ENGLISH

BUDGET 2015 PEOPLE'S GUIDE

A joint publication between National Treasury and South African Revenue Service

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At Your Service

WHAT IS THE BUDGET? In February of 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.

CHALLENGING TIMES, RESPONSIBLE CHOICES

A budget represents how a government responds to its society's aspirations. The 2015 Budget is one that reaffirms government's commitment to improving the lives of the poor, even as the resources are under pressure.

Since 2009, South Africa, like many other countries, experienced a difficult period of low economic growth and increasing government debt. Our country needs economic growth of around 5 per cent a year to reduce unemployment and poverty. For now, that target has been difficult to reach partly due to a weak global environment. On the home front, challenges such as the shortage of electricity, skills shortage and strikes have constrained growth. In 2015, the economy is expected to grow by 2 per cent, and remain weak, reaching 3 per cent in 2017. As a result of slow growth, resources will be limited and responsible choices will have to be made in allocating them. The 2015 Budget is a reflection of such choices.

Government spending, excluding the amount it pays for servicing debt, will increase from R1.12 trillion in 2014/15 to R1.41 trillion in 2017/18. Government will maintain the strong growth in critical areas of social spending. For example, post-school education will remain one of the fastest growing area of expenditure - growing at a rate of 7.1 per cent per year - because education is central to government's plan of improving people's lives. Allocations to the National Student Financial Aid Scheme will reach R6.9 billion by 2017/18.

At the centre of government's development plan is the provision of economic infrastructure to support growth. Government will spend R813.1 billion on infrastructure over the next three years. R669 billion of this will be on critical projects in transport, energy and logistics. Social infrastructure is also important because it contributes to the eradication of poverty and improvement in the quality of life. Government has 50 large health infrastructure projects and has budgeted R9.3 billion for these over the next three years.

In recognition of the limited amount of revenue raised by government, steps have been taken to reduce wasteful expenditure and improve efficiencies. This includes reducing the amount of money spent on non-essential items in order to avail more resources to critical areas.

The 2015 Budget promotes spending that is accountable, transparent and responsive to the needs of the people, thus keeping the country on a path that allows it to expand on its successes of the past 21 years.

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RSA BUDGET

MESSAGE FROM THE MINISTER

The 2015 budget is being tabled at a time when South Africa faces many challenges, not the least of which is the weaker economic performance, electricity supply challenges, and the limited space within which government has to manage public finances.

The favourable conditions that supported high growth rates in government spending in past years are no longer present. Government has therefore proposed a series of measures to reduce the gap between what government collects in revenue (mainly taxes) and what it spends, the so-called budget deficit.

These steps are necessary to ensure continued progress towards a better life for all. They complement reforms which if successfully implemented will lay the foundations for higher economic growth and job creation well into the future.

Government is obliged to safeguard the public finances. To do otherwise would risk exposing the country to a debt trap, with damaging consequences for development as a higher proportion of the budget will be used to pay interest on debt.

Notwithstanding the weaker economic environment and the limited fiscal room for manoeuvre, the 2015 budget remains firmly focused on the transformation of our society over the long term. While we have no option but to respond to our changed circumstances, our primary goal remains the reconstruction and development of our country, the building of a shared future in which we can take pride in the quality of public services, the creation of jobs and security in our communities.

MANAGING CITIES AND INFRASTRUCTURE NETWORKS

As a focal point of commerce, properly planned and well maintained cities promote economic development. Rapid urbanisation in many of South Africa's major cities puts pressure on infrastructure that was designed to accommodate smaller populations.

Changing the urban landscape requires reviving investment in affordable housing and improving infrastructure networks – especially transport. National government provides infrastructure support to local government through transfers, primarily the municipal infrastructure grant. This grant will get R46.9 billion over the next three years.

