



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

30 ANNIVERSARY
OF THE RELEASE OF
Nelson Mandela

BUDGET 2020

SPEECH BULLETIN

#BUDGETSPEECH2020



Relief for citizens as Government proposes no VAT or tax increases

The South African economy is predicted to grow by a disappointing 0.9% this year, with inflation averaging 4.5%, Finance Minister Tito Mboweni told Members of the National Assembly when he delivered his 2020 Budget Speech, writes Sakhile Mokoena.

Mr Mboweni said achieving economic growth and higher employment levels requires a plan, and that over the next 18 months, the economy should get a number of jump-starts. He said these jump-starts will include, among other things, “the reform agenda led by the President, lower inflation, the interest rate reduction earlier this year, the recent gains in platinum group metals’ prices and the impending

change to the electricity regulatory framework”. According to Mr Mboweni “new tax increases at this time could harm the economy’s ability to recover”. To this end, and to stimulate economic activity he announced that government had decided against increasing value added tax (VAT), pay-as-you-earn (PAYE) or other personal income taxes. In some instances, taxpayers will now pay even less tax.

Mr Mboweni added, “our income tax system is progressive, and the adjustments reflect this. Someone earning R10 000 a month will pay 10% less in tax. Someone earning R100 000 a month will pay about 1.5% less. We are also proposing broadening the corporate income tax base,” he said.

“With growth of 3.5%, sub-Saharan Africa is forecast to be the second-fastest growing region in the world. Against this backdrop we forecast that the South African economy will grow by 0.9% and inflation will average 4.5% in 2020. Persistent electricity problems will, however, hold back growth. Over the next three years,

we expect growth to average just over 1%. Therefore, a stable supply of electricity will be our number one task,” added Mr Mboweni. Mr Mboweni presented the budget and also tabled the Division of Revenue Bill, the Appropriation Bill, 2020 budget review, 2020 estimates of national expenditure, as well as tax proposals for the year 2020.

Government to propose law to stop excessive salaries in public entities – Mboweni

Mr Tito Mboweni, the Minister of Finance, has told Parliament that the government will propose a law to stop excessive salaries in public entities and accelerate plans to merge and consolidate some of these entities, writes Abel Mputing.



He also reiterated his concern about the bloated public sector wage bill, which he said would have to be adjusted by about R160 billion over the medium term. Mr Mboweni also announced, during his 2020 Budget Speech, that the government was moving forward with reforms to the procurement system, with a focus on value for money and maximising the quality and quantity of services.

“Cabinet approved the publication of a new Public Procurement Bill. We will accelerate merging and consolidating public entities. We will propose a new law to stop excessive salaries in these public entities, and we will also deal decisively with the excessive high cost of leasing government buildings,” said Mr Mboweni.

He said the total consolidated government spending is expected to grow at an average annual rate of 5.1%, from R1.95 trillion in 2020/21 to R2.14 trillion in 2022/23. This, he said, was mainly due to mounting debt-service costs. Non-interest spending declines on average over the MTEF (Medium Term Expenditure Framework) in real terms. “Today we announce a net downward adjustment to the main budget non-interest expenditure of R156.1 billion over the next three years, relative to the 2019 budget projections. He said the total reduction was mainly

the result of lowering programme baselines and the wage bill by R261 billion. “These are partially offset by additions and reallocations of R111 billion. Of this, more than half, or R60 billion, is for Eskom and South African Airways.”

Mr Mboweni said while some of these savings were good for the fiscus, “in many cases we are also making difficult and painful sacrifices”.

“We shall undertake spending reviews to ensure that we achieve this objective. The second part is adjustments on the wage bill by about R160 billion over the medium term. Once we get wage growth, corruption and wasteful expenditure under control, we will focus our attention on hiring in important areas such as education, police, and healthcare. We can hire strategically, and better match skills with opportunities,” Mr Mboweni explained.

More spending on health and education

Minister of Finance, Tito Mboweni, said the government will be allocating more money on learning and culture and health areas. Learning and culture currently receives R396 billion followed by health that receives R230 billion, and social development with R310 billion, writes Mava Lukani.

In his State of the Nation Address, President Cyril Ramaphosa said his government has noted the enthusiastic support from South Africans during the public hearings on the National Health Insurance (NHI), and based on that, the government is putting in place mechanisms for its implementation following the conclusion of the parliamentary process.

In preparation for the NHI, he said the government has already registered more than 44 million people at more than 3 000 clinics in the electronic

Health Patient Registration System, and is now implementing this system in hospitals. It is also in that context that health is identified as an area for more spending.

President Ramaphosa said: “A fundamental condition for growth and development is a healthy and productive population, with access to quality, affordable healthcare.”

In the education sector, Minister Mboweni said investment will go to new schools, to replace schools that are constructed with inappropriate

materials, “and providing them with water, electricity and sanitation”. He said: “In 2020/21 the maths, science and technology grant will introduce coding and robotics to learners from Grade R to Grade 3 as announced by the President. Transfers to provinces support schooling for 13 million children and healthcare for 49.1 million South Africans,” he added. The Department of Higher Education and Training will reallocate existing funds to undertake a feasibility study for the establishment of a new university of science and innovation in Ekurhuleni.



Modernisation of network industries and the restructuring of SOEs

Finance Minister Mr Tito Mboweni's budget speech sounded a sombre note in South Africa's faltering economy, writes Abel Mputing. The Minister began by pointing out how the economy has contracted over the past decade. Nonetheless, despite poor growth, Mr Mboweni said, South Africa remains the most diversified economy on the continent and he presented a strong plan for future growth.

One proposal is the modernisation of network industries and the restructuring of state-owned enterprises (SOEs). "Government will do whatever it takes to ensure a stable electricity supply ... it is our number one task," the Minister said. "To this effect, government has allocated R230 billion over 10 years to achieve the restructuring of the electricity sector."

A lasting solution to energy challenges hinges on "determinations to implement the Integrated Resource Plan of 2019". This will be finalised shortly, once the National Energy Regulator has agreed to the plan. In addition, government has announced that municipalities will be allowed to buy energy from independent suppliers.

As for South African Airways, Mr Mboweni mentioned that business rescue will "lead to a radically restructured airline". In the budget, government has allocated R16.4 billion to settle SAA's guaranteed debt and interest.

Government is also committed to open up new markets, promote regional integration and contribute to economic growth in terms of the African

Continental Free Trade Agreement, which South Africa is a signatory to. This is linked to an industrial strategy, which will include "an innovation fund, which will be capitalised with R1.2 billion over the next three years, an industrial business incentive worth R18.5 billion, which will create and retain approximately 56 500 jobs. An additional R107 million is reprioritised for the refurbishment of 27 industrial parks in townships and rural economies. And R6.5 billion is allocated for small business incentive programmes of which R2.2 billion will be transferred to the Small Enterprise Development Agency."

To streamline all these strategies, the minister advocated that the cost of doing business in South Africa should be lowered. To this end, "the BIZPortal will provide a streamlined way to register a new business with the CIPC, SARS, the UIF and the Compensation Fund in one day."

The agricultural sector will also play a critical role in boosting economy and "Government has allocated R495.1 million to the Department of Agriculture, Land Reform and Rural Development to improve compliance with biosecurity and support exports."