2025 Budget

Budget Review

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Budget Review

2025

National Treasury

Republic of South Africa

19 February 2025

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2025 Budget

2025/26 HIGHLIGHTS

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ECONOMIC OUTLOOK

- Real economic growth is forecast to increase to 1.9 per cent in 2025.
- Lower-than-expected growth of 0.8 per cent in 2024 is due to unexpected weaknesses in agriculture and transport during the third quarter.
- Economic growth is expected to average 1.8 per cent from 2025 to 2027, with the continued recovery supported by improved investor confidence, stable electricity supply, lower interest rates and a declining risk premium.
- Continued implementation of structural reforms is essential to accelerate growth, supported by macroeconomic stability, infrastructure investment and a capable state.

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.

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2025 **Budget**

KEY BUDGET STATISTICS

A full set of 2025 Budget data can be found in the statistical tables at the back of the *Budget Review*. The data on this page may differ from the statistical annexure due to classification definition and rounding.

BUDGET REVENUE 2025/26

R billion	
Tax revenue	**2 032.1**
of which:	
Personal income tax	800.5
Corporate income tax	325.0
Value-added tax	545.4
Taxes on international trade and transactions	87.1
Non-tax revenue	**37.8**
Less: SACU payments	-73.6
Main budget revenue	**1 996.3**
Provinces social security funds and public entities	251.4
Consolidated budget revenue	**2 247.7**
As percentage of GDP	
Tax revenue	25.4%
Main budget revenue	24.9%

MACROECONOMIC PERFORMANCE AND PROJECTIONS

Percentage change	2021	2022	2023	2024	2025	2026	2027
	Actual			Estimate	Forecast		
Household consumption	6.2	2.5	0.7	1.0	1.9	1.6	1.6
Gross fixed-capital formation	-0.4	4.8	3.9	-3.6	5.0	5.2	3.8
Exports	9.7	6.8	3.7	-2.8	3.4	3.1	3.0
Imports	9.6	15.0	3.9	-5.3	5.4	3.1	2.7
Real GDP growth	**5.0**	**1.9**	**0.7**	**0.8**	**1.9**	**1.7**	**1.9**
CPI inflation	4.6	6.9	5.9	4.4	4.5	4.6	4.4
Current account balance (% of GDP)	3.7	-0.5	-1.6	-1.6	-2.2	-2.3	-2.4

CONSOLIDATED FISCAL FRAMEWORK

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Estimate	Medium-term estimates		
Revenue	**1 754.8**	**1 900.8**	**1 948.0**	**2 026.6**	**2 247.7**	**2 389.9**	**2 534.2**
	27.7%	*28.1%*	*27.5%*	*27.1%*	*28.1%*	*28.0%*	*27.9%*
Expenditure	**2 047.3**	**2 145.4**	**2 259.5**	**2 404.0**	**2 600.8**	**2 713.2**	**2 844.7**
	32.4%	*31.7%*	*31.8%*	*32.1%*	*32.5%*	*31.8%*	*31.3%*
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-377.3**	**-353.1**	**-323.4**	**-310.5**
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.4%*	*-3.8%*	*-3.4%*
Gross domestic product	**6 325.6**	**6 763.5**	**7 094.8**	**7 477.9**	**8 003.8**	**8 520.4**	**9 083.2**

DIVISION OF NATIONALLY RAISED REVENUE

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Estimate	Medium-term estimates		
DIVISION OF AVAILABLE FUNDS							
National departments	822.8	855.9	826.9	862.3	917.5	915.0	949.6
Provinces	660.8	694.1	706.3	730.7	767.8	798.4	833.8
Local government	135.6	150.7	157.7	167.7	176.8	185.1	190.8
Provisional allocation not appropriated	-	-	-	-	38.6	84.6	86.5
Non-interest allocation	**1 619.2**	**1 700.7**	**1 690.8**	**1 760.7**	**1 900.7**	**1 983.1**	**2 060.6**
PERCENTAGE SHARES							
National departments	50.8%	50.3%	48.9%	49.0%	49.3%	48.2%	48.1%
Provinces	40.8%	40.8%	41.8%	41.5%	41.2%	42.1%	42.2%
Local government	8.4%	8.9%	9.3%	9.5%	9.5%	9.8%	9.7%

CONSOLIDATED SPENDING BY FUNCTIONAL AND ECONOMIC CLASSIFICATION 2025/26

R billion	Compensation of employees	Goods and services	Capital spending and transfers	Current transfers and subsidies	Interest payments	Total
Basic education	266.5	36.4	14.0	32.7	0.0	**349.6**
Post-school education and training	15.4	3.5	2.4	125.4	0.0	**146.6**
Arts, culture, sport and recreation	4.9	3.8	1.1	2.7	0.0	**12.5**
Health	193.6	83.2	15.2	6.9	0.0	**298.9**
Social protection	18.2	9.0	0.7	299.7	0.0	**327.5**
Social security funds	7.5	7.9	1.3	82.6	0.1	**99.5**
Community development	19.8	19.7	107.4	139.6	0.2	**286.6**
Industrialisation and exports	12.0	7.6	5.4	15.7	0.0	**40.8**
Agriculture and rural development	13.3	9.8	2.5	3.8	0.0	**29.4**
Job creation and labour affairs	4.3	9.2	0.5	9.7	0.0	**23.7**
Economic regulation and infrastructure	30.6	78.7	52.4	6.2	8.0	**175.7**
Innovation, science and technology	6.3	4.4	2.4	7.2	0.0	**20.2**
Defence and state security	36.2	13.5	1.6	9.6	0.0	**60.8**
Police services	105.9	22.4	3.2	1.9	0.0	**133.4**
Law courts and prisons	42.1	13.8	1.3	0.9	0.0	**58.1**
Home affairs	8.9	3.7	2.4	0.4	0.0	**15.4**
Executive and legislative organs	9.6	5.3	0.8	2.2	0.0	**17.8**
Public administration and fiscal affairs	26.1	17.6	2.4	5.6	0.0	**51.7**
External affairs	3.3	2.7	0.4	2.6	0.2	**9.1**
Payments for financial assets						**11.4**
Debt-service costs					424.2	**424.2**
Contingency reserve						**8.0**
Total	**824.3**	**352.1**	**217.1**	**755.2**	**432.7**	**2 600.8**

Note: Payments for financial assets are not shown in the table but are included in the row totals.

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2025 **Budget**

2025/26 EXPENDITURE

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CONSOLIDATED GOVERNMENT EXPENDITURE R2.60 TRILLION → R1.52 TRILLION **SOCIAL SERVICES**

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

R508.7 bn LEARNING AND CULTURE

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

R267.6 bn PEACE AND SECURITY

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

R298.9 bn HEALTH

District health services	R132.1 bn
Central hospital services	R58.3 bn
Provincial hospital services	R49.0 bn
Other health services	R47.5 bn
Facilities management and maintenance	R11.9 bn

R78.7 bn GENERAL PUBLIC SERVICES

Public administration and fiscal affairs	R51.7 bn
Executive and legislative organs	R17.8 bn
External affairs	R9.1 bn

R286.6 bn COMMUNITY DEVELOPMENT

Municipal equitable share	R106.1 bn
Public transport	R67.7 bn
Human settlements, water and electrification programmes	R58.0 bn
Other human settlements and municipal infrastructure	R54.8 bn

R424.2 bn DEBT-SERVICE COSTS

R8.0 bn CONTINGENCY RESERVE

R427.0 bn SOCIAL DEVELOPMENT

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

FOREWORD

Over the past eight months, South Africa has benefited from improved sentiment following the successful transition to a government of national unity and the stabilisation of electricity supply. But this optimism needs to be translated into more determined action and measurable results, specifically in the form of higher economic growth and improved living standards. The 2025 *Budget Review* takes steps to achieve these outcomes.

Economic growth is projected to average 1.8 per cent over the next three years, and the fiscal strategy remains on course. Over the medium term, the budget deficit is expected to narrow to 3.4 per cent of GDP. Crucially, the debt-to-GDP ratio will stabilise at 76.1 per cent in 2025/26, declining thereafter. These are important achievements, but more is needed to fundamentally transform South Africa's economic and policy trajectory, particularly given growing external risks.

To boost growth and employment, government is significantly upscaling its infrastructure delivery programme. There are major opportunities to reduce the backlog in public infrastructure while creating jobs and bolstering economic activity. Accordingly, the regulations for public-private partnerships have been simplified to attract greater private-sector participation; multiple windows of the Budget Facility for Infrastructure are being introduced; and reforms are being made to municipal-owned trading services to ensure they are financially sustainable and efficiently provide water, electricity and refuse collection. Capital allocations increase by 8.1 per cent over the next three years, including funding for passenger rail and disaster reconstruction.

Government aims to improve the capability of the state, with measures to strengthen education, health and defence; continue rebuilding the South African Revenue Service; and incentivise early retirement to revitalise the public service. The 2025 Budget also confirms government's commitment to macroeconomic stability – which lays the foundation for sustainable growth – by restoring the health of the public finances.

Delivering on this agenda requires difficult decisions. In light of new and persistent spending pressures, government has decided to raise value-added tax (VAT) by 2 percentage points, to 17 per cent. This measure enables additional funding in several key areas, including extending early childhood development coverage; hiring more teachers, doctors and other critical frontline personnel; and rebuilding the commuter rail system. It also covers the costs of the *COVID-19 social relief of distress grant* and accommodates the higher-than-expected public-service wage increase. To alleviate the impact on low-income households, the budget provides for above-inflation increases in social grants, expands the list of foods that are zero-rated for VAT and extends the fuel levy relief. Over the medium term, new spending pressures must be funded either through revenue increases or spending reductions or reprioritisations.

I would like to thank Cabinet, the Minister and Deputy Ministers of Finance for their leadership – and the Parliamentary Committees on Finance and Appropriations, the Budget Council and my counterparts across government for their contributions to shaping this budget. Finally, I extend my heartfelt appreciation to my National Treasury colleagues, who work without fail to fulfil their obligations to the Constitution and the people of South Africa.

Duncan Pieterse

Dr Duncan Pieterse
Director-General

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2025 BUDGET REVIEW

INVESTING FOR FASTER GROWTH

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INVESTING FOR FASTER GROWTH

In brief

- The 2025 Budget lays the foundation for faster economic growth and continues to stabilise the public finances.
- South Africa's economic outlook is slowly improving, with GDP growth expected to average 1.8 per cent over the next three years.
- Next year, debt will stabilise at 76.1 per cent of GDP. Debt-service costs, which consume 22 cents of every rand of revenue, stabilise in the current year.
- In light of new and persistent spending pressures, government has decided to raise additional tax revenues, mainly by increasing the value-added tax (VAT) rate.
- Investing in strategic infrastructure, supporting job creation and maintaining a growth-friendly fiscal policy will underpin government policy over the medium term.

OVERVIEW

The 2025 Budget maintains government's focus on growing the economy, stabilising the public finances and supporting low-income and vulnerable households.

The economic outlook has improved moderately. Over the next three years, GDP growth is projected to average 1.8 per cent, up from an estimated 0.8 per cent in 2024. Despite an unexpected GDP contraction in the third quarter of 2024, regular electricity supply, slowing inflation and declining interest rates, supported by government's fiscal strategy, are improving confidence and enhancing the investment environment.

Government's economic growth strategy will support higher living standards in the context of global uncertainty, trade disputes and financial market vulnerabilities. The strategy focuses on maintaining macroeconomic stability to reduce living costs and grow investment, executing reforms to promote a more dynamic economy, building state capability in core functions and supporting growth-enhancing public infrastructure investment.

The 2025 Budget makes strategic investments to achieve faster economic growth, focusing on electricity, rail, water and transportation infrastructure projects. Over the medium-term expenditure framework (MTEF) period ahead, no new spending reductions are proposed. Consolidated spending, excluding interest payments, grows at an annual average rate of 0.9 per cent in real terms, with 61 per cent of spending supporting the social wage – health, education, social protection, community development and employment programmes.

FISCAL OUTLOOK

The current approach to budgeting puts South Africa in a stronger position to withstand unforeseen shocks, while creating an environment conducive to higher investment and faster economic growth.

Putting the public finances on a stronger footing enables government to prioritise investment over servicing debt, which now consumes 22 cents of every rand of revenue.

The cost of servicing South Africa's government debt is significantly higher than in peer countries (Figure 1.1), and this contributes to high borrowing costs for households and businesses.

The fiscal strategy remains on course. Over the next year, government expects to reach two important milestones in rebuilding the public finances. In 2025/26, public debt will peak, stabilising at 76.1 per cent of GDP (Figure 1.2). This is the result of a growing primary budget surplus, meaning revenue exceeds non-interest spending. Meanwhile, debt-service costs will peak in 2024/25, stabilising at 21.7 per cent of revenue, and will decline thereafter.

The consolidated budget deficit is expected to narrow from 5 per cent of GDP this year to 3.4 per cent of GDP in 2027/28.

Figure 1.1 Debt-service cost trends in South Africa and peers*

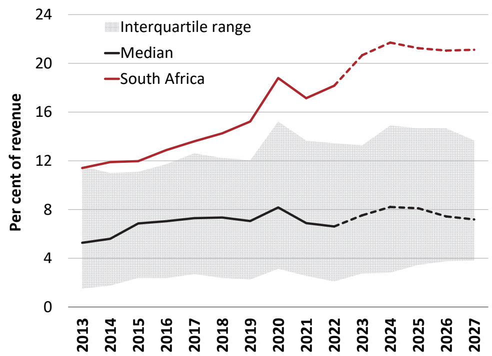
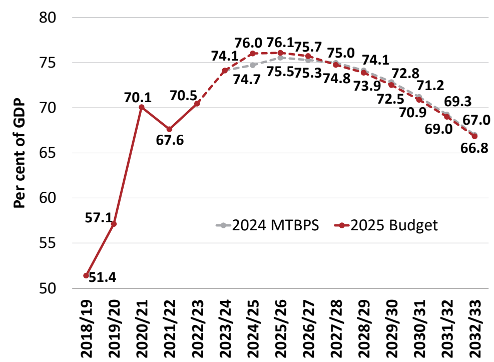


Figure 1.2 Gross debt-to-GDP outlook



**Consists of 84 emerging market economies*
Source: National Treasury and IMF World Economic Outlook, October 2024

The 2025 Budget covers the costs of the first three-year public-service wage agreement since 2018. Although the outcome of the agreement requires additional allocations for compensation, it is notable that government has secured certainty for the largest item in the budget without delaying debt stabilisation. At the same time, the early retirement incentive announced in the 2024 *Medium Term Budget Policy Statement* (MTBPS) is being rolled out to rationalise and rejuvenate the public service.

In response to new and persistent spending pressures, the 2025 Budget proposes a significant increase in revenue. Most importantly, government has taken the difficult decision to raise VAT by 2 percentage points, to 17 per cent. This increase will provide additional funding for several frontline functions, with investments in education, health, early childhood development and commuter rail services.

Government acknowledges that this measure will place greater pressure on households. However, the impact is cushioned by the spending support outlined above and across the budget, such as above-inflation increases in social grants, the extension of fuel levy relief and the addition of new food items to the basket of goods that are zero rated for VAT.

Over the medium term, additional spending pressures will have to be funded either through additional revenue increases or expenditure reductions or reprioritisations, which may include cutting non-performing programmes.

