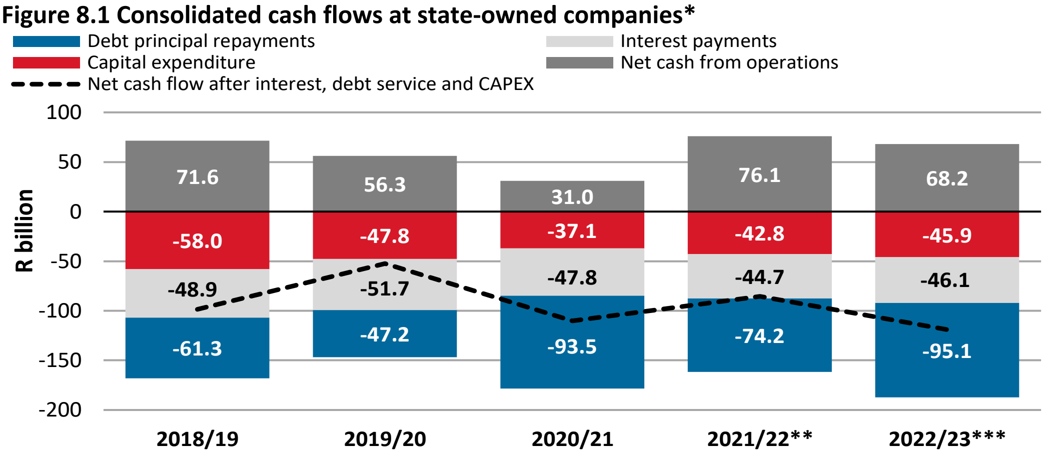
1. State-owned companies listed in schedule 2 of the PFMA, excluding development finance institutions
2. Numbers may differ from earlier publications due to restatement or error
3. Delayed release of audited financial statements from some companies; therefore, unaudited financial results or quarter 4 reports for 2022/23 were used
Source: National Treasury

While the financial position of state-owned companies rebounded after the COVID-19 pandemic in 2021/22, the tough economic environment and historically poor operational performance meant that their overall financial position deteriorated in 2022/23. Subsequently, the Eskom debt-relief arrangement was introduced, the South African Post Office was placed in business rescue and a guarantee framework agreement was concluded for Transnet.

Total assets decreased marginally by 0.6 per cent to R1.28 trillion in 2022/23. The net asset value declined by 2.8 per cent to R407.4 billion in 2022/23, primarily due to increased losses reported by the majority of state-owned companies. Average profitability, measured by return on equity, deteriorated from -2.6 per cent in 2021/22 to -7.7 per cent in 2022/23. The negative return on equity is largely the result of weak revenue growth, high costs and elevated debt-service costs.

Figure 8.1 shows a decline in the combined cash flow of major state-owned companies in 2022/23. Falling profitability led to a 10.5 per cent decrease in net cash from operations, from R76.1 billion in 2021/22 to R68.2 billion in 2022/23. While capital expenditure increased by 7.4 per cent from R42.8 billion in 2021/22 to R45.9 billion, it remains below budget primarily due to declining cash flows. Debt-service costs – including interest on debt and repayments of the principal – continue to put pressure on cash flows.

Figure 8.1 Consolidated cash flows at state-owned companies*



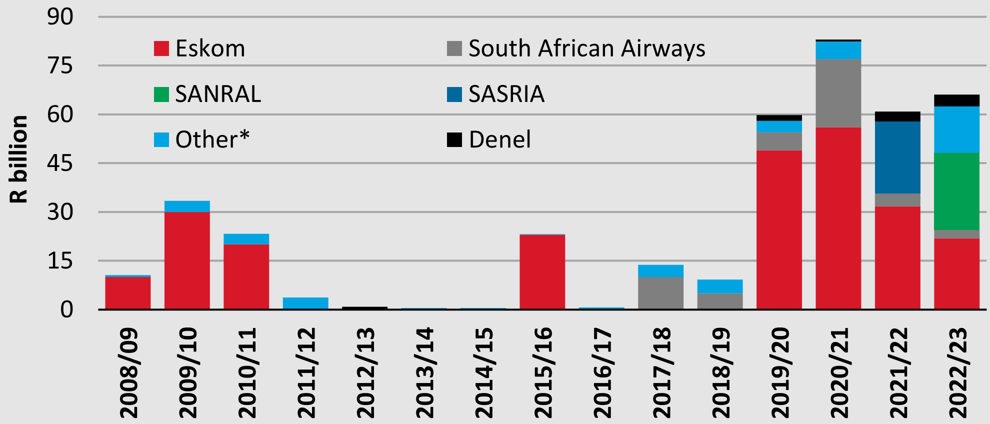
**State-owned companies listed in the PFMA schedule, excluding development finance institutions*
***Please note that numbers may differ from earlier publications due to restatement or error*
****Due to reporting delays, unaudited financial results or quarter 4 reports for 2022/23 were used*
Source: National Treasury

Insufficient revenue collection and high operating costs continue to reduce the cash available to fund business operations. Net cash available after interest, debt service and capital expenditure declined by 39.1 per cent to -R119 billion in 2022/23. State-owned companies are struggling to access capital markets without government guarantees and, increasingly, request bailouts to service debt and fund turnaround plans – which is unsustainable. These bailouts erode policy space, as they require the redirection of resources from key public service priorities, such as education, public safety and criminal justice, to entities that are meant to be financially self-sufficient.

How state-owned company support has become a drain on the fiscus

A key driver of South Africa's increasingly constrained fiscal position is the expansion of financial support to state-owned companies. Eskom has dominated these bailouts. From 2008/09 to 2022/23, Eskom received R241.6 billion in fiscal support. In some cases, rapid injections through the budget had little to no impact on the service offering. For example, South African Airways (SAA) received a total of R48.2 billion over six years and still went into business rescue.

Figure 8.2 Recapitalisation of state-owned companies



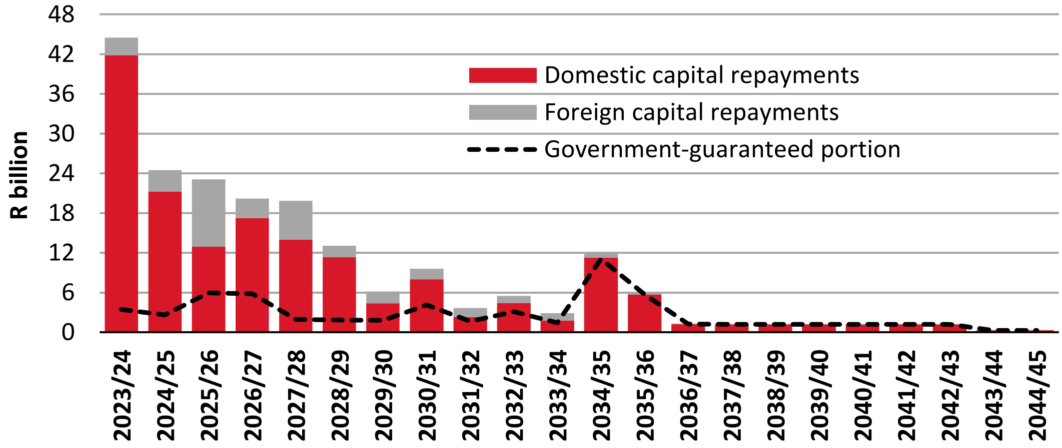
**Includes DBSA, SABC, Transnet, Airports Company South Africa, Land Bank, South African Express, South African Post Bank and SAPO*
Source: National Treasury

Government has been working to reduce its exposure, as expressed by the guarantee portfolio of these companies. Between March 2022 and March 2023, loan guarantees issued declined from R559.9 billion to R478.5 billion. However, this does not deal with the core challenges facing these institutions. For this reason, several reforms have been implemented to mitigate such fiscal exposure. These reforms include improving the transparency of guarantees for better monitoring and accountability, and using guarantee conditions to raise operational efficiency and reduce financial reliance on government – such as by requiring cost optimisation and private-sector participation.

DEBT OBLIGATIONS

Figure 8.3 shows total debt maturing over the medium term but excludes Eskom, SAA and Transnet as their quarterly reports are outstanding. Debt is expected to amount to R67.8 billion, of which 21 per cent (or R14.4 billion) is guaranteed by government. Foreign capital repayments constitute 76 per cent (or R16.4 billion) of total expected maturities.

Figure 8.3 Debt maturity profile of major state-owned companies*



**Airports Company South Africa, Denel, SANRAL and Trans-Caledon Tunnel Authority. Eskom, SAA and Transnet are excluded because their quarterly reports are outstanding*
Source: National Treasury

Table 8.2 shows the borrowing requirement of selected state-owned companies. These companies borrowed R58.4 billion in 2022/23 against a projected R94.5 billion. Of the amount raised during 2022/23, R51.4 billion (or 88 per cent) was attributable to Transnet. About 60 per cent of this was sourced from foreign bond issuances and loans from development finance institutions and multilateral agencies.

Table 8.2 Borrowing requirement of state-owned entities[1]

R billion	2021/22		2022/23		2023/24	2024/25	2025/26	2026/27[2]
	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**25.8**	**34.9**	**60.0**	**29.1**	**17.9**	**22.4**	**27.6**	**11.9**
Short-term	6.0	8.6	–	5.7	3.0	3.0	3.0	3.0
Long-term	19.8	26.3	60.0	23.4	14.9	19.4	24.6	8.9
Foreign loans (gross)	**24.6**	**4.0**	**34.5**	**29.3**	**18.4**	**4.1**	**7.7**	**2.0**
Long-term	24.6	4.0	34.5	29.3	18.4	4.1	7.7	2.0
Total	**50.4**	**38.9**	**94.5**	**58.4**	**36.3**	**26.5**	**35.3**	**13.9**
Percentage of total:								
Domestic loans	*51.2%*	*89.6%*	*63.5%*	*49.9%*	*49.2%*	*84.5%*	*78.3%*	*85.6%*
Foreign loans	*48.8%*	*10.4%*	*36.5%*	*50.1%*	*50.8%*	*15.5%*	*21.7%*	*14.4%*

1. ACSA, SANRAL, TCTA, Transnet, Denel, Eskom (excludes actuals for 2022/23)
2. TCTA did not provide forecasts for 2026/27
3. ACSA, Eskom, Sanral, TCTA (except for 2026/27), Transnet, SAA, Denel
Source: National Treasury

Borrowing in 2023/24 is expected to amount to R36.3 billion, a decline of 61.6 per cent from R94.5 billion budgeted in 2022/23. The Trans-Caledon Tunnel Authority and Eskom account for the expected decline, in particular due to the debt-relief arrangement that significantly limits Eskom's borrowing powers. In aggregate, Eskom and Transnet account for 92.3 per cent (R33.5 billion) of planned borrowing for 2023/24. Over the medium term, state-owned companies are expected to rely on domestic funding.

Denel

Denel remains unable to fulfil its financial obligations. It was allocated R3.4 billion through the Special Appropriation Act (2022), with conditions related to the implementation of its turnaround plan and future sustainability. This was to enable Denel to consolidate operations, dispose of non-core assets and finalise identified strategic equity partnerships. To date, Denel has drawn down R2.2 billion of the package to settle statutory obligations and legacy debt obligations and to fund working capital requirements. The balance of R1.2 billion has been ring-fenced and will be accessible once Denel makes progress on the conditions.

Denel has not submitted annual financial statements for the last three years.

Eskom

In its first year, the Eskom debt-relief arrangement is designed to address financial and operational weaknesses. Financial sustainability is compromised by poor generating performance, declining sales, the utility's increasing primary energy costs, escalating municipal arrear debt and high debt-service costs. In 2022/23, Eskom generated a loss of R24 billion. It continues to rely on government support for liquidity.

Eskom's operational performance has deteriorated significantly over the years. The power system remains unpredictable and unreliable, with power cuts expected to continue until the capacity shortage of 4 000 MW to 6 000 MW is addressed. Eskom has developed a generation recovery plan, which will include recommendations from the VGBE consortium's independent assessment of coal-fired power stations. The National Treasury is engaging with the Ministry of Electricity, the Minister of Public Enterprises and Eskom on how to include these recommendations in the operational conditions for 2024/25.

Of the R78 billion allocated for 2023/24 in the Eskom Debt Relief Act (2023), R44 billion has been provided to Eskom and R16 billion of this amount was converted to equity after Eskom complied with all the conditions for the first quarter. An amendment to the act has been proposed to empower the Minister of Finance to charge interest on the loan and reduce the debt-relief allocations if Eskom does not comply with the conditions. The interest rate is designed to be market-related and reflect the cost of this arrangement without negatively affecting Eskom's cash flow. As Eskom will fail to dispose of the Eskom Finance Company by the agreed timeframe of 31 March 2024, government proposes to reduce the allocations of R78 billion in 2023/24 and R66 billion in 2024/25 by R2 billion in each year.

Government has been working in partnership with the International Finance Corporation to agree on the short-term options for off-balance sheet financing to accelerate private-sector investment in transmission without negatively affecting Eskom's balance sheet and the fiscus. A pilot project will be implemented to test the market appetite for the proposed option, with a request for proposals expected to be issued by end-July 2024.

South African Post Office

In 2022/23, the South African Post Office (SAPO) marginally improved its net loss position by 3 per cent to R2.2 billion, primarily due to decreased costs. Its historical challenge has been a high fixed cost base that needs to be restructured to match operations. SAPO has reported net losses for the past 10 years. It was placed in business rescue on 10 July 2023, is currently insolvent and cannot pay creditors or meet statutory obligations. The Adjustments Appropriation Act (2022) allocated R2.4 billion to SAPO, which will be used to implement a business rescue plan approved by creditors in December 2023. SAPO is required to meet certain preconditions in order to access the funds.

Transnet

Transnet plays a central role in moving goods and commodities to local and international markets. Its performance has been very poor, with operations strained by its deteriorating financial state. Transnet has consistently registered below-target financial performance across its operating divisions due to a combination of economic factors, operational inefficiencies and the effect of shocks such as the KwaZulu-Natal floods on operations and infrastructure. Transnet reported a net loss of R5.7 billion for 2022/23. Its inability to generate sufficient cash from operations has seen total borrowing increase from R122.6 billion at end-March 2018 to R131.8 billion by end-December 2023, increasing the burden of interest cost, refinancing risk and liquidity pressures.

In December 2023, government provided a R47 billion guarantee to the entity to assist with maturing debt and the implementation of a recovery plan. Transnet has been granted approval to use only R14 billion of the guarantee between December 2023 and March 2024 to pay off maturing debt. This is to ensure that Transnet implements the short-term initiatives in the recovery plan and aligns it with the Cabinet-approved roadmap for freight logistics. The key areas identified to improve operational performance in the short term include accelerating capital spending on operational equipment such as port cranes, marine vessels and rail rolling stock. The rail recovery focuses on allocating capital for the rehabilitation of rail infrastructure and returning older locomotives to service.

Government and Transnet have agreed on conditions required to improve sustainability at Transnet and in the sector, encapsulated in Transnet's recovery plan. Transnet is required to divest non-core assets, reduce its current cost structure and explore alternative funding models for infrastructure and maintenance, including project finance, third-party access, concessions and joint ventures.

DEVELOPMENT FINANCE INSTITUTIONS

Development finance institutions play an important role in creating jobs, raising inclusive economic growth and enabling infrastructure expansion by channelling investments in key sectors and supporting small to medium businesses. In 2022/23, the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC) and the Land Bank continued to recover amid weak economic growth and the lingering effects of the COVID-19 pandemic. Table 8.3 summarises their performance. The net asset value of development finance institutions in 2022/23 grew by 2.1 per cent to R160.9 billion, mostly due to improved operational performance attributed to interest rate hikes and growth in disbursements in line with the entities' mandates, as well as the results of implementing restructuring plans and the transfer of government equity to the Land Bank in 2023/24.

Table 8.3 Financial position of selected development finance institutions

R billion	2018/19	2019/20	2020/21[1]	2021/22[1]	2022/23
IDC					
Total assets	**144.6**	**109.7**	**135.8**	**164.0**	**159.3**
Loan book	25.9	29.1	25.5	24.3	26.9
Equity and other investments	118.7	80.6	110.3	139.7	132.4
Total liabilities	**49.3**	**49.4**	**53.3**	**52.9**	**51.0**
Net asset value	**95.3**	**60.3**	**82.5**	**111.1**	**108.3**
DBSA					
Total assets	**89.5**	**100.5**	**100.0**	**100.0**	**108.5**
Loan book	77.1	86.2	82.7	84.2	93.7
Equity and other investments	12.4	14.3	17.3	15.8	14.8
Total liabilities	**52.3**	**62.9**	**60.9**	**57.1**	**60.9**
Net asset value	**37.2**	**37.6**	**39.1**	**42.9**	**47.6**
Land Bank					
Total assets	**47.7**	**44.1**	**40.0**	**34.4**	**34.6**
Loan book	39.8	39.5	30.7	20.5	14.8
Equity and other investments	7.9	4.6	9.3	13.9	19.9
Total liabilities	**45.8**	**43.8**	**37.6**	**30.8**	**29.6**
Net asset value	**1.9**	**0.3**	**2.4**	**3.6**	**5.0**

1. Numbers may differ from earlier publications due to restatement or error
Source: National Treasury

Development finance institutions raised borrowing mainly to finance lending in line with their mandates. During 2022/23, the three institutions borrowed R13.1 billion against a planned R29.4 billion. Of this amount, 80 per cent was sourced domestically through bond issuances and bank loans. Lower borrowing of R24.5 billion is projected for 2023/24, with domestic sources expected to account for 72 per cent of this total.

Table 8.4 Borrowing requirement for development finance institutions[1]

	2021/22		2022/23		2023/24	2024/25	2025/26	2026/27[2]
R billion	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**12.4**	**9.2**	**17.2**	**10.4**	**17.6**	**18.0**	**9.7**	**–**
Short-term	3.1	1.4	1.6	–	2.5	6.1	4.5	–
Long-term	9.3	7.8	15.6	10.4	15.1	11.9	5.2	–
Foreign loans (gross)	**7.3**	**1.8**	**12.2**	**2.7**	**6.9**	**7.3**	**11.9**	**–**
Long-term	7.3	1.8	12.2	2.7	6.9	7.3	11.9	–
Total	**19.7**	**11.0**	**29.4**	**13.1**	**24.5**	**25.3**	**21.6**	**–**
Percentage of total:								
Domestic loans	*63.1%*	*83.3%*	*58.6%*	*79.7%*	*71.8%*	*71.1%*	*45.0%*	*0.0%*
Foreign loans	*36.9%*	*16.7%*	*41.4%*	*20.3%*	*28.2%*	*28.9%*	*55.0%*	*0.0%*

1. Land Bank, Development Bank of Southern Africa and Industrial Development Corporation
2. IDC and DBSA have been excluded as no forecasts were provided for 2026/27
3. Land Bank was excluded due to non-submission of forecasts
Source: National Treasury

Development Bank of Southern Africa

The DBSA promotes economic growth and regional integration by mobilising financial and other resources for sustainable development projects in South Africa and Africa. It reported a strong financial performance in 2022/23 and increased disbursements from R13.2 billion in 2021/22 to R13.7 billion in 2022/23, in line with targets. Earnings of

R4.2 billion exceeded expectations, lifted by higher net interest income of R6.5 billion relative to R5.8 million a year earlier. This was a result of increased interest rates and higher-than-anticipated loan disbursements for the year. While the DBSA is working on introducing a comprehensive approach to integrated planning for municipalities, it continued to provide under-resourced municipalities with infrastructure planning support. By drawing on the non-lending development subsidy, it unlocked R2.1 billion in infrastructure funding for these municipalities.

Industrial Development Corporation

The IDC continues to support economic growth and recovery. In 2022/23, net profit grew to R10.7 billion from R6.3 billion in 2021/22. Disbursements increased from R7.2 billion in 2021/22 to R17.8 billion in 2022/23. Funds totalling R7.6 billion were disbursed to support the industrialisation of black-owned firms, while R1.6 billion was disbursed to women- and youth-owned enterprises. The IDC's total revenue increased by 37.6 per cent from R18.6 billion in 2021/22 to R25.6 billion in 2022/23 as a result of increases in the prime rate and disbursement levels, as well as improved performance in subsidiaries, supported by increased volumes and stronger commodity prices. Dividend income continued to boost revenues with stable income mainly from listed investments. The IDC's fund to support businesses affected by the 2022 floods in KwaZulu-Natal disbursed R1.3 billion in 2022/23.

The Land Bank

The Land Bank finances the agricultural sector in line with government policy objectives. It has been in default since it failed to meet its debt obligations in April 2020. The Land Bank and its lenders are expected to conclude agreements to end the default during 2024/25. Government used a portion of the R7 billion allocated to the Land Bank over the period 2021/22 to 2023/24 to repay its remaining guaranteed debt during 2023/24.

Net profit in 2022/23 fell to R501 million relative to R1.3 billion generated in 2021/22. The deterioration is primarily due to lower impairment reversals during 2022/23. Profit margins remain under pressure due to the declining loan book, changes in the portfolio mix and the high cost of funding. Non-performing loans deteriorated from 47.8 per cent on 31 March 2022 to 51.9 per cent on 31 March 2023, mainly because of the decrease in gross loans. The Land Bank is implementing a strategy to reduce its non-performing loans.

Renewed partnerships with the Department of Agriculture, Rural Development and Land Reform and other sectoral partners aim to increase assistance to emerging farmers through blended financing. Ending the default is key for these programmes to succeed.

SOCIAL SECURITY FUNDS

Social security funds provide compensation or income support for individuals facing unemployment or those affected by road and workplace accidents. Over the medium term, these funds are projected to accumulate total revenue of R274.9 billion, primarily from contributions and earmarked allocations. Total expenditure is estimated at

R225 billion, primarily designated for benefit payments. As of 2022/23, aggregate assets held by the funds amounted to R260.8 billion, with the Unemployment Insurance Fund constituting 52.1 per cent of this total. Total liabilities for 2022/23 stand at R419.2 billion, with the Road Accident Fund (RAF) accounting for 84.8 per cent of these. Over the medium term, the overall position of the social security funds is expected to deteriorate. Detailed financial information for these funds is available in the *Estimates of National Expenditure*.

Table 8.5 Financial position of social security funds

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome			Estimate	Medium-term estimates		
Unemployment Insurance Fund							
Total assets	118.2	125.2	136.0	129.0	132.4	135.8	142.1
Total liabilities	23.3	20.6	21.7	19.9	20.8	21.9	22.9
Net asset value	94.9	104.6	114.2	109.1	111.6	114.0	119.2
Compensation Fund[1]							
Total assets	90.6	104.4	112.2	118.2	139.6	150.6	162.3
Total liabilities	49.3	47.0	41.9	38.9	58.1	60.5	63.3
Net asset value	41.3	57.5	70.3	79.3	81.5	90.1	99.1
Road Accident Fund							
Total assets	15.7	12.3	12.6	17.5	18.3	19.2	20.1
Total liabilities	362.1	357.0	355.5	353.3	370.3	387.7	405.5
Net asset value	-346.5	-344.7	-342.9	-335.9	-352.0	-368.5	-385.5

1. Includes Mines and Works Compensation Fund
Source: National Treasury

Unemployment Insurance Fund

The Unemployment Insurance Fund provides short-term unemployment insurance to workers qualifying under the Unemployment Insurance Act (2001). Over the medium term, the fund will focus on providing social insurance benefits and expanding coverage to vulnerable groups and contributors. Benefit payments will account for an estimated 74.6 per cent of the fund’s expenditure over the next three years. Technological advancements are integral to these plans, including improvements in mobile applications to offer services and reduce queues in labour centres. Despite an anticipated average annual deficit of R3.3 billion, net asset value is projected to grow from R109.1 billion in 2023/24 to R119.2 billion in 2026/27 due to the accumulation of surpluses.

Compensation Fund

The Compensation Fund, including the Mines and Works Compensation Fund, is dedicated to compensating employees for disablement or death resulting from occupational injuries or diseases. The fund’s medium-term focus involves improving claim adjudication and processing times. Targets include improving the turnaround time from 90 per cent within 25 working days in 2023/24 to 95 per cent within 30 working days by 2026/27. The Compensation Fund anticipates a cash surplus of R2.1 billion in 2026/27, with projected revenue of R14.6 billion and expenditure of R12.5 billion. The net asset value is expected to improve from R79.3 billion in 2023/24 to R99.1 billion in 2026/27 due to accumulated surpluses.

Road Accident Fund

The RAF compensates road users for losses or damages resulting from motor vehicle accidents, funded through the RAF levy. Projections indicate a significant expansion of long-term provisions, constituting a large portion of total liabilities, from R355 billion in 2022/23 to R370.3 billion in 2024/25 and R405.5 billion by 2026/27. The RAF levy is expected to grow from R48.9 billion in 2023/24 to R49.5 billion in 2026/27, at an average annual rate of 0.4 per cent. However, the RAF's financial position is expected to deteriorate during this period. Expenditure is forecast to decrease from R45.4 billion in 2023/24 to R37.4 billion in 2026/27, at an average annual rate of 6.2 per cent.

GOVERNMENT EMPLOYEES PENSION FUND

The Government Employees Pension Fund (GEPF) is a defined benefit pension fund for government employees. Membership increased by 0.5 per cent to 1 267 307 active members and 336 629 pensioners and beneficiaries as of 31 March 2023. The GEPF remains solvent, with statutory actuarial valuations indicating that its assets exceed its best estimate of liabilities. Total benefits paid for all claims amounted to R137.4 billion in 2022/23, compared to R135.5 billion in 2021/22. Contributions income increased marginally from R82 billion in 2021/22 to R83.1 billion in 2022/23. As of 31 March 2023, the fund's net cash flow position was R53.1 billion.

Table 8.6 Selected income and expenditure of GEPF

R billion	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Revenue									
Employer contributions	20.3	21.7	23.4	25.1	26.9	28.6	28.7	28.8	23.3
Employee contributions	36.1	38.6	42.1	45.3	48.2	51.7	52.8	53.2	59.8
Investment income[1]	64.1	73.4	73.7	77.3	84.8	88.6	82.1	108.6	107.0
Expenditure									
Benefits paid	85.8	83.1	88.3	94.9	102.5	110.5	110.6	135.5	137.0

1. Dividends on listed equities, interest on bonds and money market instruments and income from unlisted properties and unlisted investments excludes adjustments for value of financial assets
Source: Government Pensions Administration Agency

CONCLUSION

Government continues to monitor the performance of state-owned companies and their impact on the public finances. Several state-owned companies are in processes of business rescue and obtaining independent financial advice to assist with restructuring for sustainability and continued developmental impact.

2024 BUDGET REVIEW

ANNEXURES

Two annexures are available on the National Treasury website (www.treasury.gov.za):

- Annexure W1: Explanatory memorandum to the division of revenue
- Annexure W2: Structure of the government accounts

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2024 BUDGET REVIEW

REPORT OF THE MINISTER OF FINANCE TO PARLIAMENT

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Section 7(4) of the Money Bills and Related Matters Act (2009) requires that the Minister of Finance submit a report to Parliament at the time of the budget explaining how the Division of Revenue Bill and the national budget give effect to recommendations made by Parliament or providing reasons for deviating from these recommendations. The recommendations to which this annexure responds are contained in:

- Budgetary review and recommendation reports submitted by portfolio committees of the National Assembly in terms of section 5 of the act.
- Reports submitted by the finance committees in terms of section 6 of the act on the fiscal framework proposed in the *Medium Term Budget Policy Statement* (MTBPS).
- Reports submitted by the appropriations committees in terms of section 6 of the act on the proposed division of revenue and the conditional grant allocations to provinces and local governments set out in the MTBPS.

BUDGETARY REVIEW AND RECOMMENDATION REPORTS

In terms of section 5 of the act, the National Assembly committees must assess the performance of each national department before the budget is introduced and prepare budgetary review and recommendation reports. These reports:

- Must provide an assessment of the department's service delivery performance given available resources.
- Must provide an assessment of the effectiveness and efficiency of the department's use and forward allocation of available resources.
- May include recommendations on the future use of resources.

This annexure provides responses to the recommendations of portfolio committees and those from finance committees where they relate to the National Treasury.

Several committees recommended making additional budget allocations available for certain programmes, sub-programmes or other budget items. Due to the constrained fiscal position, there is limited scope to do so. Consequently, departments, public entities and other institutions are required to reprioritise existing funds for emerging priorities. Furthermore, all accounting officers must implement measures to minimise inefficiency and waste to improve value for money.

PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR

The committee receives regular updates on engagements between the Department of Employment and Labour and the National Treasury on preferential procurement status of the Sheltered Employment Enterprises (SEE).

As noted in the 2023 Budget, the department has been advised to resolve the corporate form of the SEE by engaging with the Public Entities Governance Unit in the National Treasury. This may require a new business case because the previous one done in 2012 is outdated. The department will provide monthly reports on these engagements. A preferential procurement framework for government entities is being explored as part of the new Public Procurement Bill, which will aid the SEE factories.

Application should be made to the National Treasury (NT) for budget surpluses of other entities within the portfolio that are not going to be utilised by those entities to be transferred to the Commission for Conciliation, Mediation and Arbitration (CCMA).

According to the National Treasury Instruction No. 12 of 2020/2021, public entities listed in Schedules 3A and 3C of the Public Finance Management Act (1999) must, through their designated departments, apply to retain cash surpluses with the necessary motivations for its use. Surpluses that are surrendered to the National Treasury are re-deposited into the National Revenue Fund and cannot be reallocated in-year. Allocation of funding is part of the normal annual budget process and is dependent on the fiscal framework adopted.

Application should be made to the National Treasury to retain the budget surplus of the CCMA because of unforeseen or unavoidable circumstances.

The National Treasury informed the CCMA in September 2023 that its application to retain the 2022/23 surplus of R36.1 million had been approved.

PORTFOLIO COMMITTEE ON HIGHER EDUCATION, SCIENCE AND TECHNOLOGY

Additional resources and support should be provided for the Community Education and Training (CET) sector so that it can move from its development state and become the institution of choice for many young people and adults who are not in education, training, or employment. These colleges should also assist with the provision of programmes informed by their local economic needs.

Enrolments in the CET sector have been below target for the past three years, reaching 54 per cent of the target in 2022/23 and 36.7 per cent of the target in the first six months of 2023/24. Nonetheless, the CET sector received an additional allocation of R1.1 billion over the 2023 medium-term expenditure framework (MTEF) period for CET infrastructure. This allocation was subsequently reduced by R200 million in the 2023/24 adjusted budget as no funds were spent in the first six months of 2023/24 due to lengthy planning processes.

While cognisant of the current fiscal constraint, consideration for additional funding should be made to enable the Council on Higher Education (CHE) to carry out the increased scope of work, make progress in implementing the Digital Transformation strategy so that the CHE can carry out its work effectively in a 21st century world and in the context of the 4IR, resource the additional transformation oversight function, increase the capacity of the CHE to bring the public and private higher education colleges more closely into its quality assurance oversight given that the higher education sector is much bigger now than in the earlier years of the CHE, the private higher education sector is growing rapidly, and to address the proliferation of bogus education institutions and have a fit-for-purpose organisational structure that matches the work that needs to be done, especially as it introduces the new Quality Assurance Framework.

The CHE's baseline was increased by an additional allocation of R19 million in 2022/23 and R25 million in 2023/24 to assist in implementing its mandate and to address critical capacity needs.

Additional funding to the South African Qualifications Authority (SAQA) should be considered over the MTEF period to enable SAQA to fund automation and digitisation, verification of South African qualifications and the National Qualifications Framework (NQF) Chair (Research) and implement the phased-in approach of the automation Project Phoenix.

Departments and public entities are advised to reprioritise funds within their existing baselines to fund spending pressures and emerging priorities. For example, SAQA can consider reprioritising its allocation for performance bonuses to fund the abovementioned priorities. Furthermore, the National Treasury approved SAQA's request to retain its 2022/23 accumulated surplus of R90.8 million – some of which will be used for the projects mentioned above.

The Minister of Higher Education, Science and Innovation should continue his efforts with the National Treasury around the Science, Technology and Innovation (STI) Public Budget Coordination Mechanism to secure additional funding for the science and innovation portfolio.

The National Treasury is part of the STI budget coordination task team, which was established to improve planning and budget coordination of science, technology and innovation. The introduction of the STI budget coordination process will give STI more prominence in intergovernmental planning and is expected to improve the coordination of public funding for STI across government. Priority sectors have been identified for tagging to help monitor and track spending in upcoming budget processes.

The Minister of Higher Education, Science and Innovation, the National Treasury and South African National Space Agency should resolve the issues around the release of the funds allocated to the Space Infrastructure Hub since this is crucial for the development of high-level technological capability.

The National Treasury is working with the Department of Science and Innovation and the South African National Space Agency to address all gaps identified in the Budget Facility for Infrastructure (BFI) appraisal report and align with the BFI requirements, so that funds are made available for the Space Infrastructure Hub project. The National Treasury, through the BFI, has provisionally allocated R775.6 million to be disbursed in 2023/24 and R434 million over the rest of the 2023 MTEF period to the South African National Space Agency for this project.

The National Treasury, cognisant of the need for the country to grow its technological capabilities to enhance its competitiveness, exempts the science and innovation portfolio from any proposed budget cuts.

The National Treasury notes the committee's concerns about budget reductions. However, the fiscal constraints remain serious, and this has made spending reductions to departments and entities unavoidable. The Department of Science and Innovation is advised to reprioritise existing funds for emerging priorities.

PORTFOLIO COMMITTEE ON SPORT, ARTS AND CULTURE

The Department of Sport, Arts and Culture requires additional funding for operational transfers to entities. The overwhelming majority of the entities have expressed concerns about insufficient budget allocation to implement their legislative mandates. As per the 2023 ENE, the total expenditure estimate for the Department will decrease to R6.16 billion in 2024/25 followed by an *increase to R6.44 billion in 2025/26. Given the vast mandate of the sector, there is a growing outcry that the allocation to 27 entities is insufficient to ensure a comprehensive approach to the promotion and development of the sector, and the safeguarding of heritage assets.*

The budget allocation to the department decreases in 2024/25 as funding for the presidential employment initiative ends in 2023/24, and then increases in line with inflation in 2025/26. Given the current economic climate, no additional funding is available. Any additional allocation to public entities will have to be done through reprioritising funds within departmental allocations. The department advised the National Treasury that it is implementing the recommendations of the Revised White Paper on Arts, Culture and Heritage, which will reduce the number of public entities, audit committees and boards to about eight flagship entities. The National Treasury has advised the department to implement a shared service model for support service functions among its entities to reduce their administration cost and make funding available for service delivery in these entities.

PORTFOLIO COMMITTEE ON WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The committee requests the National Treasury to consider the condonation requests by the Department of Women, Youth and Persons with Disabilities (DWYPD) and the Commission for Gender Equality (CGE).

As noted previously, the National Treasury considers condonation requests in line with the irregular expenditure framework when these requests are submitted by the department or the CGE.

The committee requests the National Treasury to consider the requests for roll-over of funds for the DWYPD and the CGE.

As noted previously, requests for rollovers are considered by a Treasury committee, guided by Treasury Regulation 6.4. Rollovers that meet the requirements and are approved by the Minister of Finance will be included in the Adjustments Appropriation Bill. Requests that do not meet the criteria stipulated in this or other regulations are not recommended.

The committee requests that National Treasury considers the continuation of the Presidential Youth Employment Initiative (PYEI) in the 7th Administration.

As noted at the beginning of this section, there is little scope to provide additional funding at this time. The National Treasury continues to work with all departments that have a mandate to promote youth employment to explore any opportunities for advancing these objectives.

The committee requests the National Treasury to assess the DWYPD's use of consultants as the committee is concerned about the over reliance of the department on consultants and report back to the committee accordingly.

The National Treasury notes the committee's recommendation. The National Treasury will review the cost implications and possible inefficiencies related to the department's use of consultants and will provide a report to the committee when required.

PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT

The late and/or non-payment of invoices has a major negative impact on the financial health of suppliers, who are frequently forced to borrow money to stay afloat financially and satisfy their contractual responsibilities with the state entities. Despite the fact that the department has done well in terms of paying its creditors within 30 days, achieving 100 percent during the year under review, its approach however, is internally focused or inward-looking. As the guardian of small business growth, the department must establish an indicator for implementation in collaboration with National Treasury to track delinquent invoices. Where state organs are failing to pay uncontested invoices within 30 days, SEFA [Small Enterprise Finance Agency] must be on standby to pick up the tab through cession arrangements. This indicator must be included in the upcoming MTSF [medium-term strategic framework] and APPs [annual performance plans].

With the guidance of the Department of Planning, Monitoring and Evaluation, the National Treasury will support the Department of Small Business Development to develop an indicator intended to track past-due invoices through the 2024/25 annual performance plan process.

PORTFOLIO COMMITTEE ON TRADE, INDUSTRY AND COMPETITION

The committee encouraged the Department of Trade, Industry and Competition (DTIC), in conjunction with National Treasury and the automotive industry stakeholders, to continue to seek a solution to ensure that South Africa is able to compete in terms of the manufacturing of new energy vehicles (NEV).

The DTIC has reprioritised R964 million over the medium term towards the NEV transition. These measures complement funding that is being secured for the Just Energy Transition Investment Plan and the implementation plan for electric vehicles.

PORTFOLIO COMMITTEE ON TOURISM

The National Treasury should conduct a cost-benefit analysis of merging South African Tourism and Brand South Africa and provide some advice on the appropriate trajectory to be taken by government in this regard. There is a duplication of functions between SA Tourism and Brand SA and the merger of the two entities will result in them being more impactful on issues around branding, marketing, and investment in South Africa. Brand SA reporting to the Department of Tourism will also ensure a more efficient use of financial resources.

The National Treasury agrees that there is a need for government to reduce the duplication of functions in departments and public entities. The National Treasury will consider this recommendation within the broader government strategy to rationalise public entities and non-performing programmes over the next three years.

The National Treasury should provide ring-fenced budget for developing and promoting domestic tourism in South Africa to assist the country to be on par with other mature destinations.

The National Treasury continues to engage departments on funding-related issues during the annual budget process. To support the tourism sector's recovery, the Department of Tourism reprioritised R540 million over the 2022 MTEF period to establish the Tourism Equity Fund. Furthermore, government, in collaboration with the tourism sector, is facilitating the maintenance of tourism infrastructure and the expansion of access to funding to protect tourism assets and infrastructure.

PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS

The committee wishes to impress on National Treasury the need to continue funding its prior commitments to this committee over the MTEF as it relates to the funding of border safeguarding technology and border patrol vehicles, the midlife upgrades of the South African Navy frigates and submarines and the upgrading of the South African Air Force airlift capability. The committee further stresses the importance to keep funding these upgrades beyond the MTEF in order not to undo the progress made through current allocations and to ensure operational stability in terms of prime-mission equipment.

The National Treasury notes the committee's recommendation and continues to work to seek ways to address shortcomings within the constrained fiscal environment. The National Treasury will continue to earmark funds allocated in the 2023 Budget towards border safeguarding technology and border patrol vehicles as well as the midlife upgrades of the South African Navy frigates and submarines. This will ensure that baseline reductions do not affect these items and these funds may not be used for any other purposes.

The committee notes a number of adverse findings by the Auditor General of South Africa (AGSA) related to the Department of Defence's (DoD) procurement systems and its logistics management systems and that these are underscored by outdated ICT systems and infrastructure. The Committee therefore recommends that National Treasury provides the DoD with an additional ring-fenced allocation for the upgrading of ICT systems in the procurement and logistics management environments. The committee believes this will contribute to less adverse findings and better internal management in the DoD in the long term. The committee will track such improvements over the next MTSF.

During the 2024 MTEF budget process, the National Treasury advised departments and entities to reprioritise funds towards emerging priorities. The National Treasury also provides support and advice through the Office of the Accountant-General and the Office of the Chief Procurement Officer in respect of measures to improve internal controls and audit compliance.

The committee recommends an urgent engagement between the South African National Defence Force (SANDF) and National Treasury in relation to funding for environmentally controlled warehouses in the SANDF. These warehouses house a significant percentage of the SANDF's strategic equipment reserves. The failure to store them in the correct environments will not only impact on the SANDF's operational capability but could also have major long-term financial implications. The committee recommends that National Treasury ascertain which of these warehouses are of most strategic value and that these be funded through a ring-fenced allocation.

The National Treasury is open to engaging with the Department of Defence on a funding mechanism for environmentally controlled warehouses. The department is responsible for identifying strategic warehouses.

The committee remains concerned about the limited progress in addressing compensation of employees over expenditure in the DoD and is therefore of the view that a long-term, permanent *solution is required through the development of a sustainable rejuvenation model for the SANDF. In line with the committee's September 2023 Study Tour Report, the committee recommends to the DoD to develop a new human resources management strategy or adjust the current strategy to ensure long-term stability in the SANDF's personnel contingent by focusing specifically on force rejuvenation. It is recommended that this plan be developed in consultation with National Treasury and that the plan be fully funded to achieve the desired outcomes. Of specific importance to this recommendation is that the strategy should create a permanent exit mechanism for older soldiers who will not advance in their military careers and that such an exit mechanism ensures a smooth transition to civilian life through, for example, vocational training, job placement and/or monetary assistance. The strategy should be adapted for the unique socio-economic conditions in South Africa on the one hand and be fully aimed at creating long-term force rejuvenation and compensation of employees' stability in the DoD.*

The National Treasury agrees and has made a similar recommendation to the department in the past. No tangible progress has been made. The National Treasury is open to engaging with the Department of Defence on the matter and commenting on the rejuvenation strategy if required.

Based on a recommendation of Parliament's Joint Standing Committee on Defence (JSCD) on 21 September 2023 in relation to the Military Ombud, the committee requests that the ceiling for compensation of employees be increased marginally to accommodate the current expenditure levels of the Office of the Military Ombud.

The National Treasury notes the committee's recommendation. Although the National Treasury has earmarked the allocation to the Office of the Military Ombud to protect the entity's baseline and to provide certainty of the allocation, the entity's budget for compensation of employees can be adjusted within the departmental baseline.

The committee has noted that the SANDF has been deployed in support of the South African Police Service to counter illegal mining at an estimated cost of R492 million. However, the committee also noted that this deployment is unfunded as of November 2023 and no funds were allocated in the 2023 Adjusted Estimates. The Minister of Finance should ensure that that the DoD is sufficiently funded for all additional deployment requirements and provide the committee with information on how this deployment will be funded.

The deployment of SANDF to support the police in countering illegal mining activities is funded through the Criminal Asset Recovery Account (CARA) administered by the Department of Justice and Constitutional Development. Final allocation decisions on CARA are made by Cabinet and thereafter communicated to qualifying departments. An amount of R150 million over three years has been earmarked for the Department of Defence within CARA to support this deployment. Before this deployment, the Department of Defence was made aware that funding related to this deployment would be strictly funded by CARA and not the fiscus.

PORTFOLIO COMMITTEE ON JUSTICE AND CORRECTIONAL SERVICES

The importance of Legal Aid SA's contribution to the smooth functioning of the criminal justice system should be taken into account when allocations are made. Legal Aid SA has had to reduce court coverage in past years and there is no relief capacity. Without legal representation, cases cannot run, causing delays, and contributing to backlogs. In addition, its civil work assists many poor *and vulnerable persons, who would not otherwise have access to legal representation or advice. Legal Aid SA should be allocated funds for fees due to legal practitioners in land matters for pending instructions held on 1 January 2022, which remain unfunded.*

Consistent with the committee's recommendation, R156 million is shifted from the Department of Agriculture, Land Reform and Rural Development to Legal Aid South Africa over the 2024 MTEF period to deal specifically with fees owed to legal practitioners handling land-related matters pertaining to instructions pending as of 1 January 2022.

Concerning the South African Human Rights Commission and Public Protector South Africa, the Committee does not support any budget cuts to their allocations.

The National Treasury notes the committee's concerns. However, serious fiscal constraints have made spending reductions to departments and entities unavoidable. Reprioritisation is advised to fund spending pressures and emerging priorities.

PORTFOLIO COMMITTEE ON POLICE

The committee recommends that funds for the recruitment of additional personnel should be made available as the balance left between staff attrition and the 10 000 recruits does not address the needs of the department.

The National Treasury notes the committee's recommendation. Additional funding of R8.7 billion and R7.8 billion was approved in the 2022 Budget and the 2023 Budget, respectively, to strengthen police capacity. Fiscal constraints remain serious, and this has made spending reductions to departments and entities unavoidable. Despite these constraints, an additional allocation of R22 billion is provided to the department over the medium term to cover the carry-through costs of the 2023 public-sector wage agreement and help strengthen its capacity.

PORTFOLIO COMMITTEE ON TRANSPORT

The Minister of Finance through the National Treasury should assist the Department of Transport and its entities, along with the Auditor General South Africa, to obtain a definitive interpretation or definition of supply chain management (SCM) terminology and issues raised with Broad-Based Black Economic Empowerment (B-BBEE) compliance requirements in order to prevent future disputes during the audit process linked to these terms.

The National Treasury will liaise with the Department of Transport to provide guidance on interpreting and applying specific SCM terminology. B-BBEE legislation falls within the purview of the DTIC. The Department of Transport is thus advised to refer all queries relating to B-BBEE compliance to the DTIC for guidance.

The Minister of Finance through the National Treasury should assist the Department of Transport and its entities to receive final decisions on all alternative revenue source proposals submitted to National Treasury from the transport portfolio and submit a progress report to the committee by the end of January 2024.

To date, the National Treasury has not received any alternative revenue source proposals from the Department of Transport and its entities for consideration in 2023/24. The National Treasury considers proposals by departments and entities on a case-by-case basis for activities that are consistent with their mandates and where approval from the Minister of Finance is required. For example, in 2021/22, the Road Traffic Management Corporation proposed alternative revenue streams, which were approved by the Minister of Finance.

The Minister of Finance through the National Treasury should submit a progress report to the committee by the end of January 2024 on the progress made with the Gauteng government, South African National Roads Agency Limited (SANRAL) and the National Treasury to finalise the funding issues linked to the Gauteng Freeway Improvement Project (GFIP) e-tolling matter.

Following the announcement by the Minister of Finance during the 2022 MTBPS that national government will take over the obligations of SANRAL for phase 1 of the GFIP, the Gauteng provincial government agreed to pay 30 per cent of the total outstanding debt as at October 2022. This amounts to R12.9 billion of the outstanding debt of R47 billion. The province still needs to show how it will fund this from its own revenue sources over a maximum of five years. Other matters related to the finalisation of the agreement deal with maintaining the network, which includes rehabilitating roads. Agreement has yet to be reached between the national government and the Gauteng provincial government on how these costs will be shared.

PORTFOLIO COMMITTEE ON WATER AND SANITATION

The committee recommends that the Minister of Finance should approve the rollover application of R722.7 million in the 2023/24 financial year to enable the Department of Water and Sanitation to complete various identifiable committed, contracted and accrued projects and activities which started in the previous financial year under the Water Services Management programme and projects.

Requests for rollovers are considered by a Treasury committee, guided by Treasury Regulation 6.4. Rollovers that meet the requirements and are approved by the Minister of Finance are included in the Adjustments Appropriation Bill. The rollover application was considered but it did not meet the criteria for rollover approval. The department has reprioritised R308.9 million from the 2023/24 budget to fund the projects that were awaiting the rollover outcome. During the 2023 adjustments budget process, the National Treasury granted approval to the department to shift funds from the indirect component of the *regional bulk infrastructure grant* to the *water services infrastructure grant* for the programme and projects mentioned above.

PORTFOLIO COMMITTEE ON HOME AFFAIRS

More budget should be allocated to expand mobile units with reliable network connectivity to be dedicated to schools and the elderly.

The National Treasury notes the committee's recommendation. Reprioritisation is advised to fund spending pressures and emerging priorities.

The Independent Electoral Commission (IEC) will require additional funding in the adjusted budget to allow for extensive voter education and mobilisation given the changes to the electoral laws around independent candidates.

The National Treasury's engagements with the IEC have shown that costs related to the 2024 national and provincial elections can be accommodated within the entity's baseline through the retention of surplus funds. Furthermore, the baseline reduction of R250 million in 2024/25 outlined in the 2023 MTBPS has been reversed.

PORTFOLIO COMMITTEE ON PLANNING, MONITORING AND EVALUATION

The National Treasury should increase funding of the Department of Planning, Monitoring and Evaluation (DPME) in order to build research and development and modelling capabilities.

The DPME has underspent its allocated budget in recent years (by R12.8 million in 2020/21, R62.5 million in 2021/22 and R38.8 million in 2022/23), so it has scope to reprioritise funds to build research and development capabilities.

The National Treasury should increase funding for Brand South Africa.

The National Treasury notes the committee's recommendation and advises reprioritisation to fund spending pressures and emerging priorities. The National Treasury further notes recommendations from the Portfolio Committee on Tourism to address duplication and inefficiency by merging the functions of Brand SA with at least one other relevant entity.

STANDING COMMITTEE ON FINANCE

The committee commends the South African Revenue Service (SARS) for its exemplary fiscal discipline, demonstrated by the efficient allocation and utilisation of its entire budget for two consecutive years. The committee also acknowledge the ongoing issue of underfunding facing SARS and reiterate our call for the National Treasury to consider augmenting SARS' resources.

The National Treasury will continue to engage with SARS on its funding challenges. An additional amount of R500 million per year over the 2023 MTEF period was added to SARS' budget to fund its capital and information and communications technology projects. In addition, R1 billion was provided to SARS during the 2023 adjustments budget process to improve its revenue-raising capabilities. A further R1 billion per year in 2024/25 and 2025/26 is allocated to SARS depending on its ability to meet the set conditions.

RECOMMENDATIONS OF THE STANDING AND SELECT COMMITTEES ON FINANCE ON THE 2023 REVISED AND PROPOSED FISCAL FRAMEWORK

Recognizing the impact of structural constraints on economic growth, the Committee strongly recommends the swift implementation of energy and logistics improvements, encompassing comprehensive measures to overcome challenges in these critical sectors and unlock their potential for economic development.

The National Treasury agrees with this recommendation.

In expressing concern over the performance of SOEs, particularly Transnet and Eskom, the Committee recommends that NT, together with the Department of Public Enterprises, share detailed turnaround strategies for these entities before the tabling of the 2024 Budget. The Committee will confer with the Portfolio Committee on Public Enterprises for the feasibility of a joint meeting.

