

# 2018 BUDGET HIGHLIGHTS

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## BUDGET FRAMEWORK

- The budget deficit is projected to narrow from 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21.
- Main budget non-interest expenditure is projected to remain stable at 26.6 per cent of GDP between 2017/18 and 2020/21.
- Net debt is expected to stabilise at 53.2 per cent of GDP in 2023/24.
- Proposed tax measures will raise an additional R36 billion in 2018/19.
- The fiscal framework reflects two major changes that followed the 2017 MTBPS: medium-term expenditure cuts identified by a Cabinet subcommittee amounting to R85 billion, and an additional allocation of R57 billion for fee-free higher education and training.
- Contingency reserves have been revised upwards to R26 billion over the next three years.
- Real growth in non-interest expenditure will average 1.8 per cent over the next three years. Post-school education and training is the fastest-growing category.

## MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2017	2018	2019	2020
	Estimate	Forecast		
Household consumption	1.3	1.7	1.9	2.3
Gross fixed - capital formation	0.3	1.9	3.3	3.7
Exports	1.5	3.8	3.4	3.5
Imports	2.7	4.4	4.6	4.5
<b>Gross domestic product</b>	<b>1.0</b>	<b>1.5</b>	<b>1.8</b>	<b>2.1</b>
CPI inflation	5.3	5.3	5.4	5.5
Current account balance (% of GDP)	-2.2	-2.3	-2.7	-3.2

## SPENDING PROGRAMMES

### Over the next three years, government will spend:

- R528.4 billion on social grants.
- In total, R324 billion is provided for higher education and training, including R57 billion of new allocations for fee-free higher education and training.
- R792 billion on basic education, including R35 billion for infrastructure, and R15.3 billion for learner and teacher support materials, including ICT.
- R667.8 billion on health, with R66.4 billion on the HIV, AIDS and TB conditional grant.
- R123.3 billion on subsidised public housing.
- R125.8 billion on water infrastructure and services.
- R207.4 billion on transfers of the local government equitable share to provide basic services to poor households.
- R129.2 billion to support affordable public transport.

## CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

	2017/18	2018/19	2019/20	2020/21
R billion/percentage of GDP	Revised estimate	Medium-term estimates		
<b>Revenue</b>	<b>1 353.6</b>	<b>1 490.7</b>	<b>1 609.7</b>	<b>1 736.9</b>
Percentage of GDP	28.8%	29.7%	29.9%	29.9%
<b>Expenditure</b>	<b>1 558.0</b>	<b>1 671.2</b>	<b>1 803.0</b>	<b>1 941.9</b>
Percentage of GDP	33.2%	33.3%	33.4%	33.4%
<b>Budget balance</b>	<b>-204.3</b>	<b>-180.5</b>	<b>-193.3</b>	<b>-205.0</b>
Percentage of GDP	-4.3%	-3.6%	-3.6%	-3.5%
Gross domestic product	4 699.4	5 025.4	5 390.1	5 808.3

## TAX PROPOSALS

### In 2018/19:

- The VAT rate will increase from 14 to 15 per cent from 1 April 2018.
- R6.8 billion will be raised from partial relief for bracket creep.
- Increases in the general fuel levy and alcohol and tobacco excise duties will together raise revenue of R2.6 billion. *Ad valorem* excise duties for luxury goods, such as motor vehicles, will be increased.
- Estates above R30 million will now be taxed at a rate of 25 per cent.
- The plastic bag levy, motor vehicle emissions tax and the levy on incandescent light bulbs will be raised to promote eco-friendly choices. A health promotion levy, which taxes sugary beverages, will be implemented from 1 April 2018.

## CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2017/18 - 2020/21

	2017/18	2018/19	2019/20	2020/21	2017/18 - 2020/21
R billion	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	323.1	351.1	385.4	413.1	8.5%
Health	191.7	205.4	222.0	240.3	7.8%
Social development	234.9	259.4	281.8	305.8	9.2%
Community development	183.5	196.3	210.5	227.1	7.4%
Economic Development	183.5	200.1	211.9	227.1	7.4%
Peace and security	195.7	200.8	213.6	227.7	5.2%
General public services	62.1	64.0	65.9	70.5	4.3%
Payments for financial assets	20.4	6.0	6.2	6.6	
<b>Allocated expenditure</b>	<b>1 394.8</b>	<b>1 483.1</b>	<b>1 597.3</b>	<b>1 718.1</b>	<b>7.2%</b>
Debt-service costs	163.2	180.1	197.7	213.9	9.4%
Contingency reserve	-	8.0	8.0	10.0	
<b>Consolidated expenditure</b>	<b>1 558.0</b>	<b>1 671.2</b>	<b>1 803.0</b>	<b>1 941.9</b>	<b>7.6%</b>

## TAX REVENUE 2018/19

**R505.8 bn**

Personal income tax

**R348.1 bn**

VAT

**R231.2 bn**

Corporate income tax

**R97.4 bn**

Customs and excise duties

**R84.8 bn**

Other

**R 77.5 bn**

Fuel levies

# 2018/19 BUDGET EXPENDITURE

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## CONSOLIDATED GOVERNMENT EXPENDITURE

**R1.67 TRILLION**



**R1.01 TRILLION**

## SOCIAL SERVICES



**ECONOMIC DEVELOPMENT**  
**R200.1bn**

Economic regulation and infrastructure	R97.9bn
Industrialisation and exports	R32.9bn
Agriculture and rural development	R30.2bn
Job creation and labour affairs	R23.3bn
Innovation, science and technology	R15.8bn



**PEACE AND SECURITY**  
**R200.8bn**

Police services	R99.1bn
Defence and state security	R48.4bn
Law courts and prisons	R45.4bn
Home affairs	R7.9bn



**GENERAL PUBLIC SERVICES**  
**R64bn**

Public administration and fiscal affairs	R40.4bn
Executive and legislative organs	R16.0bn
External affairs	R7.6bn



**DEBT-SERVICE COSTS**  
**R180.1bn**



**LEARNING AND CULTURE**  
**R351.1bn**

Basic education	R230.4bn
University transfers	R34.9bn
National Student Financial Aid Scheme	R22.8bn
Skills development levy institutions	R19.3bn
Education administration	R16.8bn
Technical and vocational education and training	R10.7bn



**HEALTH**  
**R205.4bn**

District health services	R90.2bn
Central hospital services	R38.6bn
Provincial hospital services	R34.3bn
Other health services	R33.8bn
Facilities management and maintenance	R8.5bn



**COMMUNITY DEVELOPMENT**  
**R196.3bn**

Municipal equitable share	R62.7bn
Human settlements, water and electrification programmes	R56.5bn
Public transport	R38.6bn
Other human settlements and municipal infrastructure	R38.5bn



**SOCIAL DEVELOPMENT**  
**R259.4bn**

Old-age grant	R70.5bn
Social security funds	R66bn
Child-support grant	R60.6bn
Disability grant	R22.1bn
Provincial social development	R20.6bn
Policy oversight and grant admin	R9.8bn
Other grants	R9.7bn