ECONOMIC STRATEGY

As outlined in the 2024 MTBPS, government's medium-term strategy is anchored by four priorities:

- Maintaining macroeconomic stability
- Implementing structural reforms
- Building state capability
- Supporting growth-enhancing public infrastructure investment.

A sound macroeconomic framework promotes stable prices and low interest rates, enhancing the economy's resilience to external shocks that tend to disproportionately affect poor households. The National Treasury's macroeconomic policy review, published in 2024, confirms that inflation targeting has been beneficial for the economy, especially the poor. Government continues to support effective inflation targeting, along with efforts to stabilise the public finances.

Chapter 2 outlines the progress made by Operation Vulindlela and in other reforms. Alongside notable improvements in the electricity and transport sectors, recent reforms have focused on improving and stabilising water supply. The newly created National Water Resources Infrastructure Agency will consolidate non-municipal water infrastructure assets such as dams and land to improve planning and financing of water.

South Africa needs higher capital investment to accelerate economic growth and create jobs. This is a central priority for government over the period ahead. Together with substantial additional resources, the infrastructure delivery mechanism is being reformed to better support private-sector participation, and improve efficiency and coordination in the development of critical infrastructure.

INFRASTRUCTURE INVESTMENT TO SUPPORT GROWTH

Over the next three years, an estimated R1.03 trillion will be spent on public infrastructure projects by state-owned companies and other public entities, and national, provincial and local government. This includes R402 billion for road infrastructure, with R100 billion of investments by the South African National Roads Agency Limited. An amount of R219.2 billion will be spent on energy infrastructure, and R156.3 billion will flow to water and sanitation infrastructure.

The 2025 Budget adds R46.7 billion in funding for infrastructure projects over the next three years.

Several reforms under way are designed to help the state deliver infrastructure and encourage private-sector investment. During 2025/26, a single structure overseen by the National Treasury will be established to coordinate state participation in project preparation and planning, public-private partnerships (PPPs), funding and credit guarantees. It will include the three spheres of government and public entities, and will merge two units currently in the Government Technical Advisory Centre that coordinate PPPs and capital appraisals with the Infrastructure Fund in the Development Bank of Southern Africa.

Streamlining the framework for public-private partnerships

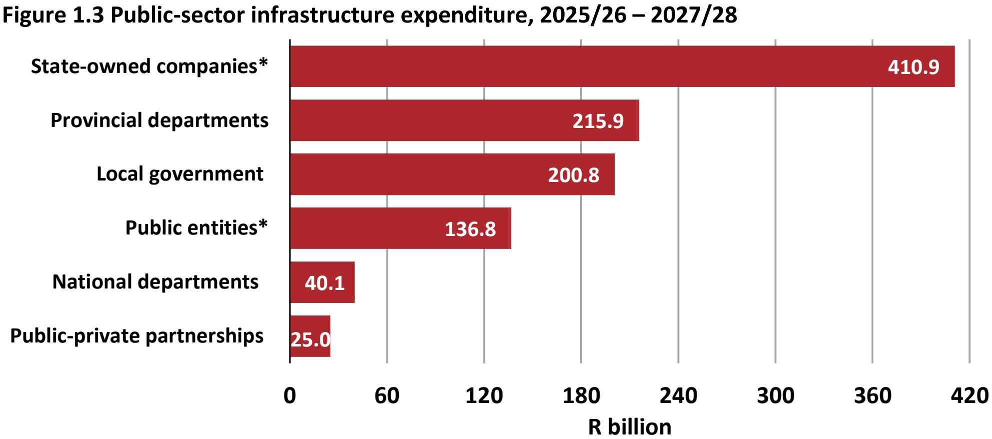
Infrastructure reforms are underpinned by a commitment to significantly increase partnerships with the private sector. On 7 February 2025, amendments to Treasury Regulations for PPPs were gazetted. From June 2025, projects below a total value of R2 billion will no longer have to clear onerous approval processes intended for large projects before proceeding.

A clear framework is being established to receive and process unsolicited PPP proposals or bids from the private sector. Revised manuals and guidelines on PPPs are being produced and will be made available to the public. New legislative amendments and regulations for municipal PPPs will also be introduced in 2025.

Budgeting and financing for infrastructure

Of the total public-sector capital investment planned over the medium term, 72.7 per cent, or R748.5 billion, will be funded from the budgets of state-owned companies and public entities, as well as municipalities, as shown in Figure 1.3.

Figure 1.3 Public-sector infrastructure expenditure, 2025/26 – 2027/28



**Public entities are financed by capital transfers from the fiscus and state-owned companies are financed by a combination of own revenue and borrowing*
Source: National Treasury

The Budget Facility for Infrastructure plays a central role in the capital budgeting system by recommending funding for projects that are jointly funded from other sources, including state-owned companies, municipal own resources and the private sector. For the 2025 Budget cycle, the Facility has approved nine projects with a total value of R55.5 billion, of which R15.3 billion will be funded by the Facility. The approved projects address a wide range of service delivery and economic growth needs, such as hospital infrastructure, transport and logistics, and water. Details are set out in Annexure D.

The 2025 Budget introduces a performance-based conditional grant for certain trading service entities that provide basic services, such as municipal water. This will incentivise financial and operational reforms to improve their functioning and sustainability.

OTHER CRITICAL REFORMS

Anchoring fiscal policy for the long term

Between 2011/12 and 2019/20 government spending rose rapidly, mainly driven by bailouts to public entities, transfers to households and a growing public-service wage bill. As a result, spending grew faster than GDP and revenue. The result was a high debt burden and significant fiscal vulnerability to external shocks, as evidenced by the impact of COVID-19 on public finances and the need to implement difficult spending reductions thereafter.

As the public finances stabilise and fiscal targets are met, government has been exploring the implementation of strong fiscal policy anchors that will help prevent a recurrence of the cycle of high spending, high deficits and high debt. At present, a primary budget surplus sufficient to stabilise debt has been adopted as the anchor. However, the obligation to keep public debt stable is not explicit in South Africa’s legal and regulatory framework. In this regard, government is releasing along with the budget a discussion document presenting options for such an anchor, as discussed in Chapter 3.

Early retirement programme for public servants

The 2024 MTBPS announced that government would offer an early retirement incentive. Over the next two years, the 2025 Budget provides R11 billion in funding to incentivise public servants to retire early. Those wishing to pursue this option will have to apply, with approvals given only by the relevant executive authority. Up to 30 000 state employees are expected to opt for early retirement. The programme aims to manage staff headcount in a targeted manner and revitalise the public service by recruiting younger workers.

Social protection and employment support

South Africa’s social security system provided R343.3 billion in income support in 2023/24. This included social assistance grants, unemployment insurance and compensation for workplace disability. In 2020, the *COVID-19 social relief of distress grant* was introduced to compensate low-income workers affected by the lockdown. The state also operates a number of employment and active labour market programmes to create work, support the temporarily unemployed and promote entrepreneurship. As announced in the 2024 MTBPS, the social security and employment support programmes are being reviewed. This work, which has proceeded more slowly than anticipated, will continue during 2025/26.

SUMMARY OF THE 2025 BUDGET

Economic outlook

Real GDP growth of 0.8 per cent is estimated for 2024 compared with an estimate of 1.1 per cent at the time of the 2024 MTBPS.

Table 1.1 Macroeconomic outlook – summary

	2024	2025	2026	2027
Real percentage growth	**Estimate**	**Forecast**		
Household consumption	1.0	1.9	1.6	1.6
Gross fixed-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 index (CPI) inflation	4.4	4.5	4.6	4.4
Current account balance (% of GDP)	-1.6	-2.2	-2.3	-2.4

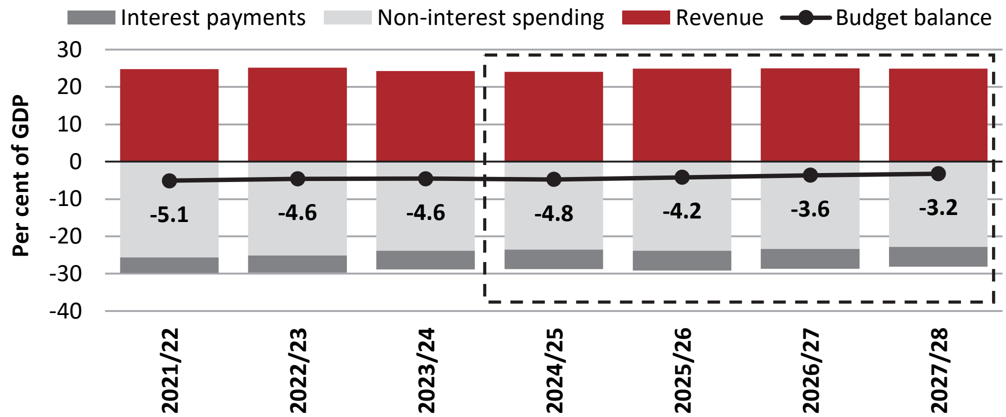
Across all tables in the Budget Review, the use of "0" refers to a value of small magnitude that is rounded up or down to zero. If a value is exactly zero, it will be denoted by "–". If data is not available, it is denoted by "N/A"
Source: National Treasury, Reserve Bank and Statistics South Africa

This downward revision is mainly due to the poor reported performance of agriculture resulting from drought conditions. Most other sectors continued to improve performance compared to 2023. Chapter 2 assesses the economy’s performance, outlines the medium-term outlook and details the economic growth strategy.

Fiscal outlook

The consolidated budget deficit is projected to continue declining over the medium term, narrowing to 3.4 per cent of GDP in 2027/28. Gross loan debt will stabilise at 76.1 per cent of GDP in 2025/26. Debt-service costs will rise from R389.6 billion in 2024/25 to R477.2 billion in 2027/28, but as a percentage of revenue, debt-service costs stabilise at 21.7 per cent in 2024/25. Chapter 3 provides information on fiscal performance and projections, and details the fiscal strategy.

Figure 1.4 Main budget fiscal outlook



Source: National Treasury

Table 1.2 Consolidated government fiscal framework

R billion/percentage of GDP	2024/25	2025/26	2026/27	2027/28
	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%*

Source: National Treasury

Revenue trends and tax proposals

Chapter 4 provides a comprehensive overview of revenue trends and tax proposals. Gross tax revenue for 2024/25 is expected to be R1.84 trillion, which is R19.3 billion below the expectation outlined in the 2024 Budget. Over the next three years, tax revenue is expected to increase from R2.03 trillion in 2025/26 to R2.32 trillion in 2027/28, with an average tax-to-GDP ratio of 25.5 per cent over the same period. Tax policy measures proposed in the 2025 Budget will raise R58 billion in additional revenue in 2025/26.

Table 1.3 Impact of tax proposals on medium-term revenue[1]

R million	2025/26	2026/27	2027/28
	Effect of tax proposals		
Gross tax revenue (before 2025 Budget tax proposals)	**1 974 097**	**2 115 419**	**2 255 343**
2025 Budget proposals[2]	**58 000**	**-1 000**	
Direct taxes[3]	**3 000**	**3 157**	**3 332**
Personal income tax			
Partial inflationary adjustment to tax brackets and rebates	1 500	1 589	1 694
No inflationary adjustment to medical tax credits	1 500	1 568	1 637
Indirect taxes[3]	**55 000**	**57 353**	**60 564**
Value-added tax (VAT)			
Increase in VAT rate	60 000	63 675	67 300
Additional zero rating	-2 000	-2 128	-2 261
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 258	-4 539
Diesel refund relief for primary sectors	–	-1 000	-1 066
Specific excise duties			
Above-inflation increase in excise duties on alcohol and tobacco	1 000	1 064	1 130
Net impact of tax proposals	**58 000**	**60 510**	**63 896**
Gross tax revenue (after tax proposals)	**2 032 097**	**2 175 929**	**2 319 239**

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals
Source: National Treasury

Medium-term 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. Economic development is the fastest-growing function, driven by higher capital investment, followed by debt-service costs.

Table 1.4 Consolidated government expenditure by function

R billion	2024/25 Revised estimate	2025/26 Budget estimate	Average growth 2024/25–2027/28
Learning and culture	482.3	508.7	5.3%
Health	277.2	298.9	5.9%
Social development	397.0	427.0	4.9%
Community development	267.8	286.6	4.5%
Economic development	252.4	289.8	8.1%
Peace and security	250.4	267.6	4.9%
General public services	77.1	78.7	3.0%
Payments for financial assets	10.2	11.4	
Allocated expenditure	**2 014.4**	**2 168.7**	**5.3%**
Debt-service costs	389.6	424.2	7.0%
Contingency reserve	–	8.0	
Consolidated expenditure[1]	**2 404.0**	**2 600.8**	**5.8%**

1. Consisting of national and provincial government, social security funds and selected public entities. Refer to Annexure W2 on the National Treasury website for a full list of entities included
Source: National Treasury

As discussed in Chapter 5, spending is highly redistributive. The social wage accounts for 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 MTEF period, including provisional allocations for frontline service delivery departments amounting to R75.6 billion.

Division of revenue

Over the 2025 MTEF period, excluding payments for servicing debt, the contingency reserve and provisional allocations, 48.5 per cent of nationally raised revenues are allocated to national government, 41.9 per cent to provinces and 9.6 per cent to local government. The division of revenue between the three spheres of government is outlined in Chapter 6, which also discusses structural reforms to improve revenue generation, efficiency and accountability in provinces and municipalities.

Table 1.5 Division of revenue

	2024/25	2025/26	2026/27	2027/28
R billion	Revised estimate	Medium-term estimates		
National allocations	862.3	917.5	915.0	949.6
Provincial allocations	730.7	767.8	798.4	833.8
Equitable share	*600.5*	*633.2*	*660.6*	*690.2*
Conditional grants	*130.2*	*134.6*	*137.9*	*143.6*
Local government allocations	167.7	176.8	185.1	190.8
Provisional allocations not appropriated	–	38.6	84.6	86.5
Total allocations	**1 760.7**	**1 900.7**	**1 983.1**	**2 060.6**
Percentage shares				
National	*49.0%*	*49.3%*	*48.2%*	*48.1%*
Provincial	*41.5%*	*41.2%*	*42.1%*	*42.2%*
Local government	*9.5%*	*9.5%*	*9.8%*	*9.7%*

Source: National Treasury

Government debt and contingent liabilities

Chapter 7 reviews government debt and contingent liabilities. Gross government debt is projected to reach R5.68 trillion or 76 per cent of GDP this year, stabilising at 76.1 per cent of GDP in 2025/26. Debt stabilises at a slightly higher level than projected in the 2024 MTBPS but still achieves the overall policy objective. Debt-service costs are expected to stabilise as a percentage of revenue in the current year.

Table 1.6 Projected state debt and debt-service costs

R billion/percentage of GDP	2024/25	2025/26	2026/27	2027/28
Gross loan debt	**5 684.0**	**6 090.2**	**6 453.1**	**6 791.0**
	76.0%	*76.1%*	*75.7%*	*74.8%*
Debt-service costs	**389.6**	**424.2**	**448.6**	**477.2**
	5.2%	*5.3%*	*5.3%*	*5.3%*

Source: National Treasury

Financial position of public-sector institutions

State-owned companies and major public entities continue to pose a large risk to the fiscal position. As outlined in the 2024 *Fiscal Risk Statement* (Annexure A of the MTBPS), most contingent liabilities emanate from these institutions. The 2025 Budget maintains government's stance of not providing bailouts to state-owned companies. Government is focused on improving governance and the effectiveness and transparency of the guarantee framework. In addition, government will support critical capital investments through different mechanisms, including credit guarantees, on-lending and grant funding, where appropriate. Chapter 8 discusses the financial position of public-sector institutions.