The Department of Public Entities, as the shareholder representative for Eskom and Transnet, will lead this presentation. The National Treasury will provide inputs and assistance where required.

Given the downward revision in GDP growth attributed to lower household consumption, the Committee proposes policies to stimulate household spending as the most appropriate way of driving growth. This may involve targeted interventions to address inflation and interest rate impacts on consumer behaviour.

The National Treasury notes this recommendation. Chapter 2 discusses both the drivers of forecasted GDP growth as well as the medium-term strategy for raising economic growth in a sustainable manner. In addition, chapters 3 and 5 set out details of expenditure on government programmes that support the poor and provide employment opportunities. The National Treasury further notes compelling evidence that downward revisions to GDP growth are related to poor electricity supply that stifles investment and job creation, logistics constraints which harm business activity and poor effectiveness of public investment initiatives. The National Treasury has made a number of recommendations to address these challenges.

The Committee recommends close monitoring of inflation, particularly in relation to fuel and food prices. Mitigation strategies should be developed to address potential risks such as oil price increases, currency fluctuations, and other factors influencing the inflation outlook.

The National Treasury notes this recommendation.

To address the persistently high unemployment rate, the Committee recommends a comprehensive approach that goes beyond short-term GDP growth. Government should also implement comprehensive economic interventions to stimulate the demand-side of the economy, focusing on infrastructure development, education, and skills training, fostering innovation, and creating a favourable business environment to attract investments. Additionally, targeted policies to support small and medium enterprises, reduce bureaucratic hurdles, and address social inequalities can contribute to job creation and sustainable economic growth.

South Africa’s increasing unemployment rate is primarily due to growth in the labour force outpacing job growth. The long-term prospects for employment ultimately depend on the pace at which low growth and other structural impediments are addressed. Chapter 2 discusses government’s strategy to address these matters.

The current account deficit is expected to widen due to increased imports for renewable energy investments and higher oil prices, posing risks to the domestic growth outlook. To address the balance of payments concerns, the Committee recommends far more commitment to beneficiation, which in turn will create more jobs, strategies to boost exports, potentially through trade diversification and increased competitiveness. Mitigating risks, such as inflation and household indebtedness, should be prioritized to enhance economic stability.

The National Treasury notes this recommendation.

While these energy reforms are promising, there’s a need for a comprehensive economic impact assessment. The Committee recommends conducting a thorough analysis of the expected contribution of these energy projects to overall economic growth. This analysis should include the potential job creation, increased industrial activity (including through localisation), and the effect on *the current account balance. A transparent evaluation will provide a basis for further strategic decisions in the energy sector.*

The National Treasury will continue to support the Department of Mineral Resources and Energy in evaluating energy sector policy proposals.

The positive momentum of private sector contributions to the clean energy transition, specifically in the realm of rooftop solar capacity, is evident. Eskom's data highlights a substantial installation of 4,412 MW of rooftop solar capacity, underscoring the private sector's pivotal role in advancing renewable energy objectives. Encouraged by this advancement, the Committee suggests exploring additional strategies to stimulate private sector involvement. This includes providing regulatory support and establishing frameworks to facilitate public-private collaborations. While promoting the expansion of renewable energy, the Committee recommends that the government upholds the current generation capacity within Eskom to ensure a smooth and uninterrupted transition to renewable energy sources.

The National Treasury notes this recommendation.

Committee recommends a detailed examination of the economic costs incurred due to Transnet's operational failures. This should include a breakdown of the estimated R411 billion cost and its impact on the current account balance. Additionally, the ongoing reforms, such as the separation of operations and infrastructure management functions, should be closely monitored for their effectiveness. A transparent and accountable approach to these reforms will be essential for restoring confidence in the rail and ports system.

The National Treasury notes this recommendation.

While the MTBPS does not deal with revenue proposals, the Committee recommends NT seriously consider, beyond their initial response, to various revenue proposals proposed by stakeholders during the Committee's public hearings. NT and SARS are encouraged to explore measures that will enhance revenue diversification, reducing dependence on specific sectors vulnerable to global economic fluctuations. This could involve incentivizing diverse economic activities and industries to contribute to a more resilient revenue base.

The tax proposals from public submissions on the 2023 MTBPS were considered as part of the policy deliberations ahead of the 2024 Budget. Tax policy proposals are outlined in Chapter 4 and Annexure C.

In 2018, the VAT rate experienced its first democratic-era increase, rising from 14 to 15 per cent. This adjustment sparked significant controversy, prompting the 5th Parliament Finance Committees from the NA and NCOP to conduct three rounds of public hearings and engage extensively with stakeholders starting from March 2018. A unanimous opposition to the VAT increase emerged from various stakeholders. In response, the Minister of Finance established a Panel of Experts to explore measures mitigating the impact of the increase, particularly on impoverished households. The Panel, after extensive consultations with the public, labour, business, and civil society, issued a report recommending the addition of more items to the zero-rated VAT exempt list.

The National Treasury notes this comment.

The Committees then, expressing serious reservations about the VAT increase due to its adverse effects on the poor and lower-income households, recognized the pressing budgetary constraints and the urgent need to generate additional revenue. The Committees reluctantly accepted the increase, contingent on a review. Amendments to the Tax Administration Laws Amendment Bill, 2018, mandated the Minister of Finance to conduct a review of the VAT increase's impact on revenue collection and the poor, presenting a written report to Parliament by no later than 30 June 2021. It is on these bases that the Committee recommends that the zero-VAT-rated food basket be expanded for households.

The National Treasury notes this recommendation. A review process was conducted, and a report titled *Evaluating the Impact of VAT Rate Increase in April 2018* was prepared. As of April 2019, the VAT system zero rated 21 basic food items. In 2019/20, this was estimated to cost the fiscus about R31.7 billion in foregone revenue.

A comprehensive review of tax incentives is essential to ensure their effectiveness in stimulating economic activity and promoting the desired behaviour. The Committee emphasizes the need for NT and SARS to conduct a thorough assessment of existing tax incentives, considering their impact on revenue collection, job creation, and overall economic growth. The review should also evaluate the alignment of tax incentives with broader policy objectives and assess whether they effectively contribute to achieving desired outcomes. Recommendations for adjustments or modifications to the existing tax incentive framework may be necessary based on the findings of this review.

The National Treasury is already implementing this recommendation. The 2020 Budget announced that tax incentives would be systematically reviewed over the medium term. Incentives found to be redundant, inefficient or inequitable would be repealed or redesigned. Results of this review have been published in the succeeding *Budget Review* publications and the reviews will continue over the medium term. In the 2020 Budget, government proposed the introduction of sunset dates for various corporate incentives, with the aim of reviewing these incentives before the sunset date to determine whether they should be extended. The sunset dates ensure that incentives do not remain in the system indefinitely, without some form of oversight. In addition, between 2017 and 2019 the Department of Planning, Monitoring and Evaluation reviewed the national system of business incentives to identify improvements. The National Treasury, working with the department and other stakeholders, is implementing recommendations from this review, including developing a single register of all incentive beneficiaries, developing a national policy incentive framework, and creating a methodology to evaluate the costs and benefits of incentives.

The Committee re-emphasises that the risk factors of not factoring in the real costs of the public sector wage bill in the budget results in government's response to manage the 2023/24 public sector wage increase, which emphasizes the need for other departments to absorb the wage hike within their baselines. This strategy includes implementing controls on payroll systems to ensure that executive authorities operate within their budgets when creating and filling vacant posts. Factoring in real costs to the budget over the MTEF as stakeholders have on an annual basis raised, should be the preferred approach going forward.

During the Public Service Labour Summit in 2022, government agreed with labour that the wage negotiations cycle needs to be aligned with the budget process. Ideally, wage negotiations should conclude before the finalisation of the budget for the subsequent financial year to ensure the credibility of the fiscal framework.

Given the anticipated rise in government spending, the Committee recommends a vigilant approach to expenditure management, without sacrificing service delivery. It suggests implementing efficiency measures across government to ensure that allocated funds are utilized effectively, optimizing the impact of spending on social welfare and economic development. NT must take on greater responsibility to ensure the quality and performance of expenditure across departments and entities.

The National Treasury notes the recommendation. The 2023 MTBPS outlines a balanced fiscal stance to rebuild the public finances while maintaining the social wage. Over the next three years, the fiscal framework supports strong control of the public-service wage bill, protection of critical frontline services and the implementation of efficiency measures. The National Treasury will continue to monitor the effectiveness and efficiency of expenditure as part of the established in-year monitoring system and report to Parliament on a quarterly basis.

Regarding the reduction in the in-year expenditure attributed to proposed reductions in department baselines and declared unspent funds, the Committee calls on NT to assess the potential effects of reduced spending on services and programs. It also calls for the prioritization of critical spending, ensuring that reductions do not compromise services and commitments.

As outlined in the 2023 MTBPS, spending revisions are targeted to protect critical frontline services, including basic education, health and police services. Budget proposals have sought to cushion the blow of spending reductions on these and other areas of spending when the opportunity allows. Over the medium term, government will review and reconfigure executive functions. The changes are expected to lead to reduced executive responsibilities, higher fiscal credibility and savings in non-interest expenditure.

Recognizing the rationale provided by the NT for the allocation of R300 million towards political party funding in the preceding year, the Committee emphasizes the importance of transparency and seeks further clarification regarding this expenditure.

The National Treasury notes the Committee's view. The IEC will monitor how political parties spend funding allocated to them through the financial statements and information submitted by political parties.

The Committee emphasizes the importance of continuous monitoring and proactive risk mitigation. It recommends a comprehensive risk management strategy to address potential challenges, such as weaker-than-expected economic growth, losses by municipalities and state-owned companies, and higher borrowing costs.

The National Treasury monitors high-risk entities through its monitoring meetings and structures like the National Energy Crisis Committee and the National Logistics Crisis Committee. Separate from these committees, the National Treasury has monitoring meetings with Eskom and Transnet where it monitors compliance with guarantee and loan conditions. Significant economic and fiscal risks are discussed in Chapter 2 and Chapter 3, respectively.

Acknowledging the risks outlined in the fiscal outlook, the Committee recommends maintaining adaptability in fiscal strategies. Prudent fiscal management is crucial to navigate evolving economic conditions, ensuring that the fiscal framework remains resilient in the face of uncertainties.

The National Treasury agrees with the recommendation.

The Committee recommends closely monitoring the effectiveness of spending revisions and efficiency measures to ensure the envisaged debt stabilization.

The National Treasury agrees with the recommendation.

The Committee advocates for a comprehensive review of debt management practices, exploring avenues to optimize borrowing costs, and implementing risk mitigation measures to ensure fiscal sustainability.

The National Treasury notes the recommendation.

Despite existing expenditure ceilings, deficits and debt have continued to grow, leading to considerations of additional rules for fiscal sustainability. The Committee suggests a thorough review of the effectiveness of existing fiscal rules and emphasizes the need for clear, binding measures to ensure fiscal sustainability.

The National Treasury agrees with this recommendation and looks forward to working with the committee to develop the appropriate set of fiscal rules that will make fiscal policy more sustainable, transparent and predictable. Chapter 3 explains the work under way on fiscal rules. The National Treasury will brief the committee at the most appropriate date.

The Committee stresses the importance of transparent communication from the NT regarding fiscal policies and their implications. Regular updates and clear communication on the rationale behind fiscal decisions will contribute to building public understanding and confidence in the government's fiscal management.

The *Budget Review* and the MTBPS publications provide details on the fiscal strategy and policies each year. Public hearings allow members of the public and Parliament to discuss these matters.

The Committee recommends that the government uphold transparency and accountability in its financial dealings with international financial institutions such as the International Monetary Fund (IMF) and the World Bank (WB). It is imperative that the details of any funds acquired from these institutions, including the preconditions that had to be met, and how these preconditions were met, are communicated openly to the public. This transparency ensures that citizens are informed about the utilization of international funds, promoting trust and understanding in government actions and fostering a sense of shared responsibility for the nation's financial well-being.

The financial terms of loans that South Africa obtains from the IMF and other international financial institutions are published in Chapter 7 of the *Budget Review* and Chapter 3 of the MTBPS. In addition, government issues a press statement after concluding loan negotiations. The loan details can also be found on the websites of international financial institutions and the National Treasury.

The Committee expresses its concerns about government securing IMF and WB loans without Parliament having any say. The Committee also needs to be briefed about why loans, where *necessary, are not being secured from the BRICS Bank. The Committee recommends that legislation be introduced within three years to provide for parliamentary oversight of all IMF and WB loans in South Africa by the relevant parliamentary committees.*

Government raises funding in foreign currencies to meet its foreign exchange obligations such as interest payments and capital repayments. Chapter 7 of the 2024 *Budget Review* indicates the foreign exchange financing requirements over the medium term. To date, government has received three loans totalling US$3 billion from the New Development Bank. In addition, the National Treasury is consulting with the bank's Africa Regional Centre to increase borrowing. The centre has an annual target to approve US$2 billion in projects in South Africa.

The Committee notes the initiation of state reconfiguration and the proposal to restructure government programs based on spending reviews. While recognizing the need for efficiency, the Committee recommends close parliamentary oversight to ensure that these reforms align with developmental goals and do not compromise critical services. As a start, the Committee requires to be briefed by NT on the outcome of its spending reviews and quality of expenditure by departments and entities assessment.

The National Treasury is available to brief the committee on the outcome of the spending reviews and will await further guidance from the committee on timelines.

The Committee notes significant process and financial support for a structured and systemic approach to inclusivity and promote gender equality in the country. The Committee reiterates that NT integrates a robust gender-responsive budgeting mechanism into future budgetary processes. This should involve a detailed analysis of how budgetary allocations contribute to addressing gender disparities and supporting initiatives that advance the well-being of women and other marginalized groups, including gender-sensitive fiscal policies that align with broader national development goals.

The National Treasury is working with other departments to facilitate the implementation of gender-responsive budgeting across government. As part of the first phase of the gender-responsive budgeting roadmap, the tagging framework has been developed and nine national departments participated in the tagging methodology pilot. Those who have data on the gender empowerment gap will be part of the mini gender budget statement to be published in the 2024 MTBPS.

Based on the insights provided by the Western Cape Commissioner for Children during the 2023 MTBPS, the Committee recommends the adoption of child-centered governance practices. This involves incorporating innovative and accessible communication methods, such as drawings, stories, cartoons, infographics, and platforms like TikTok, to effectively engage with children and consider their perspectives in government decision-making.

The National Treasury notes the recommendation. The National Treasury and civil society provide videos on the online portal vulekamali.gov.za that promote budget literacy and present budget information in graphic format to attract youth, among other social groups.

To address concerns about the intergenerational impact of government debt on children, the Committee recommends a thorough assessment of the potential consequences, with a specific focus on vulnerable groups. The recommendation includes exploring alternative fiscal measures to alleviate the burden on children, particularly those from economically disadvantaged backgrounds.

The National Treasury notes the recommendation. As mentioned in various budget publications, the National Treasury takes care to consider the impact of fiscal measures on vulnerable groups and sectors, and particularly the impact of these measures on service delivery.

Considering the Commissioner's warnings about the potential adverse effects of increased VAT on poor children and families, the Committee strongly recommends against VAT hikes. Instead, it suggests exploring alternative revenue-generation strategies that do not disproportionately affect vulnerable sector. The Committee encourages ongoing collaboration with child advocacy groups and experts to ensure that fiscal policies prioritize the well-being of children and safeguard their future.

The National Treasury notes the concerns raised about the VAT rate increase. VAT is a stable and efficient source of revenue, representing about 26 per cent on average of gross tax revenue. A rate increase was necessary to help fund government's expenditure programmes, including initiatives to help children and poor families through the social grants system.

Most of the non-interest spending is allocated to the social wage, and there are proposals to repurpose public employment programmes. The Committee requests NT to provide detailed plans on the coordination of public employment programmes.

Public employment programmes are largely made up of the Expanded Public Works Programme (EPWP), Community Works Programme (CWP) and the presidential employment initiative (which includes the Presidential Youth Employment Intervention). These programmes are implemented through various government departments. The EPWP is coordinated mainly through the Department of Public Works and Infrastructure, the CWP is coordinated through the Department of Cooperative Governance and the presidential employment initiative is coordinated through the Presidency. The aim going forward is to evaluate all public employment programmes, mainly to address fragmentation issues, ensure better coordination and inform funding decisions.

The Committee welcomes the extension of the SRD Grant and seeks clarification on the potential conversion of the SRD Grant into a Basic Income Grant (BIG).

The 2023 MTBPS proposed that the fiscal framework make provision for funding for the *COVID-19 social relief of distress grant* for 2024/25. Any extension of the grant, or any replacement thereof, needs to be funded by a new revenue source or reprioritisation of other spending items. Government is still discussing options for a replacement grant and the balance between policy options to support higher employment.

Committee welcomes the reported improvements made to remove South Africa from the FATF grey list by NT and notes the challenges that remain. However, far more needs to be done quicker. The Committee requires NT and all the relevant Departments and agencies to provide a detailed briefing on progress being made to exit the grey listing before the tabling of the Budget in 2024.

The National Treasury is available to brief the committee on this matter. Annexure E provides an update on the progress made to exit the grey listing.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE 2023 MTBPS AND ADJUSTMENTS APPROPRIATION BILL

That government should ensure that all qualifying students benefit from the National Student Financial Aid Scheme as this is an adopted policy of government and no student should be denied entry to institutions of higher learning because of lack of funding. Government must always make funds available for qualifying students, as long as the free-fee higher education is a policy of government.

The National Treasury notes the recommendation. The National Student Financial Aid Scheme has a proposed allocation of R146.9 billion over the MTEF period for student bursaries and the management thereof.

The committee recommends that government expedite the process and consultations around social security policy reforms and funding models to end the uncertainty around the Social Relief of Distress Grant.

The National Treasury notes the recommendation.

That government ensures that fiscal consolidation does not compromise infrastructure investments in the health sector primarily because these health infrastructure projects are benefiting the poor majority of South Africans.

The National Treasury notes the recommendation.

That government must consider conducting a socio-economic impact assessment of fiscal consolidation on the poor household and communities living in high levels of poverty in order to avoid the strides made by government in reducing poverty and inequity in South Africa.

The National Treasury notes the recommendation.

That the Minister of Human Settlements and the Minister of Finance must ensure that the Department of Human Settlements and National Treasury speedily engage to find a solution to the funding model of the Community Schemes Ombud Service (CSOS), to avoid any delays in the implementation of the directives of the Auditor General of South Africa.

The funding arrangements of the CSOS are set out in the Community Schemes Ombud Service Act (2011) and the accounting authority of the entity is responsible for meeting obligations related to managing revenue, expenditure, assets and liabilities.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL

That the Minister of Finance ensures that National Treasury corrects its proposed changes to the conditional grants frameworks in line with Section 15(2) of the 2023 Division of Revenue Act.

The National Treasury notes the recommendation.

The Committee is concerned about infrastructure projects overshooting budget allocations; thus, it is recommended that government ensures that proper checks and balances must be in place for projects to be implemented within budgets and timeously.

The Budget Facility for Infrastructure monitors spending against the allocated amounts. In addition, the National Treasury uses the infrastructure reporting model, discussed in Annexure D, to monitor infrastructure budgets against spending and visits sites quarterly to check the implementation of projects.

The committee recommends that the Minister of Finance ensures that National Treasury introduce more transparent and credible processes be introduced in procurement to ensure the attainment of value for money.

The National Treasury notes the recommendation.

The committee recommends that the Minister of Finance ensures that National Treasury advertise all tenders at local community level after the contracts have been awarded inclusive of successful companies, names of directors, contract value and itemised billing.

The National Treasury has implemented an eTenders portal which advertises all public sector tender opportunities, tender awards and cancellations. The awarded bidder and director details, including the contract value, are published on the same platform.

Government and private companies should use infrastructure budgets to ensure localisation of goods and services and to create jobs for South Africans, especially young people.

The National Treasury notes the recommendation.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE ADJUSTMENTS APPROPRIATION BILL

The committee recommends that the Minister of Finance should, within 60 days of the adoption of this Report by the House, approve a roll-over amount of R338.40 million for the Department of Home Affairs, earmarked for the Represented Political Parties Fund (RPPF) to assist political parties to prepare for the 2024 elections, and for records digitisation. This should be done in line with section 6.4 of the Treasury Regulations.

Requests for rollovers are considered by a Treasury committee, guided by Treasury Regulation 6.4. Rollovers that meet the requirements and are approved by the Minister of Finance are included in the Adjustments Appropriation Bill. Requests that do not meet the criteria stipulated in this or other regulations are not recommended. A rollover amount of R338.5 million was included in the Adjustments Appropriation Bill (2023) in line with the regulations.

The committee recommends that the Minister of Finance should, within 60 days of the adoption of this Report by the House, approve a roll-over amount of R235.97 million for the Department of Basic Education for payments for capital assets in respect of the Accelerated School Infrastructure Delivery Initiative (ASIDI) and the Sanitation Appropriate for Education (SAFE) Initiative within the School Infrastructure Backlogs Grant (SIBG); workbooks; and a management fee paid to the implementing agent for the SIBG. This should be done in line with section 6.4 of the Treasury Regulations.

Requests for rollovers are considered by a Treasury committee, guided by Treasury Regulation 6.4. Rollovers that meet the requirements and are approved by the Minister of Finance are included in the Adjustments Appropriation Bill. Requests that do not meet the criteria stipulated in this or other regulations are not recommended. A rollover amount of R236 million was included in the Adjustments Appropriation Bill (2023) in line with the regulations.

The committee recommends that the Minister of Finance should, within 60 days of the adoption of this Report by the House, approve a roll-over amount of R3.93 million for the Department of Employment and Labour for the refurbishment of its existing buildings. This should be done in line with section 6.4 of the Treasury Regulations.

In line with the regulations issued in terms of the Public Finance Management Act, a rollover amount of R3.9 million was included in the Adjustments Appropriation Bill (2023).

The committee recommends that the Minister of Finance should, within 60 days of the adoption of this Report by the House, approve all the virements and shifts as envisaged in section 5 of the Appropriation Act 2023, while Parliament approves all virements that exceeds 8 percent as per the requirements of section 43 of the Public Finance Management Act of 1999. These include funds which are appropriated for compensation of employees and payment for capital assets.

The National Treasury notes this recommendation. Virements and shifting of funds are always carried out in line with the relevant legislations and regulations, including those cited by the committee.

The National Treasury, together with the Department of International Relations and Cooperation should, within 60 days of the adoption of this Report by the House, develop measures to ensure that the additional amount of R1.74 billion, which is earmarked to address foreign exchange fluctuations is spent according to the approved plans; and the same applies to National Treasury, together with the South African Revenue Service (SARS), with respect to the additional amount of R1.0 billion allocated to SARS.

The National Treasury notes the committee's recommendation. The National Treasury provides quarterly expenditure reports to Parliament. Spending on earmarked funds is included in these reports to ensure that funds are spent according to the approved plans.

The National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA) should, within 90 days of the adoption of this Report by the House, develop clear mechanisms to ensure that the additional R1.55 billion earmarked for unforeseeable and unavoidable expenditure; for the Municipal Disaster Recovery Grant to reconstruct and rehabilitate municipal infrastructure damaged by floods in the Eastern Cape, KwaZulu-Natal, Mpumalanga, and Limpopo; and the R372 million to replenish the Municipal Disaster Response Grant is utilised strictly for its intended purpose. Parliament will monitor this.

Disaster relief funding flows through conditional grants and allocations are based on assessments of specific damage from disasters. Where disaster relief funding is disbursed in terms of a conditional grant, the relevant accounting officer and the relevant receiving officer (province or municipality) are obligated to comply with grant conditions in terms of the Division of Revenue Act.

The Department of Cooperative Governance, as the national transferring officer, is responsible for ensuring that funds are spent on their intended purpose.

Whilst the Committee supports some of the necessary budget cuts, given the current state of economic growth and increasing debt service costs, the National Treasury, together with the Department of Public Service and Administration and the Department of Planning, Monitoring and Evaluation should take further steps to ensure that social programmes are always safeguarded from such reductions, and proper measures are developed and implemented to stimulate economic growth.

The National Treasury notes the committee's recommendation. Serious fiscal constraints have made spending reductions to departments and entities unavoidable. Nevertheless, critical social spending has been prioritised for funding. Funding for the social wage makes up more than 60 per cent of the budget, and social grant transfers have not been reduced. In addition, the National Treasury has encouraged departments to protect frontline services. Chapter 5 sets out spending decisions over the next three years.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL

The Minister of Finance should gazette the allocations in the Division of Amendment Bill [B33 -2023] which proposes a total adjustment of R13.6 billion, from R2.03 trillion to R2.05 trillion, to fund the 2023/24 wage agreement, increases in debt-service costs and disaster response funding; including the changes proposed to the frameworks of the Expanded Public Works Programme (EPWP) Integrated Grant for Provinces, the Municipal Disaster Recovery Grant, and the Regional Bulk Infrastructure (indirect) Grant.

The allocations in the 2023 Division of Revenue Amendment Bill were gazetted on 22 December 2023.

The National Treasury, together with provincial treasuries, should within 60 days of the adoption of this Report by the House, ensure that all provinces develop proper mechanisms as required by section 38 of the Public Finance Management Act, to manage their provincial expenditures, including the additional R17.6 billion in the provincial equitable share, and ensure that funds are utilised for their intended purpose.

The National Treasury notes the Committee's recommendation. The mechanisms in terms of section 38 are a permanent feature of the intergovernmental fiscal system and should be on-going practice for accounting officers of provincial departments.

The Minister of Finance should approve the roll-over amount of R300 million for the Represented Political Party Fund (RPPF), in line with section 6.4 of the Treasury Regulations, as these funds are meant to assist political parties to prepare for the 2024 elections.

Requests for rollovers are considered by a Treasury committee, guided by Treasury Regulation 6.4. Rollovers that meet the requirements and are approved by the Minister of Finance are included in the Adjustments Appropriation Bill. Requests that do not meet the criteria stipulated in this or other regulations are not recommended. In line with the regulations, a rollover amount of R300 million was included in the Adjustments Appropriation Bill (2023).

The National Treasury, together with provincial treasuries, should within 60 days of the adoption of this Report by the House, develop specific and adequate mechanisms to mitigate the service delivery impact of the provincial and local government conditional grant reductions from R131.6 billion to R125.2 billion for the 2023/24 financial year.

Sector departments played a pivotal role in ensuring that reductions were implemented in a way that minimised their impact on service delivery for both provinces and municipalities. Engagements were professional and efficient, including the necessary consultation and communication between relevant parties.

The National Treasury together with provincial treasuries and provincial departments of education and health should within 60 days of the adoption of this Report by the House develop measures to ensure that the wage agreement is effectively implemented, and funds are utilised for their intended purpose; furthermore, the Committee is of the view that consequence management should be urgently implemented for poor expenditure on critical programmes such as the Early Childhood Development (ECD) Programme, National Health Insurance (NHI), and many other critical programmes, instead of taking funds away.

The National Treasury notes the committee's recommendations. Provincial treasuries and the National Treasury will continue working collaboratively to ensure the credibility of compensation budgets. Funds allocated for the compensation of employees are budgeted as such by provincial legislatures, which exercise direct oversight over provincial departments. These budgets are also publicly available for scrutiny. Moreover, the National Treasury will continue working with provincial treasuries and the relevant national departments to improve the effectiveness of programmes in line with the provisions of the Division of Revenue Act.

The National Treasury, together with the Department of Cooperative Governance and its provincial counterparts, should within 60 days of the adoption of this Report by the House develop clear mechanisms and steps in line with the Constitution to ensure that political instability due to coalitions in municipalities does not affect administrative functioning, policy implementation and basic service delivery.

The National Treasury collaborates with the Department of Cooperative Governance regarding metro finances. The Department of Cooperative Governance has developed proposals to amend the Local Government: Municipal Structures Act (1998) to address the effect of coalitions on finances and these amendments will be supported with Regulations. The National Treasury will provide comments during the consultation process.

The National Treasury should within 60 days of the adoption of this Report by the House develop clear mechanisms to ensure that any movement of funds due to unforeseen and unavoidable circumstances does not affect the approved annual performance plans of key service delivery departments and ensure that this is done within the parameters of section 43 of the Public Finance Management Act.

The National Treasury notes this recommendation. Virements and shifting of funds are always carried out in line with the relevant legislations and regulations, including those cited by the committee.

Whilst the Committee welcomed the fact that the reorganisation of government is ongoing and that spending review recommendations form part of the process, the Committee recommends that the National Treasury should within 60 days of the adoption of this Report by the House develop clear timeframes to fast-track the implementation of zero-based budgeting as it was announced by the President previously.

The National Treasury notes the committee's recommendation. It should be noted that spending reviews were the basis for zero-based budgeting announced previously. The goal of the spending reviews was to improve efficiency, effectiveness and value for money in public spending. Some spending reviews have informed the reprioritisation of funds within and between institutions and decisions about the affordability of certain programmes in recent years. Working with the affected institutions, the National Treasury will ensure that the full implementation of the recommendations from the spending reviews is expedited over the 2024 MTEF period.

Whilst the Committee welcomed the extension of the Social Relief of Distress (SRD) Grant until 2024, the National Treasury, together with the Department of Social Development, should within 60 days of the adoption of this Report by the House develop clear measures and timeframes to conclude the review process of the entire social grant system as previously announced by the Minister of Finance.

The National Treasury as well as the World Bank have reviewed the social grant system. However, the Department of Social Development and the National Treasury have not yet reached agreement on the way forward. As previously noted, the fiscal framework makes provision for funding for the *COVID-19 social relief of distress grant* for 2024/25. Any extension of the grant, or any replacement thereof, needs to be funded by a new revenue source or reprioritisation of other spending items. Government is still discussing options for a replacement grant and the balance between policy options to support higher employment.

The National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA), should ensure that the Budget Forum is effectively utilised to reflect and address issues affecting local government during the budget process. National Treasury should always ensure that SALGA is adequately consulted on matters relating to local government. Moreover, clear measures should be put in place by both SALGA and National Treasury to ensure that the process is effective, and consultations are more meaningful. Parliament, legislatures, and municipal councils should continue to monitor progress in this regard.

SALGA is consulted through the Budget Forum for budget-related consultations. This is preceded by technical Budget Forum meetings where officials engage and provide feedback to the political heads ahead of Budget Forum meetings. The committee's chairperson is welcome to attend these meetings to continue to monitor progress in this regard.

The National Treasury, together with Department of Public Enterprise and the Minister for Electricity, should within 60 days of the adoption of this Report by the House ensure that a multi-pronged approach is developed to urgently address the crises at Eskom and Transnet, as these impact on other economic sectors like mining, manufacturing and agriculture, and to address the challenges *around the Passenger Rail Agency of South Africa (PRASA) as well as other infrastructure related programmes to stimulate economic growth and address poverty, inequality and unemployment.*

The National Treasury has provided support to Eskom through the Eskom Debt Relief Act (2023) and to Transnet through a R47 billion guarantee. The National Treasury is also a member of the National Logistics Crisis Committee and the National Energy Crisis Committee, which are overseeing interventions to address transportation and electricity challenges, respectively.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE PROPOSED DIVISION OF REVENUE AND CONDITIONAL GRANT ALLOCATIONS TO PROVINCES AND MUNICIPALITIES AS CONTAINED IN THE 2023 MTBPS

The National Treasury, together with the Department of Public Service and Administration, the Department of Planning, Monitoring and Evaluation and the Presidency should, within 60 days of the adoption of this Report by the House, ensure that clear plans are developed to expedite the review and reconfiguration of the executive functions to address duplications and inefficiencies.

The National Treasury notes the recommendation. It will continue to engage with the Presidency and other relevant institutions to expedite the reconfiguration of the state.

The National Treasury and provincial treasuries should, within 90 days of the adoption of this Report by the House, take steps to ensure that the Provincial Equitable Share (PES) task team expedite the review of the education component, ensuring that proper consultation with relevant stakeholders is conducted.

The technical review of the education component has been completed and consultations are now in progress.

The National Treasury, together with provincial treasuries and provincial departments should, within 60 days of the adoption of this Report by the House, take steps to ensure that the wage agreement is effectively implemented by provincial departments of education and health, and funds are utilised for their intended purpose.

The National Treasury is responsible for allocating funds to provinces and provincial legislatures are responsible for deciding how these funds are used through the provincial budget process.

The National Treasury should, within 60 days of the adoption of this Report by the House, take steps to fast-track the process of developing compulsory national norms and standards to regulate municipal surcharges on electricity and to identify alternative sources of revenue.

The National Treasury welcomes this recommendation.

The National Treasury, together with the Department of Water and Sanitation should, within 60 days of the adoption of this Report by the House, take steps to finalise the proposed conditions to ensure that the Urban Settlements Development Grant, the Integrated Urban Development Grant, and the Municipal Infrastructure Grant (MIG) are aligned with the Green Drop, Blue Drop and No Drop assessment to improve water management and wastewater systems.

The National Treasury welcomes this recommendation. It and the Department of Water and Sanitation are engaging the Department of Human Settlements and the Department of Cooperative Governance, as the transferring departments of these grants, to finalise the proposed conditions. This will promote efficient water management systems and sustainable development.

The Committee once again recommends that National Treasury review the funding model of local government and calls for more meaningful commitments to increase the proportion of the nationally raised revenue allocated to local government. The Committee further calls upon all municipalities to use their funds more effectively and productively to ensure value for money.

The National Treasury agrees with the need to review the funding model for local government. Chapter 6 outlines the work under way on this matter, including reviewing the funding model for local government and improving the local government equitable share formula, over the MTEF period.

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B

2024 BUDGET REVIEW

TAX EXPENDITURE STATEMENT

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

The primary aim of the tax system is to raise sufficient revenue for government spending. It can also promote socioeconomic objectives through targeted tax exemptions, deductions or credits. Tax expenditures are estimates of the total revenue foregone due to this preferential tax treatment. This annexure presents government's latest estimates of the fiscal cost of tax expenditures, as well as the methodology used to produce these estimates.

Tax expenditure documents promote transparency and accountability. They help government and the public assess the costs, benefits and overall effectiveness of this expenditure. The National Treasury has enhanced its tax expenditure reporting and evaluation in recent years by adding several new expenditure estimates based on tax administrative data. Since the 2022 Budget, selected corporate tax expenditures are presented on a sectoral basis. In 2021/22 – the latest year for which data is available – tax expenditures were estimated at R263.0 billion or 4.2 per cent of GDP.

TAX EXPENDITURE ESTIMATES

The estimates presented in tables B.1 and B.2 are calculated using the "revenue foregone" method. This entails comparing actual revenue collections with the revenue that would have been collected without the incentive in place.

The revenue foregone approach assumes that taxpayers do not change their behaviour in response to a tax expenditure being withdrawn. In reality, behaviour is likely to change if an incentive is withdrawn, so the additional revenue collected may be less than estimated.

Most of the personal income tax and corporate income tax estimates are calculated using administrative data from the South African Revenue Service (SARS), which allows expenditure estimates to be accounted for on an accrual basis.

Changes to estimation methods since the 2023 Budget

There are three revisions to the personal income tax expenditure estimates. First, the estimates for retirement fund contributions were all revised downward due to an improvement in the use of the assessed taxpayer database, in addition to the data available from the employee tax database. The deduction previously included all amounts that would be deductible in future years through rollover provisions. It now only includes amounts deducted in the current year.

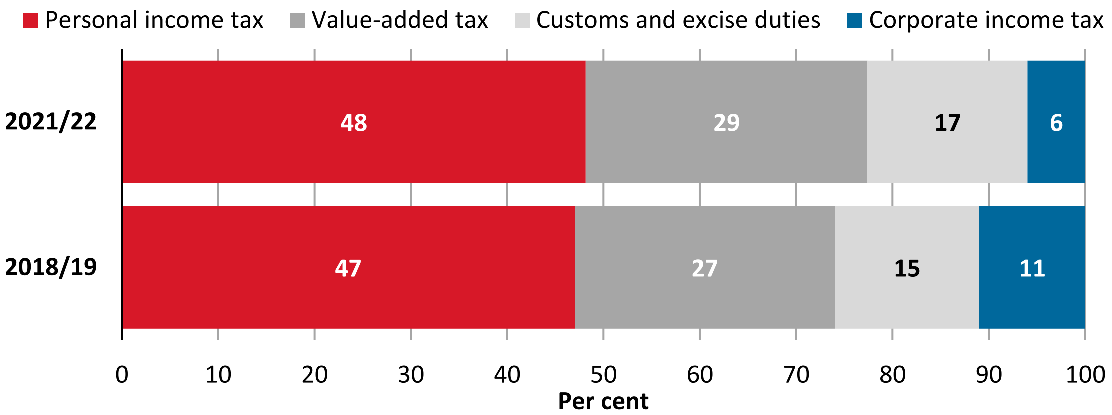
Second, the donations estimate does not include donations made under the special provisions for donations to the Solidarity Fund during 2020/21 that were only available for that year. The associated tax expenditure amounted to R47 million.

Third, this annexure incorporates the estimated revenue forgone due to the foreign remuneration exemption for the first time. It is capped at R1.25 million per taxpayer per year for remuneration from foreign sources for tax residents that are outside the country for more than 183 days per year.

Trends in tax expenditure: 2018/19 – 2021/22

This section uses historical data to analyse trends in tax expenditure at an aggregate level between 2018/19 and 2021/22. The numbers presented for the latest fiscal year reported in each tax expenditure statement are generally lower than previous fiscal years because the number of taxpayers that SARS has assessed is not close to 100 per cent. Tax expenditures remained relatively constant as a share of nominal GDP over the period, reducing from 4.7 per cent in 2018/19 to 4.3 per cent in 2020/21. The 2021/22 share will be more accurate in the 2025 *Budget Review* once levels of assessment are higher.

Figure B.1 Share of total tax expenditure per tax type



Source: National Treasury

Sectoral trends in tax expenditure: 2018/19 – 2021/22

The SARS tax administrative data is aligned with the Standard Industrial Classification, rather than SARS sector codes, for the sectoral analysis.

Table B.1 Selected corporate tax expenditure estimates by sector

R million	2018/19	2019/20	2020/21	2021/22
Research and development	**257**	**212**	**268**	**161**
Manufacturing	131	86	93	44
Financial intermediation, insurance, real estate and business services	40	54	109	65
Agriculture, hunting, forestry and fishing	25	19	23	7
Community, social and personal services	19	17	14	11
Mining and quarrying	27	18	9	19
Other	14	18	21	15
Participation exemption	**16 390**	**12 640**	**10 775**	**5 974**
Financial intermediation, insurance, real estate and business services	12 006	8 244	5 296	3 926
Mining and quarrying	1 354	1 765	2 472	127
Transport, storage and communication	1 557	1 554	1 604	12
Community, social and personal services	175	375	420	56
Manufacturing	516	323	318	872
Other	783	378	666	981

Source: National Treasury

Research and development (R&D) tax incentive (section 11D of the Income Tax Act, 1962)

The R&D tax incentive aims to encourage more private-sector companies to invest in R&D by providing a 150 per cent deduction for expenditure on eligible scientific or technological R&D carried out in South Africa. This incentive was reviewed as it was set to expire on 31 December 2023. It has been extended to 31 December 2033, with several refinements intended to simplify its implementation.

Table B.1 shows the five sectors that have benefited the most from this tax incentive over the reporting period. The list remains unchanged from that reported in previous years. More than 60 per cent of the tax expenditure has supported the manufacturing sector and the financial intermediation, insurance, real estate and business services sector. The agricultural sector has also benefited, highlighting that this incentive encourages R&D in sectors that are important for job creation.

Participation exemption in terms of foreign dividends and share sales (section 10B(2) of the Income Tax Act)

To qualify for the participation exemption, a resident company (or group of companies) must hold 10 per cent or more of the total equity shares and voting rights of a company declaring a foreign dividend. The exemption aims to encourage resident companies to repatriate dividends and prevent economic double taxation (if dividend withholding tax is due in the foreign country, for example). Qualifying companies are also exempt from capital gains tax on the sale of shares.

Table B.1 shows the five sectors that benefited the most between 2018/19 and 2021/22. The reported numbers relate solely to the exempt foreign dividend element, as there is insufficient information to publish the tax expenditure associated with the capital gains tax element.

The financial intermediation, insurance, real estate and business services sector benefits the most – both in respect of the number of taxpayers and the monetary value of the exemption. On average, 1 715 taxpayers benefit from the participation exemption (limited to dividends) annually.

Table B.2 Tax expenditure estimates

R million	2018/19	2019/20	2020/21	2021/22
Personal income tax				
Retirement fund contributions[1]	71 771	78 235	75 645	78 052
Pension contributions – employees	*16 828*	*20 048*	*20 621*	*18 557*
Pension contributions – employers	*27 656*	*29 260*	*27 930*	*30 081*
Provident contributions – employees	*3 915*	*4 960*	*4 907*	*4 781*
Provident contributions – employers	*11 817*	*12 344*	*11 306*	*12 387*
Retirement annuity	*11 555*	*11 623*	*10 882*	*12 246*
Medical	38 246	35 378	35 762	36 596
Medical tax credits on contributions	*30 801*	*27 093*	*27 653*	*28 594*
Medical tax credits on out-of-pocket expenditure	*7 445*	*8 285*	*8 108*	*8 002*
Interest exemptions	3 701	3 877	3 204	3 209
Secondary rebate (65 years and older)	3 583	3 789	4 040	4 171
Tertiary rebate (75 years and older)	247	262	304	294
Donations	429	491	484	480
Capital gains tax (annual exclusion)	574	628	502	603
Venture capital companies	880	852	989	1 247
Foreign remuneration exemption	515	524	1 754	1 987
Total personal income tax	**119 946**	**124 037**	**122 684**	**126 638**
Corporate income tax				
Small business corporation tax savings	3 366	3 328	3 085	2 904
Reduced headline rate	*3 299*	*3 255*	*3 030*	*2 870*
Section 12E depreciation allowance	*67*	*74*	*56*	*35*
Research and development	257	212	268	161
Learnership allowances	588	502	400	261
Strategic industrial projects (12I)	337	16	2	–
Film incentive[2]	–	19	1	3
Urban development zones	209	257	159	152
Employment tax incentive	4 512	4 754	7 165	6 167
Energy-efficiency savings	1 934	161	113	172
Participation exemption[3]	16 390	12 640	10 775	5 974
Total corporate income tax	**27 594**	**21 889**	**21 970**	**15 795**

Table B.2 Tax expenditure estimates *(continued)*

R million	2018/19	2019/20	2020/21	2021/22
Value-added tax				
Zero-rated supplies	65 255	71 752	61 665	75 195
22 basic items [4]	*29 390*	*31 834*	*27 960*	*31 494*
Petrol [5]	*20 259*	*20 003*	*14 730*	*20 705*
Diesel [5]	*8 089*	*8 212*	*6 592*	*9 321*
Paraffin [5]	*931*	*838*	*740*	*1 741*
Municipal property rates	*6 252*	*10 528*	*11 316*	*11 518*
Reduced inclusion rate for commercial accommodation	*334*	*336*	*328*	*416*
Exempt supplies (public transport and education)	1 603	1 687	1 525	1 717
Total value-added tax	**66 857**	**73 439**	**63 190**	**76 913**
Customs duties and excise				
Motor vehicles (MIDP/APDP, including IRCCs)[6]	31 250	34 107	26 189	34 165
Textile and clothing (duty credits – DCCs)[6]	734	725	709	869
Furniture and fixtures	178	168	138	144
Other customs[7]	600	625	1 409	1 147
Diesel refund[8]	5 846	8 767	7 090	7 347
Total customs and exercise	**38 608**	**44 393**	**35 534**	**43 672**
Total tax expenditure	**253 006**	**263 758**	**243 377**	**263 018**
Tax expenditure as % of total gross tax revenue	**19.6%**	**19.5%**	**19.5%**	**16.8%**
Total gross tax revenue	**1 287 690**	**1 355 766**	**1 249 711**	**1 563 754**
Tax expenditure as % of GDP	**4.7%**	**4.6%**	**4.3%**	**4.2%**

1. Retirement benefits are taxable once they are paid out, therefore a portion of the revenue is deferred rather than foregone, unlike most other tax expenditures. Some of the revenue foregone is also recouped through taxes on lump sum withdrawals before or on retirement

2. Tax expenditure for all years is attributable to allowances under section 24F and exemptions under section 12O

3. Tax expenditure only attributable to foreign dividends. Capital gains tax on shares sales not included

4. VAT relief in respect of basic food items based on 2010/11 Income and Expenditure Survey data, and two food items and sanitary towels (pads) added from 1 April 2019

5. Based on fuel volumes and average retail selling prices

6. Motor Industry Development Programme (MIDP), replaced in 2013 by the Automative Production Development Programme (APDP); import rebate credit certificate (IRCC); duty credit certificate (DCC)

7. Goods manufactured exclusively for exports, television monitors and agricultural goods exempted

8. Diesel refund previously offset against domestic VAT has been added

Source: National Treasury

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C

2024 BUDGET REVIEW

ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

This annexure should be read with Chapter 4 of the Budget Review. It elaborates on some of the proposals contained in the chapter, clarifies certain matters and presents additional technical proposals arising from the annual tax policy process.

PERSONAL INCOME TAX

The proposed tax schedule in Table 4.4 in Chapter 4 is held constant this year. The effects of these proposals are set out in tables C.1, C.2 and C3.

Table C.1 Annual income tax payable, 2024/25

Taxable income (R)	2023/24 rates (R)	Proposed 2024/25 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
85 000	–	–	–	–	–	–
90 000	–	–	–	–	–	–
100 000	765	765	–	0.0%	0.8%	0.8%
120 000	4 365	4 365	–	0.0%	3.6%	3.6%
150 000	9 765	9 765	–	0.0%	6.5%	6.5%
200 000	18 765	18 765	–	0.0%	9.4%	9.4%
250 000	28 797	28 797	–	0.0%	11.5%	11.5%
300 000	41 797	41 797	–	0.0%	13.9%	13.9%
400 000	69 272	69 272	–	0.0%	17.3%	17.3%
500 000	100 272	100 272	–	0.0%	20.1%	20.1%
750 000	191 942	191 942	–	0.0%	25.6%	25.6%
1 000 000	292 284	292 284	–	0.0%	29.2%	29.2%
1 500 000	497 284	497 284	–	0.0%	33.2%	33.2%
2 000 000	709 604	709 604	–	0.0%	35.5%	35.5%

Source: National Treasury

Table C.2 Annual income tax payable and average tax rates, 2024/25 (taxpayers aged 65 to 74)

Taxable income (R)	2023/24 rates (R)	Proposed 2024/25 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
120 000	–	–	–	–	–	–
150 000	321	321	–	0.0%	0.2%	0.2%
200 000	9 321	9 321	–	0.0%	4.7%	4.7%
250 000	19 353	19 353	–	0.0%	7.7%	7.7%
300 000	32 353	32 353	–	0.0%	10.8%	10.8%
400 000	59 828	59 828	–	0.0%	15.0%	15.0%
500 000	90 828	90 828	–	0.0%	18.2%	18.2%
750 000	182 498	182 498	–	0.0%	24.3%	24.3%
1 000 000	282 840	282 840	–	0.0%	28.3%	28.3%
1 500 000	487 840	487 840	–	0.0%	32.5%	32.5%
2 000 000	700 160	700 160	–	0.0%	35.0%	35.0%

Source: National Treasury

Table C.3 Annual income tax payable and average tax rates, 2024/25 (taxpayers aged 75 and over)

Taxable income (R)	2023/24 rates (R)	2024/25 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
150 000	–	–	–	–	–	–
200 000	6 176	6 176	–	0.0%	3.1%	3.1%
250 000	16 208	16 208	–	0.0%	6.5%	6.5%
300 000	29 208	29 208	–	0.0%	9.7%	9.7%
400 000	56 683	56 683	–	0.0%	14.2%	14.2%
500 000	87 683	87 683	–	0.0%	17.5%	17.5%
750 000	179 353	179 353	–	0.0%	23.9%	23.9%
1 000 000	279 695	279 695	–	0.0%	28.0%	28.0%
1 500 000	484 695	484 695	–	0.0%	32.3%	32.3%
2 000 000	697 015	697 015	–	0.0%	34.9%	34.9%

Source: National Treasury

CUSTOMS AND EXCISE DUTY

Government proposes that excise duties in the Customs and Excise Act (1964, section A of part 2 of schedule 1) be amended with effect from 21 February 2024 to the extent shown in Table C.4.

