ENGLISH

People's Guide

#RSABUDGET2021

www.treasury.gov.za | RSA Budget | #RSABudget2021

A joint publication between National Treasury and South African Revenue Service

ISSUED BY
national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

Tel: (012) 315 5757
www.treasury.gov.za

INFO

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.

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. 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. 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

RESTARTING THE ENGINES OF SUSTAINABLE GROWTH

The 2021 Budget ensures that South Africa can manage the short-lived economic challenges including the impact of COVID-19 while addressing the long-lasting structural challenges that face the country.

In the short-run, government is committed to rolling out the COVID vaccine free of charge, in line with the need and the Department of Health's phased rollout schedule. In 2020/21, government responded to the pandemic by allocating approximately R20 billion in additional funding to the health sector for increasing prevention, screening and testing capacity. An allocation of R9 billion is provided for the vaccine over the next 2 years, with an additional R7 billion being allocated to the contingency reserve to accommodate any additional funding pressures. A successful vaccination campaign will save many lives and make possible a noticeable economic recovery.

While real GDP is estimated to have contracted by 7.2 per cent in 2020, it is expected to reach 3.3 per cent growth in 2021, before moderating to 1.6 per cent growth in 2023. The fiscal position, which was already weak before the current crisis, has deteriorated dramatically, requiring urgent steps to avoid high and uncontrollable debt levels.

Government's balanced and prudent fiscal strategy supports public health and growth, and is designed to stabilise the public finances. Capital spending is the fastest-growing component of non-interest spending. The main budget primary deficit narrows from 7.5 per cent of GDP in 2020/21 to 0.8 per cent of GDP in 2023/24, and gross government debt stabilises at 88.9 per cent of GDP in 2025/26. At the same time, the 2021 Budget reduces the tax burden, withdrawing previously announced tax increases of R40 billion. South Africa's fiscal challenge is to balance the immediate need for support to the economy during the pandemic with ongoing efforts to close an unsustainable and pre-existing budget deficit. Government's fiscal policy is balancing these two considerations.

Funding for the vaccine rollout will play a crucial role in controlling the pandemic, while supporting greater economic activity

Funding for the vaccine rollout will play a crucial role in controlling the pandemic, while supporting greater economic activity. The social relief of distress grant, initiated to provide short-term support for low-income households in 2020, will be extended until the end of April 2021. At the same time, fiscal policy must remain focused on stabilising the public finances over the longer term, thereby contributing to economic stability and sustainable growth.

MESSAGE FROM THE MINISTER

It's been almost a year since the first case of COVID-19 was detected in South Africa. The pandemic ushered in a significant wave of uncertainty the world over.

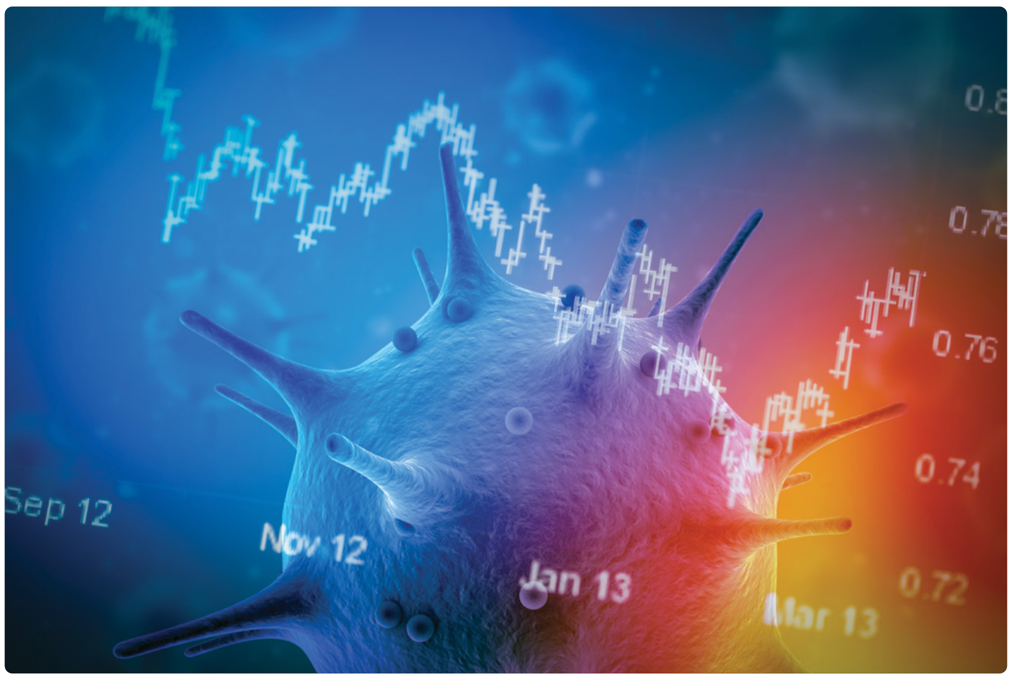
Many people lost their lives and others their jobs. The uncharted territory required us to forget how we usually do things and adapt to ensure that the wheels continued to turn. A major task to curbing the spread of the virus lay ahead for the government. It was no longer business as usual. The country went into lockdown and the second wave of the virus brought a lot of hardship.