Table 1.7 Combined financial position of public institutions

R billion/net asset value	2021/22	2022/23	2023/24
State-owned companies	419.0	422.0	398.8
Development finance institutions	157.6	161.9	166.1
Social security funds	-182.6	-158.1	-128.9
Other public entities[1]	942.7	1 160.8	1 274.3

1. State-owned institutions without a commercial mandate and listed in either schedule 1 or 3 of the PFMA
Source: National Treasury

BUDGET DOCUMENTATION

The 2025 Budget is accompanied by several other documents and submissions to Parliament. These include:

- The Budget Speech
- The Division of Revenue Bill
- The Appropriation Bill
- The Estimates of National Expenditure

In addition, the following documents are electronically presented for public comment and information:

- Fiscal Anchors Discussion Document
- Gender Budget Statement

These and other fiscal and financial publications, including the People's Guide to the Budget, are available online at www.treasury.gov.za.

2

2025 BUDGET REVIEW

ECONOMIC OUTLOOK

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ECONOMIC OUTLOOK

In brief

- Real economic growth is forecast to increase to 1.9 per cent in 2025.
- Lower-than-expected growth of 0.8 per cent in 2024 is due to unexpected weaknesses in agriculture and transport during the third quarter.
- Economic growth is expected to average 1.8 per cent from 2025 to 2027, with the continued recovery supported by improved investor confidence, stable electricity supply, lower interest rates and a declining risk premium.
- Continued implementation of structural reforms is essential to accelerate growth, supported by macroeconomic stability, infrastructure investment and a capable state.

OVERVIEW

South Africa's economy is forecast to grow at an average of 1.8 per cent over the next three years as momentum starts to pick up after more than a decade of stagnant growth. The medium-term outlook is supported by higher investment and household consumption, aided by a stable inflation outlook, moderate employment gains and improving household balance sheets. Continued easing of structural constraints will support the economy by fostering additional investment – including in infrastructure.

To bolster growth and employment, government's economic strategy prioritises:

- **Maintaining macroeconomic stability** and reducing volatility to reduce the cost of living and encourage investment.
- **Implementing structural reforms** to increase efficiency and promote a competitive economy, while addressing constraints to job creation and employment.
- **Building state capability** by identifying and solving problems in the delivery of core functions, supported by digital transformation.
- **Supporting growth-enhancing public infrastructure investment** to increase productivity and long-term economic prospects.

ENHANCING ECONOMIC GROWTH

A macroeconomic framework to support growth

A sound macroeconomic framework promotes stable prices and low interest rates, enhancing the economy's resilience to external shocks that tend to disproportionately affect poor households. Prudent fiscal policy in combination with moderate and stable inflation reduces uncertainty, lowering the sovereign risk premium. These factors in turn bring down borrowing costs, anchor investment expectations and boost confidence, promoting economic growth. South Africa's sovereign risk premium has declined since June 2023, but fiscal risks remain elevated. Debt-service costs consume 22 cents out of every rand of revenue and are growing faster than GDP. This underlines the need to improve the sustainability of public finances by bringing debt under control, while prioritising measures that directly enhance productivity and growth.

Catalysing economic growth through structural reforms

The first phase of Operation Vulindlela supported economic growth by alleviating power cuts, improving logistics performance, reducing data costs, enhancing water supply, attracting needed skills and supporting tourism. These reforms had significant benefits for the investment environment, as reflected in the RMB/BER Business Confidence Index, which in the fourth quarter of 2024 reached its highest level since mid-2021. Yet far more is needed to raise productivity and inclusive growth in a manner that does not lead to higher inflation.

Reforms under way in the rail, energy and water sectors will improve the functioning of these services to ensure businesses can produce more efficiently and investors can plan for the future.

In logistics, Transnet's freight volumes continue to be monitored against recovery plan targets. The utility's interim results show a 3.2 per cent improvement in freight rail volumes in the first six months of 2024/25 relative to the previous financial year. The Transport Economic Regulator, which begins operating on 1 April 2025, will consolidate the regulation of transport sectors and promote competition to improve efficiency. Together with the National Logistics Crisis Committee, it will advance private-sector participation and support investment in logistics.

Electricity generation capacity continues to recover. Between April and December 2024, the energy availability factor averaged 62.4 per cent – 7.1 percentage points higher than the same period in 2023. This coincided with a reduction in unplanned power cuts (Figure 2.1) and increased planned maintenance. Scheduled power cuts were suspended between 27 March 2024 and 30 January 2025. Additionally, household solar panels and private-sector generation projects continued to increase photovoltaic (PV) output.

Figure 2.1 Energy availability and outage factors

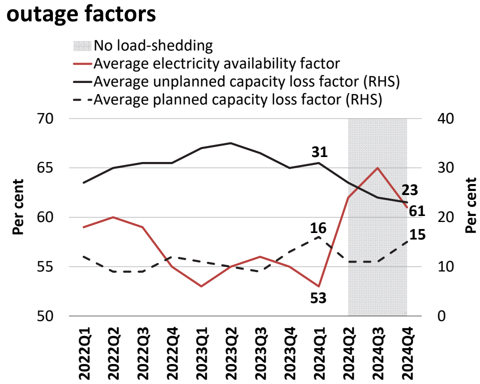
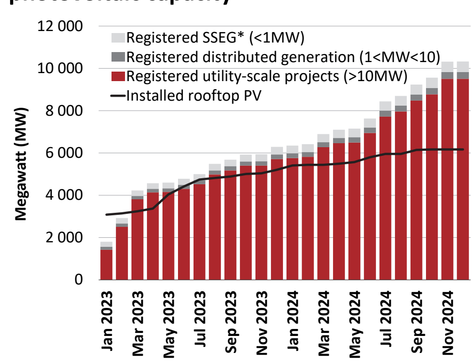


Figure 2.2 Registered and installed photovoltaic capacity



**SSEG refers to small-scale embedded generation; rooftop PV does not require registration with the National Energy Regulator of South Africa (NERSA)*
Source: Eskom, NERSA and National Treasury calculations

The Electricity Regulation Amendment Act (2024), which will establish a competitive market for long-term energy security, took effect on 1 January 2025. Market rules and procedures are being finalised and preparations to license the National Transmission Company of South Africa as a market operator are under way. Government is considering unbundling electricity tariffs into their different cost components, which would enhance transparency and fair cost recovery – and facilitate a competitive wholesale market.

Additional projects from government's 360-megawatt battery storage programme have reached close and will soon proceed to construction. Raising the embedded generation licensing threshold has catalysed private-sector energy projects. The 2024 South African Renewable Energy Grid Survey identified 133 gigawatts of potential in wind, solar and battery storage, but grid expansion is critical to support these projects.

In the water sector, the focus remains on improving municipal water services and promoting private-sector participation. Efforts are under way to introduce an independent economic regulator to ensure fair pricing and sustainable management of water services. The municipal turnaround strategy focuses on addressing critical maintenance backlogs, ensuring skilled personnel are in place and fast-tracking infrastructure investments to stabilise service delivery. A recent report on water-sector investment requirements estimated that R256 billion will be required annually between 2023 and 2050, totalling R7.2 trillion, to achieve water security and access for all.[1] The National Water Programme aims to address investment gaps, with initial commitments from the New Development Bank and the City of Cape Town.

Boosting growth through a capable state

Building a capable state goes beyond capacity-building initiatives focused on individual skills, focusing instead on accountability arrangements, strategic goals, government systems and state organisation. This approach is the basis of interventions described in chapters 1, 3 and 6, including institutional reforms to improve the delivery of infrastructure, additional resources to support rebuilding the South African Revenue Service, and an early retirement initiative to rationalise and rejuvenate the public service.

The second phase of Operation Vulindlela will consider and introduce reforms to improve municipal accountability and capacity. Reforms designed to overcome spatial inequalities, turn cities into engines of economic activity and improve the ability of local government to deliver services will support higher growth and job creation.

In addition, government is driving digital transformation to support service delivery. Reforms include relaunching the government website for improved access to services; implementing digital identity and payment systems; growing data interoperability by establishing data exchange for research and service delivery; and increasing access to data and information for transparency and accountability through the publication of a procurement payments dashboard. The Integrated Financial Management System will

[1] Development Bank of Southern Africa, National Planning Commission, Presidential Climate Commission and Southern Africa – Towards Inclusive Economic Development. 2023. South Africa's water sector investment requirements to 2050.

provide critical infrastructure and data capabilities needed to enhance financial oversight, automate processes and support greater integration and responsiveness.

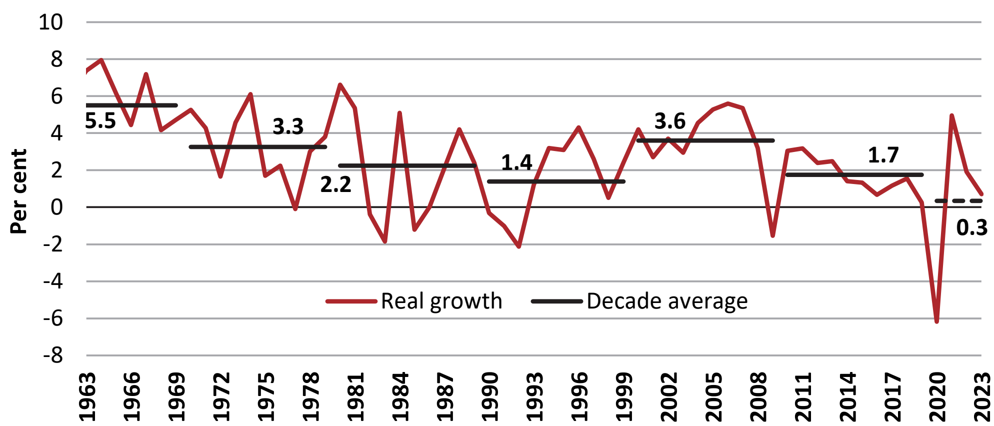
Supporting growth-enhancing public infrastructure

Government is tackling regulatory concerns to encourage private investment in public infrastructure. Amendments to the public-private partnership framework simplify processes and reduce delays. Efforts focus on improving investment in transport, communication, water and energy to reduce costs, boost efficiency and raise productivity.

Over the past decade, deteriorating infrastructure, electricity disruptions, crime, corruption, weak investment and poor education outcomes have reduced the economy's growth potential, or trend growth. South Africa's potential growth is estimated to have remained below 2 per cent since 2013, falling to an average of less than 1 per cent over the past four years. Raising potential growth is necessary to ensure a sustainable increase in growth – in other words, to expand the economy without stoking inflation or accumulating excessive debt. Productivity – the efficiency with which the economy uses its resources – is one of the main drivers of long-term trend growth.

Implementation of the four priorities outlined above will boost short-term economic growth, while supporting higher potential growth over the longer term.

Figure 2.3 Long-term economic growth



Source: Statistics South Africa and Reserve Bank

GLOBAL OUTLOOK

The International Monetary Fund projects that global growth will stabilise at 3.3 per cent in 2025 and 2026. In the short term, growth in the United States will benefit from robust consumption and investment, while China's expansion will be supported by fiscal measures to counter investment weakness. Growth in Sub-Saharan Africa, the Middle East and Central Asia is expected to increase in 2025 despite the drag from commodity production cuts. However, geopolitical tensions – including the threat of sharpening trade disputes – alongside slow productivity gains and trade and supply chain adjustments could limit growth across regions.

Global headline inflation is projected to ease from 5.7 per cent in 2024 to 4.2 per cent in 2025 and 3.5 per cent in 2026, driven by declining energy prices and cooling labour markets. Advanced economies are expected to return to their inflation targets faster than emerging economies, supported by moderating energy costs and improved labour supply. Inflation trends vary in emerging economies, with food inflation persisting in Sub-Saharan Africa, while China is experiencing subdued inflation given weak domestic demand.

Table 2.1 Economic growth in selected countries

Region/country	2023	2024	2025	2026
Percentage	Actual	Estimate	Forecast	
World	**3.3**	**3.2**	**3.3**	**3.3**
Advanced economies	**1.7**	**1.7**	**1.9**	**1.8**
United States	2.9	2.8	2.7	2.1
Euro area	0.4	0.8	1.0	1.4
United Kingdom	0.3	0.9	1.6	1.5
Japan	1.5	-0.2	1.1	0.8
Emerging and developing countries	**4.4**	**4.2**	**4.2**	**4.3**
Brazil	3.2	3.7	2.2	2.2
Russia	3.6	3.8	1.4	1.2
India	8.2	6.5	6.5	6.5
China	5.2	4.8	4.6	4.5
Sub-Saharan Africa	**3.6**	**3.8**	**4.2**	**4.2**
Nigeria	2.9	3.1	3.2	3.0
South Africa[1]	0.7	0.8	1.9	1.7
World trade volumes	**0.7**	**3.4**	**3.2**	**3.3**

1. National Treasury forecast
Source: IMF World Economic Outlook, January 2025

DOMESTIC OUTLOOK

The National Treasury projects real GDP growth of 1.9 per cent in 2025, from a downwardly revised estimate of 0.8 per cent growth in 2024. The downward adjustment is due to a third-quarter GDP contraction driven by weak activity reported for agriculture and transport. Fourth-quarter growth figures are expected to show an improvement, reflecting higher consumer spending in response to easing inflation and the onset of the two-pot retirement reform, which is discussed in Chapter 4.

GDP growth is expected to average 1.8 per cent from 2025 to 2027. Medium-term growth will be underpinned by household consumption on the back of rising purchasing power, moderate employment recovery and wealth gains. Continued investments in renewable energy and easing structural constraints are expected to support higher investment. Key factors for achieving faster economic growth and creating much-needed jobs include greater collaboration with the private sector in energy and transport, rapid implementation of structural reforms, easing of regulatory constraints and increased infrastructure investment.

Table 2.2 Macroeconomic performance and projections

Percentage change	2021	2022	2023	2024	2025	2026	2027
	Actual			Estimate	Forecast		
Final household consumption	6.2	2.5	0.7	1.0	1.9	1.6	1.6
Final government consumption	0.6	0.6	1.9	1.6	3.6	-0.4	0.8
Gross fixed-capital formation	-0.4	4.8	3.9	-3.6	5.0	5.2	3.8
Gross domestic expenditure	4.9	4.0	0.8	-0.0	2.5	1.7	1.8
Exports	9.7	6.8	3.7	-2.8	3.4	3.1	3.0
Imports	9.6	15.0	3.9	-5.3	5.4	3.1	2.7
Real GDP growth	**5.0**	**1.9**	**0.7**	**0.8**	**1.9**	**1.7**	**1.9**
GDP inflation	6.3	5.2	4.8	4.1	4.9	4.8	4.6
GDP at current prices (R billion)	**6 220**	**6 656**	**7 024**	**7 365**	**7 873**	**8 394**	**8 945**
CPI inflation	4.6	6.9	5.9	4.4	4.5	4.6	4.4
Current account balance (% of GDP)	3.7	-0.5	-1.6	-1.6	-2.2	-2.3	-2.4

Sources: National Treasury, Reserve Bank and Statistics South Africa

Employment

The pace of employment growth is expected to have slowed in 2024, with average growth for the first three quarters at 2.2 per cent compared with an average of 6.2 per cent in 2023. Although employment reached an all-time high of 16.9 million people in the third quarter of 2024, the year-to-date average unemployment rate of 32.8 per cent exceeds the long-term average of 27.5 per cent as labour force growth outpaces economic growth. Over the medium term, employment growth is expected to increase gradually, in line with GDP.

