ENGLISH

2017 BUDGET PEOPLE'S GUIDE

A joint publication between National Treasury and South African Revenue Service

ISSUED BY: National Treasury
Tel: (012) 315 5757
www.treasury.gov.za

national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

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.

CONTENTS

! HOW IS THE BUDGET PUT TOGETHER?

① Departmental guideline is issued indicating budget information required
② Departments prioritise their programmes, compile spending plans and service delivery commitments
③ Budget proposals are submitted to treasury and deliberated on
④ Interdepartmental committees of Directors-General consider allocation proposals
⑤ They make recommendations to Ministers' Committee on the Budget
⑥ Medium Term Budget Policy Statement signals the upcoming Budget
⑦ Finally 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

RADICAL ECONOMIC TRANSFORMATION FOR INCLUSIVE GROWTH

Government has a plan for a stronger economy and a budget that can grow and deliver to citizens over the long term. The 2017 Budget aims to slow down the increase in government debt, by borrowing less. It also aims to improve the quality of spending and ensure that service delivery is not compromised.

> "Government is committed to implementing its plans for boosting economic growth, working together with business, labour and all citizens"

The economy is expected to improve over the next three years. Economic growth was only 0.5 per cent in 2016, but is expected to be 1.3 per cent in 2017, and rise to 2.2 per cent by 2019. This pace of economic growth is welcome, but is still too slow to address unemployment and poverty. Slow growth also means that government will have less tax revenues. The budget reduces spending in 2017/18 by R10 billion and by R16 billion in 2018/19. These reductions will not affect core social and economic programmes.

For government to sustain service delivery and maintain strong public finances, it will have to do more with less, by improving the quality of spending. Action needs to be taken to eliminate wasteful spending and combat corruption, and South African citizens are needed to help government achieve this.

Government will also need to find ways to increase tax revenues. In this budget, government has had to raise taxes by R28 billion. Most of the tax increases will fall on the wealthiest citizens. People earning more than R1.5 million per annum will now have to pay 45 per cent taxes on this income. The budget also proposes to increase the tax on dividends paid out to owners of companies. However, while the most affluent will pay the largest share of the increase, all South Africans contribute to tax and we will all need to share the burden.

The alternative to raising taxes is faster economic growth. This will require economic transformation. Government's objective is to transform the economy, not simply transfer ownership or hand out tenders. Transformation must aim to build a new economic momentum, mobilise new investments, create new jobs and create new resources to support social change.

Government is committed to implementing its plans for boosting economic growth, working together with business, labour and all citizens. Initiatives include:

- Improving support for small businesses,
- Increased electricity supply, investment and employment through the independent power producers (IPP) programme,
- Revised rules for government procurement to increase business and job opportunities for black people and women,
- Improving the reliability of public transport services; including Metrorail and the bus rapid transit systems.

Citizens can help by holding their leaders accountable and calling out corruption, waste of public resources and maladministration. Together we can unite South Africa, transform the economy to benefit all and build a better tomorrow ■

2017 People's Guide_English_SF.indd 1 2017/02/18 11:05 AM

MESSAGE FROM THE MINISTER

Fellow South Africans, South Africa's political economy is at a cross roads. In short, that means it can't continue being business as usual. Some serious structural changes are called for to generate a higher growth rate but equally it calls for a change of direction.

A high level of monopolisation accompanying one of the highest levels of global inequality and a pervasive level of structural unemployment suggest that strong structural changes are required to escape the low growth trap. More inclusive growth has become the urgent call.

The existing structure of concentration in the product market, gives ample room to those who seek wealth quickly to justify corruption, patronage and rent seeking. The level of concentration is seen as blocking entry into markets and the formal economy.

It is for this reason that, this year will be about using the Budget to enhance broad-based transformation and making economic growth more inclusive. This means that our programmes will be aimed at transforming the economy so that more of our people, not just a few, benefit from economic growth. Higher economic growth will not only ensure that more revenues are collected, but will also ensure that we stand a better chance of creating employment for South Africans.