Budget priorities needed to be shifted to ensure that we cushion the economy from the negative impact of the virus. Despite the uncertainty, the virus has not deterred us from our goal of achieving higher economic growth and employment levels. Economic activity has now begun to pick up, improving our growth prospects.

In the 2021 Budget, our fiscal policy strategy is to provide continued support to the economy and public health services in the short-term, without adding to long-term spending pressures. We aim to improve the composition of spending by reducing growth in compensation while protecting capital investment; narrow the deficit and stabilise the debt-to-GDP ratio. We continue to work towards reining in wasteful spending and improving the lives of our people. The vaccine has given us a sense of hope that this deadly virus can be beaten. However, we cannot let our guard down.

I urge South Africans to continue to adhere to the COVID-19 protocols, wash hands regularly and wear a mask to stem the spread of the virus.

GOVERNMENT WORKING TO ALLEVIATE THE IMPACT OF COVID-19 ON THE ECONOMY



The combination of low growth, high levels of debt and growing unemployment meant that South Africa was already on an unsustainable economic path before the COVID-19 pandemic.

Institutional weakness, political and policy uncertainty made worse the low economic growth environment the country finds itself on. The pandemic has further confirmed existing inequalities and highlighted inadequate public services for a large portion of the population. While much depends on how quickly and effectively the COVID-19 vaccines will be rolled out in the short to medium term, broader structural reforms are required to create an enabling environment for the country to grow.

In the short term, the government is working to reduce the impact of the pandemic and associated lockdowns. This includes supporting businesses through the Unemployment Insurance Fund, tax system and loan guarantee scheme, and providing income support to low-income households. Over the longer term, the government is implementing key structural reforms through its Economic Reconstruction and Recovery Plan. The plan involves a comprehensive health response to save lives and stop the spread of the pandemic; interventions to restore the economy while controlling the health risks; and reforms to support a sustainable, resilient and inclusive economy.

GOVERNMENT IS COMMITTED TO INFRASTRUCTURE DEVELOPMENT FOR GROWTH

To grow the economy and reduce unemployment and poverty by half by 2030, capital investment by both the public and private sectors need 30 per cent of GDP.

Despite the challenges posed by the COVID-19 pandemic, government still prioritises infrastructure spending to stimulate economic growth and reduce unemployment and poverty. Over the next three years, government will spend approximately R791.2 billion on infrastructure.

Government is creating an enabling environment for effective partnerships with the private sector to leverage their skills and expertise and increase the pool of resources available to fund infrastructure.

BUDGET REFORMS FOR GREATER EFFICIENCY

Waste and inefficiency reduce the impact of government programmes, more especially in the context of limited state resources.

To improve the efficiency of spending, government has initiated a series of public spending reviews and adopting zero-based budgeting principles. The department of Public Enterprises and the National Treasury will be the first departments to pilot a new methodology.

GOVERNMENT PRIORITISES **SOCIAL SPENDING** TO REDUCE POVERTY AND INEQUALITY

Consolidated government expenditure over the medium-term is projected to be R6.16 trillion, a decrease of R20 billion from the previous year's consolidated budget of R6.14 trillion.

This is mainly because of the proposed reductions of more than R303 billion in compensation spending from 2020/21 to 2023/24. However, the consolidated budget continues to prioritise social objectives to reduce poverty and inequality, with 56.6 per cent of allocations to the learning and culture, health, and social development functions over the medium term. Spending on economic development, community development and peace and security remain important for socio-economic transformation and safety and security.

VULEKAMALI UPDATE - GOING BEYOND **TRANSPARENCY**

Vulekamali is an award-winning data portal containing user-friendly information on government's finances, which was launched in 2018.