South Africa’s employment rate – the percentage of the working-age population that is employed – is about 40 per cent, far below the global average of 55–65 per cent. Compared with similar economies, South Africa has low levels of agricultural employment, self-employment and informal economic activity. Addressing this challenge requires stronger economic growth, and labour demand and absorption.

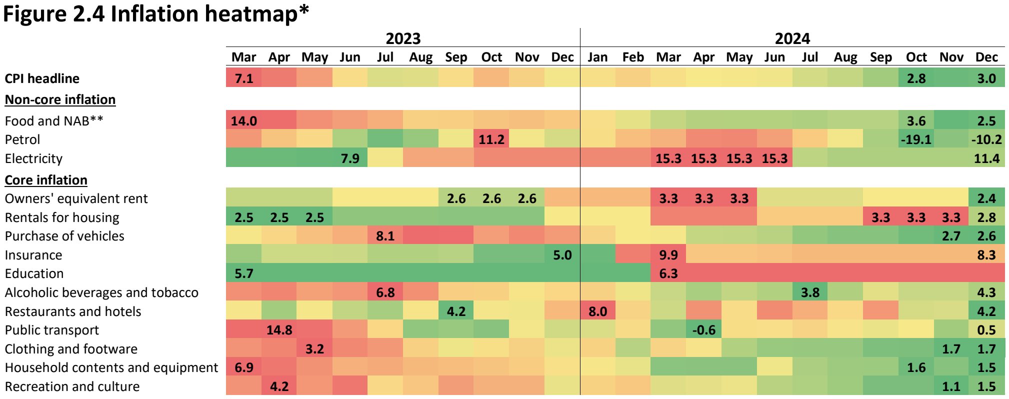
Several regulatory obstacles hinder South Africa’s ability to create jobs. Amendments to labour market regulations to boost employment have been considered by the National Economic Development and Labour Council. The reform process has centred on simplifying labour regulations – including hiring and dismissal, enhanced protections for vulnerable workers and greater flexibility – with a particular focus on small businesses. Updates will be provided as the process unfolds.

Inflation

Headline inflation declined to 2.9 per cent in the fourth quarter of 2024, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 4.5 per cent in 2025 and 4.6 per cent in 2026, picking up slightly as the value-added tax (VAT) increase pushes up prices. The VAT effect is seen mainly in core inflation, which, after averaging 4.3 per cent in 2024, is projected to rise to 4.7 per cent in 2026, slightly above the midpoint of the Reserve Bank’s 3–6 per cent target range. Lower global crude oil prices are expected to support muted fuel price inflation.

Risks to the inflation outlook include upward pressure on food prices from adverse weather patterns and events resulting from climate change. Geopolitical tensions continue to cloud the fuel price outlook.

Figure 2.4 Inflation heatmap*



**Green indicates lower rates of inflation and red indicates higher rates of inflation*
***NAB refers to non-alcoholic beverages*
Source: Statistics South Africa

Household consumption

Household consumption growth averaged 0.6 per cent in the first three quarters of 2024 compared with the same period in 2023. Household expenditure is expected to grow by 1 per cent in 2024 and 1.9 per cent in 2025. Despite weaker growth momentum, household consumption will be supported in the near term by stable inflation expectations, lower borrowing costs, withdrawals under the two-pot retirement reform and government transfers to poorer households. Consumer confidence improved gradually throughout 2024, driven by lower inflation, stable electricity supply and domestic political developments. Household consumption is forecast to average 1.7 per cent from 2025 to 2027, supported by enhanced consumer sentiment, increased household purchasing power, gradual employment gains and wage recovery, and increased credit extension.

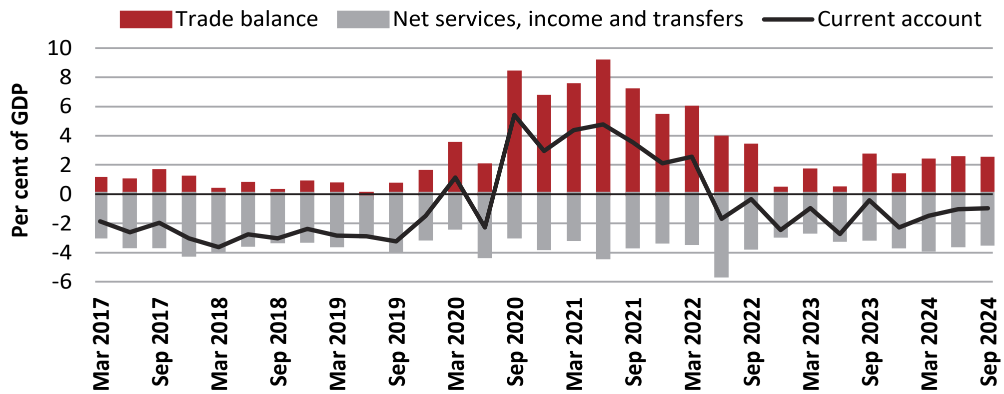
Investment

Gross fixed-capital formation contracted by 4.4 per cent in the first three quarters of 2024, largely led by the private sector. Capital expenditure categories showed mixed results in the third quarter of 2024, with construction works up but residential and transport equipment investments down due to high borrowing costs and low confidence. Total fixed investment remains 9.6 per cent below the pre-pandemic level, mainly owing to weak private investment. Gross fixed-capital formation is estimated to contract by 3.6 per cent in 2024, following two years of growth. It will rebound to 5 per cent in 2025 and average 4.7 per cent over the medium term. The stronger outlook will be supported by the global recovery, lower interest rates, an increase in major export commodity prices and the rollout of public infrastructure investment.

Balance of payments

The current account deficit is expected to widen from 1.6 per cent of GDP in 2024 to 2.2 per cent of GDP in 2025, averaging 2.3 per cent over the medium term. This is due to a weaker trade balance, with exports anticipated to grow more slowly than imports. Easing logistical constraints, stable electricity supply and improvements in export commodity prices should support export volumes. Import volume growth in the near term will be supported by easing oil prices, higher domestic demand and energy-related fixed investment. However, the risks to the outlook are tilted to the downside, including geopolitical tensions, trade policy uncertainty and a slower-than-anticipated easing of logistical bottlenecks.

Figure 2.5 Current account balance



Source: Reserve Bank

Macroeconomic assumptions

Global demand growth is expected to recover from an estimated 2.9 per cent in 2024 to 3.8 per cent in 2025 as growth rises among South Africa's major trading partners. Despite easing prices compared with 2023, the overall export commodity price assumption has been revised upwards due to heightened geopolitical risk, strong US demand and steady Chinese imports, as well as lower output from key producers. The oil price assumption remains unchanged from the 2024 *Medium Term Budget Policy Statement* (MTBPS).

The sovereign risk premium averaged 3.1 per cent in 2024 – a small improvement from the expectation at the time of the 2024 MTBPS – and is expected to stabilise at 2.7 per cent over the medium term, compared with 3 per cent projected at the time of the MTBPS.

Table 2.3 Assumptions informing the macroeconomic forecast

Percentage change	2022	2023	2024	2025	2026	2027
	Actual		Estimate	Forecast		
Global demand[1]	3.8	3.6	2.9	3.8	3.6	3.2
International commodity prices[2]						
Brent crude oil	99.0	82.3	79.9	75.1	71.1	69.4
Gold	1 801.5	1 943.1	2 386.5	2 832.5	2 970.2	3 074.6
Platinum	960.9	966.6	955.2	992.8	1 026.3	1 063.3
Coal	271.1	120.6	105.5	104.4	107.5	108.0
Iron ore	120.7	120.3	110.9	109.3	104.3	100.3
Palladium	2 107.4	1 339.5	980.7	998.4	1 032.5	1 062.5
Food inflation	9.2	10.7	4.5	5.1	4.5	4.5
Electricity inflation	11.1	11.8	13.3	12.1	9.4	6.8
Sovereign risk premium	4.1	3.9	3.1	2.7	2.7	2.7

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2025)
2. Bloomberg futures prices as at 6 February 2025
Source: National Treasury

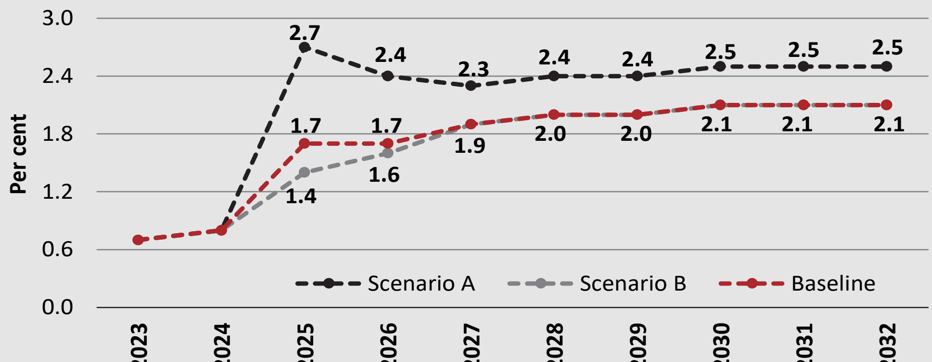
Comparing the baseline forecast with optimistic and pessimistic scenarios

The National Treasury has modelled two alternative scenarios to the baseline forecast.

The upside Scenario A models a rapid infrastructure investment programme, supported by a successful scale-up of capital spending by public entities. Investments increase energy supply more than forecast, and rail and ports recover lost ground in transport volumes. As a result, productive capacity and business and investor confidence pick up, reducing the sovereign risk premium. Producer and consumer inflation decline in the short term, settling at the midpoint of the target in the medium term. Real GDP growth increases to a high of 2.7 per cent in 2025, reaching 2.5 per cent in 2032 due to higher capital stock accumulation and productivity, supporting increased trade volumes and boosting potential growth. This implies that the additional GDP generated over the simulation period amounts to R1.1 trillion relative to the baseline.

The downside Scenario B models a once-off shock of slowing global growth due to increased trade fragmentation and uncertainty. Restrictive trade policies and bloc divisions weaken global trade and investment. Rising costs, persistent supply constraints and sticky inflation limit major central banks' ability to cut rates, while subdued business activity and weak demand weigh on trade sentiment. In South Africa, import inflation, low exports and subdued global demand, combined with higher interest rates and foreign capital costs, reduce GDP growth to 1.4 per cent in 2025 and 1.6 per cent in 2026. Inflation exceeds the baseline in the short term. Beyond 2026, growth returns to the baseline trajectory. Although the growth rate catches up to the baseline over the medium term, GDP losses accumulate to R190 billion relative to the baseline over the horizon.

Figure 2.6 GDP growth scenarios



Source: National Treasury

Risks to the outlook

Risks to the domestic outlook are balanced, but the global outlook faces downside risks from rising trade disputes and geopolitical tensions, financial market volatility, tightening financial conditions for developing economies, rising commodity prices and China's property sector slowdown. Domestically, fiscal risks, adverse weather events, rising input costs and logistical issues could threaten growth. Conversely, lower interest rates, greater-than-expected withdrawals from the two-pot retirement system and progress on economic reforms could boost confidence and demand.

SECTOR PERFORMANCE AND OUTLOOK

Agriculture

Gross value added in the agriculture sector fell by 15.5 per cent over the first three quarters of 2024 compared with 2023, driven by a major contraction reported for the third quarter. Production of summer crops such as maize, soybeans and sunflowers was affected by El Niño-linked heatwaves, while the livestock sector recovered following the avian influenza outbreak in 2023. A rebound is anticipated in 2025 as a weak La Niña brings higher rainfall and lower temperatures, and the livestock sector continues to recover. A strong export-oriented horticulture season is expected over the medium term.

Mining

Gross value added in the mining sector expanded by 0.6 per cent in the first nine months of 2024 compared with the same period in 2023. Production remains subdued due to rail and port constraints affecting bulk commodities, low commodity prices and consequential business restructuring affecting platinum group metals. Safety stoppages, unrest and crime also weighed on production. Improved energy availability, reduced logistics constraints and the introduction of a new mining cadastre system – used to track mineral rights and related licensing information – should support the sector over the medium term.

Manufacturing

Gross value added in the manufacturing sector was 0.3 per cent lower in the first three quarters of 2024 relative to 2023. Production declined by 0.4 per cent during this period, driven by decreases in the production of motor vehicles, parts and accessories and other transport equipment. Although weak demand and competition from imports persist, consistent energy supply, lower borrowing costs, and accelerated implementation of reforms in energy and transport are boosting the outlook.

Construction

The construction sector contracted by 6.2 per cent in the first three quarters of 2024 relative to 2023. Improved policy certainty boosted investment sentiment, but activity remains slow. The so-called construction mafia – organised extortion gangs that use violence to gain a share of lucrative projects – continue to disrupt projects in KwaZulu-Natal, Gauteng and the Western Cape. Government and industry stakeholders have agreed on an approach to end criminal disruption at sites. A recovery is expected during 2025 as sentiment rises and interest rates ease.

Construction sector multipliers

Government's plans to forge an inclusive growth path include large-scale investment in infrastructure, with the construction sector at centre stage.

Figure 2.7 shows that for every R1 million in construction output, total domestic output expands by R1.86 million. Although the sector is small, accounting for only 3 per cent of total gross value added in 2023, it has strong connections to the broader economy. The 2024 MTBPS noted that the construction sector has the highest employment multiplier of any sector: every R1 million spent on a construction project creates more than three jobs for individuals whose highest qualification is a matric certificate. Sectors such as transport, storage and communication, domestic trade sales, mining and quarrying, finance, personal services and manufacturing are poised to benefit most from a construction stimulus.

Figure 2.7 Domestic output multipliers*

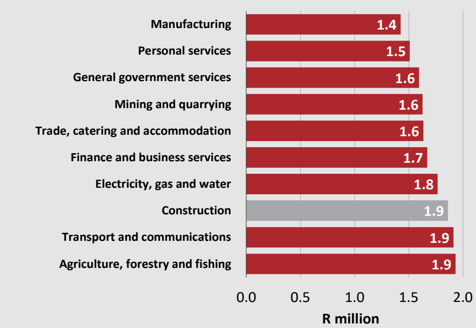
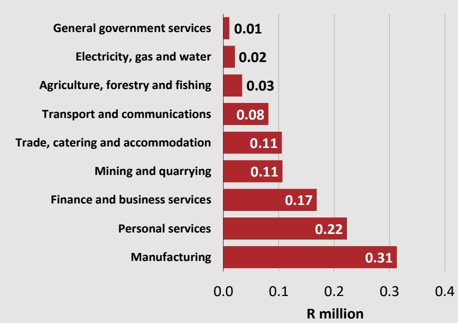


Figure 2.8 Sectoral impact of increasing construction sector output by R1 million*



**Based on the 2021 social accounting matrix*
Source: Statistics South Africa and National Treasury

Utilities

The electricity, gas and water sector expanded by 4.4 per cent in the first nine months of 2024 relative to 2023, reflecting sustained improvements in Eskom's operational performance. Many reforms are still under way, including those aimed at increasing generation capacity and establishing a competitive wholesale electricity market. This should support long-term energy security, alongside efforts to address grid availability and structural challenges within the distribution industry.