Improving the movement of people in social and economic spaces such as cities has seen the launch of rapid-bus transport systems in three South African cities

The Human Settlements Department aims to create an additional 1.5 million housing opportunities by 2019. Under the department's Master Spatial Plan, R33.3 billion is allocated to metropolitan cities over the next three years for the provision of bulk infrastructure, land and basic services. Improving the movement of people in social and economic spaces such as cities has seen the launch of rapid-bus transport systems in three South African cities - the Rea Vaya system in Johannesburg, My Citi in Cape Town and Are Yeng in Pretoria.

Continued support for a more efficient transport system will be provided through public transport subsidies from the Department of Transport. These subsidies will grow at an annual rate of 4.3 per cent over the next three years.

PROTECTING SOCIAL SECURITY AND SOCIAL WELFARE

Over the next three years, South African Social Security Agency (SASSA), will continue to expand social grant facilities

Government remains firm in its commitment to eradicate inequality and poverty. One way to achieve this reality is to provide support for vulnerable citizens through the provision of social grants.

By 2018, nearly 17.5 million South Africans will receive some form of social grant. A social grant is the most direct means of addressing the poverty challenge facing our country. It is targeted at the elderly, war veterans, children and people with disabilities. Boosting the income of these households reduces the effects of poverty whilst at the same time enhancing the capabilities of citizens and communities as important steps towards the creation of a developmental state. Over the next three years, South African Social Security Agency (SASSA), will continue to expand social grant facilities.

SOCIAL GRANTS

By 2017/18 spending on social assistance will reach R149 billion, reflecting government's commitment to protecting the most vulnerable. Efforts to register young children under the age of two who are eligible but currently not receiving a grant are underway.

2014/15	2015/16
STATE OLD AGE GRANT	
R1 350	R 1 410
STATE OLD AGE GRANT, OVER 75s	
R1 370	R 1 430
WAR VETERANS GRANT	
R1 370	R 1 430
DISABILITY GRANT	
R1 350	R 1 410
FOSTER CARE GRANT	
R830	R860
CARE DEPENDENCY GRANT	
R1 350	R 1 410
CHILD SUPPORT GRANT	
R315	R330

EDUCATION AND HEALTH REMAIN CORE SPENDING AREAS

The wellbeing of a society is best expressed in its citizens' ability to access quality services, particularly education and healthcare. While significant progress has been made in these areas over the past two decades, much more still needs to be done to make South Africans healthier and more educated. Over the next three years:

1

R7 BILLION

will go to the school infrastructure backlogs conditional grant to replace infrastructure in 510 schools and provide water to 1 120 schools, sanitation to 741 and electricity to 916 schools

2

R19.5 BILLION

will be invested by the Department of Health (DoH) towards maintenance and refurbishment of health facilities and seven other mega projects driven by provincial and national departments

3

R3.1 BILLION

for Funza Lushaka bursary scheme to ensure an adequate supply of young and well-qualified teachers. By 2017/18, at least 10 200 new teachers will enter the public service