Table C.4 Specific excise duties, 2023/24 – 2024/25

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.00		**PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO**		
104.01	**19.01**	**Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 per cent by mass of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 per cent by mass of cocoa calculated on a totally defatted basis not elsewhere specified or included:**		
104.01.05	1901.90.13	Preparations for making alcoholic beverages (excluding those of subheading 1901.90.20) as defined in Additional Note 2 to Chapter 19	34,7c/kg	34,7c/kg
104.01.10	1901.90.20	Traditional African beer powder as defined in Additional Note 1 to Chapter 19	34,7c/kg	34,7c/kg
104.05	**21.06**	**Food preparations not elsewhere specified or included:**		
104.05.10	2106.90.13	Preparations for making alcoholic beverages as defined in Additional Note 1 to Chapter 21	34,7c/kg	34,7c/kg
104.10	**22.03**	**Beer made from malt:**		
104.10.10	2203.00.05	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.10.20	2203.00.90	Other	R127.40/li aa	R135.89/li aa
104.15	**22.04**	**Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):**		
104.15.01	2204.10	Sparkling wine	R16.64/li	R17.83/li
104.15	**2204.21**	**In containers holding 2 li or less:**		
104.15	**2204.21.4**	**Unfortified wine:**		
104.15.03	2204.21.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.04	2204.21.42	Other	R257.23/li aa	R274.39/li aa
104.15	**2204.21.5**	**Fortified wine:**		
104.15.05	2204.21.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.06	2204.21.52	Other	R257.23/li aa	R274.39/li aa
104.15	**2204.22**	**In containers holding more than 2 li but not more than 10 li:**		
104.15	**2204.22.4**	**Unfortified wine:**		
104.15.13	2204.22.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.15	2204.22.42	Other	R257.23/li aa	R274.39/li aa
104.15	**2204.22.5**	**Fortified wine:**		
104.15.17	2204.22.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.19	2204.22.52	Other	R257.23/li aa	R274.39/li aa
104.15	**2204.29**	**Other:**		
104.15	**2204.29.4**	**Unfortified wine:**		
104.15.21	2204.29.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.23	2204.29.42	Other	R257.23/li aa	R274.39/li aa
104.15	**2204.29.5**	**Fortified wine:**		
104.15.25	2204.29.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.27	2204.29.52	Other	R257.23/li aa	R274.39/li aa
104.16	**22.05**	**Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:**		
104.16	**2205.10**	**In containers holding 2 li or less:**		
104.16.01	2205.10.10	Sparkling	R16.64/li	R17.83/li

Table C.4 Specific excise duties, 2023/24 – 2024/25 *(continued)*

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.16	**2205.10.2**	**Unfortified:**		
104.16.03	2205.10.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.20/li	R5.57/li
104.16.04	2205.10.22	Other	R257.23/li aa	R274.39/li aa
104.16	**2205.10.3**	**Fortified:**		
104.16.05	2205.10.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.16.06	2205.10.32	Other	R257.23/li aa	R274.39/li aa
104.16	**2205.90**	**Other:**		
104.16	**2205.90.2**	**Unfortified:**		
104.16.09	2205.90.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.20/li	R5.57/li
104.16.10	2205.90.22	Other	R257.23/li aa	R274.39/li aa
104.16	**2205.90.3**	**Fortified:**		
104.16.11	2205.90.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.16.12	2205.90.32	Other	R257.23/li aa	R274.39/li aa
104.17	**22.06**	**Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included:**		
104.17.03	2206.00.05	Sparkling fermented fruit or mead beverages; mixtures of sparkling fermented beverages derived from the fermentation of fruit or honey; mixtures of sparkling fermented fruit or mead beverages and non-alcoholic beverages	R16.64/li	R17.83/li
104.17.05	2206.00.15	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.17.07	2206.00.17	Other fermented beverages, unfortified, with an alcoholic strength of less than 2.5 per cent by volume	R127.40/li aa	R135.89/li aa
104.17.09	2206.00.19	Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.11	2206.00.21	Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.15	2206.00.81	Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.16	2206.00.82	Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.17	2206.00.83	Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.21	2206.00.84	Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.22	2206.00.85	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa

Table C.4 Specific excise duties, 2023/24 – 2024/25 *(continued)*

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.17.25	2206.00.87	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.90	2206.00.90	Other	R257.23/li aa	R274.39/li aa
104.21	**22.07**	**Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:**		
104.21.01	2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher	R257.23/li aa	R274.39/li aa
104.21.03	2207.20	Ethyl alcohol and other spirits, denatured, of any strength	R257.23/li aa	R274.39/li aa
104.23	**22.08**	**Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol.; spirits, liqueurs and other spirituous beverages:**		
104.23	**2208.20**	**Spirits obtained by distilling grape wine or grape marc:**		
104.23	**2208.20.1**	**In containers holding 2 li or less:**		
104.23.01	2208.20.11	Brandy as defined in Additional Note 7 to Chapter 22	R231.51/li aa	R246.95/li aa
104.23.02	2208.20.19	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.20.9**	**Other:**		
104.23.03	2208.20.91	Brandy as defined in Additional Note 7 to Chapter 22	R231.51/li aa	R246.95/li aa
104.23.04	2208.20.99	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.30**	**Whiskies:**		
104.23.05	2208.30.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.07	2208.30.90	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.40**	**Rum and other spirits obtained by distilling fermented sugarcane products:**		
104.23.09	2208.40.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.11	2208.40.90	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.50**	**Gin and Geneva:**		
104.23.13	2208.50.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.15	2208.50.90	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.60**	**Vodka:**		
104.23.17	2208.60.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.19	2208.60.90	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.70**	**Liqueurs and cordials:**		
104.23	**2208.70.2**	**In containers holding 2 li or less:**		
104.23.21	2208.70.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.22	2208.70.22	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.70.9**	**Other:**		
104.23.23	2208.70.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.24	2208.70.92	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.90**	**Other:**		
104.23	**2208.90.2**	**In containers holding 2 li or less:**		
104.23.25	2208.90.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.26	2208.90.22	Other	R257.23/li aa	R274.39/li aa
104.23	**2208.90.9**	**Other:**		
104.23.27	2208.90.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.28	2208.90.92	Other	R257.23/li aa	R274.39/li aa

Table C.4 Specific excise duties, 2023/24 – 2024/25 *(continued)*

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.30	**24.02**	**Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:**		
104.30	**2402.10**	**Cigars, cheroots and cigarillos containing tobacco:**		
104.30.01	2402.10.10	Imported from Switzerland	R5 061.01/kg net	R5 474.32/kg net
104.30.03	2402.10.90	Other	R5 061.01/kg net	R5 474.32/kg net
104.30	**2402.20**	**Cigarettes containing tobacco:**		
104.30.05	2402.20.10	Imported from Switzerland	R10.40 /10 cigarettes	R10.89 /10 cigarettes
104.30.07	2402.20.90	Other	R10.40 /10 cigarettes	R10.89 /10 cigarettes
104.30	**2402.90.1**	**Cigars, cheroots and cigarillos of tobacco substitutes:**		
104.30.09	2402.90.12	Imported from Switzerland	R5 061.01/kg net	R5 474.32/kg net
104.30.11	2402.90.14	Other	R5 061.01/kg net	R5 474.32/kg net
104.30	**2402.90.2**	**Cigarettes of tobacco substitutes:**		
104.30.13	2402.90.22	Imported from Switzerland	R10.40 /10 cigarettes	R10.89 /10 cigarettes
104.30.15	2402.90.24	Other	R10.40 /10 cigarettes	R10.89 /10 cigarettes
104.35	**24.03**	**Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences:**		
104.35	**2403.1**	**Smoking tobacco, whether or not containing tobacco substitutes in any proportions:**		
104.35.01	2403.11	Water pipe tobacco specified in Subheading Note 1 to Chapter 24	R278.31/kg net	R301.05/kg net
104.35	**2403.19**	**Other:**		
104.35.02	2403.19.10	Pipe tobacco in immediate packings of a content of less than 5 kg	R278.31/kg net	R301.05/kg net
104.35.03	2403.19.20	Other pipe tobacco	R278.31/kg net	R301.05/kg net
104.35.05	2403.19.30	Cigarette tobacco	R467.54/kg	R489.37/kg
104.35	**2403.91**	**"Homogenised" or "reconstituted" tobacco:**		
104.35.07	2403.91.20	Imported from Switzerland	R975.15/kg	R1 020.69/kg
104.35.09	2403.91.80	Other	R975.15/kg	R1 020.69/kg
104.35	**2403.99**	**Other:**		
104.35.15	2403.99.30	Other cigarette tobacco substitutes	R467.54/kg	R489.37/kg
104.35.17	2403.99.40	Other pipe tobacco substitutes	R278.31/kg net	R301.05/kg net
104.35.19	2403.99.90	Other	R975.15/kg	R1 020.69/kg
104.37	**24.04**	**Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body:**		
104.37	**2404.1**	**Products intended for inhalation without combustion:**		
104.37	**2404.11**	**Containing tobacco or reconstituted tobacco:**		
104.37	**2404.11.1**	**Containing reconstituted tobacco:**		
104.37.01	2404.11.11	Imported from Switzerland, put up for retail sale in the form of sticks	R7.80 /10 sticks	R8.16 /10 sticks
104.37.03	2404.11.13	Imported from Switzerland, other	R975.15/kg	R1 020.69/kg
104.37.05	2404.11.15	Other, put up for retail sale in the form of sticks	R7.80 /10 sticks	R8.16 /10 sticks
104.37.07	2404.11.19	Other	R975.15/kg	R1 020.69/kg
104.37	**2404.11.9**	**Other:**		
104.37.11	2404.11.91	Put up for retail sale in the form of sticks	R7.80 /10 sticks	R8.16 /10 sticks
104.37.13	2404.11.99	Other	R975.15/kg	R1 020.69/kg
104.37.14	2404.12	Other, containing nicotine	R2.90/ml	R3.04/ml
104.37	**2404.19**	**Other:**		
104.37.16	2404.19.10	Containing nicotine substitutes	R2.90/ml	R3.04/ml
104.37.19	2404.19.20	Other, put up for retail sale in the form of sticks	R7.80 /10 sticks	R8.16 /10 sticks
104.37.21	2404.19.90	Other	R975.15/kg	R1 020.69/kg

Source: SARS

ADDITIONAL POLICY AND ADMINISTRATIVE AMENDMENTS

Additional tax amendments proposed for the upcoming legislative cycle are set out below.

Individuals, employment and savings

Curbing the abuse of the employment tax incentive scheme

Changes were made to the Employment Tax Incentive Act (2013) in 2021 and 2023 to curb abuse of the employment tax incentive from aggressive tax schemes, which used training institutions to claim the incentive for students. It is proposed that punitive measures to support those amendments be refined in the legislation to address the abusive behaviour of certain taxpayers towards the incentive.

Amending the definition of "remuneration proxy" in section 1

In 2013, the definition of "remuneration factor" in the Seventh Schedule to the Income Tax Act (1962) was replaced by a new definition of "remuneration proxy" in section 1. The new definition of "remuneration proxy" refers to an "associated institution" in relation to the employer without referencing paragraph 1 of the Seventh Schedule, where this term is defined. It is proposed that the definition of "remuneration proxy" be amended to include a reference to "an 'associated institution' as defined in paragraph 1 of the Seventh Schedule".

Payroll amendments and refunds made in the current year

With the move by the South African Revenue Service (SARS) for payroll administrators to report payroll monthly, government proposes amending section 11(nA) of the Income Tax Act to cater for taxpayers seeking to make refunds of amounts received or accrued during the same year of assessment.

Clarifying anti-avoidance rules for low-interest or interest-free loans to trusts

The Income Tax Act contains an anti-avoidance measure aimed at curbing the tax-free transfer of wealth to trusts using low-interest or interest-free loans, advances or credit arrangements (including cross-border loan arrangements). The transfer pricing rules in the act also apply to counter the mispricing of cross-border loan arrangements. To avoid the possibility of an overlap or double taxation, the trust anti-avoidance measures specifically exclude low- or no-interest loan arrangements that are subject to the transfer pricing rules. It has come to government's attention that the above-mentioned exclusion does not effectively address the interaction between the trust anti-avoidance measures and transfer pricing rules where the arm's length interest rate is less than the official rate on these cross-border loan arrangements. It is proposed that amendments be made to the legislation to provide clarity in this regard.

Retirement provisions

Transfers between retirement funds by members who are 55 years or older

In 2023, changes were made to the legislation to allow for tax-neutral transfers between retirement funds in instances where members of pension or provident funds who have reached the normal retirement age as contained in the rules of the fund, but have not yet elected to retire, to transfer their retirement interest tax-free if it is an involuntary transfer. However, to be tax-free the transfer of the retirement interest should be made to a fund that is not less restrictive. It has come to government's attention that the law only allows certain tax-free transfers of an involuntary nature but excludes transfers from one retirement annuity fund to another. It is proposed that the law be amended to allow involuntary transfers of this nature.

Business (general)

Reviewing the connected person definition in relation to partnerships

Paragraph (c) of the definition of "connected person" in section 1 of the Income Tax Act provides that, in the context of a partnership or foreign partnership (as defined in section 1), each member of the partnership is a connected person in relation to any other member of the partnership and any connected person in relation to any member of such partnership or foreign partnership. Therefore, partners are connected to each other as well as to all connected persons of the partners in the partnership. It has come to government's attention that limited partners in an *en commandite* partnership (a partnership carried out in the name of only some of the partners; the undisclosed partners contribute a fixed sum and are not liable for more than their capital contribution in the case of a loss) are affected by the wide ambit of paragraph (c) of the definition of connected person. It is proposed that the status of connected persons in relation to a "qualifying investor" as defined be reviewed in the definition of "connected person" in the Income Tax Act.

Limiting interest deductions in respect of reorganisation and acquisition transactions

It is proposed that the definition of "adjusted taxable income" and the formula applied to limit an interest deduction in section 23N of the Income Tax Act be reviewed for closer alignment with the changes made to the definition of the adjusted taxable income and the formula applied for the interest limitation rules for debts owed to persons not subject to tax in section 23M of the Income Tax Act.

Relaxing the assessed loss restriction rule under certain circumstances

When a company is in the process of liquidation, deregistration or being wound up, it cannot make use of the full assessed loss. It is proposed that the legislation be amended to exempt companies from applying the assessed loss restriction rule while in the process of liquidation, deregistration or winding up.

Corporate reorganisation rules

Clarifying the interaction of the value shifting provisions and the definition of "value shifting arrangement" in paragraph 1 of the Eighth Schedule

Disposals between group companies falling within the ambit of the corporate rollover relief provisions should, in principle, be tax neutral. In essence, rationalising a group of companies can result in the market value of an existing shareholding of one group entity decreasing and another group entity's newly acquired shareholding increasing (this would trigger the application of the value shifting rules). However, commercially, the market value of the ultimate holding company's combined direct and indirect interests in all the subsidiary companies remains unchanged. It is proposed that the definition of "value shifting arrangement" be amended to exclude certain corporate rollover transactions between groups of companies or where the value of the effective interest of the connected person remains unchanged.

Reviewing the prohibition against transfers of assets to non-taxable transferees in terms of an "amalgamation transaction"

In general, "amalgamation transaction" rules do not apply if assets are transferred to companies that are wholly or partially exempt or fall outside the South African tax base because they are not fully taxable, in order to ensure that rollover relief is not used to obtain a permanent exemption. It has come to government's attention that the interaction between the definition of "amalgamation transaction" and the aforementioned rule, its reference to an "amalgamated company" and cross-references to a resultant company that is a foreign company that does not have a place of effective management in South Africa seem to be misaligned and unclear. It is proposed that this interaction be reviewed and clarified.

Reviewing the ambit of the de-grouping charge in intra-group transactions

The anti-avoidance measures of the intra-group corporate reorganisation rules set out the tax consequences for capital assets, allowance assets and trading stock in the event of de-grouping subsequent to an intra-group transaction. This is commonly referred to as a de-grouping charge and is applied when the transferee company and a transferor company cease to form part of the same group of companies or when the transferee company ceases to form part of the same group as any controlling group company in relation to the transferor company. For the de-grouping charge to be triggered, the de-grouping must take place within six years of the transfer of the assets if the assets were transferred between group companies as envisaged in paragraph (a) of the definition of "intra-group transaction". It is proposed that the scope of the de-grouping charge be narrowed to avoid the de-grouping charge being triggered when there is a change in shareholding affecting a group of companies, while the companies involved in the original intra-group transactions are still part of another group of companies.

Clarifying anti-avoidance rules dealing with third-party backed shares

Third-party backed share anti-avoidance rules deem dividend yields of preference shares, backed by third parties through an enforcement right of the holder, to be income except where the funds derived from the issue of these third-party backed shares are used for a qualifying purpose. The anti-avoidance rules do not apply if the funds derived from the issue of the preference shares in question are used for a qualifying purpose, for example, if the funds are used directly or indirectly to acquire equity shares in an operating company. It has come to government's attention that the following amendments are required to clarify the rules.

Extending the definition of "enforcement right" to a connected person

An "enforcement right", as defined in the Income Tax Act, encompasses a right of the holder of a share, or any connected person in relation to that holder (a third party), to enforce performance by another person in respect of that share. However, the definition of a "third-party backed share" in section 8EA of the Income Tax Act does not clearly match the intent that either a holder or a connected person to that holder could hold that enforcement right. Government proposes that the definition of a "third-party backed share" be clarified to address this anomaly.

Extending exclusions to the ownership requirement

In 2023, amendments were made to the qualifying purpose provisions to clarify the ownership requirement for the equity shares in the operating company by the person that acquired those equity shares at the time of the receipt or accrual of any dividend or foreign dividend, subject to certain exclusions. The exclusions include a provision that the ownership requirement will not apply if that equity share was a listed share and was substituted for another listed share in terms of an arrangement that is announced and released as a corporate action on a South African regulated stock exchange. It is proposed that the ownership requirement exclusions be extended to include corporate actions relating to listed share substitutions on a recognised exchange in a country other than South Africa.

In addition, the ownership requirement exclusions will apply if the equity shares in the operating company are disposed of and the funds derived from that disposal are used to redeem the preference share within 90 days of the disposal. It has come to government's attention that further clarity is required on whether settlement of any dividends, foreign dividends or interest accrued from that preference share that are payable also falls within the ambit of its allowable redemption. It is proposed that the legislation be amended to include the settlement of any amounts of dividends, foreign dividends or interest accrued in respect of the redemption of a preference share.

Refining "contributed tax capital" provisions

The contributed tax capital of any company is a notional and ring-fenced tax amount derived from a deemed market value amount when a foreign company becomes a South African tax resident and the consideration for the issue of a class of shares by a company. It is reduced by any amounts referred to as capital distributions, transferred by the company to the shareholders. It has come to government's attention that the following amendments are needed to further refine the contributed tax capital provisions.

Effect on legitimate transactions due to "contributed tax capital" anti-avoidance measures

Section 8G of the Income Tax Act is an anti-avoidance measure that limits the "contributed tax capital" of a resident company in a share-for-share transaction with a non-resident group company.

The taxation consequences of this anti-avoidance measure may affect legitimate corporate finance practices and limit South Africa's attractiveness as an investment destination. Government proposes that further refinements be considered to minimise any inadvertent tax consequences.

Translating "contributed tax capital" from foreign currency to rands

In 2023, amendments were proposed in the draft Taxation Laws Amendment Bill to clarify the translation of "contributed tax capital", denominated in a foreign currency, to rands. The initial effective date for these proposed amendments was 1 January 2024. After reviewing stakeholder comments on the draft bill, government decided to postpone the effective date for these amendments to 1 January 2025 to give both the National Treasury and affected stakeholders more time to consider the impact of the proposed amendments. Government proposes reviewing the impact of the 2023 amendments during the 2024 legislative cycle.

Business (financial sector)

Clarifying the interaction of section 24JB(3) of the Income Tax Act and the gross income definition

Section 24JB(3) of the Income Tax Act seeks to ensure that financial assets and financial liabilities that are measured at fair value in terms of the International Financial Reporting Standards (IFRS) 9 and whose income, expenses, gains or losses are recognised in the statement of profit or loss and other comprehensive income are only included in or deducted from the income of certain persons under section 24JB(2) of the act. Therefore, the amounts cannot be dealt with under any other section of the Income Tax Act. It has come to government's attention that further clarity is required on the interaction between the aforementioned rule and the definition of "gross income". It is proposed that section 24JB(3) be amended to specifically exclude the application of the definition of gross income.

Impact of IFRS 17 on the taxation of insurers

In May 2017, the International Accounting Standards Board issued IFRS 17 to replace IFRS 4 as the new accounting standard for insurers. In 2022, tax legislation was developed to cater for the application of IFRS 17 for the financial years of insurers starting on or after 1 January 2023. The implementation of IFRS 17 is a complex, ongoing process, with insurers now starting to report on the new standard. Given the significant adjustments required due to implementing IFRS 17, several unintended consequences have come to government's attention and need to be addressed in the tax legislation. For example, an amendment is required to reduce an excessive phasing-in amount as a result of liabilities for remaining coverage not specifically being allowed as a deduction under the IFRS 17 tax system. Government proposes to adjust the legislation to cater for these unintended consequences.

International

Clarifying the translation for hyperinflationary currencies

The net income of a controlled foreign company (CFC) is determined in the currency used by that CFC for financial reporting (the functional currency) and is translated into rand at the average exchange rate for that foreign tax year. An "exchange item", as defined in the Income Tax Act, is treated as not attributable to any permanent establishment of the CFC if the currency used for financial reporting is that of a country with an official rate of inflation of 100 per cent or more throughout the foreign tax year. However, in contrast to the intention that a hyperinflationary functional currency not be used for translation purposes, section 9D(2A)(*k*) of the Income Tax Act requires the local currency to be used. It is proposed that the rules be changed so that section 9D(2A)(*k*) does not allow the use of a hyperinflationary functional currency for translation purposes.

Clarifying the 18-month period in relation to shareholdings by group entities

In 2023, tax legislation was amended to require an 18-month holding requirement for the participation exemption on the foreign return of capital similar to the participation exemption relating to the disposal of shares in a foreign company. However, the test for the holding period for a foreign return of capital does not cover the situation where more than one company in a group of companies was holding the shares during the 18-month period. It is proposed that the holding period rules be amended to cater for this situation.

Clarifying the rebate for foreign taxes on income in respect of capital gains

South African tax residents are subject to income tax on their worldwide income. The Income Tax Act provides relief to them from double taxation where the same amount is taxed by more than one tax jurisdiction. Section 6*quat* of the Income Tax Act provides that a taxpayer should get credit for the taxes paid in the relevant foreign jurisdiction but limits this to the South African tax on the amount taxed in South Africa. According to the foreign tax credit rules dealing with foreign dividends, the tax-exempt portion must not be taken into account when determining the allowable foreign tax credit. However, the rules dealing with capital gains have no corresponding provision for the non-taxable portion of the capital gain.

It is proposed that section 6*quat* be amended to explicitly allow for a full foreign tax credit against tax payable in South Africa on a capital gain for taxes payable in the relevant foreign jurisdiction on the disposal of an asset. This will ensure a similar treatment as for foreign tax credits for taxable foreign dividends.

Aligning the section 6quat rebate and translation of net income rule for CFCs

Foreign taxes payable by a CFC must be translated to rand at the average exchange rate for the year of assessment, of the resident having an interest in the CFC, in which an amount of net income of the CFC is included in the income of that resident. However, the net income of the CFC must be translated by applying the average exchange rate for the foreign tax year of the CFC. A mismatch arises when the year of assessment of the resident and the foreign tax year of the CFC are different. To address this anomaly, it is proposed that the Income Tax Act align the years used to translate net income and foreign tax payable by referring to the foreign tax year of the CFC.

Refining the definition of "exchange item" for determining exchange differences

Certain financial arrangements that include preference shares are eroding the tax base due to a mismatch because some elements of the arrangement result in an exchange loss for tax purposes, while gains on the preference shares are not being taken into account for tax purposes. Government proposes to address the tax leakage associated with these financial arrangements by extending the definition of “exchange item” to include shares that are disclosed as financial assets for purposes of financial reporting in terms of IFRS.

Reviewing the interaction of the set-off of assessed loss rules and rules on exchange differences on foreign exchange transactions

When determining taxable income, the Income Tax Act enables taxpayers to set off their balance of assessed losses carried forward from the preceding tax year against their income, provided that the taxpayer continues trading. The interaction between the assessed loss set-off and exchange differences rules mean that a foreign exchange loss on an exchange item may not be set off in future years against gains from the same exchange item if the trading requirement is not met. It is proposed that consideration be given to ring-fencing all foreign exchange losses on exchange items from a future year of assessment.

Value-added tax

Amendments to schedule 2 part B for fruit and vegetables

It is proposed that items 12 and 13 of part B of schedule 2 of the Value-Added Tax (VAT) Act (1991) be amended to clarify that the zero-rating of VAT does not apply to pre-cut or prepared fruit or vegetables. Amendments to schedule 1 part 1 of the Customs and Excise Act (1964) may also be needed in order to align both the schedules.

VAT treatment of rental stock paid in terms of the National Housing Programme

Amendments to section 8(23) of the VAT Act that came into effect from 1 April 2017 have resulted in confusion about the VAT status of rental stock under the National Housing Programme. It is proposed that amendments be made to the VAT Act to clarify the VAT status of this rental stock.

Providing VAT relief for non-resident lessors of parts of ships, aircraft or rolling stock required to deregister as a result of recent amendments to the VAT Act

Previously, foreign lessors of parts of ships, aircraft or rolling stock were required to register for VAT because they were not covered under the proviso (xiii) exclusion in the definition of “enterprise” in section 1(1) of the VAT Act. However, the addition in 2023 of the words “or parts directly in connection thereto” to proviso (xiii) implied that foreign lessors were now required to deregister. This amendment had the unintended consequence of such vendors now facing an output tax liability under section 8(2). It is proposed that the VAT Act be amended to provide relief from this unintended consequence.

Clarifying the VAT treatment of the Mudaraba Islamic financing arrangement

Section 8A of the VAT Act does not address the VAT treatment of “Mudaraba” financing arrangements (Islamic financing arrangements, mostly used as an investment or transactional account). This causes disparity with the Income Tax Act and uncertainty as to the VAT treatment thereof. It is proposed that the VAT Act be amended to clarify this.

Clarifying the VAT treatment of supply of services to non-resident subsidiaries of companies based in the Republic

The definition of "resident of the Republic" (of South Africa) in section 1(1) of the VAT Act refers to the definition of "resident" in section 1 of the Income Tax Act. The proviso to this definition in the VAT Act envisages a resident as someone conducting an "enterprise" in the Republic. Non-resident subsidiaries of companies based in the country may qualify under the definition of "resident" in the Income Tax Act (as a result of being effectively managed in the Republic), and hence in the VAT Act as well. As a result, services supplied by the resident to the non-resident subsidiary may not be zero-rated. Since these services will be effectively consumed outside the country, it is proposed that the VAT Act be amended to exclude such subsidiaries from the definition of "resident of the Republic".

Reviewing the foreign donor funded project regime

The VAT Act requires each foreign donor funded project, as defined in the VAT Act, to be separately registered for VAT as a branch of the implementing agency. This results in an increased administrative burden for recipients of foreign donor funding. To ease the administrative burden on the implementing agents, it is proposed that the foreign donor funded project regime be reviewed.

Updating the Electronic Services Regulations

Government proposes to revise and update the Electronic Services Regulations (and relevant sections of the VAT Act) to keep up with changes in the digital economy and ease the administrative burden. The scope of the regulations should be limited to only non-resident vendors supplying electronic services to non-vendors or end consumers.

Regulations on the domestic reverse charge mechanism relating to valuable metal

Effective from 1 July 2022, government introduced regulations to curb VAT fraud schemes in relation to gold and goods containing gold. The regulations exclude from the definition of "valuable metal" the gold produced by "holders", as defined under the Mineral and Petroleum Resources Development Act (2002), or a person contracted to such "holder". It has come to government's attention that these schemes and malpractices have now shifted to the primary gold sector. It is proposed that the regulations be revised to foreclose these schemes.

Accounting for VAT in the gambling industry

In 2019 changes were made to section 72 of the VAT Act, which deals with the SARS Commissioner's discretion to make arrangements or decisions regarding the application of the act to specific situations where the manner in which a vendor or class of vendors conducts their business leads to difficulties, anomalies or incongruities. These changes affected the arrangements or decisions made on or before 21 July 2019. Government has reviewed the impact of these decisions to ascertain whether they should be discontinued or incorporated into the VAT Act. The amended section 72 affected the gambling industry and more specifically table games of chance, which previously accounted for VAT in terms of a section 72 arrangement or decision with SARS. It is proposed that this specific ruling relating to accounting for VAT for table games of chance be incorporated into the VAT Act.

Prescription period for input tax claims

To ease the administrative burden on both taxpayers and SARS, it is proposed that the VAT Act be amended in relation to the tax period in which past unclaimed input tax credits may be claimed. To ensure ease of audit functions and clarity of returns in this regard, it is also proposed that the act be amended to clarify that such deductions be made in the original period in which the entitlement to that deduction arose.

VAT claw-back on irrecoverable debts subsequently recovered

The current provisions of the VAT Act entitle a recipient of an account receivable at face value on a non-recourse basis to a deduction of the tax amounts written off as irrecoverable. However, the act does not provide for any claw-back of these deductions on amounts subsequently recovered. It is proposed that the VAT Act be amended to provide for this.

Supplies by educational institutions to third parties

It has come to government’s attention that the VAT treatment of supplies provided by educational institutions to third parties is unclear, resulting in differing treatment of these supplies. It is proposed that the VAT Act be amended to clarify the policy intention relating to these supplies.

Carbon tax

Aligning schedule 1 of the Carbon Tax Act with the updated greenhouse gas emissions methodological guidelines

To ensure alignment between the Carbon Tax Act (2019) and the Department of Forestry, Fisheries and the Environment’s Methodological Guidelines For Quantification Of Greenhouse Gas Emissions (the Methodological Guidelines), changes to the carbon dioxide emission factors and net calorific values for the relevant fuel types are necessary, as announced in the 2023 Budget. It is proposed that the schedule 1 fuel combustion emissions factors and net calorific values are updated, and new fuel types added, as set out in the tables below. To align with the guidelines, it is proposed that the density factors for calculation of the carbon fuel levy is changed from 0.75 to 0.7405 kilogram per litre for petrol and from 0.845 to 0.8255 kilogram per litre for diesel. The amendments will take effect from 1 January 2024.

Table C.5 Proposed changes to Schedule 1 Stationary fuel emission factors[1]

	Fuel combustion emission factors - Stationary source category			Default net calorific value (TJ/TONNE)		
Fuel Type	CO_2 ($KGCO_2/TJ$)	CH_4 ($KGCH_4/TJ$)	N_2O (KGN_2O/TJ)	Net calorific value	Lower limit of the 95% confidence interval	Upper limit of the 95% confidence interval
Changes to existing fuel types						
Aviation gasoline	65 752			0.0475	N/A	N/A
Diesel	74 638			0.0430	N/A	N/A
Heavy fuel oil (residual fuel oil)	73 090			0.0430	N/A	N/A
Jet kerosene	73 463			0.0433	N/A	N/A
Liquified petroleum gas (LPG)	64 852			0.0463	N/A	N/A
Paraffin	64 640			0.0490	N/A	N/A
Petrol	72 430			0.0439	N/A	N/A
Other bituminous coal				0.0192	0.0192	
New fuel types						
Acetylene	67 870	N/A	N/A	0.049818	N/A	N/A
Refuse-derived fuel	83 000	30	4	0.0100	0.0070	0.0180
Sawdust	–	30	4	0.0116	0.0059	0.0230
Waste tyres	85 000	1	1.5	0.0325	N/A	N/A
Methane rich gas (MRG)	54 888	1	0.1	0.0480	0.0465	0.0504
Deletion						
Diesel	74 100	3	0.6	0.0381	–	–

1. The current emission factors and net calorific values contained in Schedule 1 of the Carbon Tax Act are applicable where the cells in the table are blank
Source: National Treasury

Table C.6 Proposed changes to Schedule 1 Non-stationary fuel emission factors[1]

	Fuel combustion emission factors - Non-stationary source category			Default net calorific value (TJ/TONNE)		
Fuel Type	CO_2 ($KGCO_2/TJ$)	CH_4 ($KGCH_4/TJ$)	N_2O (KGN_2O/TJ)	Net calorific value	Lower limit of the 95% confidence interval	Upper limit of the 95% confidence interval
Changes to existing fuel types						
Aviation gasoline	65 752	0.5	2	0.0475	N/A	N/A
Diesel	74 638			0.0430		
Heavy fuel oil (residual fuel oil)	73 090			0.0473	N/A	N/A
Jet kerosene	73 463			0.0433	N/A	N/A
Liquified Petroleum Gas (LPG)	64 852			0.0463	N/A	N/A
Paraffin	64 640			0.0490	N/A	N/A
Petrol	72 430			0.0439		
Diesel-rail		4.15				
New fuel types						
Biodiesel	–	4.15	28.6	0.0270	N/A	N/A
Biogasoline	–	3.5	5.7	0.0270	N/A	N/A
Diesel – offroad	74 100	3.9	3.9	0.0381	N/A	N/A
Petrol – oxidation catalyst	69 300	25	8	0.0443	N/A	N/A
Petrol uncontrolled	69 300	33	3.2	0.0443	N/A	N/A
Refuse-derived fuel	83 000	N/A	N/A	N/A	N/A	N/A
Sawdust	–	N/A	N/A	N/A	N/A	N/A
Waste tyres	85 000	N/A	N/A	N/A	N/A	N/A
Methane rich gas (MRG)	54 888	92	3	0.0480	0.0465	0.0504

1. The current emission factors and net calorific values contained in Schedule 1 of the Carbon Tax Act are applicable where the cells in the table are blank
Source: National Treasury

Including default emission factors for additional fugitive emissions source categories

The Methodological Guidelines included the default emission factors for fugitive emissions from coal mining, oil and gas operations. It is proposed that the fugitive emissions table in schedule 1 of the Carbon Tax Act be updated to include the following activities and emission factors for the relevant emission source categories based on the 2019 refinements to the 2006 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories. The amendments will take effect from 1 January 2024.

Table C.7 Proposed additions to Schedule 1 Fugitive emission factors

IPCC Code	Source category activity	Fugitive emission factors		
		CO_2	CH_4	N_2O
1B1	**Solid Fuels (M^3/tonne)**			
1B1cii	Charcoal production (per charcoal produced) (tonne GHG/tonne charcoal)	0	0.0000403	$8*10^{-8}$
1B1Ciii	Biochar production (per biochar produced) (tonne GHG/tonne biochar)	0	0.00003	ND
1B1ci	Coke production (per coke produced) (tonne GHG/tonne coke)	ND	$4.9*10^{-8}$	ND
1B1civ	**Coal to liquids (tonne GHG/TJ total output)**			
1B1civ	Coal to liquids – syngas	55	0.0061	–
1B1civ	Coal to liquids – syngas/H_2	55	0.0061	–
1B1civ	Coal to liquids – SNG (synthetic natural gas)	78	0.0061	–
1B1civ	Gas to liquids (tonne GHG/TJ natural gas input)	12.73	ND	ND
	Oil transport (tonne/10^3M^3 oil loaded onto tanker ships)			
1B2ai	Loading offshore production on tanker ships – without VRU – All	ND	0.065	ND
1B2ai	Loading offshore production on tanker ships – with VRU – All	ND	0.04	ND
1B2a	**Oil refining (tonne/10^3M^3 oil refined)**			
1B2aiii4	All (the factors include fugitive equipment leaks, flaring, storage of crude oil, handling and calcination)	5.85	$2.6*10^{-6}$ to $4.1*10^{-5}$	$8.77*10^{-5}$

Source: National Treasury

Renewable energy premium deduction

Electricity generators including state-owned entities claim the renewable energy premium deduction for renewable energy purchased under power purchase agreements concluded as part of the Renewable Energy Independent Power Producer Procurement Programme and with private producers. As the generation, transmission and distribution functions of Eskom are separated, the power purchase agreements will be transferred to the National Transmission Company of South Africa when it commences operations. However, the carbon tax liability arising from greenhouse gas emissions in category 1A1a will remain with the generation function of the state-owned entity.

It is proposed that the Carbon Tax Act be amended to allow electricity generators to continue to claim the renewable energy premium deduction for power purchase agreements ceded to the National Transmission Company of South Africa. The amendment will take effect from 1 January 2024.

Aligning eligible Clean Development Mechanism project offsets with the Article 6(4) mechanism under the Paris Agreement

Under the Carbon Tax Act, offsets generated from approved projects developed under the Clean Development Mechanism (CDM) of the Kyoto Protocol are eligible for use by taxpayers for purposes of the carbon offset allowance. The adoption of Article 6(4) of the Paris Agreement provides for a new market mechanism to replace the CDM. Decisions taken under the Paris Agreement in November 2022 set out the process for transitioning activities from the CDM to the Article 6(4) mechanism. About 48 CDM projects are eligible for the transition to the new mechanism.

To ensure alignment with the new Article 6(4) mechanism and the transition of eligible CDM project activities, the National Treasury in consultation with the Department of Mineral Resources and Energy and the Department of Forestry, Fisheries and the Environment will consider the inclusion of the new mechanism as an eligible carbon offset standard and measures to facilitate the transition of existing CDM projects. Draft amendments to the regulations will be published by the Minister of Finance for public comment and further consultation in 2024.

Tax administration

Customs and Excise Act
Reviewing the process on packages imported through eCommerce

The approach to packages imported through eCommerce will be reviewed to ensure that the appropriate balance between simplicity and compliance with customs and excise requirements is being maintained.

Timeframe for delivery of export bills of entry

Certain exporters face legitimate challenges in complying with the timeframe for submitting export bills of entry. It is proposed that the Customs and Excise Act be amended to enable the SARS Commissioner to provide, by rule, for a process by which exporters can be allowed to submit export bills of entry at a different time than what is currently provided for in the act.

Simplifying the process of substituting bills of entry in certain circumstances

It is proposed that the Customs and Excise Act be amended to simplify the process of substituting a bill of entry in certain circumstances where such bill of entry has been passed in error or where an importer, exporter or manufacturer requested the substitution on good cause shown. A voucher of correction will no longer be required in those circumstances and it is foreseen that the substituting bill of entry will replace the previous one.

Value-Added Tax Act
Non-resident vendors with no or a limited physical presence in South Africa

Due to the wide definition of “enterprise”, non-resident vendors may be required to register as vendors, despite not having any physical presence in South Africa or having a very limited presence for a short period of time. These non-residents have difficulties in appointing a representative vendor who resides in South Africa and in opening a South African bank account, as is required to register as a vendor. As a result, non-resident suppliers of electronic services were exempted from these requirements.

To facilitate engagement and compliance, it is proposed that electronic services suppliers be required to appoint a representative vendor, but that the requirement that such person must reside in South Africa be waived while maintaining the exemption from opening a South African bank account. Furthermore, it is recommended that the aforementioned dispensation be afforded to non-resident vendors with no, or a limited, presence in South Africa in specified circumstances.

Overpayments of VAT on the importation of goods and imported services

Prior to the introduction of the Tax Administration Act (2011), the VAT Act made specific provision for a refund of tax paid in excess of what was properly chargeable under the VAT Act. While the VAT Act, read with the Tax Administration Act, provides for a refund of an amount under an assessment and of an amount erroneously paid, it does not adequately cater for a reduction in the amount of tax chargeable as result of a subsequent event in respect of the import of goods by persons who are not registered as vendors or in respect of imported services. It is proposed that this be corrected.

Timing of VAT on imported services

In terms of the VAT Act, VAT should be accounted for and is payable by the recipient of imported services within 30 days of the earlier of receipt of the invoice issued by the supplier or the recipient or the time any payment is made by the recipient in respect of that supply. In many instances it is impractical to comply with the 30-day time period. Failure to pay VAT within this timeframe will result in the imposition of penalties and interest. To address this concern, it is proposed that the 30-day time period be extended to 60 days.

Tax Administration Act

Expanding the provision requiring the presentation of relevant information in person

SARS may require a person to attend the offices of SARS to be interviewed by a SARS official concerning the tax affairs of a person. This would be the case where the interview is intended to clarify issues of concern to SARS that would render further verification or audit unnecessary or to expedite a current verification or audit. It is proposed that the provision be expanded to also include instances where a taxpayer is subject to recovery proceedings for an outstanding tax debt or has applied for debt relief, to expedite the processes.

Clarifying provisions relating to original assessments

Concerns have been raised that the current legislative framework only covers certain types of original assessments by implication. It is proposed that the legislative framework be further clarified.

Alternative dispute resolution proceedings

In terms of the Tax Administration Act and the rules issued under the act, alternative dispute resolution proceedings can only be accessed at the appeal stage of a tax dispute, where they are responsible for the resolution of most appeals. It is proposed that SARS review the dispute resolution process to improve its efficiency, which may include allowing alternative dispute resolution proceedings at the objection phase of a tax dispute.

Reviewing temporary write-off provisions

SARS may decide to temporarily write off an amount of tax debt if it is satisfied that the tax debt is uneconomical to pursue or for the duration of the period that the debtor is subject to business rescue proceedings under the Companies Act (2008). It is proposed that the circumstances under which SARS may decide to temporarily write off an amount of tax debt be reviewed.

Removing the grace period for a new company to appoint a public officer

Every company that carries on business or has an office in South Africa must be represented by a public officer. Given that companies are automatically registered for income tax on formation, it is proposed that the one-month period within which the public officer must first be appointed be removed. A newly formed company will thus have both its directors and public officer in place on formation.

Implementing the Constitutional Court judgment regarding tax records access

In *Arena Holdings (Pty) Limited t/a Financial Mail and Others v South African Revenue Service and Others [2023] ZACC 13*, the Constitutional Court has made findings regarding the constitutional invalidity of certain provisions of the Promotion of Access to Information Act (2000) as well as the Tax Administration Act. It has ordered that Parliament considers measures to address their constitutional validity and, in the meantime, the court has ordered a "read-in" to the relevant provisions of the Promotion of Access to Information Act and those of the Tax Administration Act. It is proposed that these measures and the necessary amendments to affected legislation be addressed during the next legislative cycle.

TECHNICAL CORRECTIONS

In addition to the amendments described above, the 2024 tax legislation will make various technical corrections, which mainly cover inconsequential items – typing errors, grammar, punctuation, numbering, incorrect cross-references, updating and removing obsolete provisions, removing superfluous text, and incorporating regulations and commonly accepted interpretations into formal law. Technical corrections also include changes to effective dates and the proper coordination of transitional tax changes.

Other technical corrections relate to modifications following the implementation of the tax law. Although tax amendments go through an intensive comment and review process, new issues arise once the law is applied (including obvious omissions and ambiguities). These issues typically arise when tax returns are prepared for the first time after the tax legislation is applied. These technical corrections are limited to recent legislative amendments.

D

2024 BUDGET REVIEW

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

INTRODUCTION

This annexure provides a review of planned public infrastructure spending and broader infrastructure reforms, including updates on the public-private partnership (PPP) regulatory framework amendments and the status of major capital projects.

Government seeks to facilitate a shift in the quantity and quality of infrastructure delivery by mobilising private-sector financing and technical expertise at scale. Several reforms are under way to strengthen public investment management and the associated value chain. Many of these involve pooling resources with the private sector in blended finance initiatives aimed at funding and implementing infrastructure projects more effectively. The reforms include improving the PPP regulatory framework, reviewing the institutional arrangements to fast-track delivery of strategic infrastructure, improving the operations of the Infrastructure Fund, enhancing infrastructure monitoring and reporting (including on contingent liabilities), and building a strong project pipeline. A comprehensive project pipeline appears at the end of the annexure.

The difference between public-sector infrastructure, PPPs and blended finance projects

A PPP is defined as a contract between a public-sector institution and a private party, where the private party performs a function that is usually provided by the public sector and/or uses state property by agreement. Most of the project risk (technical, financial and operational) is transferred to the private party. The public sector pays for a full set of services, including new infrastructure, maintenance and facilities management, through monthly or annual payments. In instances where the public sector asset has the potential to raise revenue – such as a toll road or a rail link – the private party would be responsible for these services through a user-pays PPP. In a traditional government project, the public sector pays for the capital and operating costs, and carries the risks of cost overruns and late delivery.

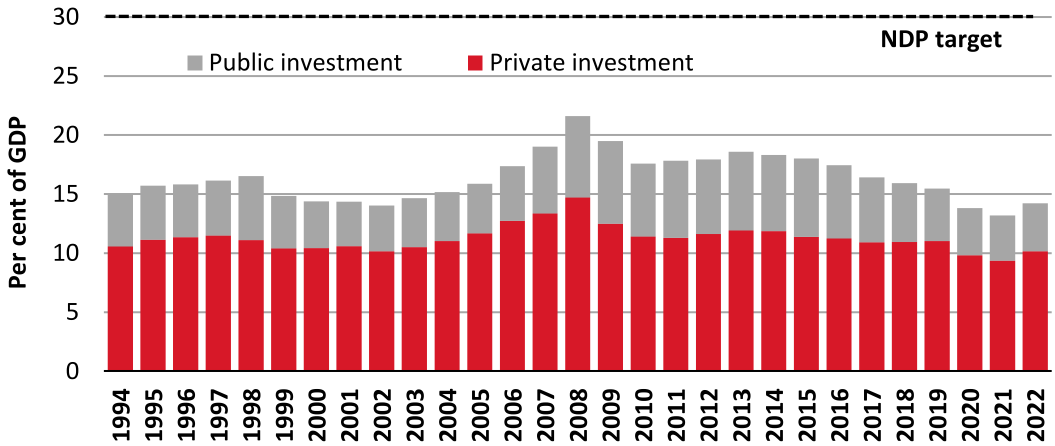
In this annexure, blending is defined as the strategic use of limited funds from the fiscus to mobilise financing from multilateral institutions, development finance institutions and the private sector to enhance the development impact of infrastructure.

TRENDS IN PUBLIC- AND PRIVATE-SECTOR INVESTMENT

In 2022, both public- and private-sector investment increased as a percentage of GDP. Public-sector capital investment increased from 3.8 per cent in 2021 to 4.1 per cent in 2022, while private-sector capital investment rose from 9.3 per cent to 10.2 per cent of GDP. Yet, much faster growth is needed to expand the economy and reduce unemployment and poverty.

Over the past decade, weak growth, rising spending pressures, inefficient delivery and the financial support provided to state-owned companies have constrained government's ability to invest in new infrastructure. Between 2012 and 2022, public-sector capital investment averaged 5.4 per cent of GDP, while private capital investment averaged 10.9 per cent of GDP (Figure D.1). Higher total investment, measuring 14.2 per cent of GDP in 2022, remains well below the National Development Plan target of 30 per cent. To reach this target, public-sector investment in infrastructure would need to grow to 10 per cent of GDP by 2030, while private-sector investment would need to grow to 20 per cent in 2030. Bridging the infrastructure investment gap requires developing innovative approaches to leverage private-sector finance, making the necessary regulatory changes and improving infrastructure planning across government to build a pipeline of projects. To unlock this potential, government has initiated broad reforms in infrastructure provision, discussed later in the annexure, to support economic recovery.

Figure D.1 Public- and private-sector capital investment as a share of GDP, 1994–2022*



**All GDP data in this annexure is recalculated in line with Statistics South Africa's 2021 rebasing and benchmarking exercise. It is therefore not directly comparable with GDP data from earlier budget documentation*

Source: Reserve Bank

PUBLIC-SECTOR INFRASTRUCTURE SPENDING HIGHLIGHTS

Table D.1 summarises government's infrastructure spending plans for the next three years at national, provincial and local government level, including state-owned companies and other public entities. Public-sector infrastructure spending over the 2024 medium-term expenditure framework (MTEF) period is estimated at R943.8 billion. State-owned companies continue to be the largest contributor to capital investment, spending a projected R374.7 billion over the next three years. Provinces are expected to spend R183.7 billion on infrastructure over the same period, while municipalities are forecast to spend R213.8 billion.

Public housing built through the *human settlements development grant* in provinces is expected to total R43.7 billion. Although these assets are transferred to homeowners, this spending is a substantial government contribution to the built environment. Spending on economic infrastructure, mainly by state-owned companies, accounts for 81.4 per cent of the medium-term estimate. These funds are used to expand power-generation capacity, upgrade and expand the transport network, and improve sanitation and water services. Social services infrastructure accounts for 15.7 per cent of the total, with the two largest sectors, health and education, contributing 4.3 per cent and 6 per cent respectively.

To help close the gap between available public resources and the growing infrastructure need, government's economic recovery plan includes immediate measures to boost investor confidence and longer-term reforms that promote sustained economic growth. Higher and more effective infrastructure spending is central to this plan.

Table D.1 Public-sector infrastructure expenditure and estimates

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	MTEF
R billion	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	30.0	35.5	38.7	54.8	58.5	70.5	74.8	203.8
Water and sanitation	29.5	30.6	35.4	43.8	53.2	57.6	50.1	160.9
Transport and logistics	58.6	65.9	86.4	97.4	106.4	115.1	118.4	340.0
Other economic services	6.9	21.8	18.9	23.5	20.3	21.4	21.7	63.4
Health	14.7	16.4	11.9	14.5	13.4	13.6	13.9	40.8
Education	14.2	14.5	21.1	20.8	20.1	17.8	18.4	56.4
Human settlements[1]	13.3	13.4	14.3	13.8	14.2	14.7	14.9	43.7
Other social services	4.1	2.2	3.3	3.2	2.6	2.2	2.3	7.0
Administration services[2]	12.1	12.0	9.0	9.0	8.9	9.4	9.5	27.8
Total	**183.4**	**212.3**	**238.8**	**280.7**	**297.5**	**322.2**	**324.1**	**943.8**
National departments	11.4	12.5	13.2	16.5	14.3	13.0	13.8	41.1
Provincial departments	51.8	57.7	60.1	63.9	63.4	60.0	60.4	183.7
Local government	55.6	62.1	64.7	68.4	67.9	71.3	74.5	213.8
Public entities[3]	8.8	20.2	26.8	29.8	32.7	37.4	41.3	111.4
Public-private partnerships	4.9	6.5	6.0	6.3	6.3	6.4	6.4	19.1
State-owned companies[3]	50.8	53.4	67.9	95.7	112.9	134.2	127.7	374.7
Total	**183.4**	**212.3**	**238.8**	**280.7**	**297.5**	**322.2**	**324.1**	**943.8**

1. Human settlements includes public housing and bulk infrastructure amounting to R43.7 billion over the MTEF period
2. Administration services include infrastructure spending by the departments of International Relations and Cooperation, Home Affairs, and Public Works and Infrastructure, and Statistics South Africa and their entities
3. Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings
Source: National Treasury

SECTOR UPDATES

Water and sanitation

In the water sector, government is prioritising 11 strategic projects with an estimated value of R139.1 billion. The projects are expected to create about 20 000 jobs during construction and 14 000 jobs during the operational phases. Details on some of the projects are provided below.

The second phase of the Lesotho Highlands Water Project, which has an estimated capital investment of R42.1 billion, is expected to be completed in 2028. The Trans-Caledon Tunnel Authority (TCTA) has raised about R20 billion from the Development Bank of Southern Africa, the African Development Bank and the New Development Bank, among others. Construction is under way for the three main contracts (the Polihali Dam, the transfer tunnel from Polihali to Katse Dam and the Senqu Bridge).

The second phase of the Mokolo-Crocodile River Water Augmentation Project has an estimated capital investment of R12.3 billion and is expected to be completed in 2028. Funding proposals from development finance institutions and capital markets have been evaluated and negotiations of loan agreements with preferred funders are at an advanced stage. Construction is expected to start by July 2024.

The uMkhomazi water augmentation project has an estimated capital investment of R25 billion and construction is expected to be completed in 2032. The National Treasury approved an application for R12 billion through the Budget Facility for Infrastructure (BFI) to improve affordability of the project. Credit enhancement mechanisms are being used to crowd in private-sector investment. The institutional arrangements and water supply agreements are being negotiated.