Transport and communication

The transport, storage and communication sector expanded by 0.1 per cent in the first nine months of 2024 compared with 2023. Ongoing rail constraints, inefficient port operations and decelerating road transport have weighed on output. Increased investments to improve operations and expand rail and port capacity should support recovery over the medium term. The telecommunications sector will receive a boost from 5G expansion, spectrum releases and a focus on digital transformation.

Finance and business services

The finance, real estate and business services sector grew by 3.3 per cent in the first nine months of 2024 compared with 2023, driven by improved investor sentiment and commercial bank income. Household financial distress from rising interest rates since late 2021 has led to mortgage defaults, but easing borrowing costs are expected to support the sector. In response to higher non-performing loans in retail and small, medium and micro enterprises in 2024, banks increased provisions for doubtful exposures as a safety buffer. Real estate expectations for business volumes and conditions have improved, but limited rate cuts could hinder the recovery.

CONCLUSION

The growth outlook underscores the opportunity to move to a significantly faster economic growth path through sustained progress in raising investment and productivity. The outlook will be supported by stable macroeconomic policies, improved efficiency and competitiveness driven by structural reforms, enhanced state capability to deliver services and improved infrastructure investment over the medium term.

3

2025 BUDGET REVIEW

FISCAL POLICY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government's fiscal strategy is on track to strengthen the public finances.
- The consolidated budget deficit is projected to narrow from 5 per cent of GDP in 2024/25 to 3.4 per cent of GDP in 2027/28.
- The primary budget surplus will enable government to stabilise debt by the end of 2025/26.
- Debt-service costs are forecast to peak as a share of revenue this year, declining gradually thereafter.
- The fiscal strategy blends critical spending measures, including for essential services and infrastructure investments, with a significant revenue increase.

OVERVIEW

The 2024 *Medium Term Budget Policy Statement* (MTBPS) set out a pro-growth agenda to address South Africa's economic and fiscal challenges. The 2025 Budget reaffirms government's commitment to raise living standards by implementing economic reforms, expanding infrastructure investment and stabilising debt. This year, government projects a main budget primary surplus of 0.5 per cent of GDP, which will more than double to 1.1 per cent in 2025/26, stabilising debt as a share of GDP.

At the same time, in light of new and persistent spending pressures, government has taken the difficult decision to raise additional revenue. A 2-percentage-point increase in value-added tax (VAT) will enable higher funding of key public services, including education, health and commuter rail. The impact of this increase on low-income households will be cushioned by real increases in social grants, an expansion of the list of zero-rated foods and continued fuel levy relief. Over the medium term, new spending pressures will need to be addressed through expenditure reductions, reprioritisations or additional revenue measures.

The fiscal strategy remains on track. Prudent and sustainable fiscal policy, in combination with the economic strategy set out in chapters 1 and 2, is laying the foundation for faster economic growth and job creation. Servicing the country's large public debt now consumes 22 cents of every rand of main budget revenue. Reducing these costs is critical for national development. As debt-service costs decline, some of the savings will be used to build fiscal buffers and meet policy priorities.

FISCAL POLICY TRENDS

South Africa's fiscal framework and debt dynamics deteriorated significantly in the aftermath of the 2008–2009 global financial crisis as economic growth fell below historical averages. At the same time, increases in public-service wages and transfers to households, and rising debt-service costs, created a growing divergence between government spending and available resources, which are raised mainly through tax revenues.

Government debt rose from R1.79 trillion in 2014/15 to R5.26 trillion in 2023/24. Measured in inflation-adjusted terms, the burden of public debt per working-age individual climbed from R70 074 in 2014/15 to R114 974 in 2023/24, while real interest costs per individual jumped from R4 472 to R7 785 over the same period. During this decade of economic underperformance, real GDP per person fell from R80 046 to R74 599, underscoring how economic stagnation intensified pressure on households and the broader economy.

The adoption of a main budget expenditure ceiling in 2012 constrained growth in non-interest expenditure. However, rapid growth in debt-service costs, above-inflation wage settlements and repeated bailouts of public enterprises – as well as shocks such as COVID-19 – saw total consolidated government spending rise sharply from R1.23 trillion in 2014/15 to R2.26 trillion in 2023/24, outpacing average annual inflation of 5.2 per cent.

Figure 3.1 Average annual real growth, 2008/09–2023/24

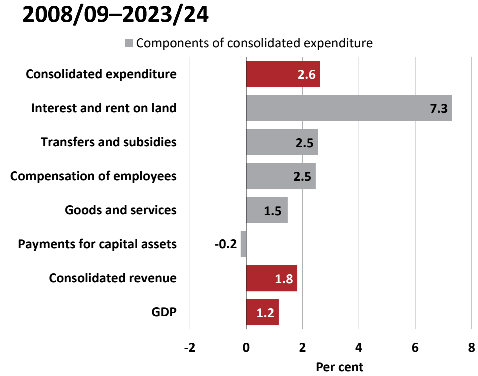
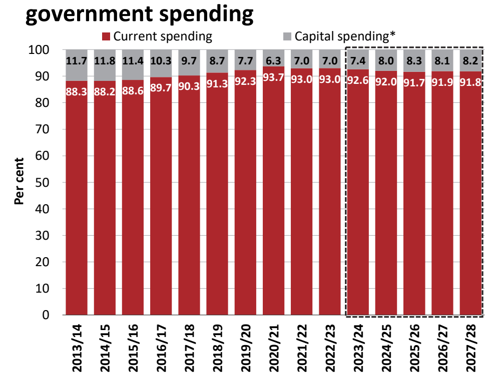


Figure 3.2 Composition of consolidated government spending



*Includes payments for capital assets and capital transfers
Source: National Treasury

Despite this increase in total spending, there was no corresponding improvement in economic output. Infrastructure investment declined as a share of total expenditure, indicating a shift towards current consumption at the expense of future growth (Figure 3.2), while debt-service costs absorbed a growing proportion of main budget revenue.

Table 3.1 Macroeconomic performance and projections

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Percentage change	Actual			Estimate	Forecast		
Real GDP growth	6.2	1.4	0.7	1.1	1.8	1.8	1.9
Nominal GDP growth	12.6	6.9	4.9	5.4	7.0	6.5	6.6
CPI inflation	5.2	7.2	5.5	4.0	4.8	4.5	4.4
GDP at current prices (R billion)	**6 325.6**	**6 763.5**	**7 094.8**	**7 477.9**	**8 003.8**	**8 520.4**	**9 083.2**

Source: National Treasury

MEDIUM-TERM FISCAL STRATEGY

The fiscal strategy continues to strike a balance between stabilising the public finances, reducing risks in the fiscal framework, encouraging economic growth and supporting low-income and vulnerable households. Over the medium term, the strategy prioritises:

- A fiscal anchor to support responsible borrowing and spending. In 2025/26, the debt-stabilising main budget primary surplus will serve as the fiscal anchor, with larger primary surpluses planned for the remainder of the decade to reduce debt as a proportion of GDP.
- An additional R58 billion in revenue in 2025/26 through an increase in the VAT rate, limited personal income tax bracket adjustments and other measures.
- Growth-enhancing public investment by ensuring that payments for capital assets at a consolidated level grow faster than inflation.
- Continued support for frontline services and the vulnerable through an allocation of 61 per cent of consolidated non-interest spending on the social wage – that is, spending on health, education, social protection, community development and employment programmes. This includes above-inflation increases to social grants to help offset the impact of the VAT increase among vulnerable households.

The 2025 public-service wage agreement covers a three-year period, in contrast with recent contracts that have covered only one or two years. This agreement will support greater certainty in budget planning.

ELEMENTS OF THE MEDIUM-TERM FISCAL STRATEGY AND OUTLOOK

Strengthening fiscal sustainability and accountability

While a debt-stabilising primary surplus will anchor fiscal policy over the rest of the decade, government has initiated consultations on potential longer-term fiscal anchors. Alongside the 2025 Budget, government is publishing a discussion document that outlines options and trade-offs.

The assessment of fiscal anchors is based on the premise that governments should make revenue or expenditure choices that are affordable without compromising important social and economic programmes for future generations. The discussion document reviews global experience with fiscal anchors and assesses how institutions can be reformed to strengthen the sustainability of budget practices. It focuses on procedural reforms, rather than numerical limits, given their positive impact on transparency and accountability.

At the same time, government continues to explore ways to balance fiscal sustainability with developmental objectives, so that public resources can be targeted effectively for social and economic impact. Enhanced fiscal risk analysis, economic forecasting and oversight of off-budget entities will reinforce the credibility of the fiscal framework. To ensure this process benefits from meaningful public engagement, the National Treasury is soliciting views and inviting debate with all interested parties on suitable reforms to balance sustainable public finances and development needs.

Tax policy measures

Since 2020, government has signalled that increases in spending need to be matched by corresponding revenue measures. In preparing the current tax proposals, government reviewed all major tax instruments. As detailed in Chapter 4, the VAT rate – unchanged since 2018 – remains below the average of peer countries, and raising VAT tends to be less harmful to growth than other tax options.

To limit the impact of VAT on the poor, government zero rates 21 essential food items. Government now proposes to extend zero rating to several more food items that are consumed in many low-income households.

Pro-growth infrastructure and social spending allocations

The main budget adds R46.7 billion to infrastructure plans over the medium term, partially offset by a drawdown on the provisional allocation of R24.6 billion from the Infrastructure Fund. Capital payments are the fastest-growing area of spending by economic classification. Government is also undertaking reforms to improve the efficiency of infrastructure financing and build the pipeline of blended finance projects. Additional infrastructure reforms are outlined in Chapter 6 and Annexure D of the *Budget Review*.

Allocations to the social wage will account for 61 per cent of consolidated non-interest spending to support low-income and vulnerable households over the medium-term expenditure framework (MTEF) period.

A sustainable public-service wage agreement

In terms of the 2025 public-service wage agreement, remuneration of government employees will rise by 5.5 per cent in 2025/26 – 1 percentage point above projected consumer price index (CPI) inflation. Over the subsequent two years, remuneration of employees will align with CPI. This agreement will cost the fiscus an additional R7.3 billion in 2025/26, R7.8 billion in 2026/27 and R8.2 billion in 2027/28. Government will partially draw down on the contingency reserve to meet these costs. Although the agreement exceeds the 2024 Budget and MTBPS projections, its three-year duration reduces uncertainty in budget planning.

In addition, government is reactivating early retirement without penalties to help manage wage costs while attracting talented younger employees into the public service. An additional R11 billion is allocated over the next two fiscal years for this initiative. The plan is to manage headcounts by incentivising employees over 55 years old to retire and moderate compensation spending as younger employees join the public service at entry-level salary grades. Preliminary savings are expected to average R7.8 billion per year over the medium to long term. Savings will be retained by departments.

CHANGES IN REVENUE AND EXPENDITURE

Revenue

Since the 2024 MTBPS, gross tax revenue projections have been revised up by R2.9 billion in 2024/25 and by R189.2 billion over the 2025 MTEF period.

Table 3.2 Revised gross tax revenue projections

R billion	2023/24[1]	2024/25	2025/26	2026/27	2027/28
Revised estimate	**1 740.9**	**1 843.7**	**2 032.1**	**2 175.9**	**2 319.2**
Buoyancy	*0.66*	*1.09*	*1.45*	*1.10*	*1.00*
2024 MTBPS	**1 740.9**	**1 840.8**	**1 971.8**	**2 111.1**	**2 255.2**
Buoyancy	*0.66*	*0.95*	*1.09*	*1.09*	*1.04*
2024 Budget	**1 731.4**	**1 863.0**	**1 991.2**	**2 133.0**	
Buoyancy	*0.54*	*1.33*	*1.11*	*1.11*	
Projected improvement against 2024 MTBPS	–	2.9	60.3	64.8	64.1
Projected variance against 2024 Budget	9.5	-19.3	40.9	42.9	

1. Actual outcome
Source: National Treasury

Relative to the 2024 MTBPS, non-tax revenue estimates have been lowered by R3.5 billion in the outer two years of the MTEF period, mainly driven by lower projections for mineral and petroleum royalties. The R4 billion revenue expected from the sale of strategic oil reserves will flow to the National Revenue Fund in 2025/26. Projections for National Revenue Fund receipts have been revised up by R1 billion in 2025/26, mainly due to higher expected revaluation profits on foreign-currency transactions. Payments to the Southern African Customs Union have been revised up by R2 billion in 2026/27 and R4.8 billion in 2027/28 compared with the 2024 MTBPS estimates, mainly due to upward revisions to customs duties projections. Overall, compared with the 2024 Budget estimates, main budget revenue is projected to be R20 billion lower in 2024/25 and, in total, R93.8 billion higher in 2025/26 and 2026/27, mainly reflecting the impact of tax increases.

Table 3.3 Revisions to main budget revenue estimates

	2025/26			2026/27			2027/28
R billion/percentage of GDP	2025 Budget	Deviation from the 2024 MTBPS	Deviation from the 2024 Budget	2025 Budget	Deviation from the 2024 MTBPS	Deviation from the 2024 Budget	2025 Budget[2]
Revenue							
Gross tax revenue	2 032.1	60.3	40.9	2 175.9	64.8	42.9	2 319.2
Non-tax revenue	36.3	2.3	3.4	31.6	-1.6	-0.7	31.6
SACU[1]	-73.6	-0.0	3.7	-77.5	-2.0	2.2	-91.2
National Revenue Fund receipts	1.5	1.0	0.9	0.9	0.2	0.5	0.5
Main budget revenue	**1 996.3**	**63.7**	**48.9**	**2 130.9**	**61.3**	**44.9**	**2 260.2**
	24.9%			*25.0%*			*24.9%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments
2. The main budget revenue for 2027/28 estimated in the 2025 Budget is R57.4 billion higher than the estimate in the 2024 MTBPS
Source: National Treasury

Expenditure

Main budget non-interest expenditure increased by a net R6.9 billion in 2024/25 compared with the 2024 Budget projection. This was mainly as a result of the proposed spending additions for rollovers, the troop deployment in the Democratic Republic of the Congo, the repayment of debt for the Gauteng Freeway Improvement Project and spending announced in the 2024 Budget, including an increase in the *COVID-19 social relief of distress grant*. These increases are partially offset by declared unspent funds, projected underspending, and drawdowns of the contingency reserve and provisional allocations.

Table 3.4 shows proposed medium-term revisions to main budget non-interest spending.