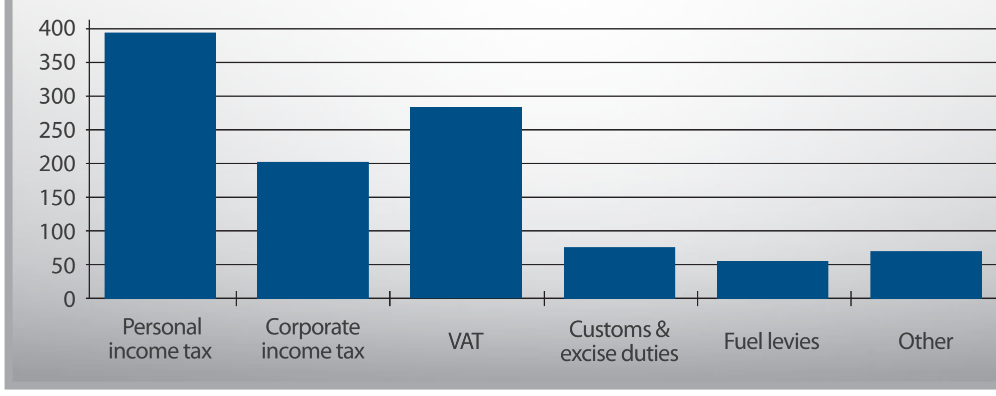
4

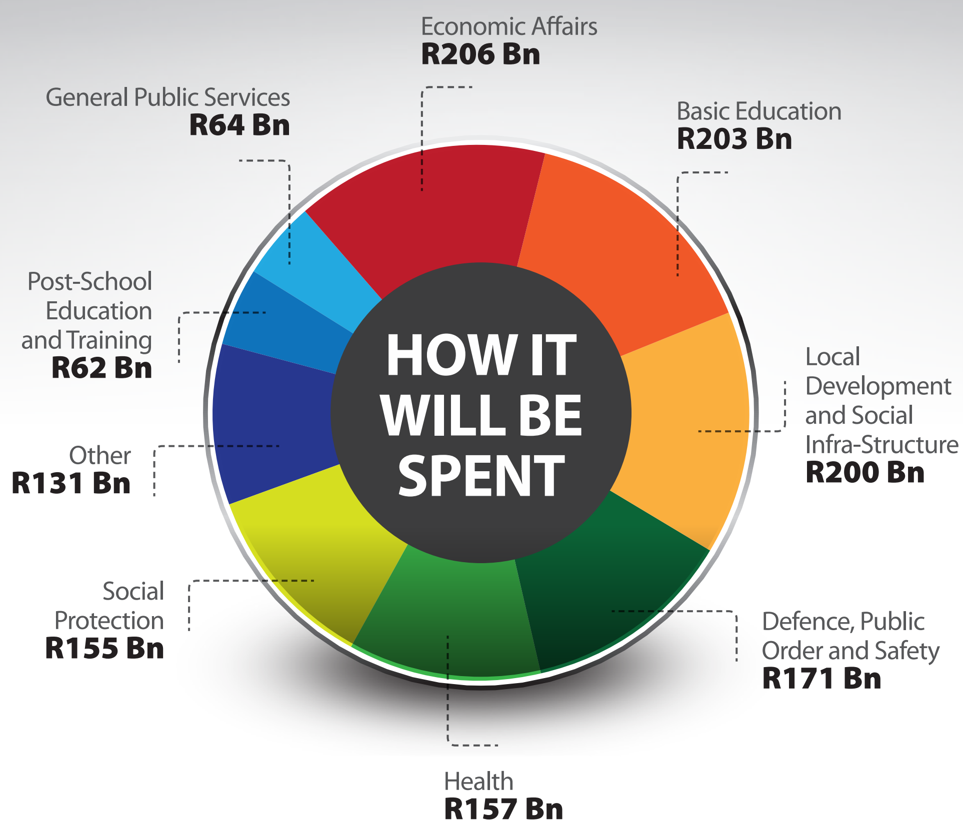
11 DISTRICTS

Department of Health is in the fourth year of the phased 15-year rollout of National Health Insurance, and pilot activities are already underway in 11 districts.

WHERE THE MONEY COMES FROM

TAX REVENUE	2015/16	%
PERSONAL INCOME TAX	393.9	36.4
CORPORATE INCOME TAX	202.0	18.7
VAT	283.8	26.2
CUSTOMS AND EXCISE DUTIES	76.1	7.0
FUEL LEVIES	55.7	5.1
OTHER	69.8	6.5
TOTAL	**1081.3**	**100.0**





HOW IS THE BUDGET PUT TOGETHER?

Every year the government publishes a Budget Review, which has estimates of how much revenue government can raise and therefore its capacity to spend.

Government firstly considers the economic environment, which informs the ability to raise taxes. The more the economy grows, the more revenue government will be able to collect. Mostly, government spends more than the revenue it collects. This then forces government to borrow from investors to fund the spending.

Before government can spend on its priorities, it has to pay interest for the debt that it has accumulated over the years. This is referred to as a direct charge since government has to honour its debt. Other direct charges include the general fuel levy to local government and the skills development levy.

