

MINISTER GORDHAN DELIVERS 2017 BUDGET

The Minister of Finance, Pravin Gordhan, delivered the national Budget on 22 February 2017 in Parliament.



Highlights of the Budget included:

Budget framework

- A budget deficit of 3.4% of gross domestic product (GDP) is expected for 2016/17, narrowing to 2.6% in 2019/20.
- Debt stock as a percentage of GDP is expected to stabilise at 48.2% 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% over the next three years. Apart from debt-service costs, post-school education is the fastest-growing category, followed by health and social protection.

Macro-economic outlook

- GDP growth will gradually improve from 0.5% in 2016 to 1.3% in 2017 and 2.0% in 2018, supported by improved global conditions and rising consumer and business confidence. The percentages are considerably lower than last year's estimates. The review says though that greater availability and reliability of electricity should also support stronger growth in 2018/19.
- Exports are expected to grow by 1.9% in 2017, 4.9% in 2018 and 5% in 2019, after estimated negative growth of -1.2% last year.
- After reaching 6.4% in 2016, consumer inflation is expected to decline to 5.7% in 2018.
- The current account deficit, after reaching 4% in 2016, will come down to 3.7% in 2018 and 3.8% in 2019.
- Government will continue to enable investment through regulatory reforms and partnerships with independent power producers.
- Public-sector infrastructure bottlenecks will be addressed through reform and capacity-building. During 2017/18, government will establish a new financing facility for large infrastructure projects.

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.

Social grant spending and increases

Spending on social grants is set to rise from R164.9 billion in 2016/17 to R209.1 billion by 2019/20, growing at an annual average of 8.2% over the medium term. The number of social grant beneficiaries is expected to reach 18.1 million by the end of 2019/20.

The specific increases are:

- State old-age grant from R1 505 to R1 600 per month
- State old age grant, over 75s from R1 525 to R1 620
- War veterans grant from R1 525 to R1 620
- Disability grant from R1 505 to R 1 600
- Foster care grant from R890 to R920
- Care dependency grant from R1 505 tot R1 600
- Child support grant from R355 to R380.



Tax proposals

- 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. The rate will be 2.1c per gram for sugar content above 4 g per 100 ml.
- A revised Carbon Tax Bill will be published for public consultation and tabling in Parliament by mid-2017.
- The first R900 000 of the value of property acquired from March 1 2017 will be taxed at zero percent. Before March 1 2017 the first R750 000 of the value of property was taxed at zero percent.
- The general fuel levy will increase by 30c/litre on April 5 2017. This will push the general fuel levy up to R3.15/litre of petrol and to R3.00/litre of diesel. The road accident levy will increase by 9c/litre of petrol and diesel on 5 April 2017.
- Personal income tax will bring in R482 billion, VAT R312 billion, company tax R218 billion, fuel levies R96.1 billion and customs and excise duties R96 billion in the coming year.



Rise in alcohol and tobacco duties

- 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.

– Sources: National Treasury, Fin24

MINISTERS WELCOME INCLUSIVE BUDGET

“I think this is a budget that says growth and transformation is necessary; what we used to call inclusive growth.” – Minister Ebrahim Patel

The Minister of Economic Development, Ebrahim Patel, says the 2017 Budget, tabled by Finance Minister Pravin Gordhan on Wednesday, is focussed on providing opportunities for those that are not part of the mainstream economy.

The Minister said this shortly after the Minister of Finance tabled his Budget Speech in the National Assembly. In his speech, the Minister said issues like anti-competitive business practices should be discouraged and dealt with harshly.

“And the budget says South Africa’s growth last year was lacklustre – half a percent – because of global factors, because of the drought, because of challenges of the domestic economy and we have to turn that around, we have to increase the rate of growth,” he said.

He welcomed the Minister’s stance on how better growth can be achieved.

“Of course there are fiscal means and the Minister of Finance laid that out – investment in infrastructure, in skills development, but it is also structural elements and the budget speech focussed very strongly on things like competition, opening up the economy, tackling cartels and monopolies.

“So you are seeing here a determined programme by government to give young South Africans more opportunities, to bring those entrepreneurs from the townships into the economical mainstream.”

The Minister of Health, Aaron Motsoaledi, also welcomed the announcement that a National Health Insurance (NHI) fund would be established.

“I think the biggest highlight on the budget on health is about NHI – taking the NHI fund forward – and establishing an NHI fund, which has been evading us because of the economic situation.

“He has mentioned very clearly that we are now going to establish that NHI fund to help four vulnerable groups. Firstly, pregnant women and adolescents in the form of antenatal care and family planning, then he mentioned school kids, physical barriers to learning like eyesight and oral hygiene.

“And then he mentioned people with disabilities, mentally-ill patients, elderly people. That is a very powerful statement and then he said we will review tax credit,” he said.

Higher education

In his budget, Minister Gordhan announced that over and above the R32 billion that was allocated to higher education last year, funds had been provided to ensure that students from households that earned up to R600 000 did not pay university fee increases for 2017.

The Deputy Minister of Higher Education and Training, Mduduzi Manana, said the additional funds allocated to fund students in the sector were welcomed.

“We are quite happy, this is a significant contribution and it will certainly go a long way. Obviously, it is never enough to cover all the qualifying students who are from poor families who are academically deserving.

“So we are excited that there was an add-on, it is a major contribution. There is no programme of government that grows in this manner. It shows government is indeed serious about education. Government has made education its apex priority and these contributions are a testament to that,” he said. – Source: SAnews.gov.za

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