

#RSABUDGET2023

A joint publication between National Treasury and South African Revenue Service

#RSA Budget | #RSABudget2023

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INFO

WHAT IS THE BUDGET?

In February each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

HOW IS THE BUDGET PUT TOGETHER?

1. Departmental guidelines indicating budget information requirements are issued
2. Departments prioritise their programmes and compile spending plans and service delivery commitments
3. Budget proposals are submitted to National Treasury and deliberated on
4. Allocation proposals are considered by interdepartmental committees of Directors-General
5. Budget recommendations are made to Ministers' Committee
6. Medium Term Budget Policy Statement signals the upcoming Budget
7. Final allocations are decided in Cabinet
8. Budget documents are prepared
9. Main Budget is tabled
10. Parliament deliberates and adopts a Budget
11. Sent to the President for signing into law



MR. ENOCH GODONGWANA – MINISTER OF FINANCE

NAVIGATING AN UNEVEN ECONOMIC RECOVERY

Countries worldwide are experiencing a negative combination of high inflation and lower growth. The South African economy is projected to slow down because of severe electricity outages, weaker performance in the world's largest economies and persistently higher inflation.

The improvement in precious mineral prices that supported economic growth and tax revenues over the last two years is ending. There is significant pressure on households as the cost of living rises. As a result, tax collections are expected to be less positive and government spending needs to be more careful while measures to improve economic growth gain momentum.

Government is responding to these conditions with stable and balanced policies and measures to address emerging fiscal risks. The 2023 Budget reduces the consolidated budget deficit to its lowest level since 2017/18 and protects the public finances. These measures prevent the build-up of systemic risks to the financial system, protect the value of savings and build investor confidence.

In 2021, the South African economy grew by 4.9 per cent. The economic growth estimate for 2022 is revised upwards to 2.5 per cent from 1.9 per cent at the time of the 2022 *Medium Term Budget Policy Statement* (MTBPS). However, the estimate for 2023 is revised downwards to 0.9 per cent, compared to 1.4 per cent at the

time of the 2022 MTBPS. Growth is expected to recover to 1.8 per cent in 2025. These growth rates are well below what is required to create jobs and eradicate poverty.

In this context, government aims to boost economic growth through three pillars. The first is ensuring a clear and stable macro-economic framework, the second is implementing reforms in key areas of the economy, particularly energy and transport, and the third pillar supports improved state capacity.

In the past year, embedded energy generation regulations have been loosened, giving municipalities and firms more freedom to generate power and implement off-grid solutions. Government will provide R254 billion in debt relief to Eskom over the medium term

to reduce financial pressure on the utility, supporting more maintenance spending and the transition to renewable solutions.

Over the next three years, government will spend R7.08 trillion, primarily on measures to enable long-term growth and cushion the poor and vulnerable from the effects of weak economic growth. Apart from the one-year extension of the *COVID-19 social relief of distress grant*, additional allocations prioritise education, safety and security and infrastructure-related spending.

This Budget navigates an uneven global and local economic outlook by outlining clear policies to boost economic growth, address the rising cost of living and deal with severe power outages.



A MOVE TOWARDS ENHANCED ECONOMIC GROWTH

Economic growth has slowed in the last decade due to structural economic constraints. These include persistent and intense power supply disruptions as unplanned outages have increased since last year, reducing the energy available to the entire economy.

To unlock higher economic growth, government aims to implement key economic reforms,

mainly in the energy sector. Reforms aimed at stabilising the electricity supply have been strengthened by new interventions overseen by the National Energy Crisis Committee. In the short term, the committee aims to reduce the severity and frequency of load-shedding by addressing key challenges at power stations, reducing the burden on electricity generation and centralising the regulatory and approval process for

new energy projects. Eskom has also secured agreements with the private sector to generate 2 000 megawatts of additional power. In the long term, the objective is to achieve a balance between energy security, efficiency and costs. Transformation of the electricity sector will ensure Eskom's sustainability and foster competition in the market to ensure that more capacity is added to the grid, increasing energy availability.



INFRASTRUCTURE SPENDING FOR INVESTMENT AND GROWTH

The economic recovery plan announced in October 2020 links infrastructure investment and related institutional reforms to support higher economic growth.

Government is working on several reforms to strengthen the management of public infrastructure. Many of these involve pooling resources with the private sector in blended finance initiatives to fund and implement infrastructure projects more effectively.

To grow the economy and

reduce unemployment and poverty, total capital investment, which amounted to 13.1 per cent of GDP in 2021, needs to increase significantly. Over the past decade, weak growth, rising spending pressures and the financial support provided to state-owned companies have reduced government's ability to invest in new infrastructure. Private-sector investment has also fallen for a variety of reasons. As a result, total capital investment has declined.

Public-sector infrastructure

spending over the next three years is estimated at R903 billion. State-owned companies remain the largest contributor to public-sector capital investment, spending a projected R302.1 billion over the next three years. Provinces and municipalities are expected to spend R209.8 billion and R190.3 billion on infrastructure, respectively, over the same period.

Public housing built through the *human settlements development grant* in provinces is expected to total R45.9 billion over the next three years. 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 78.3 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 17.6 per cent of the total, of which health and education account for 5 per cent and 7 per cent, respectively.