IMALI YETHU (a coalition of civil society organisations), in partnership with the National Treasury, will continue to empower the public with new information in the second phase starting in 2021. So far, the data available on Vulekamali has been used by academic institutions, journalists and civil society organisations. We are looking forward to promoting more partnerships. The Vulekamali supports all those who want to understand or participate in the budget process. To access multilingual educational videos and guides, visit **www.vulekamali.gov.za/learning-resources**

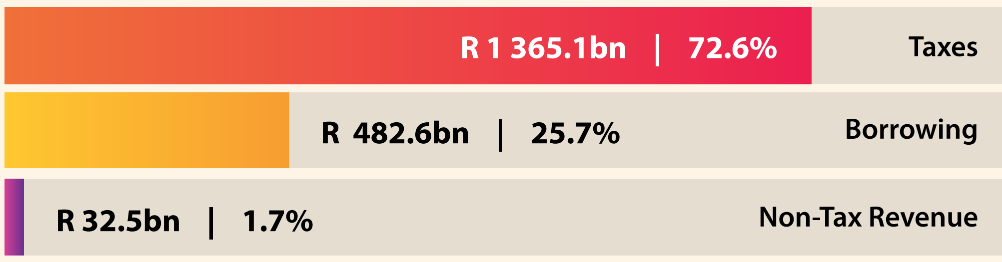
SOCIAL GRANTS CONTINUE TO BENEFIT POOR SOUTH AFRICANS

The total number of social grant recipients is expected to increase by approximately 300 000 people over the period. Most grant values will increase by less than inflation.

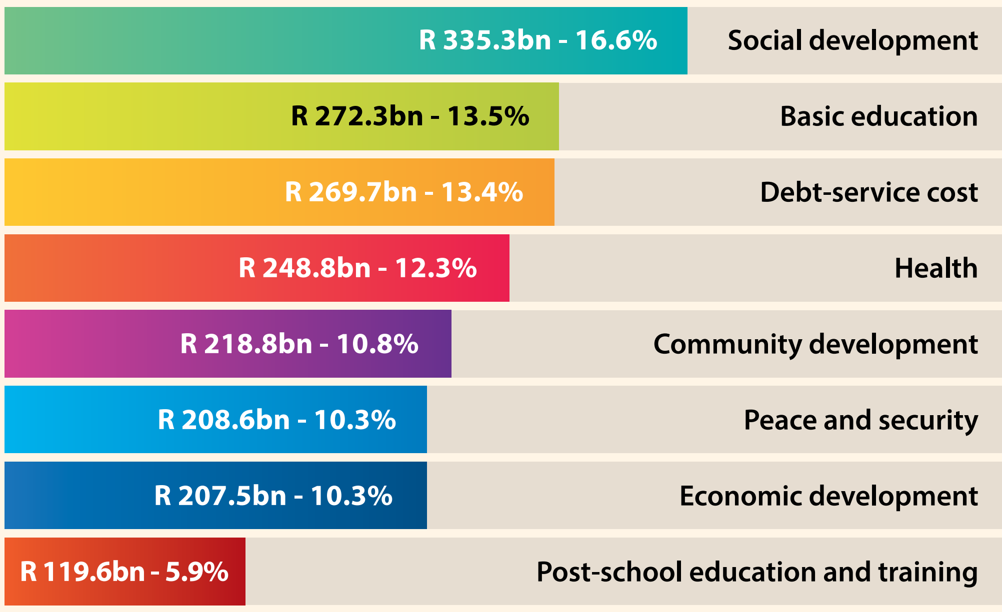
SOCIAL GRANTS	2020/21	2021/22
STATE OLD AGE GRANT	R1 860	R1 890
STATE OLD AGE GRANT, OVER 75	R1 880	R1 910
WAR VETERANS GRANT	R1 880	R1 910
DISABILITY GRANT	R1 860	R1 890
FOSTER CARE GRANT	R1 040	R1 050
CARE DEPENDENCY GRANT	R1 860	R1 890
CHILD SUPPORT GRANT	R445	R460