The government must also put money aside for unforeseeable events such as natural disasters. This is called a contingency reserve. Only after this does government divide the rest of the funds between national, provincial and local governments. This is referred to as the division of revenue.

While the National Treasury is responsible for publishing the Budget, the process of determining revenue, how much to borrow and spending priorities involves all three spheres of government as well as politicians.

These decisions are laid out in the chapters of the Budget Review document – each of which is put together by a different division in the Treasury. The Minister of Finance then presents the Budget in Parliament followed by a consultation process. Once Parliament approves the Budget, it is adopted and becomes Parliament's Budget.

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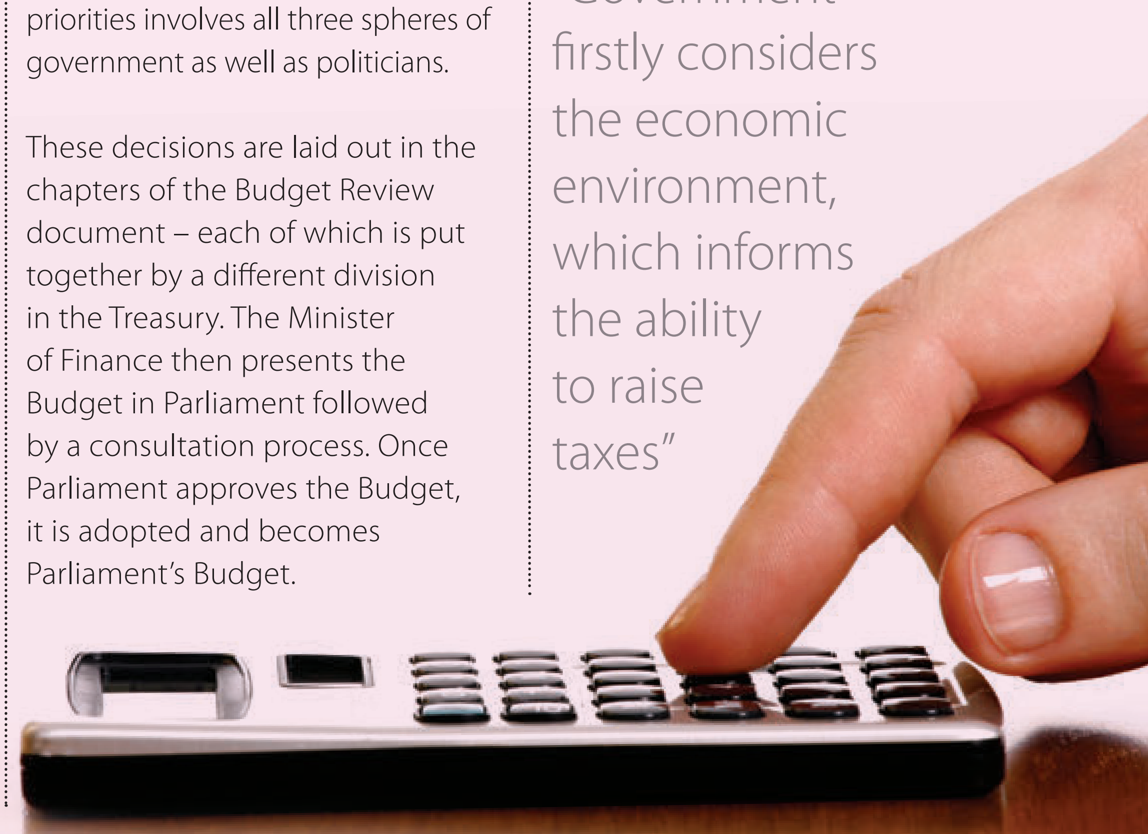

2015 BUDGET TAX PROPOSALS

PERSONAL INCOME TAX

HOW PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2015 Budget provides some changes to personal income tax, including adjustments to tax brackets and rebates to provide relief from the effect of inflation. This Budget sees an increase in marginal tax rates for individuals earning more than R181 900 and an increase in medical tax credits.

