



# 2025 Budget Analysis & Commentary

Azwindini Magadani

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On 12 March 2025, Minister of Finance Enoch Godongwana delivered his 2025 Budget speech under the Government of National Unity following 2024 national election that did not result in a party with outright majority. The budget was delivered amid rising cost of living and high level of youth joblessness. We provide herewith the analysis and the commentary of some of the major budgetary items:

## 2024 Projected tax revenue versus projected actual

South African Revenue Service (SARS) is expected to collect tax revenue amounting to R1,85 trillion for 2024/25, an amount which is R16.7 billion lower than the 2024 budgeted revenue (R1.863 trillion). The negative variance is largely due to the decline in corporate profits and revenue from taxes in the mining sector.

## 2025 projected revenue

The main tax revenue for the 2025/26 fiscal year is projected to be R2.029 trillion or 25.1 per cent as a share of Gross Domestic Product (GDP) in 2025/26. The attainment of this tax revenue target is based on the projection that South Africa will achieve the real economic growth of average 1,8%% between 2024 and 2026. The ability of the Treasury to correctly project the performance of the economy has direct bearing on whether the tax revenue will be collected or not.

The tax-to-GDP is projected to reach an average of 24.3 percent over the next three years. These percentages are still low as compared to Organisation for Economic Cooperation and Development (OECD) countries' average tax-to-GDP of 34.1%.

## Main tax proposals for businesses

Businesses are still experiencing financial hardships caused by poor economic growth. Despite the proposal for the VAT increases, the Minister has announced that no other significant tax increases will be proposed.

### Corporate Income Tax (CIT)

The CIT rate is currently at 27%. No proposed changes to this rate.

### Capital Gain Tax (CGT)

CGT is triggered by a disposal or deemed disposal of an asset. The effective rate of CGT remains at 21.6% for companies. No proposed changes.

### Value Added Tax

The government proposes to increase the value-added tax (VAT) rate by 0.5 percentage points in 2025/26 and by 0.5 percentage points in 2026/27.

The first 0.5 percentage point increase in the VAT rate will take effect on 1 May 2025 and the second 0.5 percentage point increase will take effect on 1 April 2026.

The vat increase proposal is expected to generate additional revenue estimated to be R13.5 billion in 2025/26.

### Dividends Tax

Dividends tax is a final tax on dividends at a rate of 20%. No changes were proposed.

### Carbon Tax

The carbon tax rate increased from R190 to R236 per tonne of carbon dioxide equivalent, effective from 1 January 2025. The carbon fuel levy will increase by 3c to 14c/l for petrol and 17c/l for diesel effective from 2 April 2025, as required by legislation.

### The urban development zone tax incentive

The urban development zone tax incentive was introduced in 2003 to address urban decay within inner cities. The urban development zone tax incentive was due to end on 31 March 2025. There is now a proposal to extend this incentive to 31 December 2030.



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