The good news is, we are presenting this Budget at a time when our economy looks set to grow by a slightly higher rate than in 2016. Despite this fact, there remains much work ahead of us to do ■

BOOSTING INVESTMENT AND CREATING JOBS

Government aims to transform the economy through job creation and increased investment. A number of initiatives and partnerships between government and business are underway to spur growth. These include:

- Government's Agriculture Growth Initiative supporting emerging and commercial farmers with access to water, markets and funding.
- Increasing funding and providing support for competitive small businesses. The private sector invested R1.5 billion in a small-business mentorship fund.
- The "Yes Initiative" - a three-year programme to create one million youth internships - being negotiated by government, business and labour.
- The entry of independent power producers (IPPs) in the electricity sector has boosted electricity supply, with investment of R194.1 billion and the creation of 57 000 jobs. The IPPs are private investors who build solar and wind power generation plants and sell the electricity to Eskom. Government plans to continue with the IPP programme and extend the model to other sectors.
- R947.2 billion for public-sector investment in electricity, water and sanitation, public transport, housing, schools, hospitals and clinics, over the next three years ■

ARE MUNICIPALITIES SPENDING MONEY PROPERLY

Municipalities are responsible for providing basic services such as water and electricity to their local communities, as well as ensuring that cities and towns are well taken care of.

It is important for citizens to know how their municipality is raising money and how it is spent. Citizens should also have a say in how future resources are spent to better their lives.

National Treasury is introducing changes to improve data on municipal finances and making it more accessible to the general public. In October 2016, the "Municipal Money" website www.municipalmoney.gov.za was launched. The website provides general information on each municipality, such as where it is located, how many people live in the municipality, who the mayor and the municipal manager are, who is in charge of the municipality's money; and how the municipality makes and spends its money in a given year. The website also provides an opportunity to view and to compare financial performance between municipalities.

> 'It is important for citizens to know how their municipality is raising money and how it is spent'

It also has easy-to-follow analysis of what the data means, as well as links to other educational resources. It can be accessed from a cell phone, so residents can call up and use the information at anytime and anywhere.

This will empower citizens to use the information to make decisions, direct questions to municipal managers and mayors and hold them accountable to their communities ■

SUPPORTING EMERGING AND COMMERCIAL FARMERS

The Agriculture Growth Initiative, based on a partnership between government, the private sector and the Land Bank, supports emerging and commercial farmers with access to funding, water and markets.

Some of the highlights of this initiative include:

- The Land Bank is finalising around R1 billion in new equity and loan transactions in partnership with the Industrial Development Corporation, commercial banks and development finance institutions for investments in livestock, citrus and deciduous fruit. These transactions support export-oriented and labour intensive projects and will drive transformation in agriculture and promote improved inclusivity.
- The Water Administration System is an integrated information system to reduce water distribution losses at irrigation schemes. When this system was implemented at the Orange River Water Users Association irrigation scheme, it generated water savings of 681,899 m^3 per week. Plans are in place to ensure the roll-out of this system at all irrigation schemes, which will yield improved water efficiency and additional hectares of agricultural production.
- The Brandvlei Dam project involves increasing the capacity of the Brandvlei Dam feeder canal to allow more water to be diverted into the dam. Increasing the canal capacity entails raising the height of the feeder canal by 30cm, which will result in the diversion of an additional 33 million m^3 of water needed per annum to irrigate an additional 4 400ha of productive land. The new irrigated land will generate approximately 8 000 primary jobs. Government has negotiated with farmers who access the water to commit to projects with 50 per cent black participation.
- Reducing the risks associated with smallholder agriculture can enable its growth. The National Treasury is considering the feasibility of agricultural insurance for poor farmers to protect them against economic shocks and natural disasters. It is envisaged that a pilot project will begin in the third quarter 2017 ▪

PROVIDING SOCIAL SUPPORT TO THE POOR

A social grant is the most direct way to alleviate poverty. By 2020, social grants will reach 18.1 million South Africans, mainly children (12.8 million) and the elderly (3.6 million).

The child support grant is expected to increase by R25 in 2017/18 while the foster care grant will go up by R30. The old age pension grant will increase by R95 a month in 2017/18.