The second phase of the Olifants River Water Resources Development Project has an estimated capital investment of R25 billion and is expected to be completed in 2030. The Department of Water and Sanitation has appointed Lebalelo Water User Association to implement this phase.

The Mzimvubu Water Project has an estimated capital investment of R14.7 billion and is expected to be completed in 2030. The Department of Water and Sanitation has undertaken a technical review to reconfigure the project. In the meantime, funding has been made available to build advance works like access roads and water supply.

The Berg River-Voëlvlei Augmentation Scheme has an estimated capital investment of R1.1 billion and is expected to be completed in 2027. Water supply agreements between the Department of Water and Sanitation and municipal and irrigation users have been signed. Funding proposals from financing institutions have also been evaluated by the TCTA and loan negotiations are at an advanced stage. Professional service providers are being procured and tenders for construction contractors are expected to go out in 2024, for construction to start by the middle of 2025.

Energy

The overarching Independent Power Producer Procurement Programme has resulted in agreements for more than 8 000 megawatts (MW) of new generation capacity, totalling more than R270 billion in investment.

Seven of the 11 preferred bidders under the Risk Mitigation Independent Power Producer Procurement Programme had signed agreements for projects totalling 578 MW by the end of December 2023.

The fifth bid window of the Renewable Energy Independent Power Producer Procurement Programme focused on onshore wind and solar photovoltaic (PV) projects. In November 2021, 25 preferred bidders were announced, with projects totalling 2 583 MW in generation capacity and investment of about R50 billion. Twelve of these projects, totalling 1 234 MW, had reached commercial close by December 2023.

The sixth bid window resulted in the procurement of 1 000 MW of solar PV from six preferred bidders. The projects are expected to reach commercial close by June 2024 and the total investment is expected to be about R15 billion. Grid constraints prevented the allocation of any wind projects.

The seventh bid window of the Renewable Energy Independent Power Producer Procurement Programme was launched in December 2023 for 5 000 MW of new generation and storage capacity, alongside the second bid window for 615 MW of battery storage capacity and the first bid window for 2 000 MW under the Gas Independent Power Producer Procurement Programme. These programmes aim to alleviate electricity supply constraints, support economic recovery, reduce the use of diesel-based peaking electrical generators and support broad-based black economic empowerment initiatives. It is anticipated that they will be awarded during 2024/25 and result in total investment of over R180 billion between 2026 and 2029, provided by private-sector investors. However, low grid capacity will affect where projects are located and when they become operational, especially for renewable energy.

Four preferred bidders were announced in December 2023 under the first bid window for 513 MW of battery storage capacity. These projects, which are expected to result in investment of about R11 billion, are expected to reach financial close by the second quarter of 2024.

The previous Embedded Generation Investment Programme, SIP20c, was amended in December 2022 to include all embedded generation projects with a value above R1 billion (about 50 MW and above). More than 100 private-sector-driven projects with a total capacity of 9 000 MW have been identified by the Minerals Council South Africa. Three large qualifying embedded generation projects from mining houses have already been registered as strategic integrated projects and are receiving support from Infrastructure South Africa, with more to be registered. These registered projects have an investment value of more than R40 billion.

Transport and logistics

The transport sector gazetted 16 strategic integrated projects in 2020.

The South African National Roads Agency Limited is improving the capacity of several routes on toll and non-toll networks. Eleven projects with a combined value of about R20 billion have been prioritised and will create nearly 10 000 jobs during construction. Five projects worth about R2.5 billion have been completed, including the N1 Windburg Interchange to Windburg Station in the Free State, the N1 Musina Ring Road in Limpopo, the N1 Polokwane Eastern Ring Road Phase 2 in Limpopo, the N1 Ventersburg to Kroonstad in the Free State, and the N2 Mtunzini Toll Plaza to Empangeni T-Junction in KwaZulu-Natal.

Under Project Ukuvuselela, the Gauteng-Eastern Cape high-capacity rail freight corridor for automotive volumes was gazetted in December 2022. The project is a catalyst for a R16 billion investment by Ford Motor Company SA in the City of Tshwane and will facilitate the upgrading of the port of Gqeberha. The project aims to stimulate the automotive industry, which has been negatively affected by capacity constraints in the port of Durban and poor performance on the ConCor rail link. The high-capacity rail freight line is an expansion of the existing SouthCor rail infrastructure, which extends from Waltloo and Kaalfontein in Gauteng to Gqeberha through the Free State and the Eastern Cape.

Digital infrastructure

The digital infrastructure sector consists of four strategic integrated projects: the Space Infrastructure Hub, the digitisation of government records, SA Connect Phase 1, and the MeerKAT and Square Kilometre Array (SKA) project.

The national Space Infrastructure Hub is a R4.4 billion project by the South African National Space Agency. It aims to increase the availability and use of earth observation data. The South African National Space Agency launched the Space Weather Centre (with a project value of R107.5 million), which provides 24/7 space weather forecasting and alerts to Africa.

In addition, the agency signed an agreement with the National Aeronautics and Space Administration (NASA) to use the Matjiesfontein ground station for its upcoming Artemis programme. The Matjiesfontein ground station, which is a key component of the Space Infrastructure Hub, will host NASA's Lunar Exploration Ground Sites antenna, which will be used for deep space communication as part of the Artemis programme.

Agriculture and agro-processing

In partnership with multilateral development banks, the Department of Agriculture, Land Reform and Rural Development received a R9.9 million grant from the Middle-Income Country Technical Assistance Fund to prepare feasibility studies to attract finance to develop two agri-parks in the Free State and the North West. These pilot studies will be used to champion the revitalisation of the Rural Infrastructure Agri-Parks Programme and facilities to support access to fresh produce and other markets.

To help improve rural employment, support industrialisation by smallholder farmers and support economic development in rural areas, the department will continue to implement the agri-parks model, which creates socioeconomic infrastructure including farmer production support units, agri-hubs and irrigation schemes. The model will create capacity in agro-processing and industrialisation value chains for broad-based job creation and market access. The department aims to coordinate 62 infrastructure projects at an estimated cost of R2.1 billion over the MTEF period.

Human settlements

The human settlements portfolio has 17 strategic integrated projects: six integrated residential development programmes, nine social housing projects, and two high-impact private-sector-led developments. Together, these projects have a total investment value of R143 billion and will provide housing for over 150 000 people. The portfolio is projected to create over 285 000 jobs during development.

In Gauteng, eight projects within the portfolio have delivered just over 7 000 housing units to date. Four of the nine social housing projects have completed construction, resulting in the creation of 573 social housing units. Three other social housing projects are under construction and are expected to be completed in 2024. To fund the large-scale bulk infrastructure required, government is exploring alternative blended finance models to reduce pressure on the fiscus and provide additional support to municipalities.

To promote the development and delivery of spatially integrated human settlements, the Department of Human Settlements will finalise 15 integrated plans over the medium term to guide the implementation of projects within the 136 nationally declared priority development areas. In collaboration with provinces and municipalities, the department will deliver 129 663 subsidised houses and issue 36 046 title deeds to beneficiaries from low-income households, through an allocation of R44 billion to the *human settlements development grant*. A further R27.8 billion is allocated to the *urban settlements development grant* for metropolitan municipalities to implement bulk and related infrastructure projects.

PUBLIC-SECTOR INFRASTRUCTURE REFORMS

Over the past few years, the National Treasury has led reforms to strengthen the identification and prioritisation of projects, project planning and appraisal, funding, procurement and implementation readiness of the infrastructure project pipeline.

The National Treasury, the Department of Public Works and Infrastructure (DPWI), Infrastructure South Africa and the Infrastructure Fund are undertaking complementary reforms to strengthen the infrastructure value chain. The National Treasury is leading the review of the setup of the institutional value chain; the DPWI is developing the second phase of the National Infrastructure Plan, focusing on distributed infrastructure aimed at making services more accessible to businesses and communities; Infrastructure South Africa is working to unblock policy and regulatory obstacles to build a credible and bankable pipeline of projects; the BFI is increasing the rigour in the planning and appraisal of projects; and the Infrastructure Fund is increasing skills and capacity in the structuring of blended finance projects, where most of the financing will come from the private sector.

Review of South Africa’s infrastructure delivery ecosystem

The National Treasury is leading a new initiative to review the institutional arrangements for strategic infrastructure with the aim of fast-tracking the delivery of projects. This also includes developing an overarching public investment management (PIM) policy, which will establish a comprehensive, effective and efficient approach to public investment including PPPs and other blended finance projects. The expected outcomes are clearer institutional arrangements to deliver strategic infrastructure and a streamlined PIM system leading to a stronger pipeline of credible infrastructure projects; faster, more efficient and cost-effective delivery of infrastructure; and greater access to various forms of financing, including more private-sector investment. These measures are also expected to unlock prioritised PPP projects, including those that embed blended financing mechanisms, such as social infrastructure projects.

Department of Public Works and Infrastructure

Infrastructure South Africa, housed within the DPWI, is responsible for coordinating the development, management and monitoring of a comprehensive infrastructure pipeline, and promoting infrastructure investment, with a focus on very large projects. Part of its work involves unblocking policy and regulatory obstacles to investment and facilitating policy certainty to build investor confidence.

Infrastructure South Africa developed the National Infrastructure Plan 2050. This plan supports the implementation of government's strategic integrated projects to improve economic growth and service delivery. Phase 1 of this plan, which was approved by Cabinet in March 2022, focuses on bulk infrastructure related to energy, water, freight transport and telecommunications. It also strengthens institutional capabilities for delivery, infrastructure financing and the revitalisation of the construction sector. Phase 2 focuses on distributed infrastructure, or interconnected networks, in the major economic sectors of human settlements; municipal electricity, water, sanitation and solid waste; transport; education; and health. There are three cross-cutting sections focusing on digital infrastructure, crime and corruption, and governance of distributed infrastructure delivery.

Budget Facility for Infrastructure

The BFI is a multi-disciplinary facility for large infrastructure projects to be appraised, evaluated and linked to the budget system for the allocation of resources. It brings together experts across government to make recommendations on the technical feasibility and readiness of infrastructure projects. By improving the planning, technical assessment, budgeting and execution of large infrastructure projects, the BFI supports quality public investments. The facility has helped build a pipeline of projects that have undergone rigorous technical analysis.

The facility considers the deployment of blended or hybrid financial solutions comprising a combination of grants, debt and equity sources from public and private institutions, and concessional loans from multilateral development banks. Blended finance projects that need fiscal support are linked to the budget process through the BFI. The budget process ensures the selection of projects that balance boosting economic development, job creation and private-sector investment with the country's debt-constrained fiscal position.

The BFI provides detailed guidance and planning parameters for projects. The National Treasury developed an appraisal and evaluation guideline to complement the work of the BFI. The guideline and associated tools have increased the quality of proposals to the BFI and provided data that incentivises private-sector participation in public-sector infrastructure projects. The facility ensures that the budgeting and commitment of fiscal resources takes place in a transparent manner. Furthermore, the BFI has a comprehensive database of projects and programmes showing their risk and return profiles.

Since inception, there have been seven BFI windows, with R37.6 billion allocated in the last two windows. To improve the preparation and packaging of projects, the BFI has enabled the establishment of project preparation facilities. Projects that require preparation assistance from the BFI are referred to these facilities.

The seventh window of the BFI showed that public institutions have built capacity over time to contribute to a strong pipeline of projects that are ready for funding. Through the BFI processes, over R4.9 billion was approved for project funding in the 2024 MTEF period. The approved projects and programmes include the Western Cape Rapid Schools Programme and the Olifants Management Model Programme 2B and 2B+.

Currently, infrastructure allocations in the MTEF period are only visible and assured for a three-year period. From a risk allocation perspective, fiscal support to a blended finance project should ideally be transparent and assured over the project life cycle. Through the BFI process, a multi-year appropriation mechanism is being considered that can be added as a multi-year appropriation schedule in the budget documents.

Improving transparency in infrastructure delivery and reporting

The National Treasury extended the scope of the infrastructure reporting model from April 2021 to include national government. The model aims to enhance transparency and uniformity by providing project details so that infrastructure budgets can be analysed and spending can be reviewed across all spheres of government. National government has begun phasing in the reporting model, which will be fully institutionalised by March 2025. Support measures such as training are available to assist government in improving data collection and reporting. Selected municipalities will pilot the use of a customised infrastructure reporting model during 2024/25 before it is rolled out more broadly. From the 2024 MTEF period, public entities will also be required to use this reporting model. When fully functional, the model will reflect project information for capital budgets for the three spheres of government and across sectors.

Infrastructure Fund

The Infrastructure Fund’s role is to maximise the cost-effective participation of private-sector investors in government projects while facilitating early financial closure. Since its establishment, the fund has made significant progress in supporting the financing of infrastructure. To date, it has assisted in packaging and financing 14 blended finance projects and programmes, with a capital value of R57.8 billion. Table D.2 summarises these projects and programmes. Of this, R25.7 billion has been approved through the BFI, R34.5 billion is expected to be raised from the private sector and R6.7 billion is expected from other grants.

This funding support comes in diverse instruments such as grants, mostly for the human settlements, water and sanitation, and student housing projects due to their social nature. The Olifants management model programmes used concessional finance to close the financial viability gap and attract private-sector investment.

To complement the fiscal resources, the Infrastructure Fund is working with project sponsors on 10 projects and anticipates attracting private financing to the value of R25.9 billion.

Table D.2 Blended finance projects

Sector	Project name	Quantity[1]	Capital costs (R million)	Approved BFI (R million)	Private-sector funding (R million)	Other grants/ equity (R million)	Progress to date
Human settlements	Hospital Street Social Housing Project	1 056	388	88	–	300	Construction
Human settlements	Goodwood Station Social Housing Project	1 055	457	152	–	305	Construction
Human settlements	Midrand Heights Social Housing Project	305	163	64	–	99	Due diligence
Human settlements	Lufhereng Mixed Use Development Project	11 000	7 700	3 400	2 150	2 150	Construction
Water and sanitation	Phase 1: Olifantspoort and Ebenezer Water Supply Programme	20 075	4 600	1 400	2 000	1 200	Procurement
Water and sanitation	Phase 1: uMkhomazi Water Augmentation Project	300 000	24 000	12 000	12 000	–	Procurement
Water and sanitation	Moretele North Klipvoor Bulk Water Supply Scheme	15 330	5 200	1 900	2 600	700	Procurement
Water and sanitation	Pilanesberg Bulk Water Supply Scheme	45 990	2 900	1 800	1 100	–	Procurement
Water and sanitation	Olifants Management Model Programme Phase 2B and 2B+	95 995	9 400	4 000	4 929	471	Financing
Transport	Ports of entry	6	9 100	–	9 100	–	Procurement
Student housing	Tshwane University of Technology	3 500	1 089	338	210	541	Financing and awaiting ministerial approval
Student housing	University of KwaZulu-Natal	3 000	973	200	188	585	Awaiting council approval
Student housing	Gert Sibande TVET College	1 500	504	188	109	207	Financing and awaiting ministerial approval
Student housing	Majuba TVET College	1 500	477	174	103	200	Financing and awaiting ministerial approval
All sectors	**Total**		**66 950**	**25 704**	**34 489**	**6 757**	

1. The quantity for human settlements and student accommodation is in units, while the quantity for water and sanitation is in megalitres per annum

Source: Infrastructure Fund Unit and Project Preparation Division

PUBLIC-PRIVATE PARTNERSHIPS

Implementing recommendations from the PPP review

In 2022, the National Treasury began implementing recommendations from the comprehensive review of the PPP regulatory framework to the three spheres of government. Recommendations are being implemented to improve the PPP policy, legal and regulatory framework; strengthen institutional arrangements; and improve the reporting of fiscal risks and contingent liabilities. The changes are expected to catalyse higher confidence and investment in PPPs as well as greater private-sector participation.

The National Treasury has drafted amendments to the National Treasury Regulation 16 and the Municipal Regulation 309, which govern PPPs. In this financial year, it will publish these amendments for public comment. The amendments will reduce procedural complexity in PPP implementation by fixing regulatory gaps, streamlining institutional relationships across the PPP project cycle, making it easier for the private sector to engage with investment opportunities, strengthening fiscal risk governance and re-energising the development of a bankable pipeline of transactions to mobilise private capital.

The National Treasury is working on various enabling mechanisms to support the legislative amendments. This includes:

- **Policy framework:** The PPP ecosystem is being reviewed as part of a larger reform programme, as discussed above.
- **Strengthening institutional arrangements:** In the 2023 Budget, the National Treasury indicated its intention to establish a centre of excellence by bringing together the PPP unit in the Government Technical Advisory Centre and the Infrastructure Fund housed in the Development Bank of Southern Africa. A business case is being developed for the centre's establishment. The centre will assist institutions with capacity, skills and standardised templates. The National Treasury will strengthen the capacity of the regulatory function, which oversees and approves all PPPs, as this function is important for gatekeeping, timely approvals, transparency and fiscal oversight.
- **Financial support mechanisms:** Options are being reviewed to bridge the affordability gap for PPP projects through budget processes. Funding mechanisms and other interventions need to be in place early to minimise delays in moving projects from contract to financial close.

The following amendments will be issued for public consultation in this financial year:

Table D.3 Proposed PPP legislative amendments

Amendment	Effect of amendment
Create two pathways for PPPs: one for high-value projects and a simplified version for low-value (<R2 billion) projects	
Regulation 16.5: Procurement Treasury Approvals IIA and IIB • Establish a mechanism for exempting low-value projects from the requirement to obtain Treasury Approvals IIA and IIB.	• Reduce the administrative burden on smaller PPP projects. • Accelerate the commencement of smaller PPP projects.
Structure a disclosure regime to identify, manage and report fiscal commitments and contingent liabilities (FCCL) throughout the PPP value chain	
Regulation 16.4: Feasibility study – Treasury Approval I • Provide clear guidelines for the consideration of FCCL during the feasibility study. • Require an FCCL assessment as part of the feasibility study report.	• Start the assessment of FCCL at the feasibility study phase, as the first step to tracking the impact of FCCL in the PPP value chain.
Regulation 16.5.4: Procurement • Amend the regulation to continue the FCCL assessment as part of the value-for-money report (Treasury Approval IIB).	• Continues the assessment of FCCL at the value-for- money report phase, as the next step to tracking the impact of FCCL on the project.
Regulation 16.6: Contracting PPP agreements – Treasury Approval III • Require an FCCL assessment at the PPP agreement contracting phase and annual FCCL reporting during the term of the PPP agreement.	• Provide for the continued tracking of the FCCL assessment and its impact on the institution during the PPP agreement contracting phase.
Encourage the continuation of projects that meet specific indicators	
Regulation 16.4: Feasibility study –Treasury Approval I • Provide a framework and clear guidance for the continuation of PPP projects at TA I when specific indicators such as value for money, risks transfer, and affordability are met.	• Enhance transparency and responsible decision-making by requiring PPP projects to continue once specific indicators are met.

Table D.3 Proposed PPP legislative amendments *(continued)*

Amendment	Effect of amendment
Streamline the application process to amend PPP agreements	
Regulation 16.8: Amendment and variation of PPP agreements	
• Provide clear guidelines to assess the materiality of proposed amendments to PPP agreements so that only significant amendments are approved by the relevant treasury.	• Standardise the assessment and approach to determining the materiality of amendments.
Build procedural efficiencies and accelerate project development	
Regulation 16.10: Exemptions	
• Establish a process that describes the application and re-application process for exemptions from Treasury Regulation 16 as well as the reporting obligations for granted exemptions.	• Provide clarity on applying for exemption from the regulation.
	• Strengthen oversight and transparency through periodic reporting to the relevant treasury, promoting accountability of the institution with respect to its exemption.
Design a clear framework for unsolicited proposals and make it easier for the private sector to pursue projects under clear rules and incentives	
Regulation 16.11: Unsolicited bid proposals (USPs)	
• Establish rules and guidelines governing USPs in relation to PPP projects, separately from the existing National Treasury Practice Note No.11.	• Ensure the entire value chain is regulated in relation to USPs for PPP projects.
• Provide a clear and standardised regulatory framework for processing USPs in relation to PPP projects by setting out the submission process and how these proposals are processed, evaluated and accepted.	• Clarify the roles, responsibilities and incentives for proponents of USPs.
• Provide for clear guidelines on the procurement of the USP PPP projects and the reintegration of a USP into the ordinary operation of Treasury Regulation 16.	• Provide clear management and oversight rules for accounting officers and treasuries.

Source: National Treasury

CONTINGENT LIABILITIES

The private sector will generally participate in public-sector projects where there is potential for a good return on their investment or where these projects can be supported by government guarantees. Most national and provincial PPPs are guaranteed by the Minister of Finance and create a contingent liability. Contingent liabilities are incurred if the contingency is likely to occur and the amount of the liability can be reasonably estimated. The materialisation of such liabilities – and their costs – can have a significant impact on institutions' budgets. It is important to disclose all contingent liabilities as they can affect the public finances.

The National Treasury ensures that contingent liabilities arising from contracts are acceptable and monitors these liabilities using a four-stage approval process. The legislative amendments to Regulation 16 will strengthen the reporting requirements and compliance relating to fiscal risks and contingent liabilities.

There are various categories of contingent liabilities, depending on whether the termination is the result of private-sector default, government default or *force majeure* – an event beyond the party's control. Compensation depends on the reason the contract ended, but termination due to government default usually results in the greatest compensation. Table D.4 shows potential termination amounts for national and provincial departments and public entities. Total contingent liabilities amount to R14.2 billion for 2023/24.

Table D.4 Contingent liabilities by category[1]

	Termination for private party		Termination for force majeure		Termination for government default	
R million	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**
National departments' exposure	2 880.9	2 722.3	3 262.3	3 093.2	3 882.9	3 832.7
Provincial departments' exposure	1 030.9	455.1	687.7	709.6	3 307.0	2 720.7
Public entities' exposure	255.4	217.1	216.5	184.1	320.7	272.6
Total	**4 167.2**	**3 394.5**	**4 166.5**	**3 986.9**	**7 510.6**	**6 826.0**

1. Municipalities are an autonomous sphere of government so their liabilities are not part of the fiscus
Source: National Treasury

Estimated contingent liabilities for PPPs that are likely to accrue to government if contracts are terminated due to government default have decreased from R7.5 billion in 2022/23 to R6.8 billion in 2023/24. This decline was expected as government continues to pay off debt and equity owed to the private sector and as contract terms of PPP projects end. National departments account for the greatest exposure, amounting to R3.8 billion in 2023/24. Head office accommodation projects and the Gautrain Rapid Rail Link project are the biggest contributors to government's exposure to contingent liabilities. Government manages the risk emanating from PPP contingent liabilities by closely monitoring each party's performance against their contractual obligations and enforcing regulatory requirements.

Improving the quantification of fiscal risks and contingent liabilities

The COVID-19 pandemic demonstrated the importance of monitoring fiscal risks and contingent liabilities as projects that relied on steady growth in their business models, particularly in the tourism and transport sectors, experienced steep revenue reductions. This in turn caused the responsible department or private partner involved to seek financial assistance from national government. This experience highlighted the need for the National Treasury to better understand and manage fiscal risks in externally financed public projects. Identifying, assessing, managing, and reporting fiscal risks and contingent liabilities have become critically important for both designing new project financing methods and monitoring and reporting on the existing portfolio.

The legislative amendments outlined above enable the reporting and monitoring of these fiscal risks and contingent liabilities. The National Treasury will provide the necessary templates and training to enable institutions to report regularly on their financial commitments and contingent liabilities from PPP projects.

PPP projects going to the market

There has been an uptake of PPPs in 2023/24, with 15 projects at the inception phase and 19 projects at the feasibility study phase. Six projects have completed feasibility studies and 10 projects are ready to start the procurement process. This demonstrates public-sector institutions' continued interest in the PPP market. Given the budget constraints, the PPP mechanism offers an alternative option for institutions to tap into private-sector financing and expertise.

Additionally, the amendments to the PPP regulatory framework will enable greater private-sector participation in public-sector infrastructure projects by reducing the procedural complexity in implementing PPPs. The creation of two pathways for PPPs, one for high-value projects and a simplified version for low-value projects, will incentivise the commencement of smaller PPP projects.

Brief details on some notable projects are outlined below.

Redevelopment of ports of entry project

The project aims to reduce delays experienced by passengers and vehicles at six inland borders that South Africa shares with its neighbouring countries. This will facilitate the efficient movement of goods to improve regional trade. The Department of Home Affairs will enter into a PPP agreement with a private party to design, build, operate and finance the redevelopment of six ports of entry: Beitbridge – Zimbabwe, Lebombo – Mozambique, Maseru Bridge – Lesotho, Kopfontein – Botswana, Ficksburg – Lesotho and Oshoek – Eswatini.

A request for proposals was published on 3 September 2023 inviting the private sector to submit bids by 4 March 2024.

Gautrain Rapid Rail Link System

The Gautrain Rapid Rail Link System is an 80-kilometre rapid rail system in Gauteng, linking the cities of Johannesburg, Tshwane and Ekurhuleni. The current Gautrain concession ends in March 2026. The provincial government intends to implement new arrangements to ensure continuity of the current service while improving the quality, affordability, accessibility and sustainability of the system.

The National Treasury has approved the procurement documents, and the request for proposals was issued in November 2023.

Inkosi Albert Luthuli Central Hospital

The Inkosi Albert Luthuli Central Hospital is an 846-bed referral hospital that serves the whole of KwaZulu-Natal and part of the Eastern Cape by providing medical services. The 15-year PPP agreement is coming to end and the provincial government is undertaking a new PPP arrangement to ensure continuity of the current service while making improvements to the system. The project will reach financial closure in 2024/25.

MAJOR CAPITAL PROJECTS

Infrastructure Fund project pipeline

Table D.5 outlines possible blended finance projects under consideration by the Infrastructure Fund. Most of these projects will be submitted for funding consideration to the BFI. If approved, the BFI may provide gap funding or structure other financing instruments for them.

Table D.5 Projects at advanced stages of preparation

Project name	Project description	Estimate of potential total investment (R million)	Progress to date
Lanseria Wastewater Treatment Works	The project entails the planning, design and implementation of the Lanseria wastewater treatment works and associated bulk outfall sewer. The objective is to construct and commission a module of 50 Ml/day (Ml/day) as part of a programme to deliver 150 Ml/day	3 400	Finalising feasibility study
Alternative Waste Treatment Technology	The project aims to divert at least 500 000 or 31 per cent of the 1.6 million tonnes of municipal solid waste that is produced in Johannesburg per year for disposal at landfill sites	5 200	Finalising feasibility study
Ngqura Manganese Export Terminal Project	Development of a world-class 16 million ton per annum (mtpa) manganese export facility at the port of Ngqura to complement 6mtpa from port of Saldanha to cater for projected demand of 22mtpa	10 000	Finalising feasibility study
Cape Town Container Terminal Expansion Project	Phase 2 was to increase the landside terminal capacity to 1.4 million twenty-foot equivalent unit (TEUs) per annum, to match the“waterside” capacity. Part of the Phase 2 work was completed in 2009. This increased the landside terminal capacity from 800 000 to 1 million TEUs and was grouped as Phase 2A of the project	1 800	Finalising feasibility study
Student housing Infrastructure Programme (Cluster 1 and 3)	The programme seeks to ensure that student housing is developed into an attractive and reliable asset class for potential investors and to attract greater sources of financing into this market	5 200	Finalising feasibility study
Total		**25 600**	

Table D.5 Projects at advanced stages of preparation *(continued)*

Project name	Project description	Estimate of potential total investment (R million)	Progress to date
eThekwini Avoca Node Phase 2	The programme is located on a 350-hectare site in the northern corridor of the metro in KwaZulu-Natal. It consists of the Brickworks, Northfield and Caneridge developments with an intention to provide for industrial and social housing needs in the area	12 000	Advanced project preparation
Nelson Mandela Bay N2 Nodal	The programme is situated in the western areas of Gqeberha along the N2 node in the Eastern Cape. It consists of residential and non-residential components and bulk services to be delivered around the Baywest Mall. It will deliver a mix of land uses including residential units across different market segments (fully subsidised to upper-middle range private developments), large-scale retail and commercial facilities	19 700	Early project preparation
Southern Farms Human Settlements Project	The development has capacity to deliver a smart city with 11 014 dwelling units for over 8 000 poor families and 3 000 middle-class families, retail facilities, transport hub, offices, hotel, light industrial centre, agricultural area, recreational area, educational facilities and health facilities	9 700	Finalising feasibility study
Total		**67 000**	

Table D.5 Projects at advanced stages of preparation *(continued)*

Project name	Project description	Estimate of potential total investment (R million)	Progress to date
Leeuwpoort Integrated Human Settlements Project	The project is in a 1 300 hectare (ha) site with a variety of land uses including mixed-income residential, industrial, commercial, open space, education and other amenities. It is in Ekurhuleni across three sub-township extensions: Rieger Park, Park Dene and Sunward Park	15 600	Finalising feasibility study
First Land Mixed Use and Agri-hub	The project is a mixed-use development by Atterbury, which aims to develop a state-of-the-art fresh produce hub and agri-hub for Gauteng	10 762	Finalising feasibility study
Eskom Just Transition Programme – Transmission	The project aims to construct more than 5 800 km of transmission infrastructure around the country by 2031	131 000	Early project preparation
Six water and sanitation projects	To improve the integrity of the bulk water and sanitation infrastructure in selected priority district municipalities, to improve supply reliability	1 600	Feasibility studies being completed
Tygerberg Central Hospital	Construction of an 893-bed hospital	5 200	Procurement
Total		**189 762**	

Source: Infrastructure Fund Unit and Project Preparation Division

Pipeline of other major public-sector projects

Table D.6 summarises other major public infrastructure projects, some of which are public-private partnerships.

Table D.6 Other major public-sector infrastructure projects

Project name	Project stage	Project description	Estimated project cost
Salvakop Precinct PPP Project	Feasibility	Collaborative project between the three spheres of government to build four government headquarters, commercial buildings and a shelter for the vulnerable	R18 billion
Inkosi Albert Luthuli Central Hospital PPP Project	Procurement	Design, construction, operation and provision of ICT equipment	R10.4 billion
Renewable Energy for Public Buildings	Procurement	Procurement of renewable energy and energy efficiency for public buildings	R55 billion
Kopanong Precinct PPP Project	Procurement	Construction of Gauteng Provincial Government office to consolidate administration function of 19 buildings in the Johannesburg CBD	R6.5 billion
Rural Bridges Programme	Feasibility	Construction of rural bridges in various parts of the country	R7.8 billion
KwaMashu Wastewater Treatment Works	Feasibility	Design, finance, build and operate wastewater treatment works in KwaMashu, eThekwini Municipality	R1.2 billion
City of Cape Town Water Desalination	Feasibility	Desalination of sea water for bulk and reticulation	R2.5 billion
Comprehensive Urban Management Programme	Feasibility	Improvement and maintenance of public spaces in various cities and towns to promote economic growth	R3.3 billion
Limpopo Central Hospital Project	Implementation	Construction of a new 488-bed central hospital in Polokwane, which will form part of an academic health complex attached to the University of Limpopo's medical school	R4.5 billion
Boegoebaai Port and Rail Development PPP Project	Feasibility	Port and rail development in Boegoebaai in the Northern Cape	R13 billion
Gauteng Rapid Rail Network Extension Parts 1 and 2 (Gautrain 2) PPP Project	Procurement	A two-phase extension of the existing Gautrain rail system	R65.4 billion
Midvaal Electricity Distribution Project	Procurement	Refurbishment and expansion of the existing distribution lines owned by the municipality	R1 billion

Table D.6 Other major public-sector infrastructure projects *(continued)*

Project name	Project stage	Project description	Estimated project cost
Solar Water Initiatives	Feasibility	Rollout of solar water heaters across the residential market through partnering with the insurance industry and banks	R6.8 billion
National Roads Programme – upgrades to existing non-concession national toll roads	Feasibility	Major upgrades to various sections of the N1, N2 and N3	R22 billion
Small Harbours Development Programme	Implementation	Upgrading and refurbishment of 12 proclaimed fishing harbours in the Western Cape, and nodal-based refurbishment and development of new harbours in the Northern Cape, Eastern Cape and KwaZulu-Natal	R7.1 billion
Expansion of the MyCiTi Bus Rapid Transit System in Cape Town	Implementation	Expansion of the MyCiTi Bus Rapid Transit system in Cape Town	R7.1 billion
Tygerberg Hospital	Implementation	Construction of a 550-bed regional hospital	R4.2 billion
Klipfontein Hospital	Implementation	Construction of a new hospital to replace the GF Jooste Hospital	R4.3 billion
Bravos - Berg River Voëlvlei Dam Pipeline (Western Cape)	Construction	Construction of a weir and abstraction works with a pump station on the Berg River,with a 6.3-km-long pipeline to the Voëlvlei Dam	R1 billion
Vaal River System Phase 2	Construction	Bulk water infrastructure development	R32 billion
Makhulu Crocodile Water Project	Feasibility	Bulk water infrastructure development	R15 billion
Olifants Economic Development Project	Various stages	Bulk water infrastructure development	R20 billion

Source: National Treasury

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2024 BUDGET REVIEW

FINANCIAL SECTOR UPDATE

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

This annexure reports on steps to strengthen South Africa's framework to combat money laundering, the financing of terrorism and other financial crimes; reforms to support greater financial inclusion; measures to enhance climate-resilient investment; and other initiatives.

BUILDING CAPABILITY TO FIGHT FINANCIAL CRIMES AND EXIT GREY LISTING

In February 2023, the Financial Action Task Force (FATF) put South Africa on its "grey list" due to deficiencies in technical compliance and effectiveness of the country's system to combat money laundering and the financing of terrorism. This grey listing followed publication of the 2021 mutual evaluation report, in which the FATF identified compliance with 20 of the 40 FATF recommendations and deficiencies in all 11 measures of the effectiveness of the system. In response, government developed a strategy to build a financial system that is less vulnerable to abuse and where abuses are effectively prosecuted. This involves both legislative and regulatory changes, as well as improvements in the implementation and application of these laws and regulations.

Progress on technical compliance

In late 2022, government enacted two key legislative amendments to address the identified problem areas: the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act (2022) and the Protection of Constitutional Democracy Against Terrorist and Related Activities Amendment Act (2022). These amendments address most of the legislative deficiencies identified.

At its October 2023 plenary, the FATF formally re-rated 15 of the 20 deficiencies as no longer deficient, with 14 recommendations now fully or largely compliant, and one recommendation not applicable. Accordingly, South Africa needs to address five outstanding technical deficiencies in which the country is partially compliant. Government intends to address these by the end of October 2024.

Progress on effectiveness

Following the 2021 mutual evaluation report, South Africa agreed to implement an action plan with the FATF. Government is working closely with the FATF to implement the 22 items in the plan. These include improvements in government's capability to deal with financial crimes, including corruption, and the better use of beneficial ownership, digital and other information to assist investigations, asset recoveries and prosecutions. Once all items are implemented and the improvements are deemed sustainable, the FATF will reconsider the country's grey listing. South Africa provides the FATF with a progress report every four months.

The October 2023 FATF plenary noted that South Africa is making progress, including largely addressing two action plan items. Additional feedback will be received in the February 2024 FATF plenary. Addressing all the remaining actions and demonstrating that improvements are sustainable by February 2025 will require a significant effort from all the relevant South African authorities.

FINANCIAL INNOVATION TO IMPROVE COMPETITION AND INCLUSION

Government is taking steps to promote the adoption of digital payments, which will help to improve the lives and livelihoods of marginalised groups. Collaboration between the public and private sectors will be key to successful implementation.

Crypto asset policy

The Intergovernmental Fintech Working Group published a position paper on regulating crypto assets in June 2021. In 2024, the group will publish additions to include “stablecoins” as a particular type of crypto asset. It will conduct analytical work to understand the applicable use cases of stablecoins and to recommend an appropriate policy and regulatory response. The group will also finalise a diagnostic of the domestic stablecoin landscape and regulatory recommendations in line with relevant international standards and recommendations.

In 2023, the Financial Sector Conduct Authority (FSCA) and the Financial Intelligence Centre (FIC) began registering the service providers of crypto assets. This follows amendments made to the schedules of the FIC Act (2001) in late 2022 in line with FATF recommendations. In November 2023, the FSCA declared crypto assets to be a financial product, thereby requiring providers of financial services relating to crypto assets to be licensed by the FSCA. Licensing requirements include adherence to standards on fitness, propriety and reporting. In 2024, the FIC and FSCA will jointly increase enforcement of unlicensed service providers of crypto assets.

The FIC Act requires accountable institutions to report all cash transactions exceeding R49 999 to the FIC, as this information may be valuable during criminal investigations. The authorities will consider measures to extend this requirement to transactions concluded with crypto assets.

Tokenisation

Tokenisation is the representation of assets such as securities and payment instruments on distributed ledger technology, commonly known as blockchain. The Intergovernmental Fintech Working Group is considering the impact of tokenisation on domestic financial markets. By June 2024, a paper providing an overview of tokenisation will be published. By December 2024, a discussion paper will be published that outlines the policy and regulatory implications of tokenisation and blockchain-based financial market infrastructure.

Supporting small and informal businesses through payments innovation

The National Treasury and the Reserve Bank, in collaboration with Switzerland’s State Secretariat for Economic Affairs and FinMark Trust, have developed practical interventions that will contribute to an inclusive payments digitalisation programme. The interventions will be implemented from 2024 to 2027. Partners will include financial service providers involved in specific markets and target a combination of new entrants or smaller providers and larger, more established service providers to ensure scalability. The initiative is made up of four digital payments pilot projects.

Project 1: Community digitalisation

Consumers in townships and rural areas primarily use bank accounts as mailbox accounts, withdrawing all money paid into the account instead of using it as a payments tool, while remaining reliant on cash. This tendency is compounded by small enterprises in these areas that deal almost exclusively in cash. This project will enable local merchants to establish the infrastructure needed for digital payments, such as internet connectivity and point-of-sale devices. The project will be piloted in Gauteng. Once the financial services and digital infrastructure footprint is mapped, interventions will be implemented to promote the use of digital payments and infrastructure. The aim is to increase acceptance and use of digital payments by merchants and consumers.

Project 2: Digitising informal and low-income worker payments

This project aims to digitise tips and other payment transactions for informal and low-income workers. About 2 million employees derive between 20 and 50 per cent of their total earnings from tips, and many others depend on tips to supplement their income. The pilot will test various digital tipping solutions in several sites where low-wage and informal workers are concentrated such as shopping centres, petrol stations and restaurants. This pilot will provide information allowing solutions to be adapted and improved. If successful, digital tipping approaches will be scaled up.

Project 3: Cross-border remittances

This project aims to combat money laundering and the financing of terrorism risks in cross-border remittances. At present, many cross-border traders use high-risk channels to send money across borders because of the high cost of formal transactions. On average, these payments attract a transaction fee of 7.6 per cent of the payment value relative to the G20 target of 3 per cent. The majority of these remittance transactions begin with cash, which has high handling costs for operators transferring the remittances. Digitising the initiation of such transactions is expected to reduce these costs. The pilot will focus on the main corridors for sending remittances to Lesotho, Malawi, Mozambique and Zimbabwe. In addition, the pilot will enable retailers and fintechs in South Africa to provide a digital store of value, such as digital deposit accounts or wallets, for migrants to transfer money digitally across borders. This will reduce the cost of these services and reliance on agents.

Project 4: Cross-border trade

This project aims to formalise access to finance for micro, small and medium-sized enterprises engaged in regional trade, with an initial focus on payments before expanding to include other financial needs. It targets the poor and specifically women, who make up a substantial proportion of cross-border traders in the Southern African Development Community region. It will facilitate low-value cross-border trade payments using existing regional infrastructure for remittance payments, and gather data needed to provide additional financial services. The pilot will encourage the use of new and innovative payments technologies for low-value cross-border trade, guided by the outcome of research on digital payment solutions.

RESPONDING TO CLIMATE RISKS AND WORKING TOWARDS NET ZERO

Economy-wide transition strategies and finance are required for South Africa to reach net zero carbon emissions by 2050. This includes financing support for high-emitting businesses and sectors to adopt cleaner technologies, increase energy efficiency and become greener over time. This transition finance will be met in part through the amounts committed by entities such as the International Partners Group, composed of countries that have endorsed South Africa's Just Energy Transition Investment Plan, such as France, Germany, the United Kingdom and the United States. In addition, regulatory frameworks such as the green finance taxonomy, published in 2023, will help incentivise the private sector to provide financing and prepare industry for climate risks.

A critical part of transition finance is transition planning, which sets out the steps individual firms need to take to ensure they can operate sustainably and in a manner that protects investor and stakeholder interests. In 2024, the National Treasury, working with the Sustainable Finance Initiative (previously the Climate Risk Forum), will publish principles for effective transition planning. These principles will be aligned with emerging international best practice.

RETIREMENT REFORM

Early access to retirement funds

Chapter 4 outlines the upcoming reforms as the two-pot retirement system is implemented. The two-pot retirement system will allow retirement fund members to make withdrawals from their retirement funds while they are still active members, so members need not resign to access part of their retirement benefits. Parliament recommended that early access to retirement funds be set earlier than 2025, as originally suggested. This reform is proposed to come into effect on 1 September 2024. The National Treasury aims to finalise the legislative process rapidly in the next few months to ensure that industry and regulators can prepare for implementation. Policy research and engagement continues on the outstanding auto-enrolment, mandatory enrolment and consolidation retirement reforms.

Unclaimed assets

At the end of 2022, the FSCA published a discussion paper, entitled *A Framework for Unclaimed Financial Assets in South Africa*, with recommendations to address high levels of unclaimed assets – assets for which the owner is unknown or cannot be contacted – in the financial system. The FSCA has considered stakeholder feedback on the discussion paper and will release a comprehensive response in early 2024. This feedback will inform the development of a framework for the identification, monitoring, management and reporting of unclaimed assets, including tracing of beneficial owners.

FINANCIAL INCLUSION AND DEPOSIT INSURANCE

The National Treasury will develop a national strategy on financial inclusion in 2024 based on the policy paper, approved by Cabinet in 2023, entitled *An Inclusive Financial Sector for All*. The strategy's goals will include deepening financial inclusion for individuals; improving access to financial services for small, micro and medium-sized enterprises; and enabling diversification, competition and innovation in financial services.

In March 2023, the Corporation for Deposit Insurance was established to provide a framework to ensure depositors' funds are protected in the event of a bank failure. The establishment of this institution is one of the key amendments contained in the Financial Sector Laws Amendment Act (2021). The remaining provisions, including the provisions to enable the Corporation for Deposit Insurance to begin collecting premiums and other financial contributions, will be effective from 1 April 2024.

MEASURES TO BOOST LONG-TERM INVESTMENT

Capital flows management framework

The 2020 *Budget Review* outlined reforms to modernise the foreign-exchange system to maximise trade and investment benefits in a globalised capital environment and complement the African Continental Free Trade Agreement, to which South Africa is a signatory. The reforms were aligned to the Organisation for Economic Co-operation and Development (OECD) best-practice *Code of Liberalisation of Capital Movements*. The National Treasury, alongside the Reserve Bank, Prudential Authority and the FSCA, will evaluate the impact of these reforms on the prudential, fiscal and monetary policy frameworks. This research is intended to generate adjustments to improve alignment of the frameworks and may affect the pace at which these reforms continue to be implemented.

The following capital flows management reforms are proposed to foster the growth of high-potential and innovative businesses, promote trade and reduce trade-related red tape.

Fostering business growth

Authorised dealers – banks that are authorised to trade in foreign exchange – will be permitted to process requests by certain unlisted companies to establish an offshore company and/or have their primary listing offshore in order to raise foreign loans and capital for their operations up to a limit of R5 billion, in line with the foreign direct investment policy. Provided these companies operate in the fields of technology, media, telecommunications, exploration and other research and development, they will not require prior approval from the Reserve Bank. Investments exceeding R5 billion per company per calendar year require approval from the Reserve Bank's Financial Surveillance Department. The transfer of intellectual property offshore as well as the use of the share-swap mechanism will still require prior approval.

Promoting investment in the region

Authorised dealers will be permitted to allow South African private equity funds that are licensed with the FSCA to invest offshore up to a limit of R5 billion, in line with the foreign direct investment policy, without prior approval. Investments exceeding R5 billion per applicant company per calendar year require approval from the Financial Surveillance Department.

Promoting trade

To support greater trade, authorised dealers will be given greater discretion over certain payment arrangements for customer foreign currency accounts, provided they are satisfied that the relevant transactions are legitimate and have viewed suitable documentary evidence, subject to the relevant reporting to the Financial Surveillance Department.

- Settlement of transactions: Authorised dealers will be permitted to process transactions for customer foreign currency accounts for all current account payments.
- Export proceeds: Local agents of exporters of goods from South Africa will now be able to settle export proceeds due to the local exporters through the customer foreign currency accounts without prior approval from the Financial Surveillance Department.
- Import payments: Authorised dealers may allow resident entities purchasing goods via a local subsidiary of an offshore supplier (that has to import components from abroad) and/or agents to settle only the cost of the imported components in foreign currency through the respective customer foreign currency accounts without prior approval from the Financial Surveillance Department.
- Related party agreements: Authorised dealers will be permitted to process all related party agreements relating to current account payments if applicants provide suitable documentary evidence confirming that the agreements are in accordance with transfer pricing rules contained in section 31 of the Income Tax Act (1962), in line with the OECD Guidelines and subject to normal reporting requirements of the Financial Surveillance Department.

F

2024 BUDGET REVIEW

SUMMARY OF THE BUDGET

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

SUMMARY OF THE BUDGET

Summary of the national budget

R million	2023/24 Budget estimate	2023/24 Revised estimate	2024/25 Budget estimate	2025/26 Medium-term estimates	2026/27 Medium-term estimates
REVENUE					
Estimate of revenue before tax proposals			**1 800 020**	**1 931 492**	**2 061 439**
Budget 2024/25 proposals:			**15 000**	**15 933**	**24 565**
Direct taxes			**18 200**	**19 330**	**28 182**
Personal income tax					
No inflationary adjustment to tax brackets and rebates			16 300	17 342	18 603
No inflationary adjustment to medical tax credits			1 900	1 989	2 079
Corporate income tax					
Global minimum corporate tax			-	-	8 000
Electric vehicles tax incentive			-	-	-500
Indirect taxes			**-3 200**	**-3 397**	**-3 617**
Fuel levy					
No adjustment to general fuel levy			-4 000	-4 248	-4 521
Specific excise duties					
Above-inflation increase in excise duties on alcohol			800	851	904
Estimate of revenue after tax proposals	**1 759 229**	**1 712 836**	**1 815 020**	**1 947 425**	**2 086 004**
Percentage change from previous year			*6.0%*	*7.3%*	*7.1%*
EXPENDITURE					
Direct charges against the National Revenue Fund	**950 638**	**984 780**	**1 027 599**	**1 089 901**	**1 146 860**
Debt-service costs	340 460	356 141	382 183	414 664	440 240
Provincial equitable share	567 528	585 086	600 476	627 442	655 704
General fuel levy sharing with metropolitan municipalities	15 433	15 433	16 127	16 849	17 621
Skills levy and sector education and training authorities	23 027	22 713	24 500	26 441	28 582
Other [1)]	4 189	5 407	4 313	4 506	4 712
Appropriated by vote	**1 077 438**	**1 059 442**	**1 102 798**	**1 116 982**	**1 158 410**
Current payments	263 269	265 739	281 691	293 186	306 963
Transfers and subsidies	793 851	775 564	804 882	807 285	835 242
Payments for capital assets	18 401	16 659	15 170	15 404	15 276
Payments for financial assets	1 917	1 479	1 054	1 106	928
Provisional allocations	**1 505**	**-**	**570**	**41 093**	**53 453**
Provisional allocation not assigned to votes	1 505	-	570	41 093	45 612
Infrastructure Fund not assigned to votes	-	-	-	-	7 841
Total	**2 029 580**	**2 044 222**	**2 130 967**	**2 247 976**	**2 358 722**
Plus:					
Contingency reserve	5 000	-	5 000	7 600	14 500
Estimate of national expenditure	**2 034 580**	**2 044 222**	**2 135 967**	**2 255 576**	**2 373 222**
Percentage change from previous year			*4.5%*	*5.6%*	*5.2%*
2023 Budget estimate of expenditure		**2 034 580**	**2 137 945**	**2 266 506**	
Increase / decrease (-)		*9 642*	*-1 978*	*-10 930*	
Gross domestic product	*7 005 734*	*7 048 961*	*7 452 214*	*7 913 837*	*8 422 300*

1) Includes direct appropriations in respect of the salaries of the President, Deputy President, judges, magistrates, and members of Parliament, National Revenue Fund payments (previously classified as extraordinary payments), the Auditor-General of South Africa, the International Oil Pollution Compensation Fund and allocations made in the 2023/24 Second Adjustments Appropriation Bill.
Source: National Treasury

SUMMARY OF THE BUDGET

Summary of the consolidated budget

R million	2023/24 Budget estimate	2023/24 Revised estimate	2024/25 Budget estimate	2025/26 Medium-term estimates	2026/27 Medium-term estimates
National budget revenue [1]	**1 759 229**	**1 712 836**	**1 815 020**	**1 947 425**	**2 086 004**
Revenue of provinces, social security funds and public entities	199 678	208 587	221 602	228 970	237 592
Consolidated budget revenue [2]	**1 958 907**	**1 921 423**	**2 036 623**	**2 176 395**	**2 323 596**
National budget expenditure [1]	**2 034 580**	**2 044 222**	**2 135 967**	**2 255 576**	**2 373 222**
Expenditure of provinces, social security funds and public entities	208 009	224 636	233 029	215 820	224 582
Consolidated budget expenditure [2]	**2 242 589**	**2 268 857**	**2 368 996**	**2 471 396**	**2 597 804**
Consolidated budget balance	**-283 682**	**-347 435**	**-332 373**	**-295 001**	**-274 208**
Percentage of GDP	*-4.0%*	*-4.9%*	*-4.5%*	*-3.7%*	*-3.3%*
Redemptions	**-162 232**	**-145 759**	**-172 568**	**-185 598**	**-166 295**
Domestic long-term loans	-117 865	-98 614	-132 087	-126 730	-126 730
Foreign loans	-44 367	-47 145	-40 481	-58 868	-39 565
Eskom debt-relief arrangement	**-78 000**	**-76 000**	**-64 154**	**-110 223**	**-**
GFECRA settlement	**-**	**-**	**100 000**	**25 000**	**25 000**
Gross borrowing requirement	**-523 914**	**-569 193**	**-469 096**	**-565 822**	**-415 503**
Financing					
Domestic loans	**396 189**	**434 191**	**379 094**	**471 821**	**343 596**
of which: Eskom debt-relief arrangement	-	-	-	*70 000*	-
Foreign loans	**43 981**	**44 786**	**36 785**	**82 250**	**92 269**
Change in cash and other balances	**83 744**	**90 216**	**53 217**	**11 751**	**-20 363**
Total financing	**523 914**	**569 193**	**469 096**	**565 822**	**415 503**

1) Transfers to provinces, social security funds and public entities presented as part of the national budget.
2) Flows between national and provincial government, social security funds and public entities are netted out.
Source: National Treasury

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2024 BUDGET REVIEW

GLOSSARY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accounting officer	The public servant who is accountable to Parliament for financial management of a government department, usually the director-general at the national level or the head of the department at the provincial level.
Accrual	An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place.
Acquisition debt	Debt used to buy shares or assets.
Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Administered prices	Prices set outside ordinary market processes through administrative decisions by government, a public entity or a regulator.
Ad valorem duties	Taxes levied on commodities as a certain percentage of their value.
Agro-processing	Manufacturing activities that transform raw materials and intermediary goods derived from agriculture into intermediate or final goods.
Allocated expenditure	The part of the national budget that can be divided between the national, provincial and local spheres of government, after interest and the contingency reserve have been taken into account.
Amortisation	The repayment of a loan by instalments over its duration.
Annuity	A fixed amount of money paid over a period of time as a return on an investment.
Anti-avoidance rule	A provision aimed at preventing tax avoidance. See also *principal purpose test*.
Appreciation (exchange rate)	An increase in the external value of a currency.
Appropriation	The approval by Parliament of spending from the National Revenue Fund or by a provincial legislature from a provincial revenue fund.
Asset price bubble	A condition occurring when prices for a category of assets rise above the level justified by economic fundamentals.
Balance of payments	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.
Base erosion and profit shifting	Corporate tax-planning strategies that exploit the gaps and mismatches in tax laws between countries to shift taxable income to lower- or no-tax jurisdictions. See also *tax evasion* and *profit shifting*.
Basel III	Reforms developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Basis point	One hundredth of 1 per cent.
Beneficiation	Manufacturing activities that transform raw minerals into higher-value products.
Blended finance	The combination of public, private, development and multilateral sources of financing to leverage funding for projects.
Bond	A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.
Bond premium	Amount by which the purchase price of a bond is greater than its par value.
Bond spread	The difference in yield between two bonds.
Bond-switch programme	An auction that aims to ease pressure on targeted areas of the redemption profile by exchanging shorter-dated debt for longer-term debt. See also *switch auction*.
Bracket creep	Increased real tax liability that arises when the personal income tax tables are not fully adjusted for inflation.
Budget balance	The difference between budgeted expenditure and budgeted revenue. If expenditure exceeds revenue, the budget is in deficit. If the reverse is true, it is in surplus.

