

## 19 February | #BUDGET2025 **Budget** 2025/26 HIGHLIGHTS

ISSUED BY national treasur

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#### **BUDGET FRAMEWORK**

- Investing in strategic infrastructure, supporting job creation and maintaining a growth-friendly fiscal policy will underpin government policy over the medium term.
- The fiscal strategy remains on course. It blends spending restraint with a significant revenue increase, while ensuring continued support for the social wage and securing additional funding for infrastructure investment and essential services.
- The consolidated budget deficit narrows from 5 per cent of GDP in 2024/25 to 3.4 per cent of GDP in 2027/28.
- Government will achieve a longstanding ambition to stabilise debt next year through the strengthening primary surplus.
- Debt-service costs, which consume 22 cents of every rand of revenue, will stabilise in the current year.

#### **SPENDING PLANS**

- Consolidated government spending increases at an annual average of 5.8 per cent, from R2.4 trillion in 2024/25 to R2.84 trillion in 2027/28.
- Over the medium term, economic development is the fastest-growing function at an annual average of 8.1 per cent, driven by higher allocations to infrastructure projects.
- Spending is highly redistributive, with the social wage making up an average of 61 per cent of total non-interest spending over the next three years.
- The 2025 Budget funds spending pressures of R252.6 billion over the medium-term expenditure framework (MTEF) period, including provisional allocations for frontline service delivery departments amounting to R75.6 billion.
- Additional funding of R46.7 billion is made available for infrastructure investments, while R23.4 billion is made available for the 2025 public-service wage agreement, which secures certainty for the fiscus for the next three years.

#### TAX PROPOSALS

- Tax policy proposals are designed to raise R58 billion in additional revenue in 2025/26.
- Government proposes to increase the value-added tax (VAT) rate by 2 percentage points to 17 per cent.
- To provide relief to poor households, government proposes above-inflation increases in social grants, additional VAT zero rating of essential food items and no changes to the fuel levy.

TAX REVENUE, 2025	5/26	
	R801.5 bı	Personal income tax
R545.	4 bn	VAT
R325.0 bn		Corporate income tax
R154.4 br	n	Customs and excise duties
R87.7 bn		Fuel levies
R118.0 bn		Other

MACROECONOMIC OUTLOOK - SUMMARY				
Percentage change	2024	2025	2026	2027
	Estimate		Forecast	
Household consumption	1.0	1.9	1.6	1.6
Capital formation	-3.6	5.0	5.2	3.8
Exports	-2.8	3.4	3.1	3.0
Imports	-5.3	5.4	3.1	2.7
Real GDP growth	0.8	1.9	1.7	1.9
Consumer price inflation (CPI)	4.4	4.5	4.6	4.4
Current account balance (% of GDP)	-1.6	-2.2	-2.3	-2.4

CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK				
	2024/25	2025/26	2026/27	2027/28
R billion/percentage of GDP	Revised estimate	Medium-term estimates		
Revenue	2 026.6	2 247.7	2 389.9	2 534.2
	27.1%	28.1%	28.0%	27.9%
Expenditure	2 404.0	2 600.8	2 713.2	2 844.7
	32.1%	32.5%	31.8%	31.3%
Budget balance	-377.3	-353.1	-323.4	-310.5
	-5.0%	-4.4%	-3.8%	-3.4%
Gross domestic product	7 477.9	8 003.8	8 520.4	9 083.2

#### **CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION**

R billion	2024/25	2025/26	2026/27	2027/28	2024/25- 2027/28
K DIIIIOII	Revised estimate	Medium-term estimates		Average growth	
Learning and culture	482.3	508.7	536.4	562.4	5.3%
Health	277.2	298.9	313.7	328.9	5.9%
Social development	397.0	427.0	445.9	458.3	4.9%
Community development	267.8	286.6	293.5	305.6	4.5%
Economic development	252.4	289.8	297.8	318.4	8.1%
Peace and security	250.4	267.6	279.2	288.8	4.9%
General public services	77.1	78.7	81.1	84.2	3.0%
Payments for financial assets	10.2	11.4	7.2	5.9	
Allocated expenditure	2 014.4	2 168.7	2 254.6	2 352.5	5.3%
Debt-service costs	389.6	424.2	448.6	477.2	7.0%
Contingency reserve	-	8.0	10.0	15.0	
Consolidated expenditure	2 404.0	2 600.8	2 713.2	2 844.7	5.8%



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# 2025/26 EXPENDITURE



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CONSOLIDATED GOVERNMENT EXPENDITURE

### **R2.60 TRILLION**



## **R1.52 TRILLION**

SOCIAL <u>SERVIC</u>ES



**R289.8 bn** 

ECONOMIC DEVELOPMENT

Economic regulation and infrastructure	R175.7 bn
Industrialisation and exports	R40.8 bn
Agriculture and rural development	R29.4 bn
Job creation and labour affairs	R23.7 bn
Innovation, science and technology	R20.2 bn

Basic education	R332.3 bn
National Student Financial Aid Scheme	R55.4 bn
University transfers	R48.4 bn
Skills development levy institutions	R27.9 bn
Education administration	R21.6 bn

Technical & vocational education and training R14.2 bn

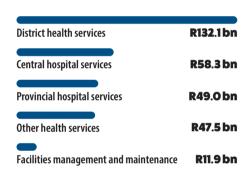
R508.7 bn
LEARNING
AND CULTURE



**R267.6 bn** 

PEACE AND SECURITY

Police services	R133.4 bn
Defence and state security	R60.8 bn
Law courts and prisons	R58.1bn
Home affairs	R15.4 bn





HEALTH



R78.7 bn
GENERAL PUBLIC
SERVICES

Public administration and fiscal affairs	R51.7 bn
Executive and legislative organs	R17.8 bn

External affairs

R9.1bn

Municipal equitable share	R106.1 bn	
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Public transport	R67.7 bn	
Human settlements, water	R58.0 bn	_
and electrification programmes	K50.0 DII	R

**R54.8 bn** 

R286.6 bn
COMMUNITY
DEVELOPMENT



R424.2 bn
DEBT-SERVICE COSTS



**R8.0 bn**CONTINGENCY RESERVE

Old-age grant	R118.8 bn
Social security funds	R99.5 bn
Child-support grant	R93.5 bn
Other grants	R77.1 bn
Provincial social development	R23.3 bn

Policy oversight and grant administration R14.8 bn

Other human settlements

and municipal infrastructure