2016/17[1]	2017/18
STATE OLD AGE GRANT	
R1 505	R1 600
STATE OLD AGE GRANT, OVER 75s	
R1 525	R1 620
WAR VETERANS GRANT	
R1 525	R1 620
DISABILITY GRANT	
R1 505	R1 600
FOSTER CARE GRANT	
R890	R920
CARE DEPENDENCY GRANT	
R1 505	R1 600
CHILD SUPPORT GRANT	
R355	R380

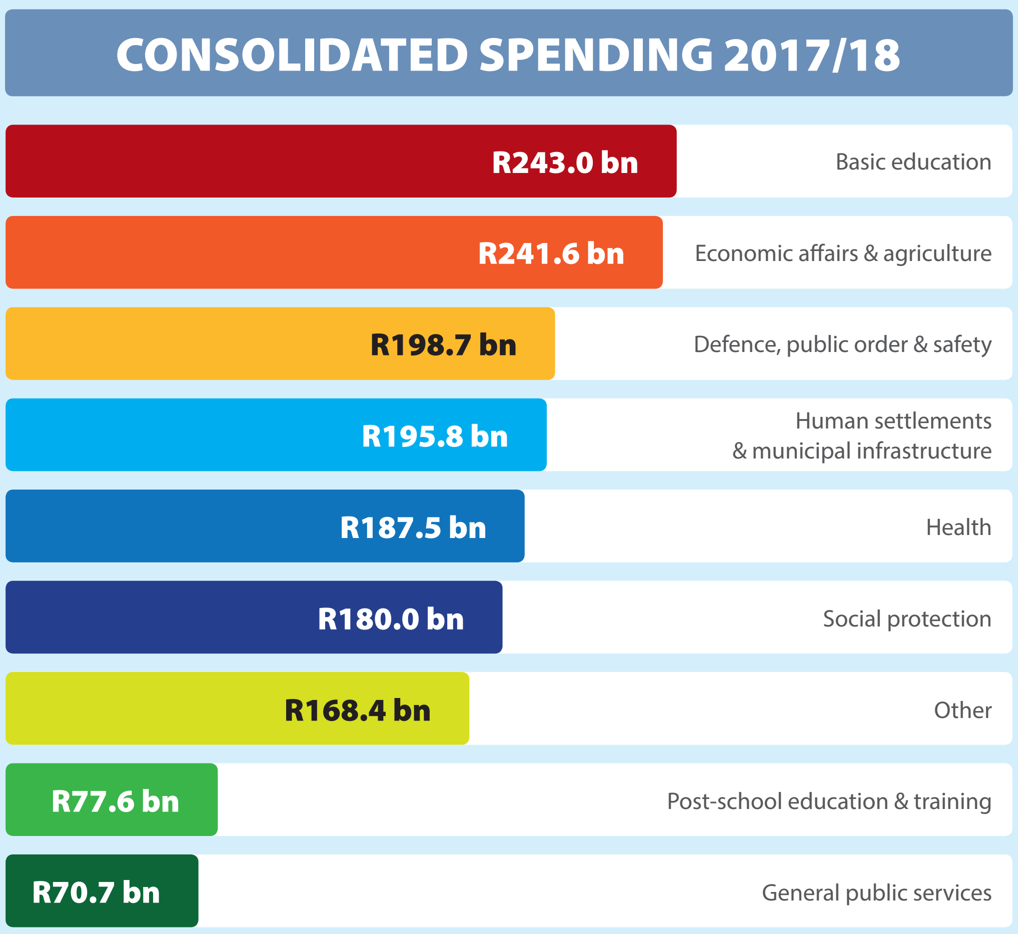
1. Average grant value

WHERE DOES THE BUDGET MONEY COME FROM AND HOW WILL IT BE SPENT IN 2017/18?

The main sources of money that government spends are taxes and levies.

Tough economic conditions have reduced the amount of taxes that will be collected in 2017/18. In order to sustain its spending priorities, government proposes raising additional tax revenue mainly from personal income tax and dividend withholding tax. Therefore, R1 265.5 billion is expected to be collected in 2017/18.

