

2017 BUDGET HIGHLIGHTS

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BUDGET FRAMEWORK

- A budget deficit of 3.4 per cent of GDP is expected for 2016/17, narrowing to 2.6 per cent in 2019/20.
- Debt stock as a percentage of GDP is expected to stabilise at 48.2 per cent in 2020/21.
- The main budget non-interest expenditure ceiling has been lowered by R26 billion over the next two years.
- R28 billion in additional tax revenue will be raised in 2017/18. Measures to increase revenue by a proposed R15 billion in 2018/19 will be outlined in the 2018 Budget.
- R30 billion has been reprioritised through the budget process to ensure that core social expenditure is protected.
- Real growth in non-interest spending will average 1.9 per cent over the next three years. Apart from debt-service costs, post-school education is the fastest-growing category, followed by health and social protection.

MACROECONOMIC OUTLOOK – SUMMARY

| Percentage change | 2016 | 2017 | 2018 | 2019 |
|---|------------|------------|------------|------------|
| | Estimate | Forecast | | |
| Household consumption | 0.9 | 1.3 | 2.0 | 2.3 |
| Gross fixed capital formation | -3.6 | 1.5 | 1.6 | 2.8 |
| Exports | -1.2 | 1.9 | 4.9 | 5.0 |
| Imports | -3.6 | 2.0 | 4.3 | 4.9 |
| Gross domestic product | 0.5 | 1.3 | 2.0 | 2.2 |
| CPI inflation | 6.4 | 6.4 | 5.7 | 5.6 |
| Balance of payments current account (percentage of GDP) | -4.0 | -3.9 | -3.7 | -3.8 |

SPENDING PROGRAMMES

Over the next three years, government will spend:

- R490.4 billion on social grants.
- R105.9 billion on transfers to universities, while the National Student Financial Aid Scheme will spend R54.3 billion.
- R751.9 billion on basic education, including R48.3 billion for direct subsidies to schools, R42.9 billion for infrastructure, and R12.7 billion for learner and teacher support materials.
- R114.8 billion on subsidised public housing.
- R94.4 billion on water resources and bulk infrastructure.
- R189 billion on transfers of the local government equitable share to provide basic services to poor households.
- R142.6 billion to support affordable public transport.
- R606 billion on health, with R59.5 billion on the HIV/AIDS conditional grant.

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

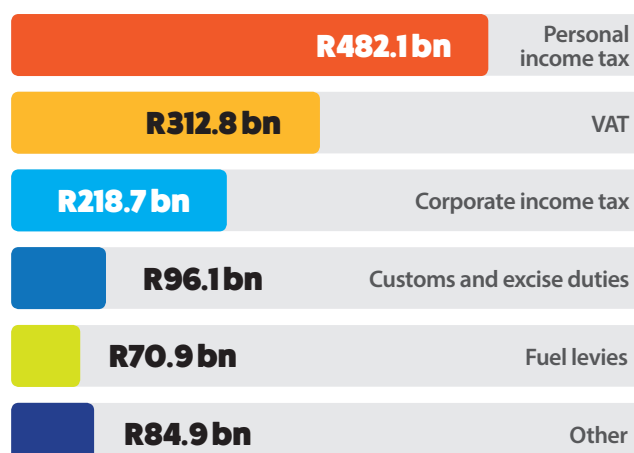
| R billion/percentage of GDP | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------------------|------------------|-----------------------|----------------|----------------|
| | Revised estimate | Medium-term estimates | | |
| Revenue | 1 297.3 | 1 414.1 | 1 535.2 | 1 668.5 |
| Percentage of GDP | 29.4% | 29.8% | 29.9% | 30.1% |
| Expenditure | 1 445.2 | 1 563.1 | 1 677.1 | 1 814.3 |
| Percentage of GDP | 32.8% | 33.0% | 32.7% | 32.7% |
| Budget balance | -147.9 | -149.0 | -141.9 | -145.8 |
| Percentage of GDP | -3.4% | -3.1% | -2.8% | -2.6% |
| Gross domestic product | 4 409.8 | 4 741.2 | 5 129.2 | 5 545.5 |

TAX PROPOSALS

In 2017/18:

- A new top marginal income tax bracket for individuals combined with partial relief for bracket creep will raise an additional R16.5 billion.
- R6.8 billion will be collected through a higher dividend withholding tax rate. Increases in fuel taxes and alcohol and tobacco excise duties will together increase revenue by R5.1 billion.
- As soon as the necessary legislation is approved, government will implement a tax on sugary beverages.
- A revised Carbon Tax Bill will be published for public consultation and tabling in Parliament by mid-2017.