Budget Facility for Infrastructure	A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.
Capital asset	Property of any kind, including assets that are movable or immovable, tangible or intangible, fixed or circulating, but excluding trading stock held to realise a financial or economic return.
Capital expenditure	Spending on assets such as buildings, land, infrastructure and equipment.
Capital flow	A flow of investments in or out of the country.
Capital formation	A measure of the net increase in the country's total stock of capital goods, after allowing for depreciation.
Capital gains tax	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.
Capital goods	Durable goods used over a period of time to produce other goods. See also *intermediate goods*.
Capitalised interest	The cost of borrowing to construct a capital asset, which is then included in the cost of the asset.
Capital market	A financial market where individuals and institutions raise capital or funding in the form of debt or equities.
Carbon budgeting	The process of allocating a greenhouse gas emissions allowance to a company for a specific period of time.
Category A, B and C municipalities	Municipal categories established by the Constitution: Category A, or metropolitan municipalities; Category B, or local municipalities; and Category C, or district municipalities.
Collateral	An asset placed as a guarantee for the repayment of debt, to be recouped in the case of a default.
Commercial close	The date of execution of a public-private partnership or concession agreement.
Commercial paper issuances	Debt issued by companies through short-term promissory notes.
Commission of inquiry	An expert panel established by the President to investigate a specific issue.
Commutation	When a member of a pension fund, pension preservation fund or retirement annuity fund retires, they are allowed to take (commute) a lump sum equal to a maximum of one-third of the retirement interest.
Concessionary funding	Financing extended by major financial institutions, such as development banks and multilateral funds, at substantially cheaper rates than market loans.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
Connected person debt/credit	Debt or credit granted by a person/entity to a connected person/entity. In the case of a holding company, for example, a subsidiary company would be a connected person.
Consolidated general government	National, provincial and local government, as well as extra-budgetary government institutions and social security funds.
Consolidated government expenditure	Total expenditure by national and provincial government, social security funds and selected public entities, including transfers and subsidies to municipalities, businesses and other entities.
Consumer price index	The measure of inflation based on prices in a basket of goods and services.
Consumption expenditure	Expenditure on goods and services that are used within a short period of time, usually a year.
Contingency reserve	An amount set aside, but not allocated in advance, to accommodate changes to the economic environment and to meet unforeseeable spending pressures.

Contingent liability	A government obligation, such as a guarantee, that will only result in expenditure if a specific event occurs. See also *government guarantee*.
Controlled foreign company	A foreign business in which South Africans hold a greater than 50 per cent interest, usually of the share capital of a company.
Corporatisation	The transformation of state-owned enterprises into commercial entities, subject to commercial legal requirements and governance structures, while the state retains ownership.
Cost-push inflation	Inflation that is caused by an increase in production costs, such as wages or oil prices.
Countercyclical fiscal policy	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
Coupon (bond)	The periodic interest payment made to bondholders during the life of the bond. The interest is usually paid twice a year.
Covered person	Stockbrokers that do not trade as a treasury operation; the Reserve Bank; banks and their controlling companies; and companies or trusts that form part of a banking group, excluding short- and long-term insurers, and these insurers' subsidiaries and companies in which they hold a controlling share.
Credit rating	An indicator of the risk of default by a borrower or the riskiness of a financial instrument.
Credit risk	The probability of financial loss resulting from failure to repay a loan or meet a contractual obligation.
Crowding in	An increase in private investment through the income-raising effect of government spending financed by deficits.
Crowding out	A fall in private investment or consumption as a result of increased government expenditure financed through borrowing, thereby increasing competition for loanable funds and raising the interest rate, which curtails private investment and consumption spending.
Cryptocurrency	A digital medium of exchange that uses cryptography to secure its transactions, control the creation of additional units and verify the transfer of assets.
Currency risk	The potential for a change in the price of a currency that would affect investors with assets, liabilities or operations denominated in other currencies.
Current account (of the balance of payments)	The difference between total imports and total exports, taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus. See also *trade balance*.
Current balance	The difference between revenue and current expenditure, which consists of compensation of employees, goods and services, and interest and rent on land.
Current expenditure	Government expenditure on salaries and goods and services, such as rent, maintenance and interest payments. See also *consumption expenditure*.
Customs duties	A tax levied on imported goods.
Debenture	An unsecured debt instrument backed by the general creditworthiness of the issuer rather than by specific assets.
Debt redemption profile	The set of fixed repayment dates and amounts that an issuer of debt, such as a preferred stock or bond, has committed to meeting.
Debt-service costs	The interest on government debt and other costs directly associated with borrowing.
Debt-service coverage ratio	The ratio of cash from operating activities available to service debt payments.
Debt stock	The total value of debt owed to all lenders.
Decommissioning	The removal or dismantling of a facility from service.

Default regulations	Retirement funds' trustee boards must offer a default in-fund preservation arrangement to members who leave the services of their employer before retirement, and a default investment portfolio to contributing members who do not or cannot choose how their savings should be invested.
Deflation	A consistent decrease in the price of goods and services.
Deleveraging	The reduction of debt previously used to increase the potential return of an investment.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
Depreciation (exchange rate)	A reduction in the external value of a currency.
Derivative financial instrument	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.
Designated countries	Foreign countries from which income may be exempt from South African tax under certain circumstances. See also *double tax agreement*.
Development finance institutions	State agencies that aim to meet the credit needs of riskier but socially and economically desirable projects that are beyond the acceptance limits of commercial banks.
Digital economy	An economy based on digital computing technologies – increasingly through internet-based markets.
Direct taxes	Taxes charged on taxable income or capital of individuals and legal entities.
Discouraged work seekers	See *unemployment*.
Discretionary trust	A trust where the executor has the choice of whether and how much of the trust's income or capital is to be distributed to beneficiaries. The beneficiaries have only provisional rights to the income or capital of the trust.
Disposable income	Total income less all taxes and employee contributions.
Dissaving	An excess of current expenditure, including the depreciation of fixed capital, over current income.
Dividend	The distribution of a portion of a company's earnings to a class of its shareholders.
Dividend withholding tax	A tax on dividends that is subtracted and withheld by a company or intermediary before the net dividend is paid to the shareholder. See also *withholding tax*.
Division of revenue	The allocation of funds between spheres of government, as required by the Constitution. See also *equitable share*.
Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Double tax agreement	An agreement between two countries to prevent income that is taxed in one country from being taxed in the other as well. Double taxation is juridical when the same person is taxed twice on the same income by more than one state. Double taxation is economic if more than one person is taxed on the same item. See also *designated countries* and *tax treaty*.
Early childhood development	The development of children from birth until the year they enter formal schooling.
Economically active population	The part of the population that is of working age and is either employed or seeking work.
Economic cost	The cost of an alternative that must be forgone to pursue a certain action. In other words, the benefits that could have been received by taking an alternative action. Also known as opportunity cost.
Economic growth	An increase in the total amount of output, income and spending in the economy.

Economic prices	Financial prices that are adjusted for market distortions such as import tariffs, taxes or subsidies.
Economic rent	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.
Effective tax rate	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. In other words, tax rates that take into account not only the statutory or nominal tax rate, but also other aspects of the tax system (for example, allowable deductions) that determine the tax liability.
Embedded derivative	A provision in a contract modifying its cash flows by making them dependent on an underlying measure – such as interest or exchange rates, or commodity prices – the value of which changes independently.
Emerging economies	A name given by international investors to middle-income economies.
Employment coefficient	The ratio of employment growth to economic growth.
Equitable share	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution. See also *division of revenue*.
Equity finance	Raising money by selling shares of stock to investors, who receive an ownership interest in return.
Exchange control	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.
Exchange item	A foreign-currency amount relating to a debt, loan or foreign-exchange contract.
Excise duties	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.
Expenditure ceiling	The maximum allowable level of expenditure to which government has committed itself.
Extra-budgetary institutions	Public entities not directly funded from the fiscus.
Fair-value adjustment	A change in the value of an asset or liability resulting from the periodic reassessment of its expected future economic in- or outflows.
Fee-free higher education and training	A government policy on higher education and training that makes provision for full-cost-of-study bursaries to students below a specified household-income threshold, covering tuition fees, prescribed study material, meals and a certain level of accommodation and/or travel allowances.
Financial account	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.
Financial and Fiscal Commission	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial close	The date, following commercial close, on which the last of the conditions precedent in a public-private partnership agreement are fulfilled, financing documents become unconditional and funds become available.
Financial Sector Conduct Authority	A body responsible for regulating and supervising the market conduct of financial institutions and market infrastructure.
Financial Services Board	An independent institution established by statute that regulates insurers, intermediaries, retirement funds, friendly societies, unit trust schemes, management companies and financial markets.
Financial year	The 12 months according to which companies and organisations budget and account. See also *fiscal year*.

Fintech	An abbreviation of “financial technology”, which refers to new technologies and innovations that aim to compete with traditional methods to deliver financial services more efficiently.
Fiscal anchor	A rule or target that imposes a constraint or limit on one or more fiscal measures for which government is responsible to preserve sustainability in the public finances.
Fiscal consolidation	Policy aimed at reducing government deficits and debt accumulation.
Fiscal framework	The arrangements, procedures, rules and institutions underlying the conduct of government’s budgetary policies.
Fiscal incidence	The combined overall economic impact that fiscal policy has on the economy.
Fiscal leakage	The outflow of revenue from an economy through tax evasion and avoidance.
Fiscal marking	The process of marking a product with a prescribed identification (or chemical). Marking allows the South African Revenue Service to trace products back to the manufacturers in order to collect excise duties.
Fiscal multiplier	A ratio measuring the extent to which national income changes in response to changes in government spending. For example, a fiscal multiplier of 0.5 implies that national income increases by 50 cents for every R1 of additional government spending.
Fiscal policy	Policy on taxation, public spending and borrowing by government.
Fiscal space	The ability of government’s budget to provide additional resources for a desired programme without jeopardising fiscal or debt sustainability.
Fiscal year	The 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
Fixed investment/capital formation	Spending on buildings, machinery and equipment contributing to production capacity in the economy. See also *gross fixed-capital formation*.
Fixed-rate bond	A bond that pays a specific interest rate over a specified period of time.
Floating rate notes	A bond on which the interest rate is reset periodically in line with a money market reference rate.
Foreign currency swaps	The exchange of principal and/or interest payments in one currency for those in another.
Foreign direct investment	The acquisition of a controlling interest by governments, institutions or individuals of a business in another country.
Forward book	The total amount of contracts for the future exchange of foreign currency entered into by the Reserve Bank at any given point in time.
Forward cover	Transactions involving an agreed exchange rate at which foreign currency will be bought or sold at a future date.
Free-trade area	A geographical region in which countries have signed an agreement and maintain few or no barriers to trade in the form of tariffs or quotas between them.
Fringe benefit	A benefit supplementing an employee’s wages or salary, such as medical insurance, company cars, housing allowances and pension schemes.
Fuel levy	An excise tax on liquid fuels.
Fugitive emissions	Emissions that are unintentionally released into the atmosphere through, for example, leaks from industrial plants and pipelines.
Function shift	The movement of a function from one departmental vote or sphere of government to another.
Funded pension arrangements	A pension scheme in which expected future benefits are funded in advance and as entitlement accrues.
Gearing ratio	The ratio of company debt to equity capital.
Gold and foreign exchange reserves	Reserves held by the Reserve Bank to meet foreign-exchange obligations and to maintain liquidity in the presence of external shocks.
Government debt	The total amount of money owed by government as a consequence of its past borrowing.

Government guarantee	An assurance made by government to a lender that a financial obligation will be honoured, even if the borrowing government entity is unable to repay the debt. See also *contingent liability*.
Government Technical Advisory Centre	An agency of the National Treasury that supports public finance management through professional advisory services, programme and project management and transaction support.
Green paper	A policy document intended for public discussion.
Gross borrowing requirement	The sum of the main budget balance, extraordinary receipts and payments (referred to as National Revenue Fund receipts and payments), maturing debt and the Eskom debt-relief arrangement. The amount is funded through domestic short- and long-term loans, foreign loans and changes in cash balances.
Gross domestic product	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, or goods and services that are produced outside the market economy, such as work within the household.
Gross domestic product inflation	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.
Gross fixed-capital formation	The addition to a country's fixed-capital stock during a specific period, before provision for depreciation.
Gross loan debt	See *government debt*.
Gross value added	The value of output less intermediate consumption. It is also a measure of the contribution an industry or sector makes to the economy.
Group of Twenty (G20)	An international forum made up of finance ministers and central bank governors from 20 of the world's largest economies.
Hedging	An action taken by a buyer or seller to protect income against changes in prices, interest rates or exchange rates.
Horizontal equity	A principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden. In other words, taxpayers with the same amount of income or capital should be accorded equal treatment.
Impaired advances	Loans or advances that may not be collected in full.
Impairment	A reduction in the recorded value of a long-lived asset arising from circumstances that prevent the asset from generating the future economic benefits previously expected and recorded.
Import parity pricing	When a firm sells goods locally at the price customers would pay if they were to import the same goods from another country.
Inclusion rate	The portion of the net capital gain derived from the disposal of an asset that will be taxed at the applicable rate.
Independent power producer	A private-sector business that generates energy for the national grid.
Industrial development zone	Export-oriented manufacturing sites linked to an international air or sea port, supported by incentives to encourage investment and job creation.
Inflation	An increase in the overall price level of goods and services in an economy over a specific period of time.
Inflation targeting	A monetary policy framework intended to achieve price stability over a certain period of time.
Infrastructure Fund	A fund that will provide government support for the co-financing of programmes and projects that blend public and private resources.
Integrated Resource Plan	The Department of Energy's long-term plan for the country's energy mix and generation expansion in order to meet electricity demand.
Intergenerational equity	A value based on ensuring that future generations do not have to repay debts taken on today unless they also share in the benefits of assets.
Intermediate goods	Goods produced to be used as inputs in the production of final goods.

Intra-state debt	Money that different organs of state owe to each other.
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period of time.
Investment grade	A credit rating indicating minimal risk to investors.
Islamic bond	A financial certificate that complies with Islamic religious law. It represents partial ownership of an asset. The issuer buys back the bond at a future date at par value.
Just energy transition	A framework developed by the Presidential Climate Commission to ensure that workers and communities tied to high-emitting energy industries are supported in the shift towards a low-emissions economy.
Labour intensity	The relative amount of labour used to produce a unit of output.
Levelised cost of electricity	The estimated present value of the per-unit cost of electricity over the lifetime of a generating asset.
Liquidity	The ease with which assets can be bought and sold.
Liquidity requirements	The amount of liquid or freely convertible assets that banks are required to hold relative to their liabilities for prudential and regulatory purposes.
Liquidity risk	The risk that an asset might not easily and quickly be converted into cash through sale, or the risk to a debtor that it cannot meet its current debt obligations.
Load-shedding	A means of managing electricity supply when the power system is constrained by limiting the electricity supply to areas.
Loan covenant	A commitment, in a loan agreement, to certain activities. If violated, the covenant can trigger a default or penalties.
Loop structures	Structures that arise when private individuals are permitted by the Reserve Bank to acquire up to 40 per cent equity or voting rights in a foreign company, which may in turn hold investments and/or make loans in a Common Monetary Area country (South Africa, eSwatini, Lesotho and Namibia).
Lump-sum benefit	A one-time payment for the total or partial value of an asset, usually received in place of recurring smaller payments.
M3	The broadest definition of money supply in South Africa, including notes and coins, demand and fixed deposits, and credit.
Macroeconomics	The branch of economics that deals with the whole economy – including issues such as growth, inflation, unemployment and the balance of payments.
Macroprudential regulation	Rules that protect the stability of the financial sector and guard against systemic risk.
Marginal income tax rate	The rate of tax on an incremental unit of income.
Marginal lending rate	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 *repurchase agreements*.
Marketable securities	Tradable financial securities listed with a securities exchange.
Medico-legal claims	A civil claim of alleged wrongful medical treatment against a health provider.
Medium Term Expenditure Committee	The technical committee responsible for evaluating the medium-term expenditure framework budget submissions of national departments and making recommendations to the Minister of Finance regarding allocations to national departments.
Medium-term expenditure framework	The three-year spending plans of national and provincial governments, published at the time of the Budget.
Microeconomics	The branch of economics that deals with the behaviour of individual firms, consumers and sectors.
Ministers' Committee on the Budget	The political committee that considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet.

Monetary policy	Policy concerning total money supply, exchange rates and the general level of interest rates.
Money supply	The total stock of money in an economy.
National budget	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.
National Development Plan	A planning framework prepared by the National Planning Commission that aims to eliminate poverty and reduce inequality by 2030.
National Energy Regulator of South Africa	The authority that regulates electricity, piped-gas and petroleum pipelines industries in South Africa.
National Revenue Fund	The consolidated account of the national government into which all taxes, fees and charges collected by the South African Revenue Service and departmental revenue must be paid.
Negotiable certificate of deposit	Short-term deposit instruments issued by banks, at a variable interest rate, for a fixed period.
Net borrowing requirement	The main budget balance.
Net exports	Exports less imports.
Net loan debt	Gross loan debt less government's cash balances.
Net open foreign currency position	Gold and foreign exchange reserves minus the oversold forward book. The figure is expressed in dollars.
Net trade	The difference between the value of exports and imports.
New Development Bank	A multilateral lending institution established by Brazil, Russia, India, China and South Africa.
Nominal exchange rates	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.
Nominal wage	The return, or wage, to employees at the current price level.
Non-competitive bid auction	An auction in which an investor agrees to purchase a certain number of securities such as bonds at the average price of all competitive bids over a given period of time.
Non-financial public enterprises	Government-owned or controlled organisations that deliver goods and non-financial services, trading as business enterprises, such as Eskom or Transnet.
Non-interest expenditure	Total expenditure by government less debt-service costs.
Non-tax revenue	Income received by government as a result of administrative charges, licences, fees, sales of goods and services, and so on.
Occupation-specific salary dispensation	Revised salary structures unique to identified occupations in the public service, including doctors, nurses and teachers.
Open finance	The ability of a customer to transfer all data linked to their financial activity, such as credit and payment histories.
Opportunity cost	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.
Organisation for Economic Co-operation and Development	An organisation of 35 mainly industrialised member countries. South Africa is not a member.
PAYE	The pay-as-you-earn (PAYE) system of income tax withholding requires employers to deduct income tax, and in some cases, the employees' portion of social benefit taxes, from each paycheque delivered to employees.
Payroll tax	Tax an employer withholds and/or pays on behalf of employees based on employee wages or salaries.
Permanent establishment	A fixed place of business from which a company operates. When two countries have a tax treaty, the concept of "permanent establishment" is used to determine the right of one state to tax the profits of the business in the other state.

Plastic bag levy	An environmental tax on certain types of plastic carrier and flat bags that is earmarked to establish recycling facilities.
Policy reserve	Additional money in the fiscus to fund new and crucial priorities.
Portfolio investment	Investment in financial assets such as stocks and bonds.
Potential growth	The fastest growth an economy can sustain without increasing inflation.
Presidential Infrastructure Coordinating Commission	A commission established by Cabinet to develop, review and coordinate a 20-year infrastructure plan.
Price discovery	The process of determining the price level of a commodity or asset, based on supply and demand factors.
Price sensitivity	The extent to which changes in price affect consumers' purchasing behaviour.
Primary bond auctions	The issuance of new bonds in the primary market by means of an auction.
Primary deficit/surplus	The difference between total revenue and non-interest expenditure. When revenue exceeds non-interest expenditure there is a surplus.
Primary market	The market where new securities (bonds or equities) are issued or sold by a company or government in the capital markets for the first time.
Primary sector	The agricultural, forestry, fishing, mining and quarrying sectors of the economy.
Principal purpose test	A test where the benefits of a tax treaty are denied if it is reasonable to conclude that obtaining the benefit was one of the principal purposes behind the arrangement or transaction.
Private-sector credit extension	Credit provided to the private sector. This includes all loans, credit cards and leases.
Privatisation	The full or partial sale of state-owned enterprises to private individuals or companies.
Producer price index	A measure of inflation based on the prices of production inputs as reported by producers across different sectors.
Productivity	A measure of the amount of output generated from every unit of input. Typically used to measure changes in labour efficiency.
Profit shifting	The allocation of income and expenses between related corporations or branches of the same legal entity to reduce overall tax liability.
Prudential Authority	The authority responsible for the prudential regulation of banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructure.
Public-benefit organisations	Organisations that engage in social activities to meet the needs of the general public. They are mainly funded by donations from the public and other institutions.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law.
Public Finance Management Act	The act regulating financial management of national and provincial government, including the efficiency and effectiveness of public expenditure and the responsibilities of those engaging with government financial management.
Public goods	Goods and services that would not be fully provided in a pure free-market system and are largely provided by government.
Public Investment Corporation	A government-owned investment management company that invests funds on behalf of public-sector entities. Its largest client is the Government Employees Pension Fund.
Public-private partnerships	A contractual arrangement in which a private party performs a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria. See also *unitary payment*.
Public sector	National government, provincial government, local government, extra-budgetary governmental institutions, social security funds and non-financial public enterprises.

Public-sector borrowing requirement	The consolidated cash borrowing requirement of general government and non-financial public enterprises.
Purchasing managers' index	A composite index measuring the change in manufacturing activity. An index value of 50 indicates no change in activity, a value above 50 indicates increased activity and a value below 50 indicates decreased activity.
Quarterly Employment Statistics	An establishment-based survey conducted by Statistics South Africa to obtain information about the number of employees and gross salaries paid.
Quarterly Labour Force Survey	A household-based survey conducted by Statistics South Africa to measure the dynamics of the labour market, producing indicators such as employment, unemployment and inactivity.
Rating agency	A company that evaluates the ability of countries or other borrowers to honour their debt obligations. Credit ratings are used by international investors as indications of sovereign risk. See also *credit rating*.
Real effective exchange rate	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.
Real expenditure	Expenditure measured in constant prices after taking account of inflation.
Real interest rate	The level of interest after taking account of inflation.
Real wage	The return, or wage, to employees, measured at a constant price level.
Recapitalisation	Injection of funds into a company or entity to aid liquidity, either as a loan or in return for equity.
Recession	A period in which national output and income decline. A recession is usually defined as two consecutive quarters of negative growth.
Redemption	The return of an investor's principal in a fixed-income security, such as a preferred stock or bond.
Refinancing	The repayment of debt at a scheduled time with the proceeds of new loans.
Refinancing risk	The risk that government will not be able to raise money to repay debt at any scheduled point, or that it will have to do so at a high cost.
Regional integration	An economic policy intended to boost economic activity in a geographical area extending beyond one country.
Remuneration	The costs of personnel, including salaries, housing allowances, car allowances and other benefits received by personnel.
Renewable Independent Power Producer Procurement Programme	A competitive tender process designed to facilitate private-sector investment in grid-connected renewable energy generation to increase South Africa's generation capacity.
Repurchase agreements	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.
Repurchase (repo) rate	The rate at which the Reserve Bank lends to commercial banks.
Reserves (foreign exchange)	Holdings of foreign exchange, either by the Reserve Bank only or by the Reserve Bank and domestic banking institutions.
Residence-based income tax system	A tax system in which the worldwide income accruing to a resident of a country is subject to the taxes of that country.
Retail bond	A fixed-income security issued by the National Treasury targeting retail investors. Two variants are offered: fixed-rate and inflation-linked retail bonds.
Revaluation gain/loss	The difference between the value of a foreign currency deposit from the original (historical) rate to execution of a trade based on the spot rate.
Risk premium	A return that compensates for uncertainty.
Saving	The difference between income and spending.
Seasonally adjusted	The removal of seasonal volatility (monthly or quarterly) from a time series dataset. This provides a measure of the underlying trend in the data.

Secondary market	A market where securities are bought and sold by participants in the capital market following primary market issuance.
Secondary market pricing	The price at which securities are bought and sold in the secondary market.
Secondary rebate	A rebate from income tax, in addition to the primary rebate, that is available to taxpayers aged 65 years and older.
Secondary sector	The part of the economy concerned with the manufacture of goods.
Secondary tax on companies	Tax on dividends declared by a company, calculated at the rate of 10 per cent of the net amount of dividends declared. This was discontinued in 2012 and replaced with a 15 per cent dividend withholding tax.
Section 21 company	Non-profit entities registered in terms of section 21 of the Companies Act.
Sector education and training authorities	Institutions funded through skills development levies, responsible for learnership programmes and implementing strategic sector skills plans.
Secured debt instruments	Debt backed or secured by collateral to reduce the risk of lending.
Securitisation	The pooling of assets into a financial instrument to sell to different types of investors.
Service and transfer payments	Services involve transactions of non-tangible commodities, while transfers are unrequited transactions that do not generate a counter-economic value (for example, gifts and grants).
Significant owner	A person who directly or indirectly materially controls or influences the business or strategy of a financial institution.
Skills development levy	A payroll tax designed to finance training initiatives in terms of the skills development strategy.
Social infrastructure	Infrastructure that supports social services.
Social wage	Social benefits available to all individuals, funded wholly or partly by the state.
Source-based income tax system	A system in which income is taxed in the country where the income originates.
Southern African Customs Union agreement	An agreement between South Africa, Botswana, eSwatini, Lesotho and Namibia that allows for the unrestricted flow of goods and services, and the sharing of customs and excise revenue.
Southern African Development Community	A regional intergovernmental organisation that promotes collaboration, economic integration and technical cooperation throughout southern Africa.
Sovereign debt	Debt issued by a government.
Sovereign debt rating	An assessment of the likelihood that a government will default on its debt obligations.
Spatial planning	Planning to influence the geographic distribution of people and economic activity.
Special appropriation	The approval by Parliament of spending from the National Revenue Fund to appropriate additional funds other than the main support appropriation in the Budget Act.
Special economic zone	A designated zone where business and trade laws incentivise trade, investment and employment.
Specific excise duty	A tax on each unit of output or sale of a good, unrelated to the value of a good.
Standing appropriations	Government's expenditure obligations that do not require a vote or statutory provision, including contractual guarantees and international agreements.
Statutory appropriations	Amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.
Sterilisation	Action taken by the Reserve Bank to neutralise excess cash created in the money market when purchasing foreign currency.
Structural budget balance	A representation of what government revenue and expenditure would be if output were at its potential level, with cyclical variations stripped out.

Structural constraints	Imbalances in the structure of the economy that hinder growth and development.
Structural reforms	Measures put in place to substantially change the economy, or the institutional and regulatory framework in which people and businesses operate.
Sunset clause	A clause in a public policy that allows for a law to cease being in effect after a specified date.
Switch auction	An auction to exchange bonds to manage refinancing risk or improve tradability.
Syndicated loan	A large loan in which a group of banks work together to provide funds, which they solicit from their clients for the borrower.
Tax amnesty	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.
Tax avoidance	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
Tax base	The aggregate value of income, sales or transactions on which particular taxes are levied.
Tax buoyancy	The relationship between total tax revenue collections and economic growth. This measure includes the effects of policy changes on revenue. A value above 1 means that revenues are growing faster than the economy; a value below 1 means they are growing below the rate of GDP growth.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax expenditure	Government revenue foregone due to provisions that allow deductions, exclusions or exemptions from taxable income. The revenue can also be forgone through the deferral of tax liability or preferential tax rates.
Tax gap	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.
Tax incentives	Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities.
Tax incidence	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.
Tax loopholes	Unintended weaknesses in the legal provisions of the tax system used by taxpayers to avoid paying tax liability.
Tax morality	The willingness, or motivation, of citizens to pay tax. This is separate from the statutory obligation to pay taxes but may influence tax compliance.
Tax-to-GDP ratio	The total tax payments for a particular fiscal year as a fraction or percentage of the GDP for that year.
Tax treaty	An agreement between two countries to resolve issues involving double taxation of income of their residents. See also *double tax agreement*.
Terms of trade	An index measuring the ratio of a country’s export prices relative to its import prices.
Term-to-maturity	The time between issuance and expiry.
Tertiary sector	The part of the economy concerned with the provision of services.
Total factor productivity	An index used to measure the efficiency of all inputs that contribute to the production process.
Trade balance	The monetary record of a country’s net imports and exports of physical merchandise and services. See also *current account*.
Trade regime	The system of tariffs, quotas and quantitative restrictions applied to protect domestic industries, together with subsidies and incentives used to promote international trade.

Trade-weighted rand	The value of the rand pegged to or expressed relative to a market basket of selected foreign currencies.
Transfer pricing	The setting of the price at which connected persons transfer goods or services between themselves.
Treasury bills	Short-term government debt instruments that yield no interest but are issued at a discount. Maturities vary from one day to 12 months.
Treaty shopping	When related companies in different countries establish a third entity in another location to take advantage of a favourable tax arrangement.
Trend GDP growth	The theoretical level of GDP growth, where growth above the trend rate results in macroeconomic imbalances such as rising inflation or a weakening of the current account.
Unallocated reserves	Potential expenditure provision not allocated to a particular use.
Unemployment (broad definition)	All those of working age who are unemployed, including those actively seeking employment and discouraged work seekers.
Unemployment (official definition)	Those of working age who are unemployed and actively seeking work (excludes discouraged work seekers).
Unitary payment	The payment made to a private party for meeting its obligations in a public-private partnership.
Unit labour cost	The cost of labour per unit of output, calculated by dividing average wages by productivity (output per worker per hour).
Unqualified audit	An assessment by a registered auditing firm or the Auditor-General of South Africa asserting that the financial statements of a department, entity or company are free of material misstatement.
Unsecured debt instruments	Debt not backed or secured by collateral to reduce the risk of lending.
Unsecured lending	A loan that is not backed or secured by any type of collateral to reduce the lender’s risk.
VAT refund	The amount of value-added tax (VAT) repayable by the South African Revenue Service to a VAT vendor.
Venture capital company	In terms of South African regulation, a company whose sole objective is managing investments in qualifying companies (small businesses). Investments in venture capital companies are tax deductible.
Vertical equity	A principle in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions. In other words, taxpayers with more income and/or capital should pay more tax.
Vested right	The right to ownership of an asset that cannot be arbitrarily taken away by a third party.
Virement	The transfer of resources from one programme to another within the same department during a financial year.
Vote	An appropriation voted by Parliament.
Water trading account	A departmental account that ring-fences revenue from the sale of bulk water and related services to secure funding to manage the sustainability of water resources and infrastructure.
Weighted average cost of capital	The average rate of return an organisation expects to pay to investors in its securities, such as bonds, debt and shares. Each category of security is accorded a proportionate weight in the calculation.
White paper	A policy document used to present government policy preferences.
Withholding tax	Tax on income deducted at source. Withholding taxes are widely used for dividends, interest and royalties.
Yield	A financial return or interest paid to buyers of government bonds. The yield/rate of return on bonds includes the total annual interest payments, the purchase price, the redemption value and the time remaining until maturity.
Yield curve	A graph showing the relationship between the yield on bonds of the same credit quality but different years to maturity at a given point in time.
Zero-rated tax items	Consumable goods that are exempt from the 15 per cent VAT rate.

2024 BUDGET REVIEW

STATISTICAL ANNEXURE

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

EXPLANATORY NOTES

The statistical tables present details of the main budget; consolidated national, provincial and social security funds expenditure; consolidated government revenue and expenditure; consolidated government revenue, expenditure and financing; total debt of government; and net loan debt, provisions and contingent liabilities.

The tables are categorised according to government levels, from the main budget to the consolidated government account. The main budget consists of National Revenue Fund receipts, expenditure either voted by Parliament or allocated by statutory appropriation, and the financing of the deficit. This is the national budget, including transfers to other spheres of government.

Consolidated national, provincial and social security funds expenditure consists of the main (national) budget, and the provincial and the social security funds' budgets or expenditure. These budgets are aggregated and transfers between the three spheres of government are netted out to arrive at a total consolidated expenditure figure. The consolidated government revenue, expenditure and financing budget includes national, provincial and social security funds, the Reconstruction and Development Programme (RDP) Fund and national public entities. This is referred to as the consolidated budget.

While government revenues are concentrated at national level, a large proportion of expenditure has shifted to the provinces since 1994. Equitable share transfers to the nine provinces are included as a government statutory commitment on the National Treasury vote, while the local government equitable share is appropriated on the vote of the Department of Cooperative Governance. The consolidated government account consists of all the activities of national and provincial government, and includes most of the listed public entities. The consolidation also includes several national government business enterprises.

Since more than 50 per cent of total national expenditure on the 2024/25 main budget consists of transfer payments to other levels of general government, economic and functional classifications of national budget expenditure are not comprehensive. For the purposes of analysis, it would be preferable to present economic and functional classifications of general government expenditure, but this would require information on expenditure at all levels of general government, its financing through revenue, balances brought forward and transfer payments (mainly from the national budget). This information is not readily available for local government. Historical data on general government finances is, however, published by the Reserve Bank in its *Quarterly Bulletin* and by Statistics South Africa.

Change in recording of extraordinary receipts and payments in the budget tables

Since 2014, the consolidated government account has been presented in a more transparent format in line with the International Monetary Fund's *Government Finance Statistics Manual* (2014). This format provides details of operating activities, capital and infrastructure investment, as well as transactions in financial assets and liabilities. The calculation of the budget balance includes all government transactions. Previously, extraordinary receipts and payments were added to the budget deficit to calculate government's net borrowing requirement. In the new format, there is no longer a difference between the budget balance and the net borrowing requirement. These transactions are now referred to as National Revenue Fund receipts and payments.

Treatment of foreign grants to the RDP Fund

All international technical assistance and other RDP-related grants are paid to the RDP Fund account, which is separated from government accounts. Departments incur expenditure on RDP-related projects through direct requisitions from this account. However, disbursements of foreign grants and technical assistance are included in the consolidated national and provincial expenditure estimates in Tables 5 and 6, and in the consolidated government expenditure in Table 7.

Adjustments due to transactions in government debt

As part of the state's active management of its debt portfolio, government bonds are repurchased or switched into new bonds. In the process, government may make a capital profit, which is a book entry change in the bond discount. This capital profit does not represent actual cash flow and is regarded as a "book profit", which lowers the outstanding debt.

A premium may also be accrued, or payable, in managing the debt portfolio or when entering into new loans. Under the new format, premiums paid or received are included as National Revenue Fund receipts and payments, and no longer categorised as extraordinary receipts and payments.

Sources of information

The information in Tables 1 to 11 on national and provincial government and public entity finances is obtained from the following sources:

- Reports of the Auditor-General on the Appropriation and Miscellaneous Accounts
- Printed estimates of revenue and expenditure for the national and provincial budgets
- The Reserve Bank
- The South African Revenue Service (SARS)
- Monthly press releases from the National Treasury, published in terms of section 32 of the Public Finance Management Act (1999).

Main budget: revenue, expenditure, budget balance and financing (Table 1)

Table 1 summarises the main budget balances since 2017/18 and medium-term estimates to 2026/27. In line with the economic reporting format introduced in 2009, the revenue classification shows departmental sales of capital assets separately.

Repayments of loans and advances, which were previously shown as negative expenditure, have been reclassified as revenue. The national budget deficit (negative budget balance) is due to a higher increase in expenditure relative to the revenue collected over the same period.

Appropriations by vote are divided into current payments, transfers and subsidies, payments for capital assets and payments for financial assets. Both current and capital transfers are included in transfers and subsidies, in line with the economic reporting format's requirements.

The deficit figures presented in this table differ from those presented in budgets before 1995/96 because a number of items that were previously regarded as "below-the-line" expenditure have been included in total expenditure. In addition, revaluations of foreign loan obligations are excluded from expenditure, in keeping with international practice.

Under the "financing" item, domestic short-term loans include net transactions in Treasury bills and borrowing from the Corporation for Public Deposits. Long-term loans include all transactions in domestic government bonds and foreign loans (new loan issues, repayments on maturity, buybacks, switches and reverse purchase transactions).

Main budget: estimates of national revenue (Tables 2 and 3)

Table 2 presents a summary of revenue and the details are set out in Table 3. Main budget revenue collections are recorded on an adjusted cash basis as the revenue is recorded in the SARS ledgers. Tax revenue is classified according to standard international categories and departmental receipts according to the economic reporting format's requirements.

In Table 3, a large amount of data cannot be reclassified to align with the economic reporting format because departments capture these transactions in their ledgers as miscellaneous receipts.

Main budget: expenditure defrayed from the National Revenue Fund by vote (Table 4)

Table 4 contains estimates of expenditure on national budget votes for the period 2020/21 to 2026/27. In 2023/24, amounts included in the budget estimate, the adjusted appropriation and the revised estimate on each vote are shown. Historical data has been adjusted to account for function shifts between departments. As a result, the figures presented for some departments may differ from their financial statements. Total expenditure, however, is not influenced by these changes.

Consolidated national, provincial and social security funds expenditure (Tables 5 and 6)

Tables 5 and 6 show the economic and functional classification of payments for consolidated national and provincial government and social security funds, including the Unemployment Insurance Fund, the Road Accident Fund and the Compensation Fund. Provincial expenditure estimates are preliminary because their budgets are tabled after the national budget. As such, these estimates are subject to change before being tabled in provincial legislatures.

The functional classification

The functional classification in this annexure is aligned with the classification of government functions set out in the *Government Finance Statistics Manual*. The historical data published in these tables has been reclassified accordingly. Chapter 5 of the *Budget Review*, which sets out the medium-term expenditure framework, outlines the budget allocations across these function groups.

To support this approach, data at programme and entity level is aggregated into spending categories, which provides for a higher level of aggregation than in the functional classification. For example, functional classification tables include local development and social infrastructure as distinct functions. The fiscal statistics are an outcome of the budget process and can only be used as a guide to categorise expenditure for budgeting purposes.

Some of the most important differences between the key spending categories presented in Chapter 5 and the more detailed functional classification presented in the statistical tables are as follows:

- *Learning and culture:* Expenditure in this category includes spending related to school and tertiary education, as well as arts, culture, sport and recreation. In the statistical tables, this expenditure is included as part of either the education or recreation, culture and religion functions.
- *Economic development:* Expenditure related to innovation, science and technology is included in the economic development function group, while in the statistical tables it is classified as research and development according to the function to which it relates.
- *Peace and security:* This includes expenditure by defence, police, justice and home affairs. In the statistical tables, the bulk of this expenditure is included in the public order and safety function, with home affairs split between general public services and public order and safety.
- *General public services:* In the key spending categories, transfers made to international organisations are classified within the category of the paying department. In the statistical tables, they are classified under general public services.

Consolidated government revenue and expenditure (Tables 7 and 8)

Tables 7 and 8 show the economic and functional classification of payments for the consolidated government budget. This consists of the consolidated national, provincial and social security figures presented in Tables 5 and 6, combined with general government entities, as well as some government business enterprises.

The government budget consolidation includes all entities controlled and mainly financed by government revenue, where such revenue is defined as either taxes, levies and administrative or service fees prescribed by government, or direct budgetary support in the form of transfer payments. This consolidation also includes several government business enterprises, based on the principle that they either sell most of their goods and services to government institutions or departments at regulated prices, and are therefore not businesses in the true sense of the word, or they are directly involved in infrastructure financing and development.

Accordingly, state-owned entities are broadly identified as one of the following:

- Enterprises that sell mainly to government departments or institutions, have no clear competitors and whose prices are therefore not clearly market related.
- Science councils that conduct research or fulfil a regulatory or advisory function, with government-determined regulatory or administration fees.
- Government-regulated businesses that are primarily financed by a dedicated tax, administration fee or levy (the level of which is dictated by government), or that are directly involved in the maintenance or extension of critical infrastructure.

To present consolidated accounts, all units use the same accounting standards and policies. The format of the accounts, terminology used, classification, transaction coverage and accounting base (cash or accrual) must be the same. In this respect, the consolidated government budget is prepared on an adjusted cash basis of accounting. This is not strictly comparable to the financial information published in the consolidated financial statements, which has two components – a consolidation of departments using the modified cash basis of accounting and a separate consolidation of public entities that apply the accrual basis of accounting.

All transactions that occur between units being consolidated are eliminated. A transaction of one unit is matched with the same transaction recorded for the second unit and both transactions are eliminated from the consolidation. For example, if a public entity sells a service to a government department and data for the two units is being consolidated, neither the sale nor the purchase of the service is reported. In this way, only transactions between government and non-government entities are recorded, without inflating total government revenue as a result of internal transactions.

Not all intra-entity transactions are eliminated, however, because they are not always identifiable in the accounting systems of government and many of its agencies. Only those that can be identified have been eliminated. These broadly include:

- Transactions involving transfers from one government unit to another, including transfers made by national departments to public entities and transfers between public entities (such as Water Trading Entity transfers to water boards).

- Purchases of goods and services from other government units included in the consolidation (such as transactions between the Trans-Caledon Tunnel Authority, water boards and the Water Trading Entity).

As data collection and recording procedures for transactions improve, additional intra-entity transactions will be identified and removed from the consolidated government budget.

A total of 161 national and provincial departments and 192 entities are included in the 2024 consolidated government budget. The National Treasury is committed to presenting a full consolidation of the whole of general government over time. Considerable work has been done to align the local government accounts with national and provincial accounts. A classification reporting framework has been developed for municipalities as a first step towards the consolidation of the financial information of all three spheres of government.

Consolidated government revenue, expenditure and financing (Table 9)

Table 9 presents the government account, which distinguishes between government’s operating activities and its plans to invest in capital and infrastructure.

The balance on the operating account shows the outcome of government’s operating activities, which is a measure of the cost of ongoing operations. It is calculated as the difference between current revenue and current expenditure, and the resulting balance shows how much government must borrow to run its operations. The current balance demonstrates the sustainability of government operations.

Capital investment activities are presented in the capital account. Government’s capital financing requirement is the outcome of this account, which is calculated as the difference between capital revenue and capital expenditure. This account will mainly be in deficit due to continuous investment in infrastructure and substantial capital outlays.

Total debt of government (Table 10)

Table 10 shows the major components of government debt. Net loan debt consists of total domestic and foreign debt less the cash balances of the National Revenue Fund. The balances on the Gold and Foreign Exchange Contingency Reserve Account, which represent net revaluation profits and losses incurred on gold and foreign exchange transactions, are also disclosed.

Net loan debt, provisions and contingent liabilities (Table 11)

Provisions are liabilities with uncertain payment dates or amounts. The provisions for multilateral institutions are the unpaid portion of government’s subscriptions to these institutions, which are payable on request. Contingent liabilities are obligations that only result in expenditure when an uncertain future event occurs. Both explicit and implicit contingent liabilities are disclosed. Implicit contingent liabilities are mostly the actuarial deficits of social security funds, while explicit contingent liabilities are mostly guarantees for state-owned companies, public-private partnership projects and the Renewable Energy Independent Power Producer Procurement Programme. In the case of guarantees for state-owned companies, the exposure disclosed is the amount borrowed against a guarantee, any related revaluation adjustments due to inflation rate and/or exchange rate movements, and any related interest on this amount, if guaranteed. The National Treasury published detailed information on provisions and contingent liabilities in the annual consolidated financial statements of national departments.