Individual taxpayers who earn below R500 000 a year will benefit from tax relief.

The amount an individual can earn before they are required to pay tax has been adjusted for the tax year that runs from 1 March 2015 to 29 February 2016 as follows:

TAX THRESHOLDS	TAX YEAR: 2014/15	TAX YEAR: 2015/16
Below age 65	R70 700	R73 650
Age 65 to 74	R110 200	R114 800
Age 75 and over	R123 350	R128 500

The new tax thresholds are due to increases in tax rebates for individual taxpayers:

TAX REBATES	TAX YEAR: 2014/15	TAX YEAR: 2015/16
Primary (for all taxpayers)	R12 726	R13 257
Secondary (aged 65 and over)	R7 110	R7 407
Tertiary (aged 75 and over)	R2 367	R2 466

THE NEW TAX RATES

Tax payable for the tax year ending 29 February 2016.

TAXABLE INCOME OF INDIVIDUALS (R)	TAX PAYABLE (R)
0 to 181 900	18% of taxable income
181 901 to 284 100	32 742 + 26% of taxable income above 181 900
284 101 to 393 200	59 314 + 31% of taxable income above 284 100
393 201 to 550 100	93 135 + 36% of taxable income above 393 200
550 101 to 701 300	149 619 + 39% of taxable income above 550 100
701 301 and above	208 587 + 41% of taxable income above 701 300
Trusts other than special trusts	Rate of tax 41%

TRANSFER DUTY

TRANSFER DUTY RELIEF

The 2015 budget also provides homebuyers in middle income households relief on transfer duties. From 1 March 2015, transfer duty will be eliminated on all property acquired up to R750 000. In addition there will be a decrease on transfer duty for properties acquired up to around R2.6 million and an increase in transfer duty payable for properties above R2.6 million. Transfer duty rates applying to property acquired on or after 1 March 2015 by any person (including companies, close corporations or trusts) are as follows:

VALUE OF PROPERTY	RATE
R0 – R750 000	0%
R750 001 – R1 250 000	3% on the value above R750 000, but not exceeding R1 250 000
R1 250 001 – R1 750 000	R15 000 plus 6% on the value above R1 250 000, but not exceeding R1 750 000
R1 750 001 – R2 250 000	R45 000 plus 8% on the value above R1 750 000, but not exceeding R2 250 000
R2 250 001 and above	R85 000 plus 11% on the value above R2 250 000

SIN TAXES

RISE IN TOBACCO AND ALCOHOL EXCISE DUTIES

Excise duties on alcoholic beverages (particularly beer, sparkling wine and spirits) will increase by between 4.8 and 8.5 per cent. The increases in excise duties are as follows:

	INCREASES BY:
Malt beer	7c per 340ml can
Unfortified wine	15c per 750ml bottle
Fortified wine	19c per 750ml bottle
Sparkling wine	48c per 750ml bottle
Ciders and alcoholic fruit beverages	7c per 330ml bottle
Spirits	R3.77 per 750ml bottle
Cigarettes	82c per packet of 20
Cigarette tobacco	91c per 50g
Pipe tobacco	26c per 25g
Cigars	R3.09 per 23g

FUEL AND ROAD ACCIDENT FUND LEVIES

INCREASE IN THE GENERAL FUEL AND ROAD ACCIDENT FUND LEVIES

The general fuel levy and the Road Accident Fund levy will increase by 30.5c per litre and 50c per litre respectively from 1 April 2015.

This will push up the general fuel levy to R2.55 per litre of petrol and to R2.40 per litre of diesel.

SMALL BUSINESS TAX

MORE BENEFITS FOR MICRO BUSINESS

This year micro business enjoys the benefit of reduced tax rates for turnover tax.

Taxable turnover (R)	Rates of tax (R)
0 – 335 000	0% of taxable turnover
335 001 - 500 000	1% of taxable turnover above 335 000
500 001 - 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000