TAX REVENUE 2017/18



CONSOLIDATED GOVERNMENT EXPENDITURE, 2016/17 – 2019/20

| R billion | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2016/17–2019/20 |
|--|------------------|-----------------------|----------------|----------------|-----------------------|
| | Revised estimate | Medium-term estimates | | | Average annual growth |
| Basic education | 226.6 | 243.0 | 261.3 | 280.1 | 7.3% |
| Health | 170.9 | 187.5 | 201.4 | 217.1 | 8.3% |
| Defence, public order and safety | 190.0 | 198.7 | 210.8 | 225.0 | 5.8% |
| Post-school education and training | 69.0 | 77.5 | 80.9 | 89.8 | 9.2% |
| Economic affairs and agriculture | 227.7 | 241.6 | 255.9 | 273.8 | 6.3% |
| Human settlements and municipal infrastructure | 179.8 | 195.8 | 210.2 | 226.4 | 8.0% |
| General public services | 70.0 | 70.7 | 72.5 | 75.6 | 2.6% |
| Social protection | 164.9 | 180.0 | 193.5 | 209.1 | 8.2% |
| Allocated expenditure | 1 298.9 | 1 394.8 | 1 486.4 | 1 597.0 | 7.1% |
| Debt-service costs | 146.3 | 162.4 | 180.7 | 197.3 | 10.5% |
| Contingency reserve | – | 6.0 | 10.0 | 20.0 | |
| Consolidated expenditure | 1 445.2 | 1 563.1 | 1 677.1 | 1 814.3 | 7.9% |

BUDGET 2017/18 EXPENDITURE

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CONSOLIDATED GOVERNMENT EXPENDITURE

R1.56 TRILLION



R884 BILLION

SOCIAL SERVICES



ECONOMIC AFFAIRS & AGRICULTURE R241.6bn

| | |
|--|---------|
| Economic infrastructure and network regulation | R89.5bn |
| Employment, labour affairs and social security funds | R75.9bn |
| Industrial development and trade | R28.9bn |
| Agriculture, rural development and land reform | R26.5bn |
| Science, technology, innovation and the environment | R20.6bn |



DEFENCE & PUBLIC SAFETY R198.7bn

| | |
|----------------------------|---------|
| Police services | R93.8bn |
| Defence and state security | R54.0bn |
| Law courts and prisons | R43.8bn |
| Home affairs | R7.2bn |



GENERAL ADMIN R70.7bn

| | |
|--|---------|
| General public administration and fiscal affairs | R43.9bn |
| Executive and legislative organs | R14.3bn |
| External affairs and foreign aid | R12.4bn |



DEBT-SERVICE COSTS R162.4bn



EDUCATION R320.5bn

| | |
|---|----------|
| Basic education | R216.7bn |
| University subsidies | R31.6bn |
| Skills development levy institutions | R21.1bn |
| Education administration | R15.8bn |
| National Student Financial Aid Scheme | R15.3bn |
| Technical and vocational education and training | R7.4bn |



HEALTH R187.5bn

| | |
|---------------------------------------|---------|
| District health services | R83.6bn |
| Central hospital services | R35.9bn |
| Provincial hospital services | R32.3bn |
| Other health services | R25.8bn |
| Facilities management and maintenance | R9.9bn |



LOCAL DEVELOPMENT AND INFRASTRUCTURE R195.8bn

| | |
|---|---------|
| Municipal equitable share and infrastructure grant | R72.9bn |
| Human settlements, water and electrification programmes | R52.8bn |
| Public transport | R44.1bn |
| Other human settlements and municipal infrastructure | R26.0bn |



SOCIAL PROTECTION R180.0bn

| | |
|---|---------|
| Old-age grant | R64.5bn |
| Child-support grant | R56.3bn |
| Disability grant | R21.2bn |
| Provincial social development | R19.2bn |
| Other grants | R10.7bn |
| Policy oversight and grant administration | R8.3bn |