WHERE THE MONEY COMES FROM AND HOW WILL IT BE SPENT IN 2021/22

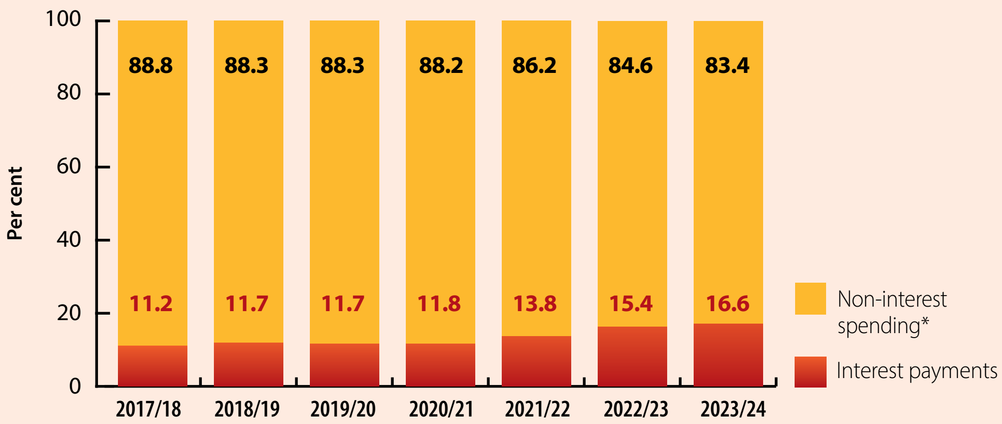
GOVERNMENT SOURCES OF INCOME IN 2021/22



GOVERNMENT SPENDING IN 2021/22



GOVERNMENT NON-INTEREST AND INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE



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

2021 TAX PROPOSALS

SARS At Your Service

Personal Income Tax

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2021 Budget provides tax relief by announcing an above inflation increase of 5 per cent in personal income tax brackets and rebates. The amount an individual can earn before being required to pay tax is adjusted as follows for the tax year from 1 March 2021 to 28 February 2022.

TAX THRESHOLDS	TAX YEAR: 2020/21	TAX YEAR: 2021/22
Below age 65	R83 100	R87 300
Age 65 to 74	R128 650	R135 150
Age 75 and over	R143 850	R151 100

The new tax rebates for individual taxpayers are as follows:

TAX REBATES	TAX YEAR: 2020/21	TAX YEAR: 2021/22
Primary (age below 65)	R14 958	R15 714
Secondary (age 65 and over)	R8 199	R8 613
Tertiary (age 75 and over)	R2 736	R2 871

Sin Taxes

INCREASES IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages and tobacco products will increase by 8 per cent.

	INCREASES BY:
Malt beer	14c per 340ml can
Unfortified wine	26c per 750ml bottle
Fortified wine	44c per 750ml bottle
Sparkling wine	86c per 750ml bottle
Ciders and alcoholic fruit beverages	14c per 340ml can
Spirits	R5.50 per 750ml bottle
Cigarettes	R1.39 per packet of 20
Cigarette tobacco	R1.57 per 50g
Pipe tobacco	47c per 25g
Cigars	R7.71 per 23g

Tax Rates

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax payable by individuals for the tax year ending between **1 March 2021** and **28 February 2022**

Taxable Income (R)	Rate of Tax (R)
0 to 216 200	18% of taxable income
216 201 to 337 800	38 916 + 26% of taxable income above 216 200
337 801 to 467 500	70 532 + 31% of taxable income above 337 800
467 501 to 613 600	110 739 + 36% of taxable income above 467 500
613 601 to 782 200	163 335 + 39% of taxable income above 613 600
782 201 to 1 656 600	229 089 + 41% of taxable income above 782 200
1 656 601 and above	587 593 + 45% of taxable income above 1 656 600
Trusts other than special trusts	Rate of tax 45%

INCOME TAX: COMPANIES

Years of assessment ending on any date between **1 April 2021** and **31 March 2022**

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

INCOME TAX: SMALL BUSINESS CORPORATIONS

Years of assessment ending on any date between **1 April 2021** and **31 March 2022**

Taxable Income (R)	Rate of Tax (R)
0 to 87 300	0% of taxable income
87 301 to 365 000	7% of taxable income above 87 300
365 001 to 550 000	19 439 + 21% of taxable income above 365 000
550 001 and above	58 289 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESS

Financial years ending on any date between **1 March 2021** and **28 February 2022**

Taxable Turnover (R)	Rate of Tax (R)
0 to 335 000	0% of taxable turnover
335 001 to 500 000	1% of taxable turnover above 335 000
500 001 to 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Fuel Levies

INCREASES IN FUEL LEVIES

The general fuel levy will increase by 15 cents per litre and the road accident fund levy will increase by 11 cents with effect from 7 April 2021. This will increase:

- the general fuel levy to R3.85 per litre of petrol and to R3.70 per litre of diesel
- the road accident fund levy to R2.18 per litre for both petrol and diesel