2023 BUDGET HIGHLIGHTS

1. Taxes remain government's main source of income, followed by borrowing.
2. The social wage, which includes community development, employment programmes, health, education and social development, is government's largest spending area.
3. Social grants will increase in line with CPI inflation. The R350 grant will continue until 31 March 2024.
4. Despite the low growth projection of 0.9 percent, government is committed to economic and social development.
5. Government will provide R254 billion in debt relief to Eskom as part of broader energy sector reforms.
6. Interest payments continue to increase, crowding out spending on essential public services such as health and basic education.

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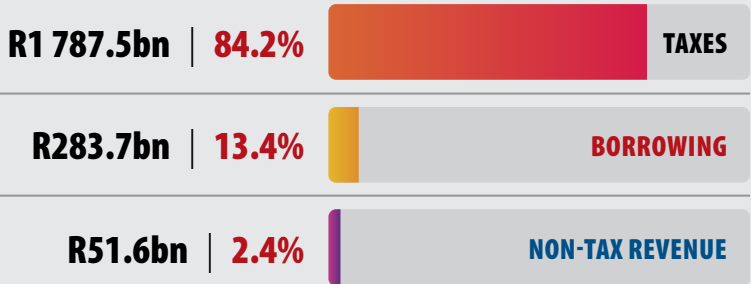
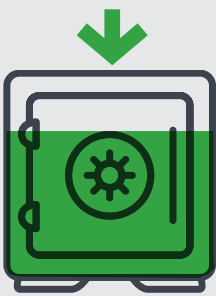
THE JOB CREATION INITIATIVE

The presidential employment initiative has created over a million short-term jobs over the past two years.

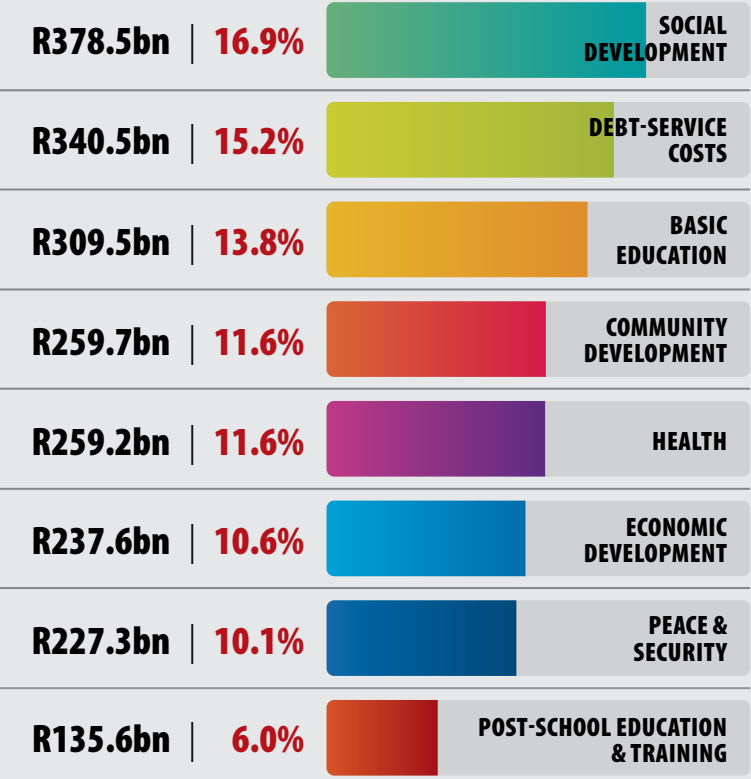
The next cohort of 255 000 young people will take up posts as school assistants in over 22 000 schools from 1 February 2023. The Social Employment Fund currently employs 47 408 participants through 26 partners, and 50 000 jobs will be added. As part of this initiative, more than 45 000 participants have been enrolled in youth service placements.



1 SOURCES OF GOVERNMENT INCOME IN 2023/24



2 GOVERNMENT SPENDING IN 2023/24

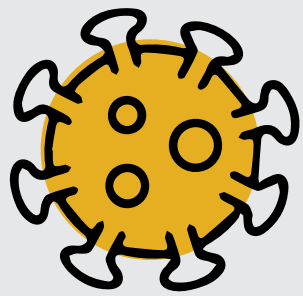


3 SOCIAL GRANTS

	2022/23	2023/24
STATE OLD AGE GRANT	R1 985	R2 085
STATE OLD AGE GRANT, OVER 75	R2 005	R2 105
WAR VETERANS GRANT	R2 005	R2 105
DISABILITY GRANT	R1 985	R2 085
FOSTER CARE GRANT	R1 070	R1 125
CARE DEPENDENCY GRANT	R1 985	R2 085
CHILD SUPPORT GRANT	R480	R505
GRANT-IN-AID	R480	R505



19.6 million people to receive social grants by March 2026



R36 billion

is allocated to the COVID-19 social relief of distress grant to provide beneficiaries with R350 per month

The Budget will increase the values of permanent grants in line with inflation.