Table 3.4 Changes to main budget non-interest expenditure over MTEF period

R million	2025/26	2026/27	2027/28	MTEF total
Non-interest expenditure (2024 Budget)	**1 840 913**	**1 932 982**	**2 030 266**	**5 804 161**
Additions to baselines and provisional allocations[1]	108 652	74 536	69 365	252 553
Infrastructure projects [1]	*14 104*	*15 833*	*16 741*	*46 678*
2025 public-service wage agreement and carry-through costs	*7 317*	*7 842*	*8 211*	*23 371*
Early retirement costs	*4 400*	*6 600*	*–*	*11 000*
COVID-19 social relief of distress grant	*35 169*	*–*	*–*	*35 169*
Social grants above-inflation increases	*6 276*	*8 011*	*8 994*	*23 281*
Provisional allocations for frontline services	*23 766*	*25 115*	*26 712*	*75 593*
Other spending additions [1]	*17 619*	*11 135*	*8 707*	*37 460*
Reductions to provisional allocations[2]	-40 817	-9 098	-16 741	-66 656
Changes to contingency reserve	400	-4 500	-5 835	-9 934
Technical adjustments[3]	-448	-784	-1 412	-2 645
Revised non-interest expenditure (2025 Budget)	**1 908 700**	**1 993 136**	**2 075 643**	**5 977 478**
Change in non-interest expenditure from 2024 Budget	67 787	60 154	45 376	173 317

1. Details are in Table 5.2 in Chapter 5
2. Includes drawdown of provisional allocations for Covid-19 SRD grant and public employment programmes in 2025/26, Western Cape Rapid Schools Build Programme in 2025/26 and 2026/27 and Infrastructure Fund in 2026/27 and 2027/28
3. Includes revisions to skills development levy projections and savings from closure of Department of Public Enterprises
Source: National Treasury

It shows a net increase of R173.3 billion compared with the 2024 Budget. This increase comprises spending additions partially offset by reductions in provisional allocations of R66.7 billion and a R9.9 billion drawdown of the contingency reserve. Details on spending additions appear in Table 5.2.

CONSOLIDATED FISCAL FRAMEWORK

The consolidated budget deficit for 2024/25, projected at 4.5 per cent in the 2024 Budget, is now estimated at 5 per cent of GDP. The deficit is projected to decline to 3.4 per cent of GDP in 2027/28 as the main budget deficit narrows. Social security funds, provinces and public entities move into a combined cash deficit in 2024/25 and over the medium term. Over the next three years, consolidated non-interest expenditure will increase at an annual average rate of 0.9 per cent in real terms.

Table 3.5 Consolidated fiscal framework

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 754.8**	**1 900.8**	**1 948.0**	**2 026.6**	**2 247.7**	**2 389.9**	**2 534.2**
	27.7%	*28.1%*	*27.5%*	*27.1%*	*28.1%*	*28.0%*	*27.9%*
Expenditure	**2 047.3**	**2 145.4**	**2 259.5**	**2 404.0**	**2 600.8**	**2 713.2**	**2 844.7**
	32.4%	*31.7%*	*31.8%*	*32.1%*	*32.5%*	*31.8%*	*31.3%*
Non-interest expenditure	*1 771.3*	*1 829.7*	*1 896.0*	*2 006.1*	*2 168.1*	*2 255.5*	*2 357.5*
	28.0%	*27.1%*	*26.7%*	*26.8%*	*27.1%*	*26.5%*	*26.0%*
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-377.3**	**-353.1**	**-323.4**	**-310.5**
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.4%*	*-3.8%*	*-3.4%*

Source: National Treasury

The budgets for basic education, health and the police are projected to grow in nominal annual average terms at 5.9 per cent, 5.9 per cent and 5.2 per cent respectively over the MTEF period. Spending on the community and economic development functions will grow by 4.5 per cent and 8.1 per cent respectively.

Medium-term capital payments and transfers will grow by a nominal annual average of 6.6 per cent. The wage bill and goods and services will increase by 5.7 per cent and 5.4 per cent respectively. The consolidated budget deficit is largely driven by the capital financing requirement.

Table 3.6 Consolidated operating and capital accounts

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised estimate	Medium-term estimates		
OPERATING ACCOUNT							
Current revenue	**1 738.3**	**1 879.6**	**1 913.4**	**2 002.1**	**2 222.1**	**2 372.5**	**2 518.3**
Current payments	**1 827.3**	**1 949.2**	**2 087.0**	**2 201.3**	**2 364.3**	**2 475.2**	**2 590.8**
Compensation of employees	666.3	689.3	723.6	763.1	824.3	863.5	901.8
Goods and services	270.8	291.6	315.5	326.5	352.1	364.8	382.1
Interest payments	276.0	315.8	363.6	397.9	432.7	457.8	487.3
Current transfers and subsidies	614.2	652.5	684.3	713.9	755.2	789.2	819.7
Current balance	**-89.0**	**-69.6**	**-173.6**	**-199.3**	**-142.2**	**-102.7**	**-72.5**
	-1.4%	*-1.0%*	*-2.4%*	*-2.7%*	*-1.8%*	*-1.2%*	*-0.8%*
CAPITAL ACCOUNT							
Capital receipts	0.3	0.7	0.7	0.3	0.3	0.2	0.2
Capital payments	73.2	89.8	103.8	116.5	135.2	135.7	147.1
Capital transfers	70.2	59.5	62.4	75.9	81.9	85.1	85.9
Capital financing requirement	**-143.1**	**-148.6**	**-165.6**	**-192.1**	**-216.8**	**-220.6**	**-232.8**
	-2.3%	*-2.2%*	*-2.3%*	*-2.6%*	*-2.7%*	*-2.6%*	*-2.6%*
Financial transactions[1]	-60.5	-26.4	27.7	14.1	13.9	9.9	9.7
Contingency reserve	–	–	–	–	8.0	10.0	15.0
Budget balance	**-292.6**	**-244.6**	**-311.6**	**-377.3**	**-353.1**	**-323.4**	**-310.5**
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.4%*	*-3.8%*	*-3.4%*

1. Balance of transactions in financial assets and liabilities
Source: National Treasury

ELEMENTS OF THE CONSOLIDATED BUDGET

The consolidated budget includes the main budget framework and spending by provinces, social security funds and public entities financed from their own revenue sources.

Main budget framework

Table 3.7 summarises spending financed from the National Revenue Fund. In 2023/24, the main budget deficit outcome of 4.6 per cent of GDP was close to the 2024 Budget estimate of 4.7 per cent of GDP. The 2024/25 main budget deficit is projected at 4.8 per cent of GDP, compared with 4.3 per cent in the 2024 Budget, due to weaker growth and lower revenue.

Relative to the 2024 MTBPS projections, higher main budget primary surpluses and lower budget deficits are projected over the medium term, as higher spending is more than offset by higher revenue. Debt-service costs have been revised up by R9.4 billion over the MTEF period. The deficit is expected to continue narrowing over the medium term, from 4.2 per cent of GDP in 2025/26 to 3.2 per cent by 2027/28.

Government proposes to maintain a R33 billion contingency reserve over the MTEF period to manage major unanticipated risks.

Table 3.7 Main budget framework

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised estimate	Medium-term estimates		
Revenue							
Gross tax revenue after proposals	1 563.8	1 686.7	1 740.9	1 843.7	2 032.1	2 175.9	2 319.2
Non-tax revenue	40.4	51.0	43.9	32.0	36.3	31.6	31.6
SACU[1]	-46.0	-43.7	-79.8	-89.9	-73.6	-77.5	-91.2
National Revenue Fund receipts	6.1	5.2	19.0	9.2	1.5	0.9	0.5
Main budget revenue	**1 564.3**	**1 699.2**	**1 724.0**	**1 795.0**	**1 996.3**	**2 130.9**	**2 260.2**
	24.7%	*25.1%*	*24.3%*	*24.0%*	*24.9%*	*25.0%*	*24.9%*
Expenditure							
National departments	822.8	855.9	826.9	862.3	917.5	915.0	949.6
Provinces	660.8	694.1	706.3	730.7	767.8	798.4	833.8
Local government	135.6	150.7	157.7	167.7	176.8	185.1	190.8
Contingency reserve	–	–	–	–	8.0	10.0	15.0
Provisional allocations not appropriated	–	–	–	–	38.6	84.6	86.5
Non-interest expenditure	**1 619.2**	**1 700.7**	**1 690.8**	**1 760.7**	**1 908.7**	**1 993.1**	**2 075.6**
Debt-service costs	268.1	308.5	356.1	389.6	424.2	448.6	477.2
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 150.3**	**2 332.9**	**2 441.7**	**2 552.9**
	29.8%	*29.7%*	*28.9%*	*28.8%*	*29.1%*	*28.7%*	*28.1%*
Main budget balance	**-323.0**	**-309.9**	**-322.9**	**-355.3**	**-336.5**	**-310.8**	**-292.7**
	-5.1%	*-4.6%*	*-4.6%*	*-4.8%*	*-4.2%*	*-3.6%*	*-3.2%*
Primary balance	**-54.9**	**-1.5**	**33.2**	**34.2**	**87.6**	**137.8**	**184.5**
	-0.9%	*-0.0%*	*0.5%*	*0.5%*	*1.1%*	*1.6%*	*2.0%*

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the next two years include projected forecast error adjustments for 2023/24 and 2024/25 respectively
Source: National Treasury

Social security funds, public entities and provincial balances

In 2023/24, public entities, social security funds and provinces recorded a combined cash surplus. The social security funds cash surplus was mainly the result of underspending in social benefits payments by the Unemployment Insurance Fund. Over the medium term, public entities are projected to run cash deficits, mainly due to higher capital spending by the South African National Roads Agency Limited, the Passenger Rail Agency of South Africa, the Trans-Caledon Tunnel Authority and the water boards.

Table 3.8 Consolidated budget balances

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Main budget	-323.0	-309.9	-322.9	-355.3	-336.5	-310.8	-292.7
Social security funds	-6.2	8.6	10.9	-8.1	-5.7	-2.6	-3.1
Provinces	2.1	13.4	-6.2	-6.4	1.9	2.3	3.5
Public entities	35.1	43.0	6.6	-7.6	-13.1	-12.8	-18.9
RDP Fund[1]	-0.6	0.2	0.0	0.2	0.4	0.5	0.7
Consolidated budget balance	**-292.6**	**-244.6**	**-311.6**	**-377.3**	**-353.1**	**-323.4**	**-310.5**

1. Reconstruction and Development Programme Fund
Source: National Treasury

PUBLIC-SECTOR BORROWING REQUIREMENT

In 2023/24, the public-sector borrowing requirement rose to R395.1 billion, or 5.6 per cent of GDP, reflecting the widening of the consolidated budget deficit. The borrowing requirement for 2024/25 is revised up by R64.7 billion to R397.2 billion compared with the 2024 *Budget Review* estimate.

Table 3.9 Public-sector borrowing requirement[1]

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25			2025/26	2026/27	2027/28
	Outcome			Budget 2024	Budget 2025	Deviation	Medium-term estimates		
Main budget	323.0	309.9	322.9	320.9	355.3	34.4	336.5	310.8	292.7
Social security funds	6.2	-8.6	-10.9	0.1	8.1	8.1	5.7	2.6	3.1
Provinces	-2.1	-13.4	6.2	3.9	6.4	2.5	-1.9	-2.3	-3.5
Public entities	-35.1	-43.0	-6.6	7.5	7.6	0.1	13.1	12.8	18.9
RDP Fund	0.6	-0.2	-0.0	-0.1	-0.2	-0.1	-0.4	-0.5	-0.7
Consolidated government	**292.6**	**244.6**	**311.6**	**332.4**	**377.3**	**44.9**	**353.1**	**323.4**	**310.5**
National borrowing for Eskom debt-relief arrangement	–	–	76.0	64.2	64.2	–	80.2	–	–
GFECRA settlement	–	–	–	-100.0	-100.0	–	-25.0	-25.0	–
Consolidated borrowing	**292.6**	**244.6**	**387.6**	**296.5**	**341.5**	**44.9**	**408.3**	**298.4**	**310.5**
	4.6%	*3.6%*	*5.5%*	*4.0%*	*4.6%*		*5.1%*	*3.5%*	*3.4%*
Local authorities[2]	**7.5**	**8.7**	**7.5**	**14.5**	**14.0**	**-0.5**	**12.9**	**10.6**	**11.7**
	0.1%	*0.1%*	*0.1%*	*0.2%*	*0.2%*		*0.2%*	*0.1%*	*0.1%*
State-owned companies[3]	**15.6**	**53.1**	**–**	**21.4**	**41.8**	**20.3**	**29.4**	**25.4**	**38.4**
	0.2%	*0.8%*	*0.0%*	*0.3%*	*0.6%*		*0.4%*	*0.3%*	*0.4%*
Borrowing requirement	**315.7**	**306.5**	**395.1**	**332.5**	**397.2**	**64.7**	**450.6**	**334.4**	**360.6**
	5.0%	*4.5%*	*5.6%*	*4.5%*	*5.3%*		*5.6%*	*3.9%*	*4.0%*

1. A negative number reflects a surplus and a positive number a deficit
2. 2022/23 is an adjusted budget estimate, as the outcome is still being audited
3. Comprises Eskom, South African Airways (SAA), Transnet, Airports Company South Africa (ACSA) and Denel. Eskom, SAA, ACSA and Denel are not projecting to borrow in 2023/24 and over the medium term.
South African National Roads Agency Limited and Trans-Caledon Tunnel Authority are included in consolidated government net borrowing
Source: National Treasury

RISKS TO THE FISCAL OUTLOOK

Risks to the fiscal outlook remain balanced. The conclusion of wage negotiations with a multi-year agreement and the early retirement initiative reduce compensation risks over the period ahead. Medium- to longer-term risks to the fiscal outlook include:

- Lower economic growth, leading to weaker revenue growth.
- The poor financial condition of subnational governments and state-owned companies.
- Macro-fiscal shocks due to heightened geopolitical tensions.

Determined application of the fiscal strategy, in concert with economic policy initiatives and a firm stance on state-owned company bailout requests, will mitigate these risks.

CONCLUSION

Government will achieve a longstanding ambition to stabilise debt next year through the strengthening primary surplus. The fiscal strategy will continue to manage fiscal risks, support essential services and raise economic growth.

4

2025 BUDGET REVIEW

REVENUE TRENDS AND TAX PROPOSALS

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 4

REVENUE TRENDS AND TAX PROPOSALS

In brief

- The revised tax revenue estimate for 2024/25 is R1.84 trillion, which is R19.3 billion less than expected in the 2024 Budget.
- To address spending needs, 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 additional VAT zero rating of essential food items and no changes to the fuel levy.
- Building on the progress made in revitalising the South African Revenue Service (SARS), government will continue to protect and broaden the tax base.

OVERVIEW

The tax system raises the revenue needed to fund government programmes and deliver services. Tax revenue for 2024/25 is expected to amount to R1.84 trillion, which is R19.3 billion less than projected at the time of the 2024 Budget. In light of new and persistent spending pressures, government has taken the difficult decision to raise the VAT rate by 2 percentage points to 17 per cent. The increase enables additional funding to several key functions and policy priorities, as outlined in earlier chapters.

Tax policy measures proposed in the 2025 Budget are designed to raise R58 billion in additional revenue in 2025/26. A VAT increase affects everyone, and government is mitigating the adverse effects for poorer households, including through above-inflation increases to social grants and expanding the list of foods zero rated for VAT. Other tax proposals include full inflation adjustment of the bottom two personal income tax brackets, partial adjustment of the remaining income tax brackets, above-inflation increases on alcohol and tobacco excise duties, and diesel refund relief for primary sectors.

These proposals are designed to maintain the progressive character of South Africa's tax system. Government remains committed to broadening the tax base and improving tax administration to support sustainable revenue collection and economic growth.

REVENUE COLLECTION AND OUTLOOK

Revenue collection has fallen short of expectations over the past year in line with economic outcomes. The tax-to-GDP ratio is expected to increase marginally from 24.5 per cent in 2023/24 to 24.7 per cent in 2024/25.