Table 1
Main budget: revenue, expenditure, budget balance and financing *1)*

R million	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual outcome				Preliminary outcome	
Main budget revenue						
Current revenue	1 176 623.8	1 260 705.6	1 329 942.0	1 209 839.9	1 555 282.4	1 682 006.4
Tax revenue (gross) 2)	*1 216 463.9*	*1 287 690.2*	*1 355 766.3*	*1 249 711.2*	*1 563 754.2*	*1 686 697.4*
Less: SACU payments 3)	*-55 950.9*	*-48 288.6*	*-50 280.3*	*-63 395.2*	*-45 966.2*	*-43 683.4*
Non-tax revenue (departmental and other receipts) 4)	*16 110.8*	*21 304.0*	*24 456.1*	*23 523.9*	*37 494.4*	*38 992.4*
Financial transactions in assets and liabilities 5)	19 541.0	14 453.1	15 807.2	28 404.7	8 854.0	17 024.9
Sales of capital assets	197.5	111.9	120.7	124.1	136.3	187.3
Total revenue	**1 196 362.3**	**1 275 270.6**	**1 345 869.9**	**1 238 368.7**	**1 564 272.8**	**1 699 218.5**
Main budget expenditure						
Direct charges against the National Revenue Fund	636 337.0	685 914.8	746 088.0	784 602.2	855 628.6	920 974.4
Debt-service costs 6)	*162 644.6*	*181 849.1*	*204 769.4*	*232 595.7*	*268 071.6*	*308 459.1*
Provincial equitable share	*441 331.1*	*470 286.5*	*505 553.8*	*520 717.0*	*544 834.9*	*570 868.2*
General fuel levy sharing with metropolitan municipalities	*11 785.0*	*12 468.6*	*13 166.8*	*14 026.9*	*14 617.3*	*15 334.8*
Skills levy and SETAs	*16 293.6*	*17 479.9*	*18 283.8*	*12 413.0*	*19 011.6*	*20 808.9*
Other 7)	*4 282.7*	*3 830.7*	*4 314.2*	*4 849.7*	*9 093.2*	*5 503.3*
Appropriated by vote	768 602.9	820 690.4	944 914.2	1 004 413.6	1 031 651.3	1 088 182.4
Current payments 8)	*219 241.9*	*229 831.3*	*245 038.8*	*238 160.3*	*256 143.1*	*263 165.8*
Transfers and subsidies 9)	*515 725.6*	*562 136.7*	*623 196.0*	*665 678.3*	*692 558.5*	*742 162.4*
Payments for capital assets 10)	*15 232.9*	*14 357.9*	*12 107.9*	*12 001.6*	*14 253.4*	*16 431.3*
Payments for financial assets 11)	*18 402.5*	*14 364.4*	*64 571.6*	*88 573.3*	*68 696.4*	*66 422.9*
Provisional allocations not assigned to votes	–	–	–	–	–	–
Infrastructure Fund not assigned to votes	–	–	–	–	–	–
Unallocated reserve				–	–	–
Total	**1 404 939.9**	**1 506 605.2**	**1 691 002.2**	**1 789 015.8**	**1 887 279.9**	**2 009 156.8**
Contingency reserve	–	–	–	–	–	–
Total expenditure	**1 404 939.9**	**1 506 605.2**	**1 691 002.2**	**1 789 015.8**	**1 887 279.9**	**2 009 156.8**
Main budget balance	**-208 577.7**	**-231 334.6**	**-345 132.2**	**-550 647.1**	**-323 007.2**	**-309 938.2**
Percentage of GDP	*-4.1%*	*-4.3%*	*-6.0%*	*-9.8%*	*-5.1%*	*-4.6%*
Redemptions	**-28 375.0**	**-15 569.9**	**-70 656.6**	**-67 638.9**	**-65 292.2**	**-90 324.0**
Domestic long-term loans	-24 254.0	-13 528.7	-19 427.7	-53 222.6	-61 373.4	-74 562.4
Foreign loans 12)	-4 121.0	-2 041.3	-51 229.0	-14 416.3	-3 918.8	-15 761.6
Eskom debt-relief arrangement	**–**	**–**	**–**	**–**	**–**	**–**
GFECRA settlement	**–**	**–**	**–**	**–**	**–**	**–**
Gross borrowing requirement	**-236 952.7**	**-246 904.5**	**-415 788.8**	**-618 286.0**	**-388 299.4**	**-400 262.3**
Financing						
Change in loan liabilities						
Domestic short-term loans (net)	**33 407.0**	**14 060.6**	**36 077.5**	**95 325.4**	**-7 954.8**	**-25 577.4**
Domestic long-term loans	**198 692.0**	**183 003.1**	**305 449.2**	**523 417.9**	**290 294.8**	**322 420.0**
Market loans	*200 200.0*	*183 503.3*	*305 738.5*	*523 376.1*	*289 933.1*	*322 506.5*
Loans issued for switches	*-1 508.0*	*-500.3*	*-289.3*	*41.7*	*361.7*	*-86.5*
Eskom debt-relief arrangement	–	–	–	–	–	–
Foreign loans	**33 895.0**	**25 257.7**	**76 052.0**	**91 919.7**	**31 315.5**	**64 465.6**
Market loans	*33 895.0*	*25 257.7*	*76 052.0*	*91 919.7*	*31 315.5*	*64 465.6*
Loans issued for switches	–	–	–	–	–	–
Change in cash and other balances (- increase)	**-29 041.3**	**24 583.2**	**-1 789.9**	**-92 377.1**	**74 643.9**	**38 954.1**
Total financing	**236 952.7**	**246 904.5**	**415 788.8**	**618 286.0**	**388 299.4**	**400 262.3**
GDP	*5 138 408.0*	*5 425 436.0*	*5 712 618.0*	*5 615 933.0*	*6 311 962.0*	*6 721 750.0*
National Revenue Fund transactions 13)						
National Revenue Fund receipts	16 600.3	11 999.4	12 801.3	25 769.9	6 068.4	5 221.3
National Revenue Fund payments	*-587.1*	*-161.6*	*-468.5*	*-588.3*	*-2 173.4*	*-263.3*
Net	***16 013.2***	***11 837.8***	***12 332.9***	***25 181.6***	***3 895.0***	***4 958.0***

1) This table summarises revenue, expenditure and the main budget balance since 2016/17. As available data is incomplete, the estimates are not fully consistent with other sources, such as the Government Finance Statistics series of the Reserve Bank.
2) Mining leases and ownership have been reclassified as non-tax revenue (rent on land). Historical numbers have been adjusted for comparative purposes.
3) Payments in terms of Southern African Customs Union (SACU) agreements.
4) Excludes sales of capital assets, discount and revaluation of foreign loan repayments. Includes receipts for which a department serves as a conduit to deposit funds into the National Revenue Fund.
5) Includes National Revenue Fund receipts (previously classified as extraordinary receipts).
6) Includes interest, cost of raising loans and management cost but excludes discount on the issue of new government debt instruments and the revaluation of foreign loan repayments.
Source: National Treasury

Table 1
Main budget: revenue, expenditure, budget balance and financing *1)*

2023/24			2024/25	2025/26	2026/27		
Budget estimate	**Revised estimate**	**Deviation**	**Medium-term estimates**				**R million**
							Main budget revenue
1 745 076.1	1 678 692.8	-66 383.2	1 800 621.0	1 945 787.2	2 084 518.0		Current revenue
1 787 456.5	*1 731 352.7*	*-56 103.8*	*1 863 034.8*	*1 991 210.0*	*2 133 022.6*	*2)*	*Tax revenue (gross)*
-79 811.0	*-79 811.0*	*–*	*-89 870.9*	*-77 245.5*	*-79 714.0*	*3)*	*Less: SACU payments*
37 430.6	*27 151.1*	*-10 279.4*	*27 457.1*	*31 822.8*	*31 209.4*	*4)*	*Non-tax revenue (departmental and other receipts)*
14 021.5	33 979.6	19 958.1	14 253.2	1 490.2	1 335.0	*5)*	Financial transactions in assets and liabilities
131.3	163.1	31.8	146.1	147.7	151.2		Sales of capital assets
1 759 228.8	**1 712 835.6**	**-46 393.3**	**1 815 020.3**	**1 947 425.1**	**2 086 004.3**		**Total revenue**
							Main budget expenditure
950 637.6	984 780.0	34 142.4	1 027 598.5	1 089 900.8	1 146 859.8		Direct charges against the National Revenue Fund
340 460.3	*356 140.9*	*15 680.6*	*382 182.9*	*414 663.5*	*440 239.9*	*6)*	*Debt-service costs*
567 527.7	*585 085.9*	*17 558.2*	*600 475.6*	*627 441.9*	*655 704.2*		*Provincial equitable share*
15 433.5	*15 433.5*	*–*	*16 126.6*	*16 849.1*	*17 621.0*		*General fuel levy sharing with metropolitan municipalities*
23 027.0	*22 713.0*	*-314.0*	*24 500.3*	*26 440.5*	*28 582.4*		*Skills levy and SETAs*
4 189.2	*5 406.7*	*1 217.6*	*4 313.1*	*4 505.8*	*4 712.3*	*7)*	*Other*
1 077 437.8	1 059 441.6	-17 996.2	1 102 797.9	1 116 981.8	1 158 409.6		Appropriated by vote
263 268.7	*265 739.3*	*2 470.6*	*281 691.3*	*293 186.4*	*306 963.4*	*8)*	*Current payments*
793 850.8	*775 564.2*	*-18 286.6*	*804 882.2*	*807 285.3*	*835 242.2*	*9)*	*Transfers and subsidies*
18 401.2	*16 658.7*	*-1 742.5*	*15 170.5*	*15 403.8*	*15 275.6*	*10)*	*Payments for capital assets*
1 917.1	*1 479.4*	*-437.7*	*1 054.1*	*1 106.3*	*928.4*	*11)*	*Payments for financial assets*
1 504.7	–	-1 504.7	570.2	41 093.5	45 612.0		Provisional allocations not assigned to votes
–	–	–	–	–	7 840.6		Infrastructure Fund not assigned to votes
–	–	–	–	–	–		Unallocated reserve
2 029 580.1	**2 044 221.6**	**14 641.6**	**2 130 966.7**	**2 247 976.1**	**2 358 722.1**		**Total**
5 000.0	–	-5 000.0	5 000.0	7 600.0	14 500.0		Contingency reserve
2 034 580.1	**2 044 221.6**	**9 641.6**	**2 135 966.7**	**2 255 576.1**	**2 373 222.1**		**Total expenditure**
-275 351.2	**-331 386.1**	**-56 034.8**	**-320 946.4**	**-308 151.0**	**-287 217.8**		**Main budget balance**
-3.9%	*-4.7%*	*-0.8%*	*-4.3%*	*-3.9%*	*-3.4%*		*Percentage of GDP*
-162 232.2	**-145 758.6**	**16 473.7**	**-172 568.2**	**-185 597.7**	**-166 294.9**		**Redemptions**
-117 864.8	-98 613.8	19 251.0	-132 087.0	-126 729.9	-126 729.9		*Domestic long-term loans*
-44 367.4	-47 144.7	-2 777.3	-40 481.2	-58 867.8	-39 565.0	*12)*	*Foreign loans*
-78 000.0	**-76 000.0**	**2 000.0**	**-64 154.0**	**-110 223.0**	**–**		**Eskom debt-relief arrangement**
–	**–**	**–**	**100 000.0**	**25 000.0**	**25 000.0**		**GFECRA settlement**
-515 583.5	**-553 144.6**	**-37 561.1**	**-457 668.6**	**-578 971.7**	**-428 512.7**		**Gross borrowing requirement**
							Financing
							Change in loan liabilities
48 000.0	**88 000.0**	**40 000.0**	**33 000.0**	**47 000.0**	**34 000.0**		**Domestic short-term loans (net)**
329 900.0	**327 900.0**	**-2 000.0**	**328 100.0**	**422 200.0**	**303 200.0**		**Domestic long-term loans**
329 900.0	*327 368.0*	*-2 532.0*	*328 100.0*	*352 200.0*	*303 200.0*		*Market loans*
–	*532.0*	*532.0*	–	–	–		*Loans issued for switches*
–	–	–	–	*70 000.0*	–		*Eskom debt-relief arrangement*
44 360.3	**45 166.0**	**805.6**	**36 699.5**	**82 162.8**	**92 194.6**		**Foreign loans**
44 360.3	*45 166.0*	*805.6*	*36 699.5*	*82 162.8*	*92 194.6*		*Market loans*
–	–	–	–	–	–		*Loans issued for switches*
93 323.2	**92 078.7**	**-1 244.6**	**59 869.0**	**27 608.9**	**-881.8**		**Change in cash and other balances (- increase)**
515 583.5	**553 144.6**	**37 561.1**	**457 668.6**	**578 971.7**	**428 512.7**		**Total financing**
7 005 733.5	*7 048 960.8*	*43 227.3*	*7 452 214.5*	*7 913 837.2*	*8 422 300.3*		*GDP*
						13)	National Revenue Fund transactions
11 053.0	*23 119.1*	*12 066.1*	*7 243.4*	*611.1*	*400.0*		*National Revenue Fund receipts*
-50.5	*-645.9*	*-595.3*	*–*	*–*	*–*		*National Revenue Fund payments*
11 002.5	***22 473.3***	***11 470.8***	***7 243.4***	***611.1***	***400.0***		***Net***

7) *Includes direct appropriations in respect of the salaries of the President, Deputy President, judges, magistrates, members of Parliament, Auditor-General of South Africa, National Revenue Fund payments (previously classified as extraordinary payments), the International Oil Pollution Compensation Fund and allocations made in the 2023/24 Second Adjustments Appropriation Bill.*

8) *Includes compensation of employees, payments for goods and services, interest and rent on land. Payment for medical benefits to former employees has been moved to transfers.*

9) *Includes current and capital transfers and subsidies to business, households, foreign countries and other levels and funds of general government.*

10) *Includes acquisition and own account construction of new assets and the cost of upgrading, improving and extending existing capital assets.*

11) *Consists mainly of lending to public corporations or making equity investments in them for policy purposes. Previously included in transfers and subsidies.*

12) *Revaluation estimates are based on the National Treasury's projection of exchange rates.*

13) *National Revenue Fund payments include premiums paid on loan transactions and revaluation adjustments when utilising foreign exchange deposits. National Revenue Fund receipts include proceeds from the sale of state assets, premiums received on loan transactions and revaluation adjustments when utilising foreign exchange deposits.*

Table 2
Main budget: estimates of national revenue
Summary of revenue

R million		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
		Actual collections								
Taxes on income and profits		**279 990.5**	**332 058.3**	**383 482.7**	**359 044.8**	**379 941.2**	**426 583.7**	**457 313.8**	**507 759.2**	
Personal income tax		140 578.3	168 774.4	195 145.7	205 145.0	226 925.0	250 399.6	275 821.6	309 931.2	
Corporate income tax		118 998.6	140 119.8	165 539.0	134 883.4	132 901.7	151 626.7	159 259.2	177 459.6	
Secondary tax on companies/dividends tax and interest withholding tax		15 291.4	20 585.4	20 017.6	15 467.8	17 178.2	21 965.4	19 738.7	17 308.8	
Tax on retirement funds		3 190.5	285.4	143.3	42.7	2.8	6.7	0.2	–	
Other	1)	1 931.7	2 293.3	2 637.2	3 505.9	2 933.6	2 585.3	2 494.1	3 059.6	
Taxes on payroll and workforce		**5 597.4**	**6 330.9**	**7 327.5**	**7 804.8**	**8 652.3**	**10 173.1**	**11 378.5**	**12 475.6**	
Skills development levy	2)	5 597.4	6 330.9	7 327.5	7 804.8	8 652.3	10 173.1	11 378.5	12 475.6	
Taxes on property		**10 332.3**	**11 883.9**	**9 477.1**	**8 826.4**	**9 102.3**	**7 817.5**	**8 645.2**	**10 487.1**	
Donations tax		47.0	27.6	125.0	60.1	64.6	52.7	82.1	112.8	
Estate duty		747.4	691.0	756.7	759.3	782.3	1 045.2	1 013.0	1 101.5	
Securities transfer tax	3)	2 763.9	3 757.1	3 664.5	3 324.0	2 932.9	2 886.1	3 271.9	3 784.3	
Transfer duties		6 774.0	7 408.2	4 930.9	4 683.0	5 322.5	3 833.6	4 278.3	5 488.5	
Domestic taxes on goods and services		**174 671.4**	**194 690.3**	**201 416.0**	**203 666.8**	**249 490.4**	**263 949.9**	**296 921.5**	**324 548.2**	
Value-added tax	4)	134 462.6	150 442.8	154 343.1	147 941.3	183 571.4	191 020.2	215 023.0	237 666.6	
Specific excise duties		16 369.5	18 218.4	20 184.5	21 289.3	22 967.6	25 411.1	28 377.7	29 039.5	
Health promotion levy		–	–		–	–	–	–	–	
Ad valorem excise duties		1 282.7	1 480.5	1 169.5	1 275.9	1 596.2	1 828.3	2 231.9	2 363.3	
Fuel levies		21 844.6	23 740.5	24 883.8	28 832.5	34 417.6	36 602.3	40 410.4	43 684.7	
Air departure tax		484.8	540.6	549.4	580.3	647.8	762.4	873.1	878.7	
Electricity levy		–	–	–	3 341.7	4 996.4	6 429.7	7 983.9	8 818.9	
Other	5)	227.2	267.4	285.6	405.7	1 293.3	1 895.8	2 021.4	2 096.5	
Taxes on international trade and transactions		**24 002.2**	**27 081.9**	**22 852.4**	**19 318.9**	**26 977.1**	**34 121.0**	**39 549.1**	**44 732.2**	
Customs duties		23 697.0	26 469.9	22 751.0	19 577.1	26 637.4	34 197.9	38 997.9	44 178.7	
Health promotion levy on imports		–	–	–	–	–	–	–	–	
Import surcharges		–	–	–	–	–	–	–	–	
Other	6)	305.2	612.0	101.4	-258.3	339.7	-76.9	551.2	553.4	
Stamp duties and fees		**615.7**	**557.1**	**571.8**	**49.5**	**3.1**	**-2.9**	**0.5**	**31.7**	
State miscellaneous revenue	7)	**339.2**	**212.2**	**-27.4**	**-5.7**	**16.7**	**7.4**	**17.2**	**-19.1**	
TOTAL TAX REVENUE (gross)		**495 548.6**	**572 814.6**	**625 100.2**	**598 705.4**	**674 183.1**	**742 649.7**	**813 825.8**	**900 014.7**	
Non-tax revenue	8)	**14 281.4**	**14 542.4**	**20 819.6**	**15 323.1**	**16 474.0**	**24 401.5**	**28 467.7**	**30 725.8**	
Less: SACU payments	9)	**-25 194.9**	**-24 712.6**	**-28 920.6**	**-27 915.4**	**-14 991.3**	**-21 760.0**	**-42 151.3**	**-43 374.4**	
Other adjustment	10)	**–**	**–**	**–**	**–**	**-2 914.4**	**–**	**–**	**–**	
TOTAL MAIN BUDGET REVENUE		**484 635.1**	**562 644.4**	**616 999.1**	**586 113.1**	**675 665.8**	**745 291.3**	**800 142.2**	**887 366.2**	–
Current revenue		**484 596.3**	**562 414.2**	**616 867.9**	**586 076.8**	**675 630.4**	**745 176.5**	**800 047.9**	**887 329.2**	–
Direct taxes		286 382.4	339 107.8	391 691.9	367 669.0	389 440.5	437 854.7	469 787.4	521 449.0	–
Indirect taxes		208 827.1	233 494.6	233 435.6	231 042.1	284 726.0	304 787.6	344 021.2	378 584.8	–
State miscellaneous revenue		339.2	212.2	-27.4	-5.7	16.7	7.4	17.2	-19.1	–
Non-tax revenue (excluding sales of capital assets)	11)	14 242.6	14 312.2	20 688.4	15 286.8	16 438.5	24 286.8	28 373.4	30 688.8	–
Less: SACU payments		-25 194.9	-24 712.6	-28 920.6	-27 915.4	-14 991.3	-21 760.0	-42 151.3	-43 374.4	–
Sales of capital assets		**38.8**	**230.2**	**131.2**	**36.3**	**35.4**	**114.7**	**94.3**	**37.0**	
National Revenue Fund receipts	*12)*	*3 438.1*	*1 849.8*	*8 203.4*	*6 428.6*	*3 013.9*	*5 209.2*	*12 302.8*	*11 709.3*	

1) Includes interest on overdue income tax and small business tax amnesty (in 2006/07, 2007/08 and 2008/09).
2) Levy on payroll dedicated to skills development.
3) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
4) Value-added tax (VAT) replaced general sales tax in September 1991.
5) Includes plastic bag levy (from 2004/05), Universal Service Fund (from 1999/00), levies on financial services (up to 2004/05), CO_2 motor vehicle emissions (from 2010/11), incandescent light bulb levy (from 2009/10), turnover tax for micro businesses (from 2009/10), tyre levy, International Oil Pollution Compensation Fund (from 2016/17) and carbon tax (from 2020/21). Mining leases and ownership have been reclassified as non-tax revenue. The historical years from 2000/01 have been adjusted for comparative purposes.

Source: National Treasury

Table 2
Main budget: estimates of national revenue
Summary of revenue

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21		
Actual collections								R million
561 789.8	**606 820.5**	**664 526.4**	**711 703.0**	**738 740.6**	**772 684.8**	**718 180.5**		**Taxes on income and profits**
352 950.4	388 102.4	424 545.2	460 952.8	492 082.9	527 632.5	487 011.1		Personal income tax
184 925.4	191 151.6	204 431.8	217 412.0	212 046.1	211 522.2	202 123.4		Corporate income tax
21 247.3	24 152.8	31 575.7	28 559.6	30 523.1	28 526.4	25 335.7		Secondary tax on companies/dividends tax and interest withholding tax
–	–	–	–	–	–	–		Tax on retirement funds
2 666.7	3 413.7	3 973.8	4 778.6	4 088.6	5 003.7	3 710.3	1)	Other
14 032.1	**15 220.2**	**15 314.8**	**16 012.4**	**17 439.0**	**18 486.3**	**12 250.2**		**Taxes on payroll and workforce**
14 032.1	15 220.2	15 314.8	16 012.4	17 439.0	18 486.3	12 250.2	2)	Skills development levy
12 471.5	**15 044.1**	**15 661.2**	**16 584.6**	**15 251.8**	**15 979.9**	**15 946.6**		**Taxes on property**
167.0	134.8	280.3	732.1	604.4	572.3	602.0		Donations tax
1 488.6	1 982.2	1 619.5	2 292.0	2 069.3	2 047.8	2 316.3		Estate duty
4 150.1	5 530.7	5 553.2	5 837.5	5 334.8	6 240.2	5 422.3	3)	Securities transfer tax
6 665.8	7 396.3	8 208.3	7 723.0	7 243.2	7 119.6	7 606.0		Transfer duties
356 554.4	**385 955.9**	**402 463.9**	**422 248.3**	**460 544.6**	**492 282.8**	**455 866.6**		**Domestic taxes on goods and services**
261 294.8	281 111.4	289 166.7	297 997.6	324 766.0	346 760.8	331 196.8	4)	Value-added tax
32 333.6	35 076.7	35 773.8	37 355.9	40 829.7	46 826.6	32 273.0		Specific excise duties
–	–	–	–	3 195.1	2 446.2	2 046.2		Health promotion levy
2 962.3	3 014.1	3 396.2	3 780.9	4 191.9	4 124.2	3 385.5		*Ad valorem* excise duties
48 466.5	55 607.3	62 778.8	70 948.6	75 372.2	80 175.2	75 502.8		Fuel levies
906.6	941.2	1 003.9	1 086.0	1 082.9	1 068.3	138.5		Air departure tax
8 648.2	8 471.8	8 457.7	8 501.0	8 404.0	8 290.7	7 739.3		Electricity levy
1 942.5	1 733.4	1 886.8	2 578.3	2 702.9	2 590.9	3 584.4	5)	Other
41 462.9	**46 942.3**	**46 102.5**	**49 939.4**	**55 722.9**	**56 322.4**	**47 455.4**		**Taxes on international trade and transactions**
40 678.8	46 250.1	45 579.1	49 151.7	54 968.1	55 428.4	47 290.4		Customs duties
–	–	–	–	53.1	66.6	67.4		Health promotion levy on imports
–	–	–	–	–	–	–		Import surcharges
784.1	692.2	523.4	787.7	701.8	827.4	97.6	6)	Other
-1.2	**0.4**	**-0.1**	**-0.3**	**0.0**	**–**	**–**		**Stamp duties and fees**
-14.6	**-0.8**	**12.2**	**-23.5**	**-8.7**	**10.0**	**11.9**	7)	**State miscellaneous revenue**
986 295.0	**1 069 982.6**	**1 144 081.0**	**1 216 463.9**	**1 287 690.2**	**1 355 766.3**	**1 249 711.2**		**TOTAL TAX REVENUE (gross)**
30 899.6	**57 275.7**	**33 271.8**	**35 849.3**	**35 869.0**	**40 384.0**	**52 052.7**	8)	**Non-tax revenue**
-51 737.7	**-51 021.9**	**-39 448.3**	**-55 950.9**	**-48 288.6**	**-50 280.3**	**-63 395.2**	9)	**Less: SACU payments**
–	**–**	**–**	**–**	**–**	**–**	**–**	10)	**Other adjustment**
965 456.9	**1 076 236.4**	**1 137 904.4**	**1 196 362.3**	**1 275 270.6**	**1 345 869.9**	**1 238 368.7**		**TOTAL MAIN BUDGET REVENUE**
965 379.5	**1 076 115.2**	**1 137 755.2**	**1 196 164.8**	**1 275 158.7**	**1 345 749.2**	**1 238 244.6**		**Current revenue**
577 477.5	624 157.7	681 741.0	730 739.5	758 853.4	793 791.2	733 349.0		Direct taxes
408 832.1	445 825.7	462 327.8	485 747.9	528 845.5	561 965.0	516 350.3		Indirect taxes
-14.6	-0.8	12.2	-23.5	-8.7	10.0	11.9		State miscellaneous revenue
30 822.1	57 154.6	33 122.6	35 651.8	35 757.1	40 263.2	51 928.6	11)	Non-tax revenue (excluding sales of capital assets)
-51 737.7	-51 021.9	-39 448.3	-55 950.9	-48 288.6	-50 280.3	-63 395.2		Less: SACU payments
77.4	**121.1**	**149.2**	**197.5**	**111.9**	**120.7**	**124.1**		**Sales of capital assets**
12 647.0	*14 377.5*	*14 240.7*	*16 600.3*	*11 999.4*	*12 801.3*	*25 769.9*	*12)*	*National Revenue Fund receipts*

6) Includes miscellaneous customs and excise receipts, ordinary levy (up to 2004/05) and export duties (duty on scrap metal from 2021/22).
7) Includes revenue received by SARS that could not be allocated to a specific revenue type.
8) Includes sales of goods and services, fines, penalties and forfeits, interest, dividends and rent on land (including mineral and petroleum royalties and mining leases and ownership), sales of capital assets as well as transactions in financial assets and liabilities.
9) Payments in terms of SACU agreements.
10) Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.
11) Excludes sales of capital assets.
12) Previously classified as extraordinary revenue, includes sales of strategic fuel stocks, proceeds from sales of state assets and certain other receipts that are, by law, paid into the National Revenue Fund.

Table 2
Main budget: estimates of national revenue
Summary of revenue

R million		2021/22	2022/23	2023/24		2024/25			
		Actual collections		Revised estimates	% change on actual 2022/23	Budget estimates Before tax proposals	Budget estimates After tax proposals	% change on revised 2023/24	% of total budget revenue
Taxes on income and profits		**912 870.0**	**988 505.3**	**997 924.1**	**1.0%**	**1 066 788.7**	**1 084 988.7**	**8.7%**	**59.8%**
Personal income tax		553 951.5	600 366.8	649 782.6	8.2%	720 549.3	738 749.3	13.7%	40.7%
Corporate income tax		320 446.9	344 659.9	301 367.4	-12.6%	302 702.4	302 702.4	0.4%	16.7%
Secondary tax on companies/dividends tax and interest withholding tax		33 898.2	38 844.6	40 783.9	5.0%	37 240.3	37 240.3	-8.7%	2.1%
Tax on retirement funds		-0.2	–	–	–	–	–	–	–
Other	1)	4 573.7	4 633.9	5 990.1	29.3%	6 296.7	6 296.7	5.1%	0.3%
Taxes on payroll and workforce		**19 335.9**	**20 892.5**	**22 713.0**	**8.7%**	**24 500.3**	**24 500.3**	**7.9%**	**1.3%**
Skills development levy	2)	19 335.9	20 892.5	22 713.0	8.7%	24 500.3	24 500.3	7.9%	1.3%
Taxes on property		**22 032.8**	**21 237.7**	**19 485.6**	**-8.3%**	**20 600.3**	**20 600.3**	**5.7%**	**1.1%**
Donations tax		635.4	682.8	801.8	17.4%	847.7	847.7	5.7%	0.0%
Estate duty		3 140.8	3 702.2	3 532.5	-4.6%	3 734.6	3 734.6	5.7%	0.2%
Securities transfer tax	3)	7 680.5	5 400.6	5 400.3	-0.0%	5 709.2	5 709.2	5.7%	0.3%
Transfer duties		10 576.1	11 452.1	9 751.0	-14.9%	10 308.9	10 308.9	5.7%	0.6%
Domestic taxes on goods and services		**549 806.3**	**579 990.1**	**616 951.4**	**6.4%**	**657 490.2**	**654 290.2**	**6.1%**	**36.0%**
Value-added tax	4)	390 895.1	422 416.4	445 340.4	5.4%	476 748.9	476 748.9	7.1%	26.3%
Specific excise duties		49 705.1	55 154.7	53 941.7	-2.2%	57 384.5	58 184.5	7.9%	3.2%
Health promotion levy		2 182.3	2 194.7	2 253.9	2.7%	2 397.8	2 397.8	6.4%	0.1%
Ad valorem excise duties		4 725.1	5 520.5	7 782.3	41.0%	6 846.7	6 846.7	-12.0%	0.4%
Fuel levies		88 889.1	80 472.8	93 371.9	16.0%	99 770.7	95 770.7	2.6%	5.3%
Air departure tax		285.1	788.6	886.0	12.4%	927.4	927.4	4.7%	0.1%
Electricity levy		7 890.6	7 374.4	6 979.1	-5.4%	7 077.7	7 077.7	1.4%	0.4%
Other	5)	5 233.9	6 067.9	6 396.0	5.4%	6 336.4	6 336.4	-0.9%	0.3%
Taxes on international trade and transactions		**59 719.3**	**76 067.8**	**74 278.7**	**-2.4%**	**78 655.3**	**78 655.3**	**5.9%**	**4.3%**
Customs duties		57 993.8	73 945.6	72 492.2	-2.0%	76 817.6	76 817.6	6.0%	4.2%
Health promotion levy on imports		77.5	110.2	107.2	-2.7%	113.6	113.6	6.0%	0.0%
Import surcharges		–	–	–	–	–	–	–	–
Other	6)	1 648.0	2 011.9	1 679.3	-16.5%	1 724.2	1 724.2	2.7%	0.1%
Stamp duties and fees		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
State miscellaneous revenue	7)	**-10.1**	**4.1**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL TAX REVENUE (gross)		**1 563 754.2**	**1 686 697.4**	**1 731 352.7**	**2.6%**	**1 848 034.8**	**1 863 034.8**	**7.6%**	**102.6%**
Non-tax revenue	8)	**46 484.7**	**56 204.6**	**61 293.9**	**9.1%**	**41 856.4**	**41 856.4**	**-31.7%**	**2.3%**
Less: SACU payments	9)	**-45 966.2**	**-43 683.4**	**-79 811.0**	**82.7%**	**-89 870.9**	**-89 870.9**	**12.6%**	**-5.0%**
Other adjustment	10)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL MAIN BUDGET REVENUE		**1 564 272.8**	**1 699 218.5**	**1 712 835.6**	**0.8%**	**1 800 020.3**	**1 815 020.3**	**6.0%**	**100.0%**
Current revenue		**1 564 136.5**	**1 699 031.3**	**1 712 672.4**	**0.8%**	**1 799 874.2**	**1 814 874.2**	**6.0%**	**100.0%**
Direct taxes		935 982.2	1 013 782.8	1 024 971.4	1.1%	1 095 871.3	1 114 071.3	8.7%	61.4%
Indirect taxes		627 782.1	672 910.5	706 381.3	5.0%	752 163.6	748 963.6	6.0%	41.3%
State miscellaneous revenue		-10.1	4.1	–	–	–	–	–	–
Non-tax revenue (excluding sales of capital assets)	11)	46 348.4	56 017.3	61 130.8	9.1%	41 710.3	41 710.3	-31.8%	2.3%
Less: SACU payments		-45 966.2	-43 683.4	-79 811.0	82.7%	-89 870.9	-89 870.9	12.6%	-5.0%
Sales of capital assets		**136.3**	**187.3**	**163.1**	**-12.9%**	**146.1**	**146.1**	**-10.4%**	**0.0%**
National Revenue Fund receipts	*12)*	*6 068.4*	*5 221.3*	*23 119.1*	*342.8%*	*7 243.4*	*7 243.4*	*-68.7%*	*0.4%*

1) Includes interest on overdue income tax and small business tax amnesty (in 2006/07, 2007/08 and 2008/09).
2) Levy on payroll dedicated to skills development.
3) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
4) Value-added tax (VAT) replaced general sales tax in September 1991.
5) Includes plastic bag levy (from 2004/05), Universal Service Fund (from 1999/00), levies on financial services (up to 2004/05), CO_2 motor vehicle emissions (from 2010/11), incandescent light bulb levy (from 2009/10), turnover tax for micro businesses (from 2009/10), tyre levy, International Oil Pollution Compensation Fund (from 2016/17) and carbon tax (from 2020/21). Mining leases and ownership have been reclassified as non-tax revenue. The historical years from 2000/01 have been adjusted for comparative purposes.

Source: National Treasury

Table 2
Main budget: estimates of national revenue
Summary of revenue

2025/26				2026/27					
Budget estimates Before tax proposals	Budget estimates After tax proposals	% change on estimate -	% of total budget revenue	Budget estimates Before tax proposals	Budget estimates After tax proposals	% change on estimate 2025/26	% of total budget revenue		R million
1 157 044.9	**1 157 044.9**	**6.6%**	**59.4%**	**1 241 186.6**	**1 248 686.6**	**7.9%**	**59.9%**		**Taxes on income and profits**
787 475.9	787 475.9	6.6%	40.4%	850 473.3	850 473.3	8.0%	40.8%		Personal income tax
323 481.8	323 481.8	6.9%	16.6%	342 111.1	349 611.1	8.1%	16.8%		Corporate income tax
161 906.5	39 406.1	5.8%	2.0%	41 547.1	41 547.1	5.4%	2.0%		Secondary tax on companies/dividends tax and interest withholding tax
–	–	–	–	–	–	–	–		Tax on retirement funds
27 472.4	6 681.1	6.1%	0.3%	7 055.1	7 055.1	5.6%	0.3%	1)	Other
26 440.5	**26 440.5**	**7.9%**	**1.4%**	**28 582.4**	**28 582.4**	**8.1%**	**1.4%**		**Taxes on payroll and workforce**
26 440.5	26 440.5	7.9%	1.4%	28 582.4	28 582.4	8.1%	1.4%	2)	Skills development levy
21 876.4	**21 876.4**	**6.2%**	**1.1%**	**23 281.9**	**23 281.9**	**6.4%**	**1.1%**		**Taxes on property**
900.2	900.2	6.2%	0.0%	958.0	958.0	6.4%	0.0%		Donations tax
3 965.9	3 965.9	6.2%	0.2%	4 220.8	4 220.8	6.4%	0.2%		Estate duty
6 062.8	6 062.8	6.2%	0.3%	6 452.4	6 452.4	6.4%	0.3%	3)	Securities transfer tax
10 947.4	10 947.4	6.2%	0.6%	11 650.8	11 650.8	6.4%	0.6%		Transfer duties
702 478.2	**702 478.2**	**7.4%**	**36.1%**	**743 864.6**	**743 864.6**	**5.9%**	**35.7%**		**Domestic taxes on goods and services**
2 099 830.6	510 130.3	7.0%	26.2%	539 785.0	539 785.0	5.8%	25.9%	4)	Value-added tax
255 229.8	61 859.1	6.3%	3.2%	65 755.8	65 755.8	6.3%	3.2%		Specific excise duties
2 549.2	2 549.2	6.3%	0.1%	2 709.8	2 709.8	6.3%	0.1%		Health promotion levy
7 270.9	7 270.9	6.2%	0.4%	7 738.0	7 738.0	6.4%	0.4%		*Ad valorem* excise duties
437 418.5	105 951.0	10.6%	5.4%	112 758.3	112 758.3	6.4%	5.4%		Fuel levies
970.6	970.6	4.7%	0.0%	1 014.5	1 014.5	4.5%	0.0%		Air departure tax
7 195.4	7 195.4	1.7%	0.4%	7 327.7	7 327.7	1.8%	0.4%		Electricity levy
24 129.1	6 551.8	3.4%	0.3%	6 775.4	6 775.4	3.4%	0.3%	5)	Other
83 370.0	**83 370.0**	**6.0%**	**4.3%**	**88 607.0**	**88 607.0**	**6.3%**	**4.2%**		**Taxes on international trade and transactions**
81 475.8	81 475.8	6.1%	4.2%	86 641.1	86 641.1	6.3%	4.2%		Customs duties
120.5	120.5	6.1%	0.0%	128.1	128.1	6.3%	0.0%		Health promotion levy on imports
–	–	–	–	–	–	–	–		Import surcharges
7 223.2	1 773.7	2.9%	0.1%	1 837.9	1 837.9	3.6%	0.1%	6)	Other
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**Stamp duties and fees**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	7)	**State miscellaneous revenue**
1 991 210.0	**1 991 210.0**	**6.9%**	**102.2%**	**2 125 522.6**	**2 133 022.6**	**7.1%**	**102.3%**		**TOTAL TAX REVENUE (gross)**
33 460.6	**33 460.6**	**-20.1%**	**1.7%**	**32 695.7**	**32 695.7**	**-2.3%**	**1.6%**	8)	**Non-tax revenue**
-77 245.5	**-77 245.5**	**-14.0%**	**-4.0%**	**-79 714.0**	**-79 714.0**	**3.2%**	**-3.8%**	9)	**Less: SACU payments**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	10)	**Other adjustment**
1 947 425.1	**1 947 425.1**	**7.3%**	**100.0%**	**2 078 504.3**	**2 086 004.3**	**7.1%**	**100.0%**		**TOTAL MAIN BUDGET REVENUE**
1 947 277.4	**1 947 277.4**	**7.3%**	**100.0%**	**2 078 353.0**	**2 085 853.0**	**7.1%**	**100.0%**		**Current revenue**
1 188 351.5	1 188 351.5	6.7%	61.0%	1 274 947.8	1 282 447.8	7.9%	61.5%		Direct taxes
802 858.5	802 858.5	7.2%	41.2%	850 574.8	850 574.8	5.9%	40.8%		Indirect taxes
–	–	–	–	–	–	–	–		State miscellaneous revenue
33 313.0	33 313.0	-20.1%	1.7%	32 544.5	32 544.5	-2.3%	1.6%	11)	Non-tax revenue (excluding sales of capital assets)
-77 245.5	-77 245.5	-14.0%	-4.0%	-79 714.0	-79 714.0	3.2%	-3.8%		Less: SACU payments
147.7	**147.7**	**1.1%**	**0.0%**	**151.2**	**151.2**	**2.4%**	**0.0%**		**Sales of capital assets**
611.1	*611.1*	*-91.6%*	*0.0%*	*400.0*	*400.0*	*-34.5%*	*0.0%*	*12)*	*National Revenue Fund receipts*

6) Includes miscellaneous customs and excise receipts, ordinary levy (up to 2004/05) and export duties (duty on scrap metal from 2021/22).
7) Includes revenue received by SARS that could not be allocated to a specific revenue type.
8) Includes sales of goods and services, fines, penalties and forfeits, interest, dividends and rent on land (including mineral and petroleum royalties and mining leases and ownership), sales of capital assets as well as transactions in financial assets and liabilities.
9) Payments in terms of SACU agreements.
10) Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.
11) Excludes sales of capital assets.
12) Previously classified as extraordinary revenue, includes sales of strategic fuel stocks, proceeds from sales of state assets and certain other receipts that are, by law, paid into the National Revenue Fund.

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

R thousand		2020/21	2021/22	2022/23				2023/24	
		Actual collections		Before tax proposals	After tax proposals	Revised estimate	Actual collection	Budget estimates Before tax proposals	After tax proposals
Taxes on income and profits		**718 180 499**	**912 870 032**	**896 499 557**	**894 299 557**	**989 876 665**	**988 505 255**	**1 030 213 252**	**1 021 213 252**
Personal income tax		487 011 071	553 951 488	590 107 299	587 907 299	601 649 444	600 366 808	644 299 958	640 299 958
Tax on corporate income									
Corporate income tax		202 123 447	320 446 871	269 931 285	269 931 285	344 944 415	344 659 913	341 118 898	336 118 898
Secondary tax on companies/dividends tax		24 845 362	33 429 472	30 449 778	30 449 778	38 514 527	38 118 709	39 818 928	39 818 928
Interest withholding tax		490 305	468 752	454 026	454 026	767 451	725 925	793 443	793 443
Other									
Interest on overdue income tax		3 710 242	4 573 663	5 557 169	5 557 169	4 000 829	4 633 907	4 182 025	4 182 025
Small business tax amnesty		72	–	–	–	–	-8		–
Taxes on payroll and workforce		**12 250 229**	**19 335 917**	**20 619 315**	**20 619 315**	**21 238 137**	**20 892 489**	**23 026 959**	**23 026 959**
Skills development levy		12 250 229	19 335 917	20 619 315	20 619 315	21 238 137	20 892 489	23 026 959	23 026 959
Taxes on property		**15 946 618**	**22 032 795**	**20 291 186**	**20 291 186**	**22 655 536**	**21 237 713**	**23 862 925**	**23 862 925**
Estate, inheritance and gift taxes									
Donations tax		602 003	635 423	645 290	645 290	664 560	682 787	699 977	699 977
Estate duty		2 316 293	3 140 787	3 018 363	3 018 363	3 826 501	3 702 226	4 030 428	4 030 428
Taxes on financial and capital transactions									
Securities transfer tax	*1)*	5 422 275	7 680 453	6 830 492	6 830 492	6 426 109	5 400 599	6 768 577	6 768 577
Transfer duties		7 606 047	10 576 131	9 797 041	9 797 041	11 738 366	11 452 101	12 363 942	12 363 942
Domestic taxes on goods and services		**455 866 615**	**549 806 294**	**603 732 266**	**600 732 266**	**581 870 917**	**579 990 060**	**646 765 255**	**642 765 255**
Value-added tax									
Domestic VAT		392 935 790	448 760 190	475 948 200	475 948 200	489 819 505	486 437 225	522 881 471	522 881 471
Import VAT		166 454 473	204 551 808	215 534 094	215 534 094	251 031 602	254 984 018	251 184 661	251 184 661
Refunds		-228 193 414	-262 416 899	-251 801 648	-251 801 648	-314 568 056	-319 004 844	-302 589 358	-302 589 358
Specific excise duties									
Beer		11 020 597	19 957 814	17 518 807	17 677 849	21 036 382	21 370 188	22 456 301	22 456 301
Sorghum beer and sorghum flour		3 496	4 808	5 281	5 281	4 494	4 486	4 798	4 798
Wine and other fermented beverages		3 442 572	6 112 700	5 228 728	5 261 769	6 405 120	6 921 528	6 837 455	6 837 455
Spirits		7 642 522	11 308 512	10 151 137	10 359 055	13 455 854	13 174 704	14 364 101	14 364 101
Cigarettes and cigarette tobacco		7 536 755	8 958 630	14 188 760	14 280 554	10 915 105	10 188 505	11 651 855	11 651 855
Pipe tobacco and cigars		438 049	413 154	606 013	614 219	431 670	402 908	460 807	460 807
Petroleum products	*2)*	685 488	745 552	1 209 450	1 209 450	732 512	704 937	781 956	781 956
Revenue from neighbouring countries	*3)*	1 503 551	2 203 959	2 456 140	2 456 140	2 246 911	2 387 443	2 398 574	2 398 574
Health promotion levy		2 046 177	2 182 323	2 355 163	2 355 163	2 319 698	2 194 700	2 476 274	2 476 274
Ad valorem excise duties		3 385 507	4 725 140	4 406 088	4 406 088	4 461 119	5 520 495	4 698 867	4 698 867
Fuel levy		75 502 814	88 889 070	92 612 682	89 112 682	79 131 044	80 472 844	94 407 780	90 407 780
Taxes on use of goods or permission to use goods or to perform activities									
Air departure tax		138 465	285 088	210 224	210 224	748 302	788 582	785 219	785 219
Plastic bag levy		581 434	658 216	639 033	639 033	741 868	679 818	778 468	778 468
Electricity levy		7 739 340	7 890 565	8 158 930	8 158 930	7 644 149	7 374 436	7 719 455	7 719 455
Incandescent light bulb levy		24 881	23 345	25 096	25 096	25 979	24 182	26 235	26 235
CO_2 tax - motor vehicle emissions		1 469 582	2 173 481	1 832 902	1 832 902	2 693 663	2 929 579	2 720 199	2 720 199
Tyre levy		601 143	714 927	693 332	693 332	789 073	745 273	828 002	828 002
International Oil Pollution Compensation Fund		2 671	–	2 393	2 393	–		2 500	2 500
Carbon tax		650 374	1 397 618	1 463 027	1 463 027	1 689 042	1 590 394	1 772 370	1 772 370
Turnover tax for micro businesses		8 513	8 793	6 445	6 445	10 226	12 139	10 573	10 573
Other									
Universal Service Fund		245 837	257 500	281 989	281 989	105 653	86 521	106 694	106 694
Taxes on international trade and transactions		**47 455 394**	**59 719 265**	**62 505 172**	**62 505 172**	**76 305 273**	**76 067 768**	**76 588 081**	**76 588 081**
Import duties									
Customs duties		47 290 375	57 993 758	61 095 130	61 095 130	73 945 639	73 945 639	74 221 001	74 221 001
Health promotion levy on imports		67 429	77 510	85 620	85 620	113 502	110 194	113 571	113 571
Other									
Miscellaneous customs and excise receipts		46 582	1 070 568	762 594	762 594	1 275 882	1 016 939	1 288 451	1 288 451
Diamond export levy		51 009	169 992	89 221	89 221	151 110	151 301	150 302	150 302
Export tax		–	407 437	472 607	472 607	819 139	843 695	814 756	814 756
Other taxes		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Stamp duties and fees									
State miscellaneous revenue	*4)*	**11 880**	**-10 057**	**–**	**–**	**–**	**4 093**	**–**	**–**
TOTAL TAX REVENUE (gross)		**1 249 711 235**	**1 563 754 245**	**1 603 647 496**	**1 598 447 496**	**1 691 946 528**	**1 686 697 378**	**1 800 456 472**	**1 787 456 472**
Less: SACU payments	*5)*	**-63 395 241**	**-45 966 211**	**-43 683 418**	**-43 683 418**	**-43 683 418**	**-43 683 418**	**-79 810 981**	**-79 810 981**
Payments in terms of SACU agreements		-63 395 241	-45 966 211	-43 683 418	-43 683 418	-43 683 418	-43 683 418	-79 810 981	-79 810 981
TOTAL TAX REVENUE (net of SACU payments)		**1 186 315 994**	**1 517 788 033**	**1 559 964 078**	**1 554 764 078**	**1 648 263 110**	**1 643 013 960**	**1 720 645 491**	**1 707 645 491**

1) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
2) Specific excise duties on petrol, distillate fuel, residual fuel and base oil.
3) Excise duties that are collected by Botswana, Lesotho, Namibia and eSwatini.
Source: National Treasury

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

Revised estimate	% change on 2022/23 actual	2024/25 Before tax proposals	2024/25 After tax proposals	2025/26 Before tax proposals	2025/26 After tax proposals	2026/27 Before tax proposals	2026/27 After tax proposals		R thousand
997 924 092	**1.0%**	**1 066 788 726**	**1 084 988 726**	**1 157 044 881**	**1 157 044 881**	**1 241 186 626**	**1 248 686 626**		**Taxes on income and profits**
649 782 598	8.2%	720 549 302	738 749 302	787 475 879	787 475 879	850 473 311	850 473 311		Personal income tax
									Tax on corporate income
301 367 415	-12.6%	302 702 408	302 702 408	323 481 795	323 481 795	342 111 093	349 611 093		Corporate income tax
39 704 749	4.2%	36 141 731	36 141 731	38 243 703	38 243 703	40 321 507	40 321 507		Secondary tax on companies/dividends tax
1 079 188	48.7%	1 098 550	1 098 550	1 162 440	1 162 440	1 225 596	1 225 596		Interest withholding tax
									Other
5 990 141	29.3%	6 296 736	6 296 736	6 681 065	6 681 065	7 055 119	7 055 119		Interest on overdue income tax
–	-100.0%	–	–	–	–	–	–		Small business tax amnesty
22 712 959	**8.7%**	**24 500 270**	**24 500 270**	**26 440 505**	**26 440 505**	**28 582 407**	**28 582 407**		**Taxes on payroll and workforce**
22 712 959	8.7%	24 500 270	24 500 270	26 440 505	26 440 505	28 582 407	28 582 407		Skills development levy
19 485 595	**-8.3%**	**20 600 318**	**20 600 318**	**21 876 391**	**21 876 391**	**23 281 947**	**23 281 947**		**Taxes on property**
									Estate, inheritance and gift taxes
801 795	17.4%	847 663	847 663	900 171	900 171	958 007	958 007		Donations tax
3 532 515	-4.6%	3 734 602	3 734 602	3 965 939	3 965 939	4 220 751	4 220 751		Estate duty
									Taxes on financial and capital transactions
5 400 255	-0.0%	5 709 190	5 709 190	6 062 843	6 062 843	6 452 380	6 452 380	*1)*	Securities transfer tax
9 751 029	-14.9%	10 308 862	10 308 862	10 947 438	10 947 438	11 650 809	11 650 809		Transfer duties
616 951 364	**6.4%**	**657 490 208**	**654 290 208**	**702 478 245**	**702 478 245**	**743 864 555**	**743 864 555**		**Domestic taxes on goods and services**
									Value-added tax
525 579 077	8.0%	559 123 076	559 123 076	594 434 643	594 434 643	631 879 801	631 879 801		Domestic VAT
270 614 003	6.1%	286 760 809	286 760 809	304 149 965	304 149 965	323 431 993	323 431 993		Import VAT
-350 852 660	10.0%	-369 134 947	-369 134 947	-388 454 297	-388 454 297	-415 526 799	-415 526 799		Refunds
									Specific excise duties
21 657 151	1.3%	22 955 300	23 360 567	24 835 910	24 835 910	26 400 396	26 400 396		Beer
7 969	77.6%	8 595	8 595	9 138	9 138	9 714	9 714		Sorghum beer and sorghum flour
6 949 191	0.4%	7 351 004	7 495 770	7 969 168	7 969 168	8 471 169	8 471 169		Wine and other fermented beverages
12 644 416	-4.0%	13 388 980	13 638 947	14 500 318	14 500 318	15 413 735	15 413 735		Spirits
9 044 015	-11.2%	9 755 360	9 755 360	10 371 463	10 371 463	11 024 791	11 024 791		Cigarettes and cigarette tobacco
414 798	3.0%	447 424	447 424	475 681	475 681	505 645	505 645		Pipe tobacco and cigars
1 134 491	60.9%	1 223 723	1 223 723	1 301 007	1 301 007	1 382 961	1 382 961	*2)*	Petroleum products
2 089 712	-12.5%	2 254 075	2 254 075	2 396 432	2 396 432	2 547 390	2 547 390	*3)*	Revenue from neighbouring countries
2 253 946	2.7%	2 397 800	2 397 800	2 549 233	2 549 233	2 709 817	2 709 817		Health promotion levy
7 782 257	41.0%	6 846 748	6 846 748	7 270 865	7 270 865	7 738 017	7 738 017		*Ad valorem* excise duties
93 371 938	16.0%	99 770 723	95 770 723	105 950 958	105 950 958	112 758 293	112 758 293		Fuel levy
									Taxes on use of goods or permission to use goods or to perform activities
885 984	12.4%	927 356	927 356	970 585	970 585	1 014 536	1 014 536		Air departure tax
655 642	-3.6%	686 258	686 258	718 248	718 248	750 773	750 773		Plastic bag levy
6 979 092	-5.4%	7 077 742	7 077 742	7 195 425	7 195 425	7 327 689	7 327 689		Electricity levy
19 929	-17.6%	20 211	20 211	20 547	20 547	20 925	20 925		Incandescent light bulb levy
2 775 943	-5.2%	2 551 505	2 551 505	2 593 930	2 593 930	2 641 611	2 641 611		CO_2 tax - motor vehicle emissions
755 153	1.3%	790 416	790 416	827 261	827 261	864 721	864 721		Tyre levy
2 500	–	2 535	2 535	2 577	2 577	2 625	2 625		International Oil Pollution Compensation Fund
2 080 723	30.8%	2 177 886	2 177 886	2 279 408	2 279 408	2 382 625	2 382 625		Carbon tax
8 539	-29.7%	8 692	8 692	9 198	9 198	9 698	9 698		Turnover tax for micro businesses
									Other
97 557	12.8%	98 936	98 936	100 581	100 581	102 430	102 430		Universal Service Fund
74 278 667	**-2.4%**	**78 655 310**	**78 655 310**	**83 369 954**	**83 369 954**	**88 607 037**	**88 607 037**		**Taxes on international trade and transactions**
									Import duties
72 492 159	-2.0%	76 817 570	76 817 570	81 475 782	81 475 782	86 641 057	86 641 057		Customs duties
107 179	-2.7%	113 574	113 574	120 461	120 461	128 098	128 098		Health promotion levy on imports
									Other
1 123 675	10.5%	1 139 558	1 139 558	1 158 506	1 158 506	1 179 801	1 179 801		Miscellaneous customs and excise receipts
154 691	2.2%	162 752	162 752	171 270	171 270	183 206	183 206		Diamond export levy
400 963	-52.5%	421 857	421 857	443 935	443 935	474 874	474 874		Export tax
–									
	–	**–**	**–**	**–**	**–**	**–**	**–**		**Other taxes**
	–	–	–	–	–	–	–		Stamp duties and fees
–	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**	*4)*	**State miscellaneous revenue**
1 731 352 677	**2.6%**	**1 848 034 832**	**1 863 034 832**	**1 991 209 976**	**1 991 209 976**	**2 125 522 572**	**2 133 022 572**		**TOTAL TAX REVENUE (gross)**
-79 810 981	**82.7%**	**-89 870 895**	**-89 870 895**	**-77 245 532**	**-77 245 532**	**-79 714 043**	**-79 714 043**	*5)*	**Less: SACU payments**
-79 810 981	82.7%	-89 870 895	-89 870 895	-77 245 532	-77 245 532	-79 714 043	-79 714 043		Payments in terms of SACU agreements
1 651 541 697	**0.5%**	**1 758 163 937**	**1 773 163 937**	**1 913 964 443**	**1 913 964 443**	**2 045 808 529**	**2 053 308 529**		**TOTAL TAX REVENUE (net of SACU payments)**

4) Revenue received by SARS in respect of taxation that could not be allocated to specific revenue types.
5) Payments in terms of SACU agreements (section 51(2) of the Customs and Excise Act of 1964).