TAX REVENUE R billion	2017/18	%
PERSONAL INCOME TAX	482.1	38.1
CORPORATE INCOME TAX	218.7	17.3
VAT	312.8	24.7
CUSTOMS AND EXCISE DUTIES	96.1	7.6
FUEL LEVIES	70.9	5.6
OTHER	84.9	6.7
TOTAL	**1 265.5**	**100.0**



2017 People's Guide_English_SF.indd 3 2017/02/18 11:05 AM

2017 BUDGET | TAX PROPOSALS

SARS At Your Service

Personal Income Tax

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

This Budget provides for changes to personal income tax payable by adjusting taxable income tax brackets of the tax rate table, adding a top marginal bracket of 45 per cent and increasing tax rebates for all individuals.

The amount an individual can earn before being required to pay tax has been adjusted as follows for the tax year that covers the period from 1 March 2017 to 28 February 2018.

TAX THRESHOLDS	TAX YEAR: 2016/17	TAX YEAR: 2017/18
Below age 65	R75 000	R75 750
Age 65 to 74	R116 150	R117 300
Age 75 and over	R129 850	R131 150

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

TAX REBATES	TAX YEAR: 2016/17	TAX YEAR: 2017/18
Primary (age below 65)	R13 500	R13 635
Secondary (age 65 and over)	R7 407	R7 479
Tertiary (age 75 and over)	R2 466	R2 493

Tax Rates

THE TAX RATES

Tax payable by individuals and trusts for the tax year ending on any date between 1 March 2017 and 28 February 2018.

TAXABLE INCOME (R)	TAX PAYABLE (R)
0 to 189 880	18% of taxable income
189 881 to 296 540	34 178 + 26% of taxable income above 189 880
296 541 to 410 460	61 910 + 31% of taxable income above 296 540
410 461 to 555 600	97 225 + 36% of taxable income above 410 460
555 601 to 708 310	149 475 + 39% of taxable income above 555 600
708 311 to 1 500 000	209 032 + 41% of taxable income above 708 310
1 500 001 and above	533 625 + 45% of taxable income above 1 500 000
Trusts other than special trusts	Rate of tax 45%

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2017 and 31 March 2018.

Type	Rate of Tax (R)
Companies	28% of taxable income

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2017 and 31 March 2018.

Taxable Income (R)	Rate of Tax (R)
0 – 75 750	0% of taxable income
75 751 – 365 000	7% of taxable income above 75 750
365 001 – 550 000	20 248 + 21% of taxable income above 365 000
550 001 and above	59 098 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESS

Financial years ending on any date between 1 March 2017 and 28 February 2018.

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

Sin Tax

RISE IN ALCOHOL AND TOBACCO DUTIES

	INCREASES BY:
Malt beer	12c per 340ml can
Unfortified wine	23c per 750ml bottle
Fortified wine	26c per 750ml bottle
Sparkling wine	70c per 750ml bottle
Ciders and alcoholic fruit beverages	12c per 340ml bottle
Spirits	R4.43 per 750ml bottle
Cigarettes	R1.06 per packet of 20
Cigarette tobacco	R1.19 per 50g
Pipe tobacco	40c per 25g
Cigars	R6.58 per 23g

Fuel Levies

INCREASE IN FUEL & ROAD ACCIDENT FUND LEVIES

The general fuel levy will increase by 30c per litre on 5 April 2017. This will push up the general fuel levy to R3.15 per litre of petrol and to R3.00 per litre of diesel. The road accident levy will increase by 9c per litre of petrol and diesel on 5 April 2017.

Health Promotion Levy

LEVY ON SUGARY BEVERAGES

A levy on sugary beverages will be implemented as soon as amendments to the Customs and Excise Act are promulgated. The rate will be 2.1c per gram for sugar content above 4g per 100 ml.

Transfer Duty

DECREASE IN TRANSFER DUTY

The first R900 000 of the value of property acquired from 1 March 2017 will be taxed at zero per cent. Before 1 March 2017 the first R750 000 of the value of property was taxed at zero per cent.

2017 People's Guide_English_SF.indd 4 2017/02/18 11:05 AM