Although corporate tax receipts benefited from better-than-expected profitability, slower import growth led to underperformance in import VAT collections. Fuel levy receipts contracted amid falling demand and large diesel refund payments. Import VAT collections fell by more than 20 per cent between 2022/23 and 2023/24 as nominal imports slowed sharply. While this trend has since moderated, tax receipts contracted by 2.3 per cent in the first 10 months of 2024/25 compared with the same period in the previous year.

Table 4.1 Budget estimates and revenue outcomes[1]

R million	2023/24			2024/25			Percentage change[3]
	Budget[2]	Outcome	Deviation	Budget[2]	Revised	Deviation	
Taxes on income and profits	**997 924**	**1 008 556**	**10 632**	**1 084 989**	**1 095 686**	**10 698**	**8.6%**
Personal income tax	649 783	648 911	-872	738 749	734 268	-4 481	13.2%
Corporate income tax	301 367	313 097	11 730	302 702	314 634	11 931	0.5%
Dividends tax	39 705	39 173	-532	36 142	38 108	1 966	-2.7%
Other taxes on income and profits[4]	7 069	7 375	305	7 395	8 677	1 282	17.7%
Skills development levy	**22 713**	**22 604**	**-109**	**24 500**	**24 493**	**-7**	**8.4%**
Taxes on property	**19 486**	**19 400**	**-86**	**20 600**	**21 339**	**739**	**10.0%**
Domestic taxes on goods and services	**616 951**	**616 459**	**-492**	**654 290**	**623 020**	**-31 270**	**1.1%**
Value-added tax	445 340	447 557	2 216	476 749	459 963	-16 786	2.8%
Specific excise duties	53 942	53 522	-420	58 184	58 171	-14	8.7%
Health promotion levy	2 254	2 245	-9	2 398	2 306	-92	2.7%
Ad valorem excise duties	7 782	7 348	-435	6 847	6 962	116	-5.2%
Fuel levy	93 372	91 508	-1 864	95 771	80 624	-15 147	-11.9%
Other domestic taxes on goods and services[5]	14 261	14 280	19	14 342	14 994	652	5.0%
Taxes on international trade and transactions	**74 279**	**73 849**	**-430**	**78 655**	**79 162**	**507**	**7.2%**
Customs duties	72 492	70 549	-1 944	76 818	76 255	-563	8.1%
Health promotion levy on imports	107	115	8	114	138	24	20.0%
Diamond export levy	155	137	-18	163	89	-74	-35.4%
Export tax	401	411	10	422	463	42	12.7%
Miscellaneous customs and excise receipts	1 124	2 637	1 514	1 140	2 218	1 078	-15.9%
Gross tax revenue	**1 731 353**	**1 740 870**	**9 517**	**1 863 035**	**1 843 701**	**-19 334**	**5.9%**
Non-tax revenue[6]	61 294	62 944	1 650	41 856	41 146	-711	-34.6%
of which:							
Mineral and petroleum royalties	*15 718*	*15 979*	*262*	*16 000*	*11 342*	*-4 658*	*-29.0%*
Less: SACU[7] payments	-79 811	-79 811	–	-89 871	-89 874	-3	12.6%
Main budget revenue	**1 712 836**	**1 724 003**	**11 167**	**1 815 020**	**1 794 972**	**-20 048**	**4.1%**
Provinces, social security funds and selected public entities	208 587	223 974	15 387	221 602	231 671	10 069	3.4%
Consolidated budget	**1 921 423**	**1 947 977**	**26 554**	**2 036 623**	**2 026 643**	**-9 979**	**4.0%**

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure
2. 2024 Budget Review estimates
3. Percentage change between outcome in 2023/24 and revised estimate in 2024/25
4. Includes interest on overdue income tax and interest withholding tax
5. Includes turnover tax for micro businesses, air departure tax, plastic bag levy, electricity levy, CO_2 tax on motor vehicle emissions, incandescent light bulb levy, Universal Service Fund, tyre levy, carbon tax and International Oil Pollution Compensation Fund
6. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets
7. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury

Stable power supply led to lower imports of energy-related components, which alongside weaker investment subdued demand for imports. Despite domestic VAT performing better than expected, the contraction in import VAT led to significant downward revisions to net VAT collections compared with 2024 Budget estimates.

Table 4.2 Budget revenue outcomes and outlook[1]

R million	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised	Medium-term estimates		
Taxes on income and profits[2]	**912 870**	**988 505**	**1 008 556**	**1 095 686**	**1 173 603**	**1 263 179**	**1 351 781**
of which:							
Personal income tax	*553 951*	*600 367*	*648 911*	*734 268*	*800 457*	*850 916*	*910 810*
Corporate income tax	*320 447*	*344 660*	*313 097*	*314 634*	*325 040*	*360 369*	*385 482*
Skills development levy	19 336	20 892	22 604	24 493	26 006	27 811	29 773
Taxes on property	22 033	21 238	19 400	21 339	22 840	24 314	25 920
Domestic taxes on goods and services	549 806	579 990	616 459	623 020	722 518	767 261	812 261
of which:							
VAT	*390 895*	*422 416*	*447 557*	*459 963*	*545 440*	*579 133*	*612 457*
Taxes on international trade and transactions	59 719	76 068	73 849	79 162	87 131	93 364	99 505
Gross tax revenue	**1 563 754**	**1 686 697**	**1 740 870**	**1 843 701**	**2 032 097**	**2 175 929**	**2 319 239**
Non-tax revenue[3]	46 485	56 201	62 944	41 146	37 763	32 501	32 145
of which:							
Mineral and petroleum royalties	*28 456*	*25 338*	*15 979*	*11 342*	*11 606*	*12 540*	*13 410*
Less: SACU[4] payments	-45 966	-43 683	-79 811	-89 874	-73 552	-77 527	-91 201
Main budget revenue	**1 564 273**	**1 699 215**	**1 724 003**	**1 794 972**	**1 996 308**	**2 130 902**	**2 260 184**
Provinces, social security funds and selected public entities	190 493	201 576	223 974	231 671	251 420	258 959	273 997
Consolidated budget revenue	**1 754 766**	**1 900 791**	**1 947 977**	**2 026 643**	**2 247 728**	**2 389 861**	**2 534 180**
As percentage of GDP							
Tax revenue	*24.7%*	*24.9%*	*24.5%*	*24.7%*	*25.4%*	*25.5%*	*25.5%*
Main budget revenue	*24.7%*	*25.1%*	*24.3%*	*24.0%*	*24.9%*	*25.0%*	*24.9%*
GDP (R billion)	*6 325.6*	*6 763.5*	*7 094.8*	*7 477.9*	*8 003.8*	*8 520.4*	*9 083.2*
Tax buoyancy	*1.99*	*1.14*	*0.66*	*1.09*	*1.45*	*1.10*	*1.00*

1. A more disaggregated view is presented in Tables 2 and 3 of the statistical annexure
2. Includes dividends tax, interest withholding tax and interest on overdue income tax
3. Includes mineral and petroleum royalties, mining leases, departmental revenue and sales of capital assets
4. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury and SARS

Similarly, demand for fuel fell sharply during 2024/25, and fuel levy collections declined by 10.6 per cent over the first 10 months of the year. Volumes of domestic and imported diesel contracted as load-shedding subsided. Significant diesel refund claims will be settled by the end of 2024/25, further reducing fuel levy collections.

In contrast, corporate tax collections are expected to outperform 2024 Budget estimates. Although provisional corporate tax collections from the mining sector contracted by 28 per cent during 2024/25, this was offset by profits in other sectors.

Personal income tax collection grew at 13.1 per cent over the first 10 months of 2024/25 compared with the same period in the prior year. This reflects the impact of tax policy measures announced in the 2024 Budget and larger-than-expected tax receipts from withdrawals once the two-pot retirement reform came into effect on 1 September 2024. Overall, personal income tax collections are revised down relative to 2024 Budget estimates, in line with a weaker outlook for employee compensation in 2024/25.

Medium-term revenue outlook

The medium-term revenue outlook is revised up by R189.2 billion relative to the 2024 *Medium Term Budget Policy Statement*. As shown in Table 4.3, the increase in the VAT rate in 2025/26 is expected to contribute significantly to additional revenue collection. There is an improved outlook for employee compensation in 2025/26 which, alongside additional revenue expected from two-pot savings component withdrawals, will support stronger personal income tax collections.

The buoyancy of tax revenue for a given level of economic growth is expected to be higher over the medium term, mainly due to the policy measures implemented from 2025/26 and higher personal income tax collections.

The tax-to-GDP ratio is expected to reach 25.5 per cent by 2027/28, supported by an improved economic outlook. Gross tax revenue collections are expected to increase by 10.2 per cent in 2025/26, 7.1 per cent in 2026/27 and 6.6 per cent in 2027/28. This translates into gross tax revenue increasing from an expected R1.84 trillion in 2024/25 to R2.32 trillion in 2027/28. Higher revenue collection requires sustained investment and economic growth, supported by continued improvements in tax administration.

TAX POLICY

A broad tax base, combined with relatively low tax rates and improved tax administration, supports sustainable revenue-raising and economic growth over the long term. A tax rate increase has, however, become unavoidable to ensure adequate funding for policy priorities while maintaining fiscal sustainability.

Increasing tax rates affects the economy, the behavioural response of taxpayers, and considerations of inequality and fairness. In balancing these considerations, government aims for a tax policy mix that generates sufficient revenue while promoting economic growth, efficiency and transparency, with careful consideration of the relative economic and distributional impact of different taxes.

During 2024, two longer-term policy reforms came into effect: the global minimum tax and the two-pot retirement reform. The global minimum tax is expected to increase the amount of corporate tax collected over time. It requires large domestic and foreign multinationals operating in South Africa, as well as South African multinationals in other jurisdictions, to pay more corporate income tax to SARS from 2026/27 if their effective tax rate is below 15 per cent. The two-pot retirement reform has alleviated some near-term revenue pressure through larger-than-expected tax receipts from withdrawals, even though that was not the policy focus of the reform.

Two-pot retirement reform

The two-pot retirement reform took effect on 1 September 2024. This reform was described extensively in Chapter 4 of the 2024 *Budget Review*. One-third of retirement fund contributions now go into a "savings component", while two-thirds go into a "retirement component". Retirement fund members can make one withdrawal per tax year from the savings component. Pre-retirement withdrawals from the savings component are taxable at marginal tax rates, like all other income.

To date, the revenue collected has surpassed the initial estimate of R5 billion for 2024/25, with tax collections amounting to R11.1 billion as of end-January 2025. Withdrawals are expected to continue into the medium term as fund members access their savings component.

Tax administration update

Over the past five years, SARS has made significant progress in rebuilding and modernising its systems by shifting to online services and automating many of its processes to improve service, detect fraud and enhance compliance. In 2025/26, SARS will focus on addressing the tax gap to improve revenue collection. This will be done by improving taxpayer compliance and trade facilitation by leveraging artificial intelligence and data science. SARS is deploying technologies to simplify its processes and enhance the single window platform to improve taxpayer and trader service. Adopting scanning technologies and intelligent image analysis will significantly reduce inspection times through ports of entry. The traveller declaration system is being modernised to provide digital services to cross-border travellers and state entities, reducing illicit financial flows and other risks.

TAX PROPOSALS

The 2025 Budget tax proposals are designed to increase revenue collection. In addition, guidance is provided on the future of the carbon tax.

Revenue measures are expected to raise R58 billion in 2025/26, adding significantly to tax collections over the medium term. The largest contribution is from the increase in the VAT rate. To mitigate the impact of this increase on households, the basket of VAT zero-rated foodstuffs will be expanded and the general fuel levy will not be increased. Personal income tax brackets and rebates will be adjusted to account for inflation. Excise duties on alcohol and tobacco products will be adjusted above the expected inflation rate.

Table 4.3 Impact of tax proposals on medium-term revenue[1]

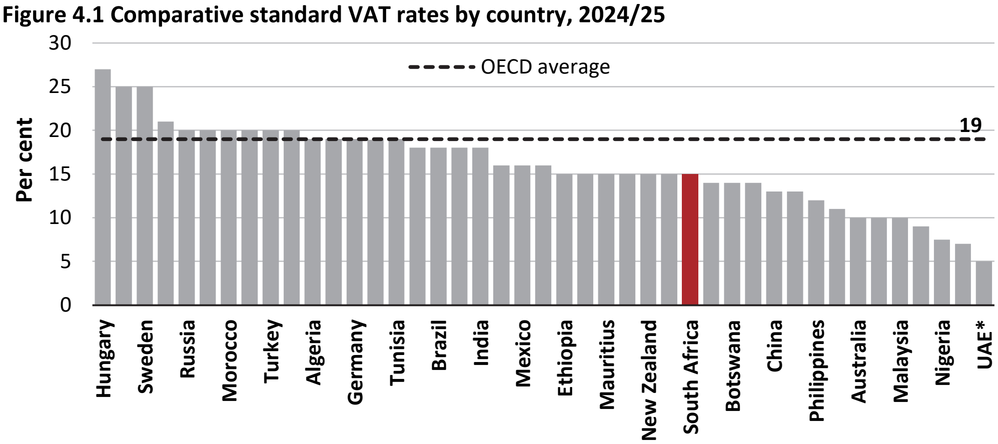
R million	2025/26	2026/27	2027/28
	Effect of tax proposals		
Gross tax revenue (before 2025 Budget tax proposals)	**1 974 097**	**2 115 419**	**2 255 343**
2025 Budget proposals[2]	**58 000**	**-1 000**	
Direct taxes[3]	**3 000**	**3 157**	**3 332**
Personal income tax			
Partial inflationary adjustment to tax brackets and rebates	1 500	1 589	1 694
No inflationary adjustment to medical tax credits	1 500	1 568	1 637
Indirect taxes[3]	**55 000**	**57 353**	**60 564**
Value-added tax (VAT)			
Increase in VAT rate	60 000	63 675	67 300
Additional zero rating	-2 000	-2 128	-2 261
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 258	-4 539
Diesel refund relief for primary sectors	–	-1 000	-1 066
Specific excise duties			
Above-inflation increase in excise duties on alcohol and tobacco	1 000	1 064	1 130
Net impact of tax proposals	**58 000**	**60 510**	**63 896**
Gross tax revenue (after tax proposals)	**2 032 097**	**2 175 929**	**2 319 239**

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals
Source: National Treasury

Increasing the VAT rate

The 2-percentage-point increase in the VAT rate takes effect on 1 April 2025. In making this decision, government carefully considered the potential contributions of each of the main tax instruments. VAT is an efficient source of revenue. It is broad based, and its design is simple with minimal exceptions. Moreover, South Africa's VAT rate is still relatively low compared with peer countries (Figure 4.1).

Figure 4.1 Comparative standard VAT rates by country, 2024/25



**UAE refers to United Arab Emirates*
Source: https://www.vatcalc.com/vat-rates/ and National Treasury calculations

VAT is a tax on consumption. A rate increase affects all households through price increases, but most VAT is paid by higher-income households, which consume more. Over 75 per cent of VAT revenue is derived from households in the top four expenditure deciles, which roughly corresponds to households that spend R118 000 or more per year (Figure 4.2).