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

R thousand		2020/21	2021/22	2022/23				2023/24	
		Actual collections		Before tax proposals	After tax proposals	Revised estimate	Actual collection	Budget estimates Before tax proposals	Budget estimates After tax proposals
TOTAL TAX REVENUE (net of SACU payments)		**1 186 315 994**	**1 517 788 033**	**1 559 964 078**	**1 554 764 078**	**1 648 263 110**	**1 643 013 960**	**1 720 645 491**	**1 707 645 491**
Sales of goods and services other than capital assets		**1 610 615**	**2 821 922**	**1 654 820**	**1 654 820**	**3 874 536**	**4 003 771**	**2 346 228**	**2 346 228**
Sales of goods and services produced by departments									
Sales by market establishments	6)	53 456	57 105	73 099	73 099	72 258	79 356	70 084	70 084
Administrative fees		660 745	1 033 462	662 913	662 913	1 073 586	1 376 125	1 140 408	1 140 408
Other sales		890 524	1 723 939	908 673	908 673	2 718 113	2 533 877	1 125 737	1 125 737
Sales of scrap, waste, arms and other used current goods		5 890	7 416	10 135	10 135	10 579	14 414	9 999	9 999
Transfers received		**422 588**	**363 953**	**646 380**	**646 380**	**646 229**	**639 965**	**660 393**	**660 393**
Fines, penalties and forfeits		**563 495**	**428 113**	**349 565**	**349 565**	**476 607**	**543 527**	**462 803**	**462 803**
Interest, dividends and rent on land		**20 927 165**	**33 880 409**	**25 343 758**	**25 343 758**	**34 055 279**	**33 805 138**	**33 961 142**	**33 961 142**
Interest									
Cash and cash equivalents		6 502 135	5 524 230	6 394 289	6 394 289	8 342 837	7 888 627	11 209 889	11 209 889
Dividends									
Airports Company South Africa		–	916	–	–	234	–	51 424	51 424
South African Special Risks Insurance Association		187 901	–	198 048	198 048	198 048	198 048	198 048	198 048
Vodacom		–	–	32	32	–	58	–	–
Industrial Development Corporation		–	–	50 000	50 000	–	–	–	–
Reserve Bank (National Treasury)		–	–	–	–	–	362 785	–	–
Telkom		103 759	–	114 360	114 360	–	–	–	–
Other		–	–	1 205	1 205	–	800	–	–
Rent on land									
Mineral and petroleum royalties	7)	14 227 647	28 456 419	18 554 237	18 554 237	25 482 573	25 337 793	22 468 607	22 468 607
Mining leases and ownership	8)	-105 789	-117 084	–	–	–	-157	–	–
Royalties, prospecting fees and surface rental	9)	9 412	13 035	27 878	27 878	27 878	13 462	29 272	29 272
Land rent		2 100	2 893	3 709	3 709	3 709	3 722	3 902	3 902
Sales of capital assets		**124 134**	**136 302**	**131 084**	**131 084**	**127 217**	**187 256**	**131 285**	**131 285**
Financial transactions in assets and liabilities	10)	**28 404 741**	**8 854 020**	**5 153 995**	**5 153 995**	**15 897 977**	**17 024 918**	**14 021 505**	**14 021 505**
TOTAL NON-TAX REVENUE	11)	**52 052 738**	**46 484 719**	**33 279 602**	**33 279 602**	**55 077 844**	**56 204 575**	**51 583 356**	**51 583 356**
TOTAL MAIN BUDGET REVENUE		**1 238 368 732**	**1 564 272 752**	**1 593 243 680**	**1 588 043 680**	**1 703 340 954**	**1 699 218 536**	**1 772 228 847**	**1 759 228 847**
National Revenue Fund receipts		***25 769 918***	***6 068 425***	***2 646 000***	***2 646 000***	***4 573 527***	***5 221 250***	***11 053 000***	***11 053 000***
Revaluation profits on foreign currency transactions		*11 042 461*	*3 172 356*	*2 646 000*	*2 646 000*	*4 128 433*	*4 775 102*	*11 053 000*	*11 053 000*
Premiums on loan transactions		*14 327 910*	*1 380 512*	–	–	*442 778*	*442 779*	–	–
Premiums on debt portfolio restructuring (switches)		*397 326*	*1 313 261*	–	–	–	–	–	–
Liquidation of South African Special Risks Insurance Association investment				–	–	–	–	–	–
Other		*2 221*	*202 296*	–	–	*2 316*	*3 369*	–	–

6) New item introduced in the standard chart of accounts from 2008/09.
7) Mineral royalties imposed on the transfer of mineral resources in terms of the Mineral and Petroleum Resources Royalty Act (2008), which came into operation on 1 May 2009.
8) Mining leases and ownership have been reclassified as non-tax revenue.

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

Revised estimate	% change on 2022/23 actual	2024/25 Before tax proposals	2024/25 After tax proposals	2025/26 Before tax proposals	2025/26 After tax proposals	2026/27 Before tax proposals	2026/27 After tax proposals		R thousand
1 651 541 697	**0.5%**	**1 758 163 937**	**1 773 163 937**	**1 913 964 443**	**1 913 964 443**	**2 045 808 529**	**2 053 308 529**		**TOTAL TAX REVENUE (net of SACU payments)**
2 774 868	**-30.7%**	**2 710 536**	**2 710 536**	**2 808 548**	**2 808 548**	**2 914 065**	**2 914 065**		**Sales of goods and services other than capital assets**
									Sales of goods and services produced by departments
114 077	43.8%	98 593	98 593	102 718	102 718	107 241	107 241	*6)*	Sales by market establishments
1 379 435	0.2%	1 446 409	1 446 409	1 521 407	1 521 407	1 600 564	1 600 564		Administrative fees
1 272 785	-49.8%	1 156 898	1 156 898	1 175 608	1 175 608	1 197 282	1 197 282		Other sales
8 571	-40.5%	8 636	8 636	8 815	8 815	8 978	8 978		Sales of scrap, waste, arms and other used current goods
661 065	**3.3%**	**692 271**	**692 271**	**706 199**	**706 199**	**720 404**	**720 404**		**Transfers received**
578 902	**6.5%**	**565 224**	**565 224**	**583 809**	**583 809**	**562 231**	**562 231**		**Fines, penalties and forfeits**
23 136 286	**-31.6%**	**23 489 061**	**23 489 061**	**25 495 983**	**25 495 983**	**24 686 446**	**24 686 446**		**Interest, dividends and rent on land**
									Interest
7 050 204	-10.6%	7 204 714	7 204 714	8 280 322	8 280 322	6 548 966	6 548 966		Cash and cash equivalents
									Dividends
–	–	–	–	–	–	–	–		Airports Company South Africa
198 048	–	198 048	198 048	198 048	198 048	198 048	198 048		South African Special Risks Insurance Association
63	8.6%	63	63	63	63	63	63		Vodacom
50 000	–	50 000	50 000	50 000	50 000	50 000	50 000		Industrial Development Corporation
99 000	-72.7%	–	–	–	–	–	–		Reserve Bank (National Treasury)
–	–	–	–	–	–	–	–		Telkom
2 353	194.1%	1 558	1 558	1 763	1 763	2 070	2 070		Other
									Rent on land
15 717 949	-38.0%	15 999 941	15 999 941	16 930 483	16 930 483	17 850 327	17 850 327	*7)*	Mineral and petroleum royalties
–	-100.0%	–	–	–	–	–	–	*8)*	Mining leases and ownership
14 767	9.7%	30 589	30 589	30 895	30 895	32 285	32 285	*9)*	Royalties, prospecting fees and surface rental
3 902	4.8%	4 148	4 148	4 409	4 409	4 687	4 687		Land rent
163 117	**-12.9%**	**146 093**	**146 093**	**147 679**	**147 679**	**151 240**	**151 240**		**Sales of capital assets**
33 979 632	**99.6%**	**14 253 204**	**14 253 204**	**3 718 415**	**3 718 415**	**3 661 339**	**3 661 339**	*10)*	**Financial transactions in assets and liabilities**
61 293 870	**9.1%**	**41 856 389**	**41 856 389**	**33 460 633**	**33 460 633**	**32 695 726**	**32 695 726**	*11)*	**TOTAL NON-TAX REVENUE**
1 712 835 566	**0.8%**	**1 800 020 326**	**1 815 020 326**	**1 947 425 076**	**1 947 425 076**	**2 078 504 255**	**2 086 004 255**		**TOTAL MAIN BUDGET REVENUE**
23 119 123	***342.8%***	***7 243 383***	***7 243 383***	***611 100***	***611 100***	***400 000***	***400 000***		***National Revenue Fund receipts***
19 316 000	*304.5%*	*6 253 000*	*6 253 000*			*400 000*	*400 000*		*Revaluation profits on foreign currency transactions*
297 045	*-32.9%*	–	–	–	–	–	–		*Premiums on loan transactions*
2 029	–	–	–	–	–	–	–		*Premiums on debt portfolio restructuring (switches)*
–	–	–	–	–	–	–	–		*Liquidation of South African Special Risks Insurance Association investment*
3 504 049	*103 908.6%*	*990 383*	*990 383*	*611 100*	*611 100*	–	–		*Other*

9) Royalties, prospecting fees and surface rental collected by the Department of Mineral Resources and Energy.
10) Includes recoveries of loans and advances.
11) Includes National Revenue Fund receipts previously accounted for separately.

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

R million	2020/21			2021/22	
	Expenditure on budget vote outcome	*of which* *transfers to provinces* 1)	*transfers to local government* 2)	Expenditure on budget vote outcome	*of which* *transfers to provinces* 1)
1 The Presidency	517.8	–	–	518.2	–
2 Parliament	2 015.8	–	–	2 144.1	–
3 Cooperative Governance	103 305.8	138.5	98 680.8	98 443.1	48.1
of which: local government equitable share	–	–	83 102.4	–	–
4 Government Communication and Information System	712.1	–	–	755.0	–
5 Home Affairs	8 470.3	–	–	9 431.4	–
6 International Relations and Cooperation	6 245.9	–	–	6 037.0	–
7 National School of Government	221.6	–	–	207.5	–
8 National Treasury	34 081.5	–	1 481.9	62 369.9	–
9 Planning, Monitoring and Evaluation	387.1	–	–	396.7	–
10 Public Enterprises	77 503.4	–	–	36 027.2	–
11 Public Service and Administration	430.6	–	–	457.6	–
12 Public Service Commission	261.2	–	–	265.8	–
13 Public Works and Infrastructure	7 531.0	832.5	748.0	8 082.2	835.5
14 Statistics South Africa	2 691.3	–	–	4 648.3	–
15 Traditional Affairs	137.5	–	–	154.7	–
16 Basic Education	24 323.2	19 238.0	–	28 414.9	21 935.7
17 Higher Education and Training	93 697.5	–	–	97 415.0	–
18 Health	58 086.1	52 082.0	–	65 137.4	52 462.2
19 Social Development	227 500.1	–	–	231 865.2	–
20 Women, Youth and Persons with Disabilities	602.4	–	–	1 164.4	–
21 Civilian Secretariat for the Police Service	131.5	–	–	138.4	–
22 Correctional Services	25 027.1	–	–	25 693.6	–
23 Defence	54 086.2	–	–	48 775.9	–
24 Independent Police Investigative Directorate	340.9	–	–	347.9	–
25 Justice and Constitutional Development	17 885.5	–	–	19 100.3	–
26 Military Veterans	429.3	–	–	515.6	–
27 Office of the Chief Justice	1 071.9	–	–	1 156.2	–
28 Police	95 483.1	–	–	99 595.4	–
29 Agriculture, Land Reform and Rural Development	14 109.1	1 688.5	–	16 759.9	2 235.3
30 Communications and Digital Technologies	3 164.6	–	–	3 569.5	–
31 Employment and Labour	3 103.1	–	–	3 232.2	–
32 Forestry, Fisheries and the Environment	8 300.0	–	–	7 490.0	–
33 Human Settlements	28 775.5	15 342.5	10 738.4	30 959.5	17 302.7
34 Mineral Resources and Energy	7 184.9	–	1 551.3	8 903.5	–
35 Science and Innovation	7 165.3	–	–	8 962.0	–
36 Small Business Development	2 249.2	–	–	2 613.2	–
37 Sport, Arts and Culture	5 175.5	1 520.9	–	5 643.7	2 086.9
38 Tourism	1 392.2	–	–	2 537.8	–
39 Trade, Industry and Competition	9 039.7	–	–	11 614.1	–
40 Transport	57 073.8	17 216.9	4 497.5	64 903.3	19 057.4
41 Water and Sanitation	14 502.6	–	5 373.2	15 203.5	–
Total appropriation by vote	**1 004 413.6**	**108 059.8**	**123 071.1**	**1 031 651.3**	**115 963.7**
Plus:					
Direct charges against the National Revenue Fund					
President and deputy president salaries (The Presidency)	5.7	–	–	5.7	–
Members' remuneration (Parliament)	510.6	–	–	501.9	–
Debt-service costs (National Treasury)	232 595.7	–	–	268 071.6	–
Provincial equitable share (National Treasury) 4)	520 717.0	520 717.0	–	544 834.9	544 834.9
General fuel levy sharing with metropolitan municipalities (National Treasury)	14 026.9	–	14 026.9	14 617.3	–
National Revenue Fund payments (National Treasury)	588.3	–	–	2 173.4	–
Auditor-General of South Africa (National Treasury)	70.0	–	–	140.0	–
Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)	74.4	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: South African Express Airways (Public Enterprises)	143.4	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: South African Airways (Public Enterprises)	266.9	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: Denel (Public Enterprises)	–	–	–	3 030.9	–
Skills levy and sector education and training authorities (Higher Education and Training)	12 413.0	–	–	19 011.6	–
Magistrates' salaries (Justice and Constitutional Development)	2 146.8	–	–	2 174.5	–
Judges' salaries (Office of the Chief Justice)	1 043.6	–	–	1 063.3	–
International Oil Pollution Compensation Fund (Transport)	–	–	–	3.4	–
Total direct charges against the National Revenue Fund	**784 602.2**	**520 717.0**	**14 026.9**	**855 628.6**	**544 834.9**
Provisional allocations not assigned to votes	–	–	–	–	–
Infrastructure Fund not assigned to votes	–	–	–	–	–
Total	**1 789 015.8**	**628 776.8**	**137 098.0**	**1 887 279.9**	**660 798.6**
Contingency reserve	–	–	–	–	–
National government projected underspending	–	–	–	–	–
Local government repayment to the National Revenue Fund	–	–	–	–	–
Main budget expenditure	**1 789 015.8**	**628 776.8**	**137 098.0**	**1 887 279.9**	**660 798.6**

1) Includes provincial equitable share and conditional grants allocated to provinces.
2) Includes local government equitable share and conditional grants allocated to local government, as well as general fuel levy sharing with metropolitan municipalities.
3) Budget estimate adjusted for function shifts.
Source: National Treasury

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

2021/22	2022/23			2023/24		
of which transfers to local government 2)	**Expenditure on budget vote outcome**	*of which transfers to provinces 1)*	*of which transfers to local government 2)*	**Budget estimate** *3)*	**Adjusted appro-priation** *5)*	**R million**
–	542.7	–	–	617.2	676.3	1 The Presidency
–	2 367.3	–	–	3 423.5	3 208.8	2 Parliament
93 100.7	110 709.1	–	*105 700.5*	121 698.3	119 973.7	3 Cooperative Governance
76 168.6	–	–	*83 937.8*	–	–	*of which: local government equitable share*
–	723.9	–	–	750.7	743.5	4 Government Communication and Information System
–	10 398.0	–	–	10 863.3	12 380.0	5 Home Affairs
–	6 707.6	–	–	6 694.1	6 910.6	6 International Relations and Cooperation
–	220.1	–	–	229.0	221.1	7 National School of Government
2 366.2	37 491.4	–	*2 379.6*	34 889.4	34 350.3	8 National Treasury
–	442.6	–	–	475.8	465.5	9 Planning, Monitoring and Evaluation
–	33 888.5	–	–	302.9	275.3	10 Public Enterprises
–	515.7	–	–	553.5	541.6	11 Public Service and Administration
–	278.9	–	–	292.1	300.8	12 Public Service Commission
758.7	7 910.2	*857.9*	*778.4*	8 782.1	8 406.0	13 Public Works and Infrastructure
–	3 797.6	–	–	2 691.7	2 643.0	14 Statistics South Africa
–	174.5	–	–	193.1	193.1	15 Traditional Affairs
–	29 426.7	*23 124.4*	–	31 782.7	30 028.6	16 Basic Education
–	109 274.7	–	–	110 781.6	107 830.3	17 Higher Education and Training
–	62 896.0	*56 251.5*	–	60 111.4	58 550.0	18 Health
–	241 721.9	–	–	263 029.2	260 894.0	19 Social Development
–	983.3	–	–	1 036.4	1 006.9	20 Women, Youth and Persons with Disabilities
–	152.6	–	–	154.2	154.2	21 Civilian Secretariat for the Police Service
–	26 429.2	–	–	26 026.7	26 571.0	22 Correctional Services
–	54 596.7	–	–	51 124.4	52 468.2	23 Defence
–	359.0	–	–	364.4	364.4	24 Independent Police Investigative Directorate
–	20 356.5	–	–	20 793.9	20 558.3	25 Justice and Constitutional Development
–	615.6	–	–	894.7	846.3	26 Military Veterans
–	1 294.9	–	–	1 304.5	1 339.5	27 Office of the Chief Justice
–	102 499.9	–	–	102 137.7	105 475.6	28 Police
–	17 105.8	*2 294.4*	–	17 254.3	16 757.7	29 Agriculture, Land Reform and Rural Development
–	5 221.3	–	–	3 512.2	3 312.2	30 Communications and Digital Technologies
–	3 897.1	–	–	4 092.2	4 016.7	31 Employment and Labour
–	8 826.8	–	–	9 873.6	9 539.0	32 Forestry, Fisheries and the Environment
11 416.6	32 857.5	*18 802.9*	*11 677.8*	34 942.4	31 758.0	33 Human Settlements
2 223.0	10 118.6	–	*2 342.9*	10 701.2	10 271.2	34 Mineral Resources and Energy
–	9 120.9	–	–	10 874.2	10 563.0	35 Science and Innovation
–	2 513.9	–	–	2 574.8	2 529.3	36 Small Business Development
–	6 236.7	*2 176.1*	–	6 357.7	6 089.3	37 Sport, Arts and Culture
–	2 473.7	–	–	2 524.2	2 460.5	38 Tourism
–	10 798.4	–	–	10 922.5	10 709.5	39 Trade, Industry and Competition
5 284.4	94 543.2	*19 755.9*	*6 127.9*	79 552.4	78 282.4	40 Transport
5 857.8	17 693.4	–	*6 356.7*	22 257.3	21 375.9	41 Water and Sanitation
121 007.4	**1 088 182.4**	***123 263.2***	***135 363.8***	**1 077 437.8**	**1 065 041.7**	**Total appropriation by vote**
						Plus:
						Direct charges against the National Revenue Fund
–	5.9	–	–	7.9	14.1	President and deputy president salaries (The Presidency)
–	538.2	–	–	471.7	471.7	Members' remuneration (Parliament)
–	308 459.1	–	–	340 460.3	356 140.9	Debt-service costs (National Treasury)
–	570 868.2	*570 868.2*	–	567 527.7	585 085.9	*4)* Provincial equitable share (National Treasury)
14 617.3	15 334.8	–	*15 334.8*	15 433.5	15 433.5	General fuel levy sharing with metropolitan municipalities (National Treasury)
–	263.3	–	–	50.5	645.9	National Revenue Fund payments (National Treasury)
–	148.6	–	–	123.1	123.1	Auditor-General of South Africa (National Treasury)
–	889.1	–	–	–	502.0	Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: South African Express Airways (Public Enterprises)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: South African Airways (Public Enterprises)
–	204.7	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Denel (Public Enterprises)
–	20 808.9	–	–	23 027.0	22 713.0	Skills levy and sector education and training authorities (Higher Education and Training)
–	2 297.4	–	–	2 398.7	2 398.7	Magistrates' salaries (Justice and Constitutional Development)
–	1 154.6	–	–	1 124.7	1 238.7	Judges' salaries (Office of the Chief Justice)
–	1.5	–	–	12.6	12.6	International Oil Pollution Compensation Fund (Transport)
14 617.3	**920 974.4**	***570 868.2***	***15 334.8***	**950 637.6**	**984 780.0**	**Total direct charges against the National Revenue Fund**
–	–	–	–	1 504.7	–	Provisional allocations not assigned to votes
–	–	–	–	–	–	Infrastructure Fund not assigned to votes
135 624.7	**2 009 156.8**	***694 131.4***	***150 698.6***	**2 029 580.1**	**2 049 821.7**	**Total**
–	–	–	–	5 000.0	–	Contingency reserve
–	–	–	–	–	-3 100.1	National government projected underspending
–	–	–	–	–	-2 500.0	Local government repayment to the National Revenue Fund
135 624.7	**2 009 156.8**	***694 131.4***	***150 698.6***	**2 034 580.1**	**2 044 221.6**	**Main budget expenditure**

4) Provincial equitable share excluding conditional grants to provinces.
5) Adjusted appropriation includes allocations made in the 2023/24 Second Adjustments Appropriation Bill.

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

R million	2023/24 Revised estimate	2023/24 *of which* *transfers to provinces 1)*	2023/24 *of which* *transfers to local government 2)*	2024/25 Budget estimate	2024/25 *of which* *transfers to provinces 1)*	2024/25 *of which* *transfers to local government 2)*
1 The Presidency	676.3	–	–	604.5	–	–
2 Parliament	3 208.8	–	–	2 771.0	–	–
3 Cooperative Governance	116 628.7	*145.8*	*112 107.9*	125 183.3	*149.3*	*120 497.0*
of which: local government equitable share	–	–	*92 688.7*	–	–	*101 177.7*
4 Government Communication and Information System	743.5	–	–	740.2	–	–
5 Home Affairs	12 380.0	–	–	10 495.5	–	–
6 International Relations and Cooperation	6 910.6	–	–	6 566.2	–	–
7 National School of Government	219.1	–	–	218.7	–	–
8 National Treasury	34 182.2	–	*2 384.6*	33 222.1	–	*2 424.0*
9 Planning, Monitoring and Evaluation	445.5	–	–	450.2	–	–
10 Public Enterprises	267.6	–	–	296.5	–	–
11 Public Service and Administration	520.7	–	–	539.5	–	–
12 Public Service Commission	300.8	–	–	288.5	–	–
13 Public Works and Infrastructure	8 406.0	*799.5*	*749.0*	7 612.1	*617.3*	*560.1*
14 Statistics South Africa	2 643.0	–	–	2 646.2	–	–
15 Traditional Affairs	193.1	–	–	187.3	–	–
16 Basic Education	30 028.6	*23 598.5*	–	32 258.7	*26 041.2*	–
17 Higher Education and Training	107 743.2	–	–	113 015.3	–	–
18 Health	58 550.0	*52 743.4*	–	62 218.9	*56 351.4*	–
19 Social Development	259 754.9	–	–	275 141.1	–	–
20 Women, Youth and Persons with Disabilities	1 006.9	–	–	1 007.7	–	–
21 Civilian Secretariat for the Police Service	154.2	–	–	156.0	–	–
22 Correctional Services	26 571.0	–	–	27 757.6	–	–
23 Defence	52 468.2	–	–	51 810.4	–	–
24 Independent Police Investigative Directorate	364.4	–	–	370.6	–	–
25 Justice and Constitutional Development	20 558.3	–	–	21 612.0	–	–
26 Military Veterans	726.3	–	–	863.8	–	–
27 Office of the Chief Justice	1 339.5	–	–	1 222.4	–	–
28 Police	105 475.6	–	–	113 597.1	–	–
29 Agriculture, Land Reform and Rural Development	16 757.7	*2 166.0*	–	16 708.2	*2 279.9*	–
30 Communications and Digital Technologies	3 297.0	–	–	3 968.6	–	–
31 Employment and Labour	3 955.8	–	–	3 854.8	–	–
32 Forestry, Fisheries and the Environment	9 539.0	–	–	8 740.9	–	–
33 Human Settlements	31 338.0	*17 080.7*	*11 655.4*	33 145.6	*16 906.4*	*13 220.3*
34 Mineral Resources and Energy	10 157.5	–	*2 256.1*	8 839.0	–	*1 982.1*
35 Science and Innovation	10 557.6	–	–	9 468.5	–	–
36 Small Business Development	2 529.3	–	–	2 436.5	–	–
37 Sport, Arts and Culture	6 089.3	*2 063.8*	–	6 105.7	*2 230.4*	–
38 Tourism	2 460.5	–	–	2 380.9	–	–
39 Trade, Industry and Competition	10 709.5	–	–	9 600.2	–	–
40 Transport	78 207.4	*22 720.0*	*6 309.5*	80 621.1	*24 407.9*	*7 594.1*
41 Water and Sanitation	21 375.9	–	*6 878.5*	24 074.6	–	*7 890.1*
Total appropriation by vote	**1 059 441.6**	***121 317.7***	***142 340.9***	**1 102 797.9**	***128 983.8***	***154 167.7***
Plus:						
Direct charges against the National Revenue Fund						
President and deputy president salaries (The Presidency)	14.1	–	–	7.7	–	–
Members' remuneration (Parliament)	471.7	–	–	492.9	–	–
Debt-service costs (National Treasury)	356 140.9	–	–	382 182.9	–	–
Provincial equitable share (National Treasury) 4)	585 085.9	*585 085.9*	–	600 475.6	*600 475.6*	–
General fuel levy sharing with metropolitan municipalities (National Treasury)	15 433.5	–	*15 433.5*	16 126.6	–	*16 126.6*
National Revenue Fund payments (National Treasury)	645.9	–	–	–	–	–
Auditor-General of South Africa (National Treasury)	123.1	–	–	128.6	–	–
Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)	502.0	–	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: South African Express Airways (Public Enterprises)	–	–	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: South African Airways (Public Enterprises)	–	–	–	–	–	–
Section 70 of the Public Finance Management Act (1999) payment: Denel (Public Enterprises)	–	–	–	–	–	–
Skills levy and sector education and training authorities (Higher Education and Training)	22 713.0	–	–	24 500.3	–	–
Magistrates' salaries (Justice and Constitutional Development)	2 398.7	–	–	2 495.6	–	–
Judges' salaries (Office of the Chief Justice)	1 238.7	–	–	1 175.2	–	–
International Oil Pollution Compensation Fund (Transport)	12.6	–	–	13.1	–	–
Total direct charges against the National Revenue Fund	**984 780.0**	***585 085.9***	***15 433.5***	**1 027 598.5**	***600 475.6***	***16 126.6***
Provisional allocations not assigned to votes	–	–	–	570.2	–	–
Infrastructure Fund not assigned to votes	–	–	–	–	–	–
Total	**2 044 221.6**	***706 403.6***	***157 774.4***	**2 130 966.7**	***729 459.4***	***170 294.3***
Contingency reserve	–	–	–	5 000.0	–	–
National government projected underspending	–	–	–	–	–	–
Local government repayment to the National Revenue Fund	–	–	–	–	–	–
Main budget expenditure	**2 044 221.6**	***706 403.6***	***157 774.4***	**2 135 966.7**	***729 459.4***	***170 294.3***

1) Includes provincial equitable share and conditional grants allocated to provinces.
2) Includes local government equitable share and conditional grants allocated to local government, as well as general fuel levy sharing with metropolitan municipalities.
3) Budget estimate adjusted for function shifts.
Source: National Treasury

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

2025/26			2026/27			
	of which			*of which*		
Budget estimate	***transfers to provinces*** *1)*	***transfers to local government*** *2)*	**Budget estimate**	***transfers to provinces*** *1)*	***transfers to local government*** *2)*	**R million**
629.1	–	–	659.5	–	–	1 The Presidency
2 867.7	–	–	2 534.4	–	–	2 Parliament
131 125.4	*151.3*	*126 320.5*	136 796.3	*158.2*	*131 821.9*	3 Cooperative Governance
–	–	*106 087.0*	–	–	*110 661.4*	*of which: local government equitable share*
768.6	–	–	802.8	–	–	4 Government Communication and Information System
10 738.8	–	–	11 227.6	–	–	5 Home Affairs
6 835.3	–	–	7 160.7	–	–	6 International Relations and Cooperation
228.1	–	–	238.8	–	–	7 National School of Government
34 078.9	–	*1 822.5*	34 718.3	–	*1 906.0*	8 National Treasury
470.3	–	–	495.4	–	–	9 Planning, Monitoring and Evaluation
308.6	–	–	323.5	–	–	10 Public Enterprises
561.8	–	–	588.8	–	–	11 Public Service and Administration
300.0	–	–	314.7	–	–	12 Public Service Commission
7 904.6	*625.3*	*567.3*	8 268.5	*653.9*	*593.3*	13 Public Works and Infrastructure
2 754.5	–	–	2 887.6	–	–	14 Statistics South Africa
194.7	–	–	204.0	–	–	15 Traditional Affairs
34 014.6	*27 505.4*	–	35 058.6	*28 251.5*	–	16 Basic Education
116 245.4	–	–	121 617.8	–	–	17 Higher Education and Training
63 696.3	*57 449.8*	–	66 397.5	*60 086.8*	–	18 Health
257 407.6	–	–	269 195.7	–	–	19 Social Development
785.4	–	–	821.7	–	–	20 Women, Youth and Persons with Disabilities
163.1	–	–	170.8	–	–	21 Civilian Secretariat for the Police Service
28 989.6	–	–	30 316.7	–	–	22 Correctional Services
53 775.6	–	–	56 237.4	–	–	23 Defence
387.4	–	–	405.6	–	–	24 Independent Police Investigative Directorate
22 557.6	–	–	23 590.3	–	–	25 Justice and Constitutional Development
937.3	–	–	979.9	–	–	26 Military Veterans
1 265.5	–	–	1 331.0	–	–	27 Office of the Chief Justice
119 367.9	–	–	124 832.9	–	–	28 Police
17 371.1	*2 526.0*	–	18 123.0	*2 581.4*	–	29 Agriculture, Land Reform and Rural Development
2 440.9	–	–	2 554.2	–	–	30 Communications and Digital Technologies
3 777.0	–	–	3 955.9	–	–	31 Employment and Labour
8 922.9	–	–	9 339.8	–	–	32 Forestry, Fisheries and the Environment
34 037.8	*16 918.8*	*13 967.4*	33 312.4	*15 261.9*	*14 752.9*	33 Human Settlements
8 948.4	–	*1 943.3*	9 113.8	–	*1 912.1*	34 Mineral Resources and Energy
9 089.1	–	–	9 510.1	–	–	35 Science and Innovation
2 544.3	–	–	2 661.9	–	–	36 Small Business Development
5 949.6	*2 269.7*	–	6 223.8	*2 373.7*	–	37 Sport, Arts and Culture
2 502.7	–	–	2 618.9	–	–	38 Tourism
10 023.8	–	–	10 487.3	–	–	39 Trade, Industry and Competition
86 854.5	*25 964.7*	*8 210.1*	88 577.1	*25 730.9*	*7 751.1*	40 Transport
25 159.9	–	*7 975.5*	23 754.5	–	*7 417.2*	41 Water and Sanitation
1 116 981.8	***133 410.9***	***160 806.7***	**1 158 409.6**	***135 098.2***	***166 154.4***	**Total appropriation by vote**
						Plus:
						Direct charges against the National Revenue Fund
8.0	–	–	8.4	–	–	President and deputy president salaries (The Presidency)
515.0	–	–	538.6	–	–	Members' remuneration (Parliament)
414 663.5	–	–	440 239.9	–	–	Debt-service costs (National Treasury)
627 441.9	*627 441.9*	–	655 704.2	*655 704.2*	–	*4)* Provincial equitable share (National Treasury)
16 849.1	–	*16 849.1*	17 621.0	–	*17 621.0*	General fuel levy sharing with metropolitan municipalities (National Treasury)
–	–	–	–	–	–	National Revenue Fund payments (National Treasury)
134.3	–	–	140.5	–	–	Auditor-General of South Africa (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: South African Express Airways (Public Enterprises)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: South African Airways (Public Enterprises)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Denel (Public Enterprises)
26 440.5	–	–	28 582.4	–	–	Skills levy and sector education and training authorities (Higher Education and Training)
2 606.9	–	–	2 726.4	–	–	Magistrates' salaries (Justice and Constitutional Development)
1 227.9	–	–	1 284.1	–	–	Judges' salaries (Office of the Chief Justice)
13.7	–	–	14.3	–	–	International Oil Pollution Compensation Fund (Transport)
1 089 900.8	***627 441.9***	***16 849.1***	**1 146 859.8**	***655 704.2***	***17 621.0***	**Total direct charges against the National Revenue Fund**
41 093.5	–	–	45 612.0	–	–	Provisional allocations not assigned to votes
–	–	–	7 840.6	–	–	Infrastructure Fund not assigned to votes
2 247 976.1	***760 852.8***	***177 655.8***	**2 358 722.1**	***790 802.4***	***183 775.4***	**Total**
7 600.0	–	–	14 500.0	–	–	Contingency reserve
–	–	–	–	–	–	National government projected underspending
–	–	–	–	–	–	Local government repayment to the National Revenue Fund
2 255 576.1	***760 852.8***	***177 655.8***	**2 373 222.1**	***790 802.4***	***183 775.4***	**Main budget expenditure**

4) Provincial equitable share excluding conditional grants to provinces.
5) Adjusted appropriation includes allocations made in the 2023/24 Second Adjustments Appropriation Bill.

Table 5
Consolidated national, provincial and social security funds expenditure: economic classification *1)*

R million		2020/21 Outcome	2020/21 % of total	2021/22 Outcome	2021/22 % of total	2022/23 Outcome	2022/23 % of total	2023/24 Revised estimate
Current payments		**1 013 072.3**	**52.6%**	**1 095 133.1**	**54.9%**	**1 164 198.4**	**55.5%**	**1 252 251.8**
Compensation of employees		574 910.5	29.9%	603 400.9	30.2%	622 629.1	29.7%	647 802.6
Goods and services		205 159.2	10.7%	223 080.3	11.2%	232 395.0	11.1%	247 693.9
Interest and rent on land		233 002.6	12.1%	268 652.0	13.5%	309 174.3	14.7%	356 755.3
Transfers and subsidies		**776 437.3**	**40.3%**	**776 807.6**	**38.9%**	**813 832.4**	**38.8%**	**858 342.6**
Municipalities		145 596.7	7.6%	144 532.5	7.2%	160 275.8	7.6%	167 527.7
of which: local government share	*2)*	*123 071.1*	*6.4%*	*121 007.4*	*6.1%*	*135 363.8*	*6.5%*	*142 340.9*
Departmental agencies and accounts		145 679.7	7.6%	159 287.5	8.0%	169 830.5	8.1%	183 914.8
Higher education institutions		48 798.2	2.5%	48 671.3	2.4%	52 303.2	2.5%	49 590.1
Foreign governments and international organisations		2 227.7	0.1%	2 953.4	0.1%	3 253.6	0.2%	3 290.3
Public corporations and private enterprises		36 048.0	1.9%	48 355.5	2.4%	51 676.9	2.5%	53 219.1
Public corporations		25 575.3	1.3%	36 793.5	1.8%	38 502.8	1.8%	40 313.1
Subsidies on products and production		13 757.4	0.7%	21 978.5	1.1%	28 627.0	1.4%	27 301.1
Other transfers		11 817.9	0.6%	14 815.0	0.7%	9 875.8	0.5%	13 012.0
Private enterprises		10 472.7	0.5%	11 561.9	0.6%	13 174.0	0.6%	12 906.0
Subsidies on products and production		8 007.5	0.4%	9 732.4	0.5%	11 407.2	0.5%	5 591.1
Other transfers		2 465.2	0.1%	1 829.6	0.1%	1 766.8	0.1%	7 315.0
Non-profit institutions		38 508.8	2.0%	39 316.5	2.0%	39 735.9	1.9%	41 481.2
Households		359 578.1	18.7%	333 691.0	16.7%	336 756.5	16.1%	359 319.3
Social benefits		337 287.2	17.5%	309 564.1	15.5%	310 640.7	14.8%	330 543.7
Other transfers to households		22 291.0	1.2%	24 126.9	1.2%	26 115.8	1.2%	28 775.6
Payments for capital assets		**44 937.8**	**2.3%**	**48 786.7**	**2.4%**	**51 378.0**	**2.4%**	**54 644.2**
Buildings and other fixed structures		30 978.2	1.6%	34 358.0	1.7%	34 824.0	1.7%	39 097.0
Buildings		19 712.2	1.0%	19 064.4	1.0%	20 239.6	1.0%	21 546.5
Other fixed structures		11 266.0	0.6%	15 293.6	0.8%	14 584.3	0.7%	17 550.5
Machinery and equipment		12 215.4	0.6%	11 742.5	0.6%	13 041.7	0.6%	13 693.8
Transport equipment		4 821.9	0.3%	4 435.8	0.2%	5 204.7	0.2%	4 613.7
Other machinery and equipment		7 393.5	0.4%	7 306.6	0.4%	7 837.0	0.4%	9 080.2
Land and sub-soil assets		744.2	0.0%	1 906.2	0.1%	2 193.2	0.1%	568.1
Software and other intangible assets		893.2	0.0%	729.5	0.0%	1 026.1	0.0%	764.0
Other assets	*3)*	106.8	0.0%	50.5	0.0%	293.0	0.0%	521.3
Payments for financial assets	*4)*	**89 865.2**	**4.7%**	**74 072.0**	**3.7%**	**68 086.5**	**3.2%**	**2 674.2**
Subtotal: votes and direct charges		**1 924 312.6**	**100.0%**	**1 994 799.4**	**100.0%**	**2 097 495.4**	**100.0%**	**2 167 912.9**
Plus:								
Contingency reserve		–	–	–	–	–	–	–
Unallocated reserve		–	–	–	–	–	–	–
Total consolidated expenditure		**1 924 312.6**	**100.0%**	**1 994 799.4**	**100.0%**	**2 097 495.4**	**100.0%**	**2 167 912.9**

1) These figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank. The numbers in this table are not strictly comparable to those published in previous years due to the reclassification of expenditure items for previous years. Data for the previous years has been adjusted accordingly.

2) Includes equitable share and conditional grants to local government.

Source: National Treasury

Table 5
Consolidated national, provincial and social security funds expenditure: economic classification *1)*

2023/24	2024/25		2025/26		2026/27			
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total		R million
57.8%	**1 309 610.1**	**58.0%**	**1 386 247.0**	**58.9%**	**1 456 382.7**	**58.9%**		**Current payments**
29.9%	679 180.1	30.1%	710 290.4	30.2%	741 236.9	30.0%		Compensation of employees
11.4%	247 726.8	11.0%	260 793.1	11.1%	274 411.0	11.1%		Goods and services
16.5%	382 703.3	17.0%	415 163.5	17.6%	440 734.9	17.8%		Interest and rent on land
39.6%	**880 859.9**	**39.0%**	**898 533.0**	**38.2%**	**932 547.6**	**37.7%**		**Transfers and subsidies**
7.7%	178 856.0	7.9%	186 614.3	7.9%	194 092.6	7.9%		Municipalities
6.6%	*154 167.7*	*6.8%*	*160 806.7*	*6.8%*	*166 154.4*	*6.7%*	*2)*	*of which: local government share*
8.5%	184 300.2	8.2%	192 132.3	8.2%	199 568.7	8.1%		Departmental agencies and accounts
2.3%	52 703.4	2.3%	53 442.7	2.3%	55 837.1	2.3%		Higher education institutions
0.2%	3 100.0	0.1%	3 238.6	0.1%	3 404.2	0.1%		Foreign governments and international organisations
2.5%	48 159.1	2.1%	48 963.1	2.1%	50 477.7	2.0%		Public corporations and private enterprises
1.9%	36 270.1	1.6%	36 493.4	1.6%	37 281.5	1.5%		Public corporations
1.3%	24 789.8	1.1%	25 878.8	1.1%	27 112.3	1.1%		Subsidies on products and production
0.6%	11 480.4	0.5%	10 614.7	0.5%	10 169.1	0.4%		Other transfers
0.6%	11 888.9	0.5%	12 469.6	0.5%	13 196.2	0.5%		Private enterprises
0.3%	4 672.9	0.2%	5 249.4	0.2%	5 517.6	0.2%		Subsidies on products and production
0.3%	7 216.0	0.3%	7 220.2	0.3%	7 678.6	0.3%		Other transfers
1.9%	38 161.8	1.7%	39 953.5	1.7%	41 558.1	1.7%		Non-profit institutions
16.6%	375 579.5	16.6%	374 188.5	15.9%	387 609.2	15.7%		Households
15.2%	347 174.3	15.4%	343 348.8	14.6%	354 700.0	14.4%		Social benefits
1.3%	28 405.3	1.3%	30 839.7	1.3%	32 909.2	1.3%		Other transfers to households
2.5%	**60 570.3**	**2.7%**	**59 287.0**	**2.5%**	**66 227.0**	**2.7%**		**Payments for capital assets**
1.8%	45 920.7	2.0%	46 252.3	2.0%	52 644.1	2.1%		Buildings and other fixed structures
1.0%	23 770.4	1.1%	24 986.6	1.1%	24 762.1	1.0%		Buildings
0.8%	22 150.3	1.0%	21 265.7	0.9%	27 882.0	1.1%		Other fixed structures
0.6%	11 976.1	0.5%	11 285.5	0.5%	11 807.0	0.5%		Machinery and equipment
0.2%	4 197.2	0.2%	3 895.0	0.2%	4 061.5	0.2%		Transport equipment
0.4%	7 778.9	0.3%	7 390.5	0.3%	7 745.5	0.3%		Other machinery and equipment
0.0%	1 558.8	0.1%	1 303.4	0.1%	1 331.1	0.1%		Land and sub-soil assets
0.0%	494.1	0.0%	350.1	0.0%	340.9	0.0%		Software and other intangible assets
0.0%	620.5	0.0%	95.6	0.0%	103.9	0.0%	*3)*	Other assets
0.1%	**1 060.2**	**0.0%**	**1 112.8**	**0.0%**	**935.1**	**0.0%**	*4)*	**Payments for financial assets**
100.0%	**2 252 100.5**	**99.8%**	**2 345 179.7**	**99.7%**	**2 456 092.4**	**99.41%**		**Subtotal: votes and direct charges**
								Plus:
–	5 000.0	0.2%	7 600.0	0.3%	14 500.0	0.6%		Contingency reserve
–	–	–	–	–	–	–		Unallocated reserve
100.0%	**2 257 100.5**	**100.0%**	**2 352 779.7**	**100.0%**	**2 470 592.4**	**100.0%**		**Total consolidated expenditure**

3) Includes biological, heritage and specialised military assets.
4) Includes National Revenue Fund payments previously accounted for separately.

Table 6
Consolidated national, provincial and social security funds expenditure: functional classification *1)*

R million		2020/21 Estimated outcome	2020/21 % of total	2021/22 Estimated outcome	2021/22 % of total	2022/23 Estimated outcome	2022/23 % of total	2023/24 Revised estimate
General public services	2)	**329 120.5**	**17.1%**	**399 401.0**	**20.0%**	**415 061.5**	**19.8%**	**463 216.6**
of which: debt-service costs		*232 595.7*	*12.1%*	*268 071.6*	*13.4%*	*308 459.1*	*14.7%*	*356 140.9*
Defence		**53 674.5**	**2.8%**	**48 468.0**	**2.4%**	**54 311.4**	**2.6%**	**52 621.9**
Public order and safety		**151 374.3**	**7.9%**	**155 467.2**	**7.8%**	**163 319.7**	**7.8%**	**169 499.9**
Police services		103 562.9	5.4%	105 064.8	5.3%	110 778.1	5.3%	116 345.2
Law courts		22 784.3	1.2%	24 708.8	1.2%	26 112.4	1.2%	26 583.8
Prisons		25 027.1	1.3%	25 693.6	1.3%	26 429.2	1.3%	26 571.0
Economic affairs		**223 874.2**	**11.6%**	**211 671.4**	**10.6%**	**244 937.1**	**11.7%**	**193 386.0**
General economic, commercial and labour affairs		26 547.8	1.4%	34 108.4	1.7%	30 157.6	1.4%	31 048.7
Agriculture, forestry, fishing and hunting		19 699.6	1.0%	22 250.9	1.1%	23 467.7	1.1%	23 119.8
Fuel and energy		61 810.6	3.2%	39 278.5	2.0%	30 273.2	1.4%	8 174.8
Mining, manufacturing and construction		1 613.8	0.1%	1 533.6	0.1%	1 720.2	0.1%	2 130.2
Transport		99 725.5	5.2%	97 016.5	4.9%	136 870.4	6.5%	108 786.9
Communication		3 088.7	0.2%	3 036.7	0.2%	5 849.6	0.3%	4 012.5
Other industries		2 375.2	0.1%	3 594.2	0.2%	5 660.9	0.3%	3 660.5
Economic affairs not elsewhere classified		9 012.9	0.5%	10 852.6	0.5%	10 937.5	0.5%	12 452.6
Environmental protection		**10 588.7**	**0.6%**	**9 225.9**	**0.5%**	**10 477.2**	**0.5%**	**12 000.9**
Housing and community amenities		**152 581.5**	**7.9%**	**150 877.5**	**7.6%**	**161 378.2**	**7.7%**	**176 182.1**
Housing development		30 284.7	1.6%	34 313.1	1.7%	33 977.6	1.6%	36 130.8
Community development		107 875.1	5.6%	101 443.0	5.1%	109 802.7	5.2%	118 777.3
Water supply		14 421.7	0.7%	15 121.4	0.8%	17 597.9	0.8%	21 274.1
Health		**240 010.1**	**12.5%**	**251 422.4**	**12.6%**	**250 424.5**	**11.9%**	**259 903.6**
Recreation and culture		**11 946.7**	**0.6%**	**13 544.0**	**0.7%**	**12 457.1**	**0.6%**	**15 203.0**
Education		**380 190.8**	**19.8%**	**407 212.2**	**20.4%**	**436 085.6**	**20.8%**	**451 291.3**
Social protection		**370 951.4**	**19.3%**	**347 509.8**	**17.4%**	**349 043.0**	**16.6%**	**374 607.4**
Subtotal: votes and direct charges		**1 924 312.6**	**100.0%**	**1 994 799.4**	**100.0%**	**2 097 495.4**	**100.0%**	**2 167 912.9**
Plus:								
Contingency reserve		–	–	–	–	–	–	–
Unallocated reserve		–		–		–		–
Total		**1 924 312.6**	**100.0%**	**1 994 799.4**	**100.0%**	**2 097 495.4**	**100.0%**	**2 167 912.9**

1) These figures were estimated by the National Treasury and may differ from data published by Statistics South Africa. The numbers in this table are not strictly comparable to those published in previous years due to the allocation of some of the unallocable expenditure for previous years. Data for the previous years has been adjusted accordingly.

Source: National Treasury

Table 6
Consolidated national, provincial and social security funds expenditure: functional classification *1)*

2023/24	2024/25		2025/26		2026/27		
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total	R million
21.4%	**484 144.4**	**21.5%**	**520 420.7**	**22.2%**	**549 789.2**	**22.4%**	*2)* **General public services**
16.4%	*382 182.9*	*17.0%*	*414 663.5*	*17.7%*	*440 239.9*	*17.9%*	*of which: debt-service costs*
2.4%	**51 722.3**	**2.3%**	**53 693.8**	**2.3%**	**56 148.9**	**2.3%**	**Defence**
7.8%	**180 027.9**	**8.0%**	**188 430.8**	**8.0%**	**196 979.9**	**8.0%**	**Public order and safety**
5.4%	124 720.4	5.5%	130 959.4	5.6%	136 869.3	5.6%	Police services
1.2%	27 549.8	1.2%	28 481.7	1.2%	29 794.0	1.2%	Law courts
1.2%	27 757.6	1.2%	28 989.6	1.2%	30 316.7	1.2%	Prisons
8.9%	**189 838.5**	**8.4%**	**197 635.0**	**8.4%**	**203 115.2**	**8.3%**	**Economic affairs**
1.4%	28 544.4	1.3%	31 173.7	1.3%	32 375.5	1.3%	General economic, commercial and labour affairs
1.1%	23 062.0	1.0%	23 598.6	1.0%	24 683.2	1.0%	Agriculture, forestry, fishing and hunting
0.4%	6 730.7	0.3%	6 702.7	0.3%	6 894.2	0.3%	Fuel and energy
0.1%	2 295.2	0.1%	2 429.5	0.1%	2 411.2	0.1%	Mining, manufacturing and construction
5.0%	109 765.5	4.9%	115 842.5	4.9%	118 092.9	4.8%	Transport
0.2%	4 684.6	0.2%	3 181.8	0.1%	3 327.7	0.1%	Communication
0.2%	3 450.8	0.2%	3 623.5	0.2%	3 780.3	0.2%	Other industries
0.6%	11 305.2	0.5%	11 082.7	0.5%	11 550.2	0.5%	Economic affairs not elsewhere classified
0.6%	**11 007.1**	**0.5%**	**11 240.7**	**0.5%**	**11 727.5**	**0.5%**	**Environmental protection**
8.1%	**191 281.6**	**8.5%**	**199 505.7**	**8.5%**	**211 929.5**	**8.6%**	**Housing and community amenities**
1.7%	39 580.1	1.8%	41 256.7	1.8%	43 941.7	1.8%	Housing development
5.5%	127 738.2	5.7%	133 207.6	5.7%	138 920.4	5.7%	Community development
1.0%	23 963.3	1.1%	25 041.4	1.1%	29 067.3	1.2%	Water supply
12.0%	**266 796.2**	**11.8%**	**276 737.3**	**11.8%**	**288 458.3**	**11.7%**	**Health**
0.7%	**14 014.9**	**0.6%**	**14 035.8**	**0.6%**	**14 556.5**	**0.6%**	**Recreation and culture**
20.8%	**469 614.2**	**20.9%**	**492 028.3**	**21.0%**	**518 541.6**	**21.1%**	**Education**
17.3%	**393 653.5**	**17.5%**	**391 451.6**	**16.7%**	**404 845.8**	**16.5%**	**Social protection**
100.0%	**2 252 100.5**	**99.8%**	**2 345 179.7**	**99.7%**	**2 456 092.4**	**99.4%**	**Subtotal: votes and direct charges**
							Plus:
–	5 000.0	0.2%	7 600.0	0.3%	14 500.0	0.6%	Contingency reserve
	–		–		–		Unallocated reserve
100.0%	**2 257 100.5**	**100.0%**	**2 352 779.7**	**100.0%**	**2 470 592.4**	**100.0%**	**Total**

2) Mainly general administration, cost of raising loans and unallocable capital expenditure, as well as National Revenue Fund payments previously accounted for separately.

