2018 BUDGET HIGHLIGHTS

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BUDGET FRAMEWORK

- The budget deficit is projected to narrow from 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21.
- Main budget non-interest expenditure is projected to remain stable at 26.6 per cent of GDP between 2017/18 and 2020/21.
- Net debt is expected to stabilise at 53.2 per cent of GDP in 2023/24.
- Proposed tax measures will raise an additional R36 billion in 2018/19.
- The fiscal framework reflects two major changes that followed the 2017 MTBPS: medium-term expenditure cuts identified by a Cabinet subcommittee amounting to R85 billion, and an additional allocation of R57 billion for fee-free higher education and training.
- Contingency reserves have been revised upwards to R26 billion over the next three years.
- Real growth in non-interest expenditure will average 1.8 per cent over the next three years. Post-school education and training is the fastest-growing category.

SPENDING PROGRAMMES

Over the next three years, government will spend:

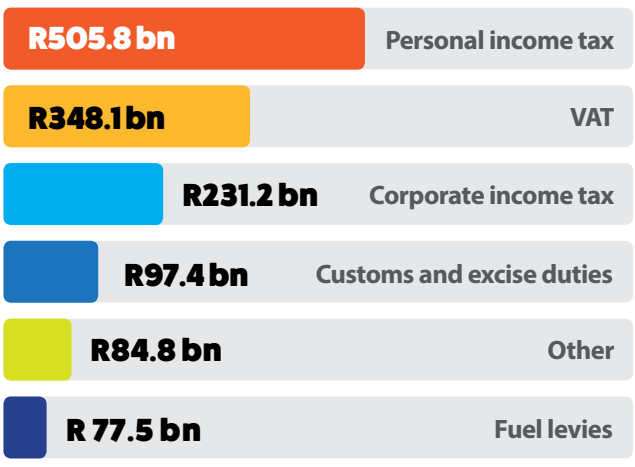
- R528.4 billion on social grants.
- In total, R324 billion is provided for higher education and training, including R57 billion of new allocations for fee-free higher education and training.
- R792 billion on basic education, including R35 billion for infrastructure, and R15.3 billion for learner and teacher support materials, including ICT.
- R667.8 billion on health, with R66.4 billion on the HIV, AIDS and TB conditional grant.
- R123.3 billion on subsidised public housing.
- R125.8 billion on water infrastructure and services.
- R207.4 billion on transfers of the local government equitable share to provide basic services to poor households.
- R129.2 billion to support affordable public transport.

TAX PROPOSALS

In 2018/19:

- The VAT rate will increase from 14 to 15 per cent from 1 April 2018.
- R6.8 billion will be raised from partial relief for bracket creep.
- Increases in the general fuel levy and alcohol and tobacco excise duties will together raise revenue of R2.6 billion. *Ad valorem* excise duties for luxury goods, such as motor vehicles, will be increased.
- Estates above R30 million will now be taxed at a rate of 25 per cent.
- The plastic bag levy, motor vehicle emissions tax and the levy on incandescent light bulbs will be raised to promote eco-friendly choices. A health promotion levy, which taxes sugary beverages, will be implemented from 1 April 2018.

TAX REVENUE 2018/19



MACROECONOMIC OUTLOOK - SUMMARY

Percentage change	2017	2018	2019	2020
	Estimate	Forecast		
Household consumption	1.3	1.7	1.9	2.3
Gross fixed - capital formation	0.3	1.9	3.3	3.7
Exports	1.5	3.8	3.4	3.5
Imports	2.7	4.4	4.6	4.5
Gross domestic product	**1.0**	**1.5**	**1.8**	**2.1**
CPI inflation	5.3	5.3	5.4	5.5
Current account balance (% of GDP)	-2.2	-2.3	-2.7	-3.2

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2017/18	2018/19	2019/20	2020/21
	Revised estimate	Medium-term estimates		
Revenue	**1 353.6**	**1 490.7**	**1 609.7**	**1 736.9**
Percentage of GDP	*28.8%*	*29.7%*	*29.9%*	*29.9%*
Expenditure	**1 558.0**	**1 671.2**	**1 803.0**	**1 941.9**
Percentage of GDP	*33.2%*	*33.3%*	*33.4%*	*33.4%*
Budget balance	**-204.3**	**-180.5**	**-193.3**	**-205.0**
Percentage of GDP	*-4.3%*	*-3.6%*	*-3.6%*	*-3.5%*
Gross domestic product	*4 699.4*	*5 025.4*	*5 390.1*	*5 808.3*

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2017/18 - 2020/21

R billion	2017/18	2018/19	2019/20	2020/21	2017/18 – 2020/21
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	323.1	351.1	385.4	413.1	8.5%
Health	191.7	205.4	222.0	240.3	7.8%
Social development	234.9	259.4	281.8	305.8	9.2%
Community development	183.5	196.3	210.5	227.1	7.4%
Economic Development	183.5	200.1	211.9	227.1	7.4%
Peace and security	195.7	200.8	213.6	227.7	5.2%
General public services	62.1	64.0	65.9	70.5	4.3%
Payments for financial assets	20.4	6.0	6.2	6.6	
Allocated expenditure	**1 394.8**	**1 483.1**	**1 597.3**	**1 718.1**	**7.2%**
Debt-service costs	163.2	180.1	197.7	213.9	9.4%
Contingency reserve	–	8.0	8.0	10.0	
Consolidated expenditure	**1 558.0**	**1 671.2**	**1 803.0**	**1 941.9**	**7.6%**

2018/19 BUDGET EXPENDITURE

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CONSOLIDATED GOVERNMENT EXPENDITURE R1.67 TRILLION

R1.01 TRILLION SOCIAL SERVICES

ECONOMIC DEVELOPMENT R200.1bn

Economic regulation and infrastructure	R97.9bn
Industrialisation and exports	R32.9bn
Agriculture and rural development	R30.2bn
Job creation and labour affairs	R23.3bn
Innovation, science and technology	R15.8bn

LEARNING AND CULTURE R351.1bn

Basic education	R230.4bn
University transfers	R34.9bn
National Student Financial Aid Scheme	R22.8bn
Skills development levy institutions	R19.3bn
Education administration	R16.8bn
Technical and vocational education and training	R10.7bn

PEACE AND SECURITY R200.8bn

Police services	R99.1bn
Defence and state security	R48.4bn
Law courts and prisons	R45.4bn
Home affairs	R7.9bn

HEALTH R205.4bn

District health services	R90.2bn
Central hospital services	R38.6bn
Provincial hospital services	R34.3bn
Other health services	R33.8bn
Facilities management and maintenance	R8.5bn

GENERAL PUBLIC SERVICES R64bn

Public administration and fiscal affairs	R40.4bn
Executive and legislative organs	R16.0bn
External affairs	R7.6bn

COMMUNITY DEVELOPMENT R196.3bn

Municipal equitable share	R62.7bn
Human settlements, water and electrification programmes	R56.5bn
Public transport	R38.6bn
Other human settlements and municipal infrastructure	R38.5bn

DEBT-SERVICE COSTS R180.1bn

SOCIAL DEVELOPMENT R259.4bn

Old-age grant	R70.5bn
Social security funds	R66bn
Child-support grant	R60.6bn
Disability grant	R22.1bn
Provincial social development	R20.6bn
Policy oversight and grant admin	R9.8bn
Other grants	R9.7bn