4 THE BUDGET SUPPORTS ECONOMIC GROWTH AND SOCIAL DEVELOPMENT



0.9 per cent real GDP growth is expected in 2023, before improving to 1.8 per cent growth in 2025



R3.60 trillion is allocated for community development, employment programmes, health, education and social protection over the next 3 years



R809.4 billion is allocated to support the provision of equitable access to healthcare services over the next 3 years



R825.8 billion is allocated for basic services, housing and public transport, and spatial transformation and urban development over the next 3 years



R2.8 billion is allocated as part of the Township and Rural Entrepreneurship Fund to support 120 000 township and rural enterprises

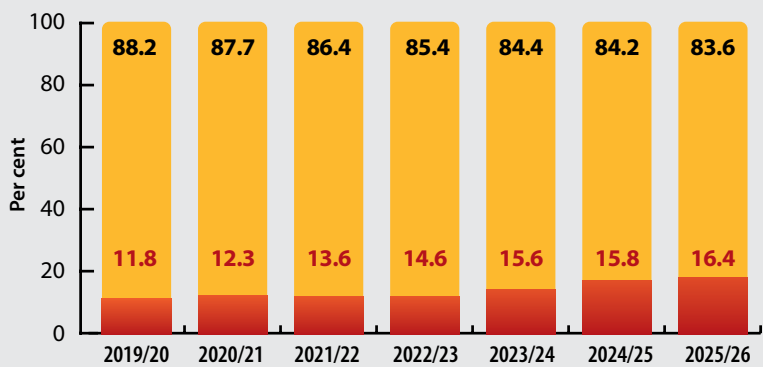
5 ESKOM DEBT-RELIEF PROGRAMME



R254 billion will be transferred from Eskom to the government balance sheet to reduce financial pressure on the utility

6 GOVERNMENT NON-INTEREST & INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE

Non-interest spending* Interest payments



* Non-interest expenditure is total spending by government excluding interest paid on debt.

2023 TAX PROPOSALS



PERSONAL INCOME TAX

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2023 Budget provides tax relief by announcing an adjustment of personal income tax brackets and rebates in line with the expected inflation rate of 4.9 per cent. The amount an individual can earn before being required to pay tax for the tax year from 1 March 2023 to 29 February 2024 is adjusted as follows:

TAX THRESHOLDS	TAX YEAR: 2022/23	TAX YEAR: 2023/24
Below age 65	R91 250	R95 750
Age 65 to 74	R141 250	R148 217
Age 75 and over	R157 900	R165 689

These thresholds are a result of the new tax rebates:

TAX REBATES	TAX YEAR: 2022/23	TAX YEAR: 2023/24
Primary (age below 65)	R16 425	R17 235
Secondary (age 65 and over)	R9 000	R9 444
Tertiary (age 75 and over)	R2 997	R3 145

SIN TAXES

INCREASES IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages and tobacco products will increase by 4.9 per cent.

	INCREASES BY:
Malt beer	10c per 340ml can
Unfortified wine	18c per 750ml bottle
Fortified wine	31c per 750ml bottle
Sparkling wine	9c per 750ml bottle
Ciders and alcoholic fruit beverages	10c per 340ml can
Spirits	R3.90 per 750ml bottle
Cigarettes	98c per packet of 20
Heated tobacco product sticks	73c per packet of 20
Cigarette tobacco	R1.10 per 50g
Pipe tobacco	33c per 25g
Cigars	R5.47 per 23g

TAX RATES

INCOME TAX: RETIREMENT FUND LUMP SUM BENEFITS

The rate table that applies from 1 March 2023 is as follows:

Taxable Income (R)	Rate of Tax (R)
R0 - R550 000	0% of taxable income
R550 001 - R770 000	18% of taxable income above R550 000
R770 001 - R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

Source: National Treasury

INCOME TAX: RETIREMENT FUND LUMP SUM WITHDRAWAL BENEFITS

The rate table that applies from 1 March 2023 is as follows:

Taxable Income (R)	Rate of Tax (R)
R0 - R27 500	0% of taxable income
R27 501 - R726 000	18% of taxable income above R27 500
R726 001 - R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

Source: National Treasury

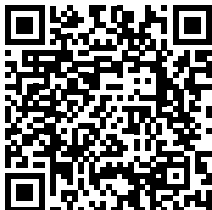
TRANSFER DUTIES

The duty rate table is adjusted with effect from 1 March 2023. The first R1.1 million of the value of property acquired is free from transfer duty. The new rate table is as follows:

Taxable Income (R)	Rate of Tax (R)
R0 - R1 100 000	0% of property value
R1 100 001 - R1 512 500	3% of property value above R1 100 000
R1 512 501 - R2 117 500	R12 375 + 6% of property value above R1 512 500
R2 117 501 - R2 722 500	R48 675 + 8% of property value above R2 117 500
R2 722 501 - R12 100 000	R97 075 + 11% of property value above R2 722 500
R12 100 001 and above	R1 128 600 + 13% of property value above R12 100 000

Source: National Treasury

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We are constantly looking for new ways to improve this guide and would appreciate it if you could send your **feedback and suggestions** to Media@treasury.gov.za