Table 7
Consolidated government revenue and expenditure: economic classification *1)*

R million		2020/21 Outcome	2020/21 % of total	2021/22 Outcome	2021/22 % of total	2022/23 Outcome	2022/23 % of total	2023/24 Revised estimate
Revenue								
Current revenue		1 409 669.7	100.0%	1 751 343.6	100.0%	1 895 971.8	100.0%	1 921 170.4
Tax revenue (net of SACU)		*1 267 724.5*	*89.9%*	*1 609 872.1*	*91.9%*	*1 742 355.3*	*91.9%*	*1 751 918.9*
Non-tax revenue	2)	*141 945.3*	*10.1%*	*141 471.5*	*8.1%*	*153 616.5*	*8.1%*	*169 251.5*
Sales of capital assets		247.2	0.0%	313.9	0.0%	435.4	0.0%	252.2
Total revenue		**1 409 916.9**	**100.0%**	**1 751 657.5**	**100.0%**	**1 896 407.2**	**100.0%**	**1 921 422.5**
Expenditure								
Economic classification								
Current payments		**1 120 336.3**	**57.0%**	**1 210 455.2**	**59.2%**	**1 297 396.2**	**60.6%**	**1 401 042.9**
Compensation of employees		634 740.3	32.3%	666 465.1	32.6%	689 201.1	32.2%	721 115.1
Goods and services		244 697.1	12.5%	268 047.1	13.1%	292 382.5	13.7%	315 924.0
Interest and rent on land		240 899.0	12.3%	275 942.9	13.5%	315 812.6	14.8%	364 003.7
Transfers and subsidies		**691 432.9**	**35.2%**	**683 537.6**	**33.4%**	**711 199.2**	**33.2%**	**757 216.3**
Municipalities		148 869.1	7.6%	149 025.6	7.3%	165 338.6	7.7%	173 116.2
Departmental agencies and accounts		27 873.6	1.4%	26 699.0	1.3%	23 977.9	1.1%	25 900.5
Higher education institutions		49 740.9	2.5%	50 340.4	2.5%	53 268.5	2.5%	51 640.8
Foreign governments and international organisations		2 405.7	0.1%	3 141.3	0.2%	3 431.6	0.2%	3 353.7
Public corporations and private enterprises		29 993.4	1.5%	36 418.4	1.8%	37 881.6	1.8%	41 003.9
Non-profit institutions		40 158.4	2.0%	41 100.0	2.0%	40 511.4	1.9%	42 665.5
Households		392 391.9	20.0%	376 812.9	18.4%	386 789.6	18.1%	419 535.7
Payments for capital assets		**62 270.0**	**3.2%**	**73 252.7**	**3.6%**	**85 988.7**	**4.0%**	**107 098.9**
Buildings and other fixed structures		41 787.2	2.1%	48 615.1	2.4%	56 238.7	2.6%	71 700.8
Machinery and equipment		17 806.1	0.9%	20 788.2	1.0%	25 126.7	1.2%	31 272.2
Land and sub-soil assets		928.5	0.0%	2 236.1	0.1%	2 437.3	0.1%	938.4
Software and other intangible assets		1 584.7	0.1%	1 451.8	0.1%	1 790.4	0.1%	2 513.3
Other assets	3)	163.5	0.0%	161.6	0.0%	395.6	0.0%	674.2
Payments for financial assets	4)	**91 043.2**	**4.6%**	**76 621.8**	**3.7%**	**46 483.3**	**2.2%**	**3 499.3**
Subtotal: economic classification		**1 965 082.5**	**100%**	**2 043 867.3**	**100.0%**	**2 141 067.5**	**100.0%**	**2 268 857.5**
Contingency reserve		–		–		–		–
Total consolidated expenditure		**1 965 082.5**		**2 043 867.3**		**2 141 067.5**		**2 268 857.5**
Budget balance		**-555 165.6**		**-292 209.8**		**-244 660.3**		**-347 434.9**
Percentage of GDP		*-9.9%*		*-4.6%*		*-3.6%*		*-4.9%*
Redemptions		**-67 638.9**		**-65 292.2**		**-90 324.0**		**-145 758.6**
Domestic long-term loans		*-53 222.6*		*-61 373.4*		*-74 562.4*		*-98 613.8*
Foreign loans		*-14 416.3*		*-3 918.8*		*-15 761.6*		*-47 144.7*
Eskom debt-relief arrangement		**–**		**–**		**–**		**-76 000.0**
GFECRA settlement		**–**		**–**		**–**		**–**
Gross borrowing requirement		**-622 804.5**		**-357 502.0**		**-334 984.4**		**-569 193.5**
Financing								
Change in loan liabilities		**716 821.3**		**326 147.2**		**355 923.0**		**478 977.1**
Domestic short- and long-term loans		*624 819.9*		*294 742.3*		*291 422.4*		*434 190.9*
of which: Eskom debt-relief arrangement		–		–		–		–
Foreign loans		*92 001.3*		*31 404.8*		*64 500.6*		*44 786.1*
Change in cash and other balances (- increase)		**-94 016.8**		**31 354.9**		**-20 938.7**		**90 216.4**
Total financing		**622 804.5**		**357 502.0**		**334 984.4**		**569 193.5**
GDP		*5 615 933.0*		*6 311 962.0*		*6 721 750.0*		*7 048 960.8*

1) Consisting of national and provincial government, social security funds and public entities. Refer to Annexure W2 for a detailed list of entities included. In some cases figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank.
2) Includes National Revenue Fund receipts previously accounted for separately.
Source: National Treasury

Table 7
Consolidated government revenue and expenditure: economic classification *1)*

2023/24	2024/25		2025/26		2026/27			
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total		R million
								Revenue
100.0%	2 036 301.9	100.0%	2 176 171.4	100.0%	2 323 365.8	100.0%		Current revenue
91.2%	*1 879 660.0*	*92.3%*	*2 023 289.1*	*93.0%*	*2 165 121.0*	*93.2%*		*Tax revenue (net of SACU)*
8.8%	*156 641.9*	*7.7%*	*152 882.3*	*7.0%*	*158 244.8*	*6.8%*	2)	*Non-tax revenue*
0.0%	320.8	0.0%	223.5	0.0%	230.2	0.0%		Sales of capital assets
100.0%	**2 036 622.8**	**100.0%**	**2 176 394.9**	**100.0%**	**2 323 596.0**	**100.0%**		**Total revenue**
								Expenditure
								Economic classification
61.8%	**1 465 597.3**	**62.0%**	**1 551 598.7**	**63.0%**	**1 622 996.4**	**62.8%**		**Current payments**
31.8%	754 234.8	31.9%	788 662.8	32.0%	822 529.4	31.8%		Compensation of employees
13.9%	320 466.0	13.6%	339 615.9	13.8%	351 972.2	13.6%		Goods and services
16.0%	390 896.5	16.5%	423 320.0	17.2%	448 494.8	17.4%		Interest and rent on land
33.4%	**777 946.1**	**32.9%**	**784 582.1**	**31.8%**	**815 810.2**	**31.6%**		**Transfers and subsidies**
7.6%	184 732.6	7.8%	192 926.2	7.8%	200 908.3	7.8%		Municipalities
1.1%	24 036.6	1.0%	21 965.8	0.9%	22 269.6	0.9%		Departmental agencies and accounts
2.3%	54 981.8	2.3%	55 733.4	2.3%	58 255.8	2.3%		Higher education institutions
0.1%	3 152.1	0.1%	3 293.3	0.1%	3 462.0	0.1%		Foreign governments and international organisations
1.8%	39 268.0	1.7%	38 322.6	1.6%	40 785.0	1.6%		Public corporations and private enterprises
1.9%	40 036.9	1.7%	41 101.6	1.7%	42 654.8	1.7%		Non-profit institutions
18.5%	431 738.2	18.3%	431 239.2	17.5%	447 474.6	17.3%		Households
4.7%	**117 836.3**	**5.0%**	**125 649.6**	**5.1%**	**142 670.7**	**5.5%**		**Payments for capital assets**
3.2%	84 791.7	3.6%	95 142.1	3.9%	111 512.2	4.3%		Buildings and other fixed structures
1.4%	28 818.0	1.2%	27 396.0	1.1%	27 891.4	1.1%		Machinery and equipment
0.0%	1 901.8	0.1%	1 683.5	0.1%	1 710.0	0.1%		Land and sub-soil assets
0.1%	1 464.7	0.1%	1 202.2	0.0%	1 325.4	0.1%		Software and other intangible assets
0.0%	860.1	0.0%	225.8	0.0%	231.7	0.0%	3)	Other assets
0.2%	**2 616.5**	**0.1%**	**1 965.9**	**0.1%**	**1 826.3**	**0.1%**	4)	**Payments for financial assets**
100.0%	**2 363 996.1**	**100.0%**	**2 463 796.3**	**100.0%**	**2 583 303.6**	**100.0%**		**Subtotal: economic classification**
	5 000.0		7 600.0		14 500.0			Contingency reserve
	2 368 996.1		**2 471 396.3**		**2 597 803.6**			**Total consolidated expenditure**
	-332 373.4		**-295 001.4**		**-274 207.6**			**Budget balance**
	-4.5%		*-3.7%*		*-3.3%*			*Percentage of GDP*
	-172 568.2		**-185 597.7**		**-166 294.9**			**Redemptions**
	-132 087.0		*-126 729.9*		*-126 729.9*			*Domestic long-term loans*
	-40 481.2		*-58 867.8*		*-39 565.0*			*Foreign loans*
	-64 154.0		**-110 223.0**		**–**			**Eskom debt-relief arrangement**
	100 000.0		**25 000.0**		**25 000.0**			**GFECRA settlement**
	-469 095.6		**-565 822.1**		**-415 502.5**			**Gross borrowing requirement**
								Financing
	415 878.4		**554 071.0**		**435 865.1**			**Change in loan liabilities**
	379 093.8		*471 821.3*		*343 596.4*			*Domestic short- and long-term loans*
	–		*70 000.0*		*–*			*of which: Eskom debt-relief arrangement*
	36 784.6		*82 249.8*		*92 268.7*			*Foreign loans*
	53 217.2		**11 751.0**		**-20 362.6**			**Change in cash and other balances (- increase)**
	469 095.6		**565 822.1**		**415 502.5**			**Total financing**
	7 452 214.5		*7 913 837.2*		*8 422 300.3*			*GDP*

3) Includes biological, heritage and specialised military assets.
4) Includes extraordinary payments previously accounted for separately.

Table 8
Consolidated government expenditure: functional classification *1)*

R million		2020/21 Outcome	2020/21 % of total	2021/22 Outcome	2021/22 % of total	2022/23 Outcome	2022/23 % of total	2023/24 Revised estimate
General public services	2)	**333 287.7**	**17.0%**	**408 202.5**	**20.0%**	**421 035.0**	**19.7%**	**473 539.0**
of which: debt-service costs		*232 595.7*	*11.8%*	*268 071.6*	*13.1%*	*308 459.1*	*14.4%*	*356 140.9*
Defence		**53 694.6**	**2.7%**	**48 372.8**	**2.4%**	**54 476.2**	**2.5%**	**53 103.2**
Public order and safety		**153 016.7**	**7.8%**	**157 375.7**	**7.7%**	**165 903.1**	**7.7%**	**172 662.1**
Police services		105 230.3	5.4%	106 890.2	5.2%	113 051.7	5.3%	118 976.5
Law courts		22 759.3	1.2%	24 791.8	1.2%	26 422.1	1.2%	27 114.7
Prisons		25 027.1	1.3%	25 693.6	1.3%	26 429.2	1.2%	26 571.0
Economic affairs		**233 435.7**	**11.9%**	**221 556.9**	**10.8%**	**243 816.0**	**11.4%**	**229 316.1**
General economic, commercial and labour affairs		32 355.6	1.6%	41 643.4	2.0%	37 683.1	1.8%	38 448.4
Agriculture, forestry, fishing and hunting		20 764.5	1.1%	22 087.7	1.1%	23 716.5	1.1%	23 470.8
Fuel and energy		63 465.6	3.2%	40 946.9	2.0%	32 400.0	1.5%	10 980.4
Mining, manufacturing and construction		2 600.1	0.1%	3 180.2	0.2%	3 344.9	0.2%	3 457.9
Transport		97 749.0	5.0%	94 934.9	4.6%	121 976.3	5.7%	130 699.7
Communication		5 282.6	0.3%	5 003.2	0.2%	7 909.5	0.4%	6 009.9
Other industries		2 857.0	0.1%	3 153.8	0.2%	5 997.3	0.3%	3 847.4
Economic affairs not elsewhere classified		8 361.3	0.4%	10 606.8	0.5%	10 788.4	0.5%	12 401.6
Environmental protection		**12 331.2**	**0.6%**	**11 878.3**	**0.6%**	**12 992.9**	**0.6%**	**14 977.3**
Housing and community amenities		**176 227.9**	**9.0%**	**174 483.4**	**8.5%**	**194 820.0**	**9.1%**	**207 142.2**
Housing development		31 142.7	1.6%	37 297.2	1.8%	36 372.4	1.7%	38 506.7
Community development		108 490.7	5.5%	102 023.7	5.0%	111 068.2	5.2%	120 034.4
Water supply		36 594.5	1.9%	35 162.5	1.7%	47 379.4	2.2%	48 601.1
Health		**242 250.1**	**12.3%**	**252 212.8**	**12.3%**	**250 033.6**	**11.7%**	**263 214.3**
Recreation and culture		**11 771.1**	**0.6%**	**13 973.7**	**0.7%**	**12 888.0**	**0.6%**	**15 641.4**
Education		**377 077.3**	**19.2%**	**407 322.6**	**19.9%**	**434 647.2**	**20.3%**	**462 350.3**
Social protection		**371 990.0**	**18.9%**	**348 488.6**	**17.1%**	**350 455.7**	**16.4%**	**376 911.5**
Subtotal: functional classification		**1 965 082.5**	**100%**	**2 043 867.3**	**100%**	**2 141 067.5**	**100%**	**2 268 857.5**
Plus:								
Contingency reserve		–		–		–		–
Total consolidated expenditure		**1 965 082.5**		**2 043 867.3**		**2 141 067.5**		**2 268 857.5**

1) Consisting of national and provincial government, social security funds and public entities. Refer to Annexure W2 for a detailed list of entities included.
In some cases figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank.
Source: National Treasury

Table 8
Consolidated government expenditure: functional classification *1)*

2023/24	2024/25		2025/26		2026/27		
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total	R million
20.9%	**496 051.6**	**21.0%**	**532 412.8**	**21.6%**	**562 199.2**	**21.8%**	*2)* **General public services**
15.7%	*382 182.9*	*16.2%*	*414 663.5*	*16.8%*	*440 239.9*	*17.0%*	*of which: debt-service costs*
2.3%	**53 086.2**	**2.2%**	**54 972.0**	**2.2%**	**57 425.9**	**2.2%**	**Defence**
7.6%	**183 230.2**	**7.8%**	**191 816.5**	**7.8%**	**200 038.1**	**7.7%**	**Public order and safety**
5.2%	127 211.6	5.4%	133 633.5	5.4%	139 186.4	5.4%	Police services
1.2%	28 261.0	1.2%	29 193.4	1.2%	30 535.0	1.2%	Law courts
1.2%	27 757.6	1.2%	28 989.6	1.2%	30 316.7	1.2%	Prisons
10.1%	**235 614.9**	**10.0%**	**250 331.2**	**10.2%**	**257 239.4**	**10.0%**	**Economic affairs**
1.7%	38 462.4	1.6%	39 547.0	1.6%	40 922.2	1.6%	General economic, commercial and labour affairs
1.0%	23 193.4	1.0%	23 779.9	1.0%	24 782.3	1.0%	Agriculture, forestry, fishing and hunting
0.5%	9 918.3	0.4%	9 832.2	0.4%	10 026.4	0.4%	Fuel and energy
0.2%	3 633.8	0.2%	3 818.2	0.2%	3 867.3	0.1%	Mining, manufacturing and construction
5.8%	139 245.0	5.9%	153 508.6	6.2%	157 495.0	6.1%	Transport
0.3%	6 163.3	0.3%	4 792.3	0.2%	4 939.4	0.2%	Communication
0.2%	3 723.9	0.2%	3 913.2	0.2%	3 828.8	0.1%	Other industries
0.5%	11 274.8	0.5%	11 139.9	0.5%	11 378.0	0.4%	Economic affairs not elsewhere classified
0.7%	**15 201.3**	**0.6%**	**15 369.8**	**0.6%**	**16 037.8**	**0.6%**	**Environmental protection**
9.1%	**228 736.7**	**9.7%**	**240 759.0**	**9.8%**	**257 954.3**	**10.0%**	**Housing and community amenities**
1.7%	42 234.6	1.8%	43 874.7	1.8%	46 626.1	1.8%	Housing development
5.3%	129 221.6	5.5%	134 723.6	5.5%	140 504.6	5.4%	Community development
2.1%	57 280.5	2.4%	62 160.7	2.5%	70 823.7	2.7%	Water supply
11.6%	**267 225.9**	**11.3%**	**276 619.7**	**11.2%**	**290 475.1**	**11.2%**	**Health**
0.7%	**14 520.6**	**0.6%**	**14 175.0**	**0.6%**	**14 649.6**	**0.6%**	**Recreation and culture**
20.4%	**474 866.7**	**20.1%**	**494 248.1**	**20.1%**	**520 736.9**	**20.2%**	**Education**
16.6%	**395 462.1**	**16.7%**	**393 092.3**	**16.0%**	**406 547.2**	**15.7%**	**Social protection**
100%	**2 363 996.1**	**100%**	**2 463 796.3**	**100%**	**2 583 303.6**	**100%**	**Subtotal: functional classification**
							Plus:
	5 000.0		7 600.0		14 500.0		Contingency reserve
	2 368 996.1		**2 471 396.3**		**2 597 803.6**		**Total consolidated expenditure**

2) Mainly general administration, cost of raising loans and unallocable capital expenditure, as well as National Revenue Fund payments previously accounted for separately.

Table 9
Consolidated government revenue, expenditure and financing

R million	2020/21 Outcome	2021/22 Outcome	2022/23 Outcome	2023/24 Revised estimate
Operating account				
Current receipts	**1 375 895.6**	**1 735 181.1**	**1 875 494.6**	**1 883 473.5**
Tax receipts (net of SACU transfers)	*1 267 724.5*	*1 609 872.1*	*1 742 355.3*	*1 751 918.9*
Non-tax receipts (including departmental receipts)	*102 636.5*	*119 878.5*	*128 095.1*	*126 837.5*
Transfers received	*5 534.6*	*5 430.5*	*5 044.3*	*4 717.1*
Current payments	**1 746 249.2**	**1 822 008.6**	**1 947 042.4**	**2 081 960.0**
Compensation of employees	*634 740.3*	*666 465.1*	*689 201.1*	*721 115.1*
Goods and services	*244 697.1*	*268 047.1*	*292 382.5*	*315 924.0*
Interest and rent on land	*240 899.0*	*275 942.9*	*315 812.6*	*364 003.7*
Transfers and subsidies	*625 912.8*	*611 553.4*	*649 646.2*	*680 917.1*
Current balance	**-370 353.6**	**-86 827.5**	**-71 547.8**	**-198 486.5**
Percentage of GDP	*-6.6%*	*-1.4%*	*-1.1%*	*-2.8%*
Capital account				
Capital receipts	*247.2*	*313.9*	*435.4*	*252.2*
Transfers and subsidies	*65 520.1*	*71 984.2*	*61 553.1*	*76 299.2*
Payments for capital assets	*62 270.0*	*73 252.7*	*85 988.7*	*107 098.9*
Capital financing requirement	**-127 542.9**	**-144 923.0**	**-147 106.4**	**-183 146.0**
Percentage of GDP	*-2.3%*	*-2.3%*	*-2.2%*	*-2.6%*
Transactions in financial assets and liabilities	**-57 269.0**	**-60 459.2**	**-26 006.1**	**34 197.6**
Contingency reserve	**–**	**–**	**–**	**–**
Budget balance	**-555 165.6**	**-292 209.8**	**-244 660.3**	**-347 434.9**
Percentage of GDP	*-9.9%*	*-4.6%*	*-3.6%*	*-4.9%*
Primary balance	**-314 266.6**	**-16 266.9**	**71 152.3**	**16 568.8**
Percentage of GDP	*-5.6%*	*-0.3%*	*1.1%*	*0.2%*
Redemptions	**-67 638.9**	**-65 292.2**	**-90 324.0**	**-145 758.6**
Domestic long-term loans	*-53 222.6*	*-61 373.4*	*-74 562.4*	*-98 613.8*
Foreign loans	*-14 416.3*	*-3 918.8*	*-15 761.6*	*-47 144.7*
Eskom debt-relief arrangement	**–**	**–**	**–**	**-76 000.0**
GFECRA settlement	**–**	**–**	**–**	**–**
Gross borrowing requirement	**-622 804.5**	**-357 502.0**	**-334 984.4**	**-569 193.5**
Financing				
Change in loan liabilities	**716 821.3**	**326 147.2**	**355 923.0**	**478 977.1**
Domestic short- and long-term loans	*624 819.9*	*294 742.3*	*291 422.4*	*434 190.9*
of which: Eskom debt-relief arrangement	*–*	*–*	*–*	*–*
Foreign loans	*92 001.3*	*31 404.8*	*64 500.6*	*44 786.1*
Change in cash and other balances (- increase)	**-94 016.8**	**31 354.9**	**-20 938.7**	**90 216.4**
Total financing	**622 804.5**	**357 502.0**	**334 984.4**	**569 193.5**
GDP	*5 615 933.0*	*6 311 962.0*	*6 721 750.0*	*7 048 960.8*

Source: National Treasury

Table 9
Consolidated government revenue, expenditure and financing

R million	2024/25 Budget estimate	2025/26 Budget estimate	2026/27 Budget estimate
Operating account			
Current receipts	**2 018 509.5**	**2 169 014.2**	**2 316 341.0**
Tax receipts (net of SACU transfers)	*1 879 660.0*	*2 023 289.1*	*2 165 121.0*
Non-tax receipts (including departmental receipts)	*133 323.9*	*139 433.1*	*144 880.4*
Transfers received	*5 525.6*	*6 292.0*	*6 339.6*
Current payments	**2 163 769.0**	**2 255 024.5**	**2 354 716.8**
Compensation of employees	*754 234.8*	*788 662.8*	*822 529.4*
Goods and services	*320 466.0*	*339 615.9*	*351 972.2*
Interest and rent on land	*390 896.5*	*423 320.0*	*448 494.8*
Transfers and subsidies	*698 171.7*	*703 425.8*	*731 720.4*
Current balance	**-145 259.5**	**-86 010.3**	**-38 375.8**
Percentage of GDP	*-1.9%*	*-1.1%*	*-0.5%*
Capital account			
Capital receipts	*320.8*	*223.5*	*230.2*
Transfers and subsidies	*79 774.4*	*81 156.3*	*84 089.8*
Payments for capital assets	*117 836.3*	*125 649.6*	*142 670.7*
Capital financing requirement	**-197 289.8**	**-206 582.4**	**-226 530.4**
Percentage of GDP	*-2.6%*	*-2.6%*	*-2.7%*
Transactions in financial assets and liabilities	**15 175.9**	**5 191.3**	**5 198.5**
Contingency reserve	**5 000.0**	**7 600.0**	**14 500.0**
Budget balance	**-332 373.4**	**-295 001.4**	**-274 207.6**
Percentage of GDP	*-4.5%*	*-3.7%*	*-3.3%*
Primary balance	**58 523.1**	**128 318.6**	**174 287.2**
Percentage of GDP	*0.8%*	*1.6%*	*2.1%*
Redemptions	**-172 568.2**	**-185 597.7**	**-166 294.9**
Domestic long-term loans	*-132 087.0*	*-126 729.9*	*-126 729.9*
Foreign loans	*-40 481.2*	*-58 867.8*	*-39 565.0*
Eskom debt-relief arrangement	**-64 154.0**	**-110 223.0**	**–**
GFECRA settlement	**100 000.0**	**25 000.0**	**25 000.0**
Gross borrowing requirement	**-469 095.6**	**-565 822.1**	**-415 502.5**
Financing			
Change in loan liabilities	**415 878.4**	**554 071.0**	**435 865.1**
Domestic short- and long-term loans	*379 093.8*	*471 821.3*	*343 596.4*
of which: Eskom debt-relief arrangement	*–*	*70 000.0*	*–*
Foreign loans	*36 784.6*	*82 249.8*	*92 268.7*
Change in cash and other balances (- increase)	**53 217.2**	**11 751.0**	**-20 362.6**
Total financing	**469 095.6**	**565 822.1**	**415 502.5**
GDP	*7 452 214.5*	*7 913 837.2*	*8 422 300.3*

Table 10
Total debt of government *1)*

R million		1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Domestic debt								
Marketable		354 706	365 231	349 415	350 870	388 300	428 593	457 780
Government bonds		*332 706*	*339 731*	*331 505*	*328 820*	*359 700*	*394 143*	*417 380*
Treasury bills		*22 000*	*25 500*	*17 910*	*22 050*	*28 600*	*34 450*	*40 400*
Bridging bonds		–	–	–	–	–	–	–
Non-marketable	3)	998	2 382	2 030	1 910	1 999	3 498	3 699
Gross loan debt		355 704	367 613	351 445	352 780	390 299	432 091	461 479
Cash balances	4)	-7 285	-2 650	-6 549	-9 730	-12 669	-30 870	-58 187
Net loan debt		348 419	364 963	344 896	343 050	377 630	401 221	403 292
Foreign debt								
Gross loan debt	5)	25 799	31 938	82 009	74 286	64 670	69 405	66 846
Cash balances	4)	–	–	–	–	–	–	–
Net loan debt		25 799	31 938	82 009	74 286	64 670	69 405	66 846
Gross loan debt		**381 503**	**399 551**	**433 454**	**427 066**	**454 969**	**501 496**	**528 325**
Net loan debt		**374 218**	**396 901**	**426 905**	**417 336**	**442 300**	**470 626**	**470 138**
Gold and Foreign Exchange Contingency Reserve Account	6)	9 200	18 170	28 024	36 577	18 036	5 292	-1 751
Composition of gross debt (excluding deduction of cash balances)								
Marketable domestic debt		93.0%	91.4%	80.6%	82.2%	85.3%	85.5%	86.6%
Government bonds		*87.2%*	*85.0%*	*76.5%*	*77.0%*	*79.1%*	*78.6%*	*79.0%*
Treasury bills		*5.8%*	*6.4%*	*4.1%*	*5.2%*	*6.3%*	*6.9%*	*7.6%*
Bridging bonds		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-marketable domestic debt	3)	0.3%	0.6%	0.5%	0.4%	0.4%	0.7%	0.7%
Domestic debt		93.2%	92.0%	81.1%	82.6%	85.8%	86.2%	87.3%
Foreign debt	5)	6.8%	8.0%	18.9%	17.4%	14.2%	13.8%	12.7%
Total as percentage of GDP								
Gross domestic debt		37.3%	33.8%	29.2%	25.2%	25.6%	25.5%	24.5%
Net domestic debt		36.6%	33.6%	28.6%	24.5%	24.8%	23.7%	21.4%
Gross foreign debt		2.7%	2.9%	6.8%	5.3%	4.2%	4.1%	3.5%
Net foreign debt		2.7%	2.9%	6.8%	5.3%	4.2%	4.1%	3.5%
Gross loan debt		40.0%	36.7%	36.0%	30.5%	29.8%	29.7%	28.0%
Net loan debt		39.3%	36.5%	35.4%	29.8%	29.0%	27.8%	24.9%

1) Debt of the national government, excluding extra-budgetary institutions and social security funds.
2) As projected at the end of January 2024.
3) Includes non-marketable Treasury bills, retail bonds, loan levies, former regional authorities and Namibian loans.
4) Bank balances of the National Revenue Fund (balances of government's accounts with the Reserve Bank and commercial banks).
Bank balances in foreign currencies are revaluated using forward estimates of exchange rates.
Source: National Treasury and Reserve Bank

Table 10
Total debt of government *1)*

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13		R million
								Domestic debt
467 864	478 265	527 751	700 532	869 588	1 045 415	1 210 834		Marketable
422 064	*426 415*	*462 751*	*585 992*	*733 438*	*890 256*	*1 038 849*		*Government bonds*
45 800	*51 850*	*65 000*	*114 540*	*136 150*	*155 159*	*171 985*		*Treasury bills*
–	–	–	–	–	–	–		*Bridging bonds*
3 238	2 555	1 956	4 943	23 133	25 524	30 300	*3)*	Non-marketable
471 102	480 821	529 707	705 475	892 721	1 070 939	1 241 134		Gross loan debt
-75 315	-93 809	-101 349	-106 550	-111 413	-130 450	-103 774	*4)*	Cash balances
395 787	387 012	428 358	598 925	781 308	940 489	1 137 360		Net loan debt
								Foreign debt
82 581	96 218	97 268	99 454	97 851	116 851	124 555	*5)*	Gross loan debt
–	–	–	-25 339	-58 750	-67 609	-80 308	*4)*	Cash balances
82 581	96 218	97 268	74 115	39 101	49 242	44 247		Net loan debt
553 683	**577 039**	**626 975**	**804 929**	**990 572**	**1 187 790**	**1 365 689**		**Gross loan debt**
478 368	**483 230**	**525 626**	**673 040**	**820 409**	**989 731**	**1 181 607**		**Net loan debt**
								Gold and Foreign Exchange
-28 514	-72 189	-101 585	-35 618	-28 283	-67 655	-125 552	*6)*	Contingency Reserve Account
								Composition of gross debt (excluding deduction of cash balances)
84.5%	82.9%	84.2%	87.0%	87.8%	88.0%	88.7%		Marketable domestic debt
76.2%	*73.9%*	*73.8%*	*72.8%*	*74.0%*	*75.0%*	*76.1%*		*Government bonds*
8.3%	*9.0%*	*10.4%*	*14.2%*	*13.7%*	*13.1%*	*12.6%*		*Treasury bills*
0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*		*Bridging bonds*
0.6%	0.4%	0.3%	0.6%	2.3%	2.1%	2.2%	*3)*	Non-marketable domestic debt
85.1%	83.3%	84.5%	87.6%	90.1%	90.2%	90.9%		Domestic debt
14.9%	16.7%	15.5%	12.4%	9.9%	9.8%	9.1%	*5)*	Foreign debt
								Total as percentage of GDP
22.1%	20.0%	19.9%	24.8%	28.6%	31.6%	34.2%		Gross domestic debt
18.5%	16.1%	16.1%	21.1%	25.0%	27.7%	31.3%		Net domestic debt
3.9%	4.0%	3.7%	3.5%	3.1%	3.4%	3.4%		Gross foreign debt
3.9%	4.0%	3.7%	2.6%	1.3%	1.5%	1.2%		Net foreign debt
25.9%	24.0%	23.6%	28.3%	31.7%	35.0%	37.6%		Gross loan debt
22.4%	20.1%	19.8%	23.7%	26.3%	29.2%	32.5%		Net loan debt

5) Valued at appropriate foreign exchange rates up to 31 March 2023 as at the end of each period. Forward estimates are based on exchange rates prevailing at 31 January 2024, projected to depreciate in line with inflation differentials.

6) The balance on the Gold and Foreign Exchange Contingency Reserve Account on 31 March 2024 represents an estimated balance on the account. The balances over the medium-term are reduced in line with the new GFECRA settlement agreement. A negative balance indicates a profit and a positive balance a

Table 10
Total debt of government *1)*

R million		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Domestic debt								
Marketable		1 409 718	1 601 499	1 782 042	1 981 627	2 242 894	2 467 758	2 834 638
Government bonds		*1 217 512*	*1 399 282*	*1 572 574*	*1 731 657*	*1 949 573*	*2 160 398*	*2 501 278*
Treasury bills		*192 206*	*202 217*	*209 468*	*249 970*	*293 321*	*307 360*	*333 360*
Bridging bonds		–	–	–	–	–	–	–
Non-marketable	*3)*	31 381	30 586	37 322	38 508	29 013	29 228	39 479
Gross loan debt		1 441 099	1 632 085	1 819 364	2 020 135	2 271 907	2 496 986	2 874 117
Cash balances	*4)*	-120 807	-120 304	-112 250	-110 262	-123 241	-120 575	-111 693
Net loan debt		1 320 292	1 511 781	1 707 114	1 909 873	2 148 666	2 376 411	2 762 424
Foreign debt								
Gross loan debt	*5)*	143 659	166 830	199 607	212 754	217 811	291 314	387 225
Cash balances	*4)*	-84 497	-94 404	-102 083	-114 353	-106 110	-122 542	-151 879
Net loan debt		59 162	72 426	97 524	98 401	111 701	168 772	235 346
Gross loan debt		**1 584 758**	**1 798 915**	**2 018 971**	**2 232 889**	**2 489 718**	**2 788 300**	**3 261 342**
Net loan debt		**1 379 454**	**1 584 207**	**1 804 638**	**2 008 274**	**2 260 367**	**2 545 183**	**2 997 770**
Gold and Foreign Exchange Contingency Reserve Account	*6)*	-177 913	-203 396	-304 653	-231 158	-193 917	-285 829	-436 062
Composition of gross debt (excluding deduction of cash balances)								
Marketable domestic debt		89.0%	89.0%	88.3%	88.7%	90.1%	88.5%	86.9%
Government bonds		*76.8%*	*77.8%*	*77.9%*	*77.6%*	*78.3%*	*77.5%*	*76.7%*
Treasury bills		*12.1%*	*11.2%*	*10.4%*	*11.2%*	*11.8%*	*11.0%*	*10.2%*
Bridging bonds		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-marketable domestic debt	*3)*	2.0%	1.7%	1.8%	1.7%	1.2%	1.0%	1.2%
Domestic debt		90.9%	90.7%	90.1%	90.5%	91.3%	89.6%	88.1%
Foreign debt	*5)*	9.1%	9.3%	9.9%	9.5%	8.7%	10.4%	11.9%
Total as percentage of GDP								
Gross domestic debt		36.5%	38.9%	40.4%	41.8%	44.2%	46.0%	50.3%
Net domestic debt		33.5%	36.0%	37.9%	39.5%	41.8%	43.8%	48.4%
Gross foreign debt		3.6%	4.0%	4.4%	4.4%	4.2%	5.4%	6.8%
Net foreign debt		1.5%	1.7%	2.2%	2.0%	2.2%	3.1%	4.1%
Gross loan debt		40.2%	42.8%	44.9%	46.2%	48.5%	51.4%	57.1%
Net loan debt		35.0%	37.7%	40.1%	41.6%	44.0%	46.9%	52.5%

1) Debt of the national government, excluding extra-budgetary institutions and social security funds.
2) As projected at the end of January 2024.
3) Includes non-marketable Treasury bills, retail bonds, loan levies, former regional authorities and Namibian loans.
4) Bank balances of the National Revenue Fund (balances of government's accounts with the Reserve Bank and commercial banks).
Bank balances in foreign currencies are revaluated using forward estimates of exchange rates.
Source: National Treasury and Reserve Bank

Table 10
Total debt of government *1)*

2020/21	2021/22	2022/23	2023/24 2)	2024/25	2025/26	2026/27		R million
								Domestic debt
3 526 897	3 846 429	4 185 103	4 614 139	4 922 189	5 337 776	5 613 051		Marketable
3 070 926	*3 398 465*	*3 762 487*	*4 103 668*	*4 378 718*	*4 747 306*	*4 988 581*		*Government bonds*
455 971	*447 964*	*422 616*	*510 471*	*543 471*	*590 471*	*624 471*		*Treasury bills*
–	–	–	–	–	–	–		*Bridging bonds*
16 369	18 930	24 669	26 974	26 974	26 974	26 974	3)	Non-marketable
3 543 266	3 865 359	4 209 771	4 641 113	4 949 163	5 364 750	5 640 025		Gross loan debt
-239 711	-169 853	-120 501	-65 000	-50 000	-50 000	-50 000	4)	Cash balances
3 303 555	3 695 506	4 089 271	4 576 113	4 899 163	5 314 750	5 590 025		Net loan debt
								Foreign debt
392 434	412 104	555 657	566 231	573 023	594 405	653 148	5)	Gross loan debt
-94 218	-96 507	-128 668	-85 699	-39 863	-18 815	-24 466	4)	Cash balances
298 216	315 597	426 989	480 532	533 160	575 590	628 682		Net loan debt
3 935 700	**4 277 463**	**4 765 428**	**5 207 344**	**5 522 185**	**5 959 155**	**6 293 173**		**Gross loan debt**
3 601 771	**4 011 103**	**4 516 260**	**5 056 645**	**5 432 323**	**5 890 340**	**6 218 707**		**Net loan debt**
-315 584	-314 283	-458 715	-503 293	-303 293	-278 293	-253 293	6)	Gold and Foreign Exchange Contingency Reserve Account
								Composition of gross debt (excluding deduction of cash balances)
89.6%	89.9%	87.8%	88.6%	89.1%	89.6%	89.2%		Marketable domestic debt
78.0%	*79.5%*	*79.0%*	*78.8%*	*79.3%*	*79.7%*	*79.3%*		*Government bonds*
11.6%	*10.5%*	*8.9%*	*9.8%*	*9.8%*	*9.9%*	*9.9%*		*Treasury bills*
0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*		*Bridging bonds*
0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.4%	3)	Non-marketable domestic debt
90.0%	90.4%	88.3%	89.1%	89.6%	90.0%	89.6%		Domestic debt
10.0%	9.6%	11.7%	10.9%	10.4%	10.0%	10.4%	5)	Foreign debt
								Total as percentage of GDP
63.1%	61.2%	62.6%	65.8%	66.4%	67.8%	67.0%		Gross domestic debt
58.8%	58.5%	60.8%	64.9%	65.7%	67.2%	66.4%		Net domestic debt
7.0%	6.5%	8.3%	8.0%	7.7%	7.5%	7.8%		Gross foreign debt
5.3%	5.0%	6.4%	6.8%	7.2%	7.3%	7.5%		Net foreign debt
70.1%	67.8%	70.9%	73.9%	74.1%	75.3%	74.7%		Gross loan debt
64.1%	63.5%	67.2%	71.7%	72.9%	74.4%	73.8%		Net loan debt

5) *Valued at appropriate foreign exchange rates up to 31 March 2023 as at the end of each period. Forward estimates are based on exchange rates prevailing at 31 January 2024, projected to depreciate in line with inflation differentials.*

6) *The balance on the Gold and Foreign Exchange Contingency Reserve Account on 31 March 2024 represents an estimated balance on the account. The balances over the medium-term are reduced in line with the new GFECRA settlement agreement. A negative balance indicates a profit and a positive balance a*

Table 11
Net loan debt, provisions and contingent liabilities *1)*

R million		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Net loan debt	2)	**1 379 454**	**1 584 207**	**1 804 638**	**2 008 274**	**2 260 367**	**2 545 183**	**2 997 770**
Provisions	3)	**134 045**	**160 383**	**217 960**	**210 974**	**211 480**	**260 682**	**341 883**
African Development Bank		38 063	43 811	54 766	49 344	44 119	53 855	66 509
Development Bank of Southern Africa		4 800	20 000	20 000	20 000	20 000	20 000	20 000
Government employee leave credits		12 924	13 030	13 454	14 137	13 606	13 474	14 137
International Bank for Reconstruction and Development		19 407	23 579	29 028	26 527	23 993	29 287	36 169
International Monetary Fund		58 697	59 786	91 658	79 535	76 358	85 908	111 774
Multilateral Investment Guarantee Agency		154	177	215	193	173	211	261
New Development Bank		–	–	8 839	21 238	33 231	57 947	93 033
Contingent liabilities		**490 503**	**575 317**	**601 380**	**664 197**	**723 400**	**828 703**	**1 056 174**
Guarantees	4)	288 041	327 169	380 136	426 234	459 107	525 568	583 808
Agricultural cooperatives		*93*	*93*	*93*	*93*	*93*	*93*	*93*
Central Energy Fund		–	–	–	–	–	–	–
Denel		*1 850*	*1 850*	*1 850*	*1 850*	*2 430*	*3 430*	*4 430*
Development Bank of Southern Africa		*25 635*	*4 030*	*4 258*	*3 993*	*3 975*	*4 256*	*4 653*
Eskom	5)	*125 125*	*149 944*	*174 586*	*202 825*	*250 648*	*285 587*	*326 868*
Former regional authorities		*112*	*105*	*98*	*93*	*84*	*77*	*75*
Guarantee scheme for housing loans to employees		*26*	*13*	*10*	*8*	*6*	*6*	*6*
Guarantee scheme for motor vehicles – senior officials		*1*	*1*	*1*	–	–	–	–
Industrial Development Corporation of South Africa		*504*	*344*	*243*	*138*	*137*	*147*	*170*
Independent power producers		*68 345*	*96 159*	*113 971*	*125 766*	*122 188*	*146 892*	*161 427*
Irrigation boards		*44*	*44*	*39*	*38*	*37*	*36*	*36*
Kalahari East Water Board		–	–	–	–	–	–	–
Komati Basin Water Authority		*1 148*	*986*	*889*	*785*	*619*	*518*	*400*
Land Bank		*1 004*	*2 005*	*5 211*	*3 712*	*3 813*	*965*	*2 484*
Lesotho Highlands Development Authority		*113*	*82*	*62*	*30*	*3*	–	–
Nuclear Energy Corporation of South Africa		*20*	*20*	*20*	*20*	*20*	*20*	*20*
Passenger Rail Agency of South Africa		*92*	*48*	*2*	–	–	–	–
Public-private partnerships		*10 127*	*10 107*	*10 337*	*10 049*	*9 580*	*10 464*	*8 654*
South African Airways		*5 010*	*8 419*	*14 394*	*17 819*	*11 059*	*15 269*	*17 867*
South African Broadcasting Corporation		–	–	–	–	–	–	–
South African Express		*539*	*539*	*539*	*827*	*867*	*163*	*163*
South African National Roads Agency Limited		*23 866*	*27 445*	*27 204*	*29 458*	*30 368*	*39 462*	*38 998*
South African Post Office		–	*270*	*1 270*	*3 979*	*400*	–	–
Reserve Bank		–	–	–	–	–	–	–
Telkom South Africa		*111*	*100*	*128*	*108*	*111*	*124*	*149*
Trans-Caledon Tunnel Authority		*20 516*	*20 807*	*21 173*	*20 886*	*18 912*	*14 302*	*13 558*
Transnet		*3 757*	*3 757*	*3 757*	*3 757*	*3 757*	*3 757*	*3 757*
Universities and technikons		*3*	*1*	*1*	–	–	–	–
Other contingent liabilities	6)	202 462	248 148	221 244	237 963	264 293	303 135	472 366
Claims against government departments		*45 131*	*48 726*	*30 601*	*29 481*	*31 807*	*32 945*	*41 374*
Export Credit Insurance Corporation of SA Limited		*13 780*	*15 308*	*16 395*	*14 015*	*18 192*	*20 454*	*20 451*
Government Employees Pension Fund		–	–	–	–	–	–	–
Post-retirement medical assistance		*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*
Road Accident Fund		*69 435*	*109 298*	*99 152*	*119 830*	*139 204*	*173 559*	*332 242*
Other		*4 178*	*4 878*	*5 158*	*4 699*	*5 152*	*6 239*	*8 361*

1) Medium-term forecasts of some figures are not available and are kept constant.
2) Debt of the national government, excluding extra-budgetary institutions and socal security funds.
3) Provisions are liabilities for which the payment date or amount is uncertain. The provisions for multilateral institutions are the unpaid portion of government's subscription to these institutions, payable on request.
Source: National Treasury

Table 11
Net loan debt, provisions and contingent liabilities 1)

2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27		R million
3 601 771	**4 011 103**	**4 516 260**	**5 056 645**	**5 432 323**	**5 890 340**	**6 218 707**	2)	**Net loan debt**
371 037	**508 720**	**612 645**	**616 936**	**606 298**	**603 460**	**609 086**	3)	**Provisions**
55 009	122 745	149 663	157 354	154 491	153 733	155 249		African Development Bank
20 000	20 000	20 000	20 000	20 000	20 000	20 000		Development Bank of Southern Africa
16 092	13 974	13 974	13 974	13 974	13 974	13 974		Government employee leave credits
30 317	30 382	40 115	42 179	41 409	41 203	41 610		International Bank for Reconstruction and Development
151 740	204 772	246 422	233 627	229 359	228 217	230 473		International Monetary Fund
216	212	259	272	267	266	269		Multilateral Investment Guarantee Agency
97 663	116 635	142 212	149 530	146 798	146 067	147 511		New Development Bank
1 067 418	**1 058 249**	**1 103 927**	**1 101 857**	**1 113 749**	**1 089 241**	**1 029 435**		**Contingent liabilities**
569 452	568 928	627 059	629 648	623 978	584 373	507 343	4)	Guarantees
93	–	–	–	–	–	–		*Agricultural cooperatives*
–	–	–	–	–	–	–		*Central Energy Fund*
3 430	*3 538*	*3 446*	–	–	–	–		*Denel*
4 854	*5 156*	*5 724*	*6 090*	*5 996*	*6 009*	*6 019*		*Development Bank of Southern Africa*
298 289	*313 020*	*362 289*	*354 006*	*351 793*	*346 040*	*293 774*	5)	*Eskom*
74	*74*	*74*	*74*	*74*	*74*	*74*		*Former regional authorities*
5	*3*	*2*	*2*	*2*	*2*	*2*		*Guarantee scheme for housing loans to employees*
–	–	–	–	–	–	–		*Guarantee scheme for motor vehicles – senior officials*
145	*130*	*148*	*156*	*159*	*163*	*166*		*Industrial Development Corporation of South Africa*
176 684	*165 695*	*187 064*	*207 101*	*208 592*	*184 732*	*162 618*		*Independent power producers*
35	*35*	*36*	*30*	*28*	*25*	*25*		*Irrigation boards*
–	–	–	–	–	–	–		*Kalahari East Water Board*
367	*368*	*371*	*372*	*374*	*376*	*376*		*Komati Basin Water Authority*
2 446	*1 899*	*551*	–	–	–	–		*Land Bank*
–	–	–	–	–	–	–		*Lesotho Highlands Development Authority*
20	*20*	*20*	*20*	*20*	*20*	*20*		*Nuclear Energy Corporation of South Africa*
–	–	–	–	–	–	–		*Passenger Rail Agency of South Africa*
8 001	*7 900*	*7 105*	*6 203*	*4 328*	*2 913*	*2 413*		*Public-private partnerships*
6 749	*2 761*	*157*	*143*	–	–	–		*South African Airways*
–	–	–	–	–	–	–		*South African Broadcasting Corporation*
20	*20*	–	–	–	–	–		*South African Express*
37 378	*42 023*	*38 174*	*29 527*	*22 851*	*18 798*	*18 786*		*South African National Roads Agency Limited*
–	–	–	–	–	–	–		*South African Post Office*
13 726	*12 821*	*9 295*	*7 981*	*4 443*	*1 341*	*327*		*Reserve Bank*
132	*123*	*99*	–	–	–	–		*Telkom South Africa*
13 247	*9 585*	*8 747*	*8 110*	*15 485*	*14 047*	*12 910*		*Trans-Caledon Tunnel Authority*
3 757	*3 757*	*3 757*	*9 833*	*9 833*	*9 833*	*9 833*		*Transnet*
–	–	–	–	–	–	–		*Universities and technikons*
497 966	489 321	476 868	472 209	489 771	504 868	522 092	6)	Other contingent liabilities
44 764	*45 576*	*38 021*	*38 021*	*38 021*	*38 021*	*38 021*		*Claims against government departments*
16 337	*10 623*	*5 470*	*3 000*	*3 628*	*1 349*	*767*		*Export Credit Insurance Corporation of SA Limited*
–	–	–	–	–	–	–		*Government Employees Pension Fund*
69 938	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*		*Post-retirement medical assistance*
361 750	*356 550*	*354 970*	*352 781*	*369 715*	*387 091*	*404 897*		*Road Accident Fund*
5 177	*6 634*	*8 469*	*8 469*	*8 469*	*8 469*	*8 469*		*Other*

4) Amounts drawn against financial guarantees, inclusive of revaluation adjustments on inflation-linked bonds and accrued interest. Numbers prior to 2018/19 exclude revaluation adjustment on inflation-linked bonds.

5) The estimates for Eskom take into account the Eskom debt relief arrangement.

6) Other contingent liabilities as disclosed in the consolidated financial statements of departments published annually by the National Treasury.