Figure 4.2 VAT paid per expenditure decile, 2022/23*

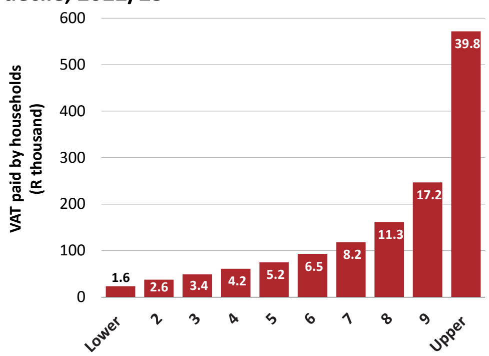


Figure 4.3 Personal income tax as a share of GDP and top rates, 2024

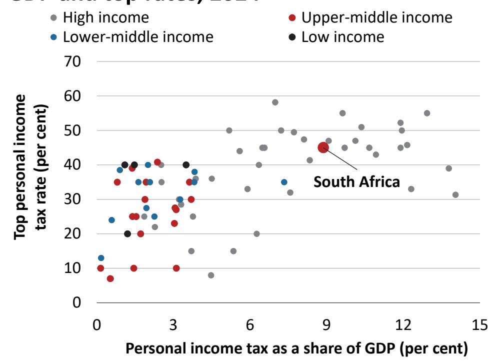


Figure 4.4 Corporate income tax as a share of GDP

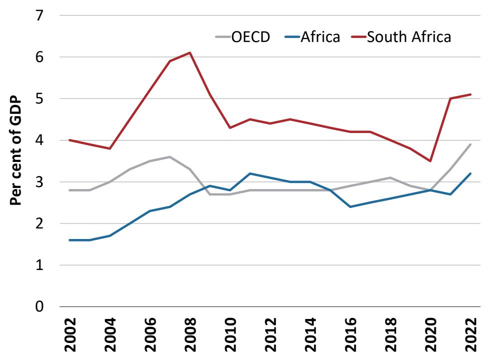
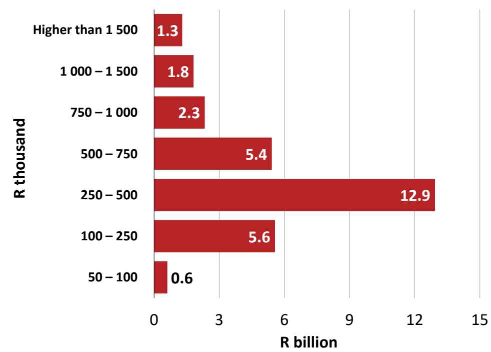


Figure 4.5 Medical tax credit claims by income group, 2023/24



**Data labels refer to the proportion of total VAT paid per expenditure decile*
Source: Statistics South Africa, OECD, World Bank, PwC, SARS and National Treasury

Increasing taxes on consumption through a higher VAT rate will have the least detrimental effect on economic growth and employment over the medium term, relative to increases in personal or corporate income taxes.

Raising personal income tax rates is likely to be inefficient as taxpayers make adjustments to reduce their tax liabilities. Higher personal income tax rates would also reduce the incentive to work and save, with potentially larger negative impacts on the economy. Over the past decade, several tax policy measures have been implemented to raise personal income taxes. Although these have increased the tax burden on individuals, they have generated less revenue than expected. Most recently, the 2024 Budget did not adjust personal income tax brackets or medical tax credits for inflation. South Africa's personal income tax collection measured as a contribution to GDP, and the top tax rate, are far higher than those of most developing countries (Figure 4.3).

Similarly, increases in the corporate tax rate are likely to impede competitiveness while generating less revenue than VAT. Corporate taxes make a higher contribution as a percentage of GDP in South Africa than the Organisation for Economic Co-operation and Development and African averages (Figure 4.4). Of 123 reporting countries, South Africa ranks 13th for corporate tax as a share of GDP. These collections are also more volatile as they depend heavily on commodity price cycles and economic growth. Corporate income tax revenues are expected to increase over time due to the introduction of the Global Minimum Tax Act (2024), which will raise revenue and reduce the incentive for large firms to shift profits.

Consideration of further VAT zero rating

The VAT system currently zero rates 21 essential food items in an effort to make them more affordable for poorer households. Government proposes to extend the list of zero-rated basic foods to mitigate the effect of the VAT rate increase. From 1 April 2025, zero rating will be extended to include variety meats from sheep, poultry, goats, swine and bovine animals; specific cuts such as heads, feet, bones and tongues; dairy liquid blend; and tinned and bottled vegetables.

This decision considered the risk of tax base erosion and the distributional impact of the items identified. Zero rating is a blunt tool to assist lower-income households, because there is no guarantee that there will be a reduction in prices. Zero rating that is not well targeted results in a large portion of the revenue foregone benefiting higher-income households. Nonetheless, the 2022/23 Income and Expenditure Survey shows high consumption of the proposed additional items in the lowest four expenditure deciles. It is estimated that these measures will cost government about R2 billion in forgone revenue.

Personal income tax

To reduce pressure on lower-income earners, the bottom two personal income tax brackets and all rebates will be adjusted to fully compensate for the effect of inflation. The remaining brackets will be partially adjusted for inflation. The personal income tax proposals are expected to raise revenue of R3 billion. No changes to medical tax credits are proposed – these will remain at R364 per month for the first two beneficiaries and at R246 per month for the remaining beneficiaries.

Figure 4.5 shows the distribution of medical tax credit costs by taxable income. The total medical tax credit cost for those with taxable incomes above R1 million is R3.1 billion.

Table 4.4 Personal income tax rates and bracket adjustments

2024/25		2025/26	
Taxable income (R)	**Rates of tax**	**Taxable income (R)**	**Rates of tax**
R0 - R237 100	18% of each R1	R0 - R248 600	18% of each R1
R237 101 - R370 500	R42 678 + 26% of the amount above R237 100	R248 601 - R388 400	R44 748 + 26% of the amount above R248 600
R370 501 - R512 800	R77 362 + 31% of the amount above R370 500	R388 401 - R529 200	R81 096 + 31% of the amount above R388 400
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800	R529 201 - R694 500	R124 744 + 36% of the amount above R529 200
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000	R694 501 - R885 400	R184 252 + 39% of the amount above R694 500
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900	R885 401 - R1 875 100	R258 703 + 41% of the amount above R885 400
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	R1 875 101 and above	R664 480 + 45% of the amount above R1 875 100
Rebates		**Rebates**	
Primary	R17 235	Primary	R18 063
Secondary	R9 444	Secondary	R9 900
Tertiary	R3 145	Tertiary	R3 294
Tax threshold		**Tax threshold**	
Below age 65	R95 750	Below age 65	R100 350
Age 65 and over	R148 217	Age 65 and over	R155 350
Age 75 and over	R165 689	Age 75 and over	R173 650

Source: National Treasury

Table 4.5 shows the effects of the tax proposals on individuals at different levels of taxable income for 2025/26.

Table 4.5 Estimates of individuals and taxable income, 2025/26

Taxable bracket	Registered individuals		Taxable income		Income tax before any relief		Tax relief from proposals		Final income tax payable	
R thousand	**Number**	**%**	**R billion**	**%**	**R billion**	**%**	**R billion**	**%**	**R billion**	**%**
R0 - R100[1]	6 557 001	–	283.1	–	–		–		–	
R100 - R150	1 640 119	20.8	193.3	5.5	13.8	1.7	-1.1	8.1	12.6	1.6
R150 - R250	1 774 242	22.5	344.9	9.8	26.1	3.2	-1.5	10.6	24.6	3.1
R250 - R350	1 101 021	14.0	331.9	9.4	43.7	5.4	-1.8	12.5	41.9	5.2
R350 - R500	1 306 047	16.6	547.2	15.5	93.9	11.5	-2.9	20.5	91.0	11.4
R500 - R750	1 089 046	13.8	657.0	18.6	145.8	17.9	-3.5	22.2	142.4	17.8
R750 - R1 000	408 789	5.2	353.1	10.0	96.2	11.8	-1.6	10.0	94.6	11.8
R1 000 - R1 500	333 809	4.2	415.0	11.8	129.6	15.9	-1.5	8.8	128.1	16.0
R1 500 +	235 542	3.0	684.7	19.4	266.7	32.7	-1.3	7.3	265.3	33.1
Total	**7 888 615**	**100.0**	**3 527.3**	**100.0**	**815.7**	**100.0**	**-15.2**	**100.0**	**800.5**	**100.0**
Grand total	**14 445 616**		**3 810.4**		**815.7**		**-15.2**		**800.5**	

1. Registered individuals with taxable income below the income tax threshold
Source: National Treasury

Adjustment of transfer duty

As part of the periodic reviews of monetary values in tax tables, the monetary thresholds for transfer duties will be adjusted by 10 per cent to compensate for inflation. The transfer duty tax rates will remain unchanged. The tables provided below indicate the adjusted values and are proposed to become effective on 1 March 2025.

Table 4.6 Transfer duty rates and bracket adjustments

2024/25		2025/26	
Property value (R)	**Rates of tax**	**Property value (R)**	**Rates of tax**
R0 - R1 100 000	0% of property value	R0 - R1 210 000	0% of property value
R1 100 001 - R1 512 500	3% of property value above R1 100 000	R1 210 001 - R1 663 800	3% of property value above R1 210 000
R1 512 501 - R2 117 500	R12 375 + 6% of property value above R1 512 500	R1 663 801 - R2 329 300	R13 614 + 6% of property value above R1 663 800
R2 117 501 - R2 722 500	R48 675 + 8% of property value above R2 117 501	R2 329 301 - R2 994 800	R53 544 + 8% of property value above R2 329 300
R2 722 501 - R12 100 000	R97 075 + 11% of property value above R2 722 501	R2 994 801 - R13 310 000	R106 784 + 11% of property value above R2 994 800
R12 100 001 and above	R1 128 600 + 13% of property value above R12 100 000	R13 310 001 and above	R1 241 456 + 13% of property value above R13 310 000

Source: National Treasury

Employment tax incentive values

Government proposes to maintain the value of the employment tax incentive at a maximum of R1 500 per month in the first 12 months and R750 per month in the second 12 months of eligibility. Effective from 1 March 2025, the formula to calculate the incentive and the eligible income bands will be adjusted, in part due to adjustments of minimum wages since the last increase in the value of the incentive in 2022. Employers will be able to claim the incentive at a rate of 60 per cent of the wages below R2 500 per month, where such wage minimums are allowed due to existing exemptions. The maximum value of R1 500 per month will apply to employees earning between R2 500 and R5 500 monthly, up from R2 000 and R4 500 previously. The incentive value will decline as wages increase, tapering to zero at a monthly income of R7 500 (previously R6 500).

Extending the urban development zone tax incentive

The urban development zone tax incentive was introduced in 2003 to address urban decay within inner cities. To allow for certainty and planning for investors, and adequate time to consult with municipalities, it is proposed that the sunset date for this incentive be extended by five years to 31 March 2030.

Review of the renewable energy allowance

In 2023, government introduced a new temporary incentive for renewable energy. The temporary incentive falls away on 28 February 2025. The 2024 *Budget Review* noted that government would reconsider the leasing provisions and the generation threshold of 1 megawatt (MW) under the original incentive (12B). After careful assessment, it is proposed that these two design features remain unchanged.

Cross-border tax treatment of retirement funds

The current treatment of cross-border retirement funds may result in double non-taxation, particularly where South Africa is granted the taxing right by treaty. It is proposed that changes be made to the rules that currently exempt lump sums, pensions and annuities received by South African residents from foreign retirement funds for previous employment outside South Africa, with amendments in the current legislative cycle.

Excise duties on alcoholic beverages and tobacco-related products

Government published a discussion paper, *The Taxation of Alcoholic Beverages*, for public comment on 13 November 2024. It proposes adjustments to the alcohol excise taxation policy framework, including the introduction of a three-tier progressive excise duty rate structure for wine and beer. Government will hold public consultations on the new excise framework during 2025. Considering that the details of the new alcohol excise taxation framework will be finalised only after the 2025 Budget, government proposes to increase excise duties on alcoholic beverages by 6.83 per cent for 2025/26.

The guideline excise tax burden as a percentage of the retail selling price of the most popular brand within each tobacco product category is currently 40 per cent. Government proposes to increase tobacco excise duties by 4.83 per cent for cigarettes, cigarette tobacco, and electronic nicotine and non-nicotine delivery systems ("vaping"). The proposed increase for pipe tobacco and cigars is 6.83 per cent.

To ease the administrative burden of implementing adjustments on Budget Day, in future years adjustments to excise duties will take effect from 1 April. Legislative provisions to deal with unusual clearances of cigarettes around Budget announcements have been in place since 2021 and may be extended.

Table 4.7 Changes in specific excise duties, 2025/26

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	R145.18 / litre of absolute alcohol (246,80c / average 340ml can)	6.83	2.00
Traditional African beer	7,82c / litre	7,82c / litre	–	-4.83
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-4.83
Unfortified wine	R5.57 / litre	R5.95 / litre	6.83	2.00
Fortified wine	R9.40 / litre	R10.04 / litre	6.83	2.00
Sparkling wine	R17.83 / litre	R19.05 / litre	6.83	2.00
Ciders and alcoholic fruit beverages	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	R145.18 / litre of absolute alcohol (246,80c / average 340ml can)	6.83	2.00
Spirits	R274.39 / litre of absolute alcohol (R88.49 / 750ml bottle)	R293.13 / litre of absolute alcohol (R94.53 / 750ml bottle)	6.83	2.00
Cigarettes	R21.77 / 20 cigarettes	R22.82 / 20 cigarettes	4.83	–
HTPs sticks	R16.33 / 20 sticks	R17.12 / 20 sticks	4.83	–
Cigarette tobacco	R24.47 / 50g	R25.65 / 50g	4.83	–
Pipe tobacco	R7.53 / 25g	R8.04 / 25g	6.83	2.00
Cigars	R125.91 / 23g	R134.51 / 23g	6.83	2.00
ENDS/ENNDS	R3.04 / ml	R3.18 / ml	4.83	–

Source: National Treasury

Carbon tax

The carbon tax plays an integral role in South Africa's climate change mitigation efforts. It increased from R190 to R236 per tonne of carbon dioxide equivalent (tCO_2e) from 1 January 2025. From 2 April 2025, the carbon fuel levy will increase by 3c/litre to 14c/litre for petrol and 17c/litre for diesel, as required under the Carbon Tax Act (2019). The carbon tax cost recovery quantum for the liquid fuels sector increased from 0.69c/litre to 0.99c/litre from 1 January 2025 to align with the increase of the headline carbon tax rate.

Carbon tax proposals

In November 2024, government published a discussion paper on phase 2 of the carbon tax for public comment. The paper set out proposals to reduce some of the tax-free allowances and strengthen the effective carbon tax rate to promote behaviour change. After considering stakeholder comments, the main proposals for the carbon tax are to:

- Extend the section 12L energy-efficiency tax incentive for five years to 31 December 2030.
- Extend the commitment to electricity price neutrality to 31 December 2030. This five-year extension will continue to protect consumers from higher electricity prices. This will be achieved by removing the electricity generation levy from 1 January 2026 and applying the carbon tax on electricity emissions. Electricity generators can continue to deduct a portion of the renewable energy premium from their carbon tax liability to the extent that there would have been a difference between the carbon tax and electricity levy. The carbon tax on electricity generation will be revenue neutral.
- Increase the carbon offset allowance by 5 percentage points from 1 January 2026. The allowance will increase to 10 per cent for fugitive and process emissions, and to 15 per cent for combustion emissions. Future allowance increases may be considered in response to changes in the carbon market and associated standards.
- Retain the 30 per cent trade-intensity threshold used to determine the trade exposure allowance that a sector or company will qualify for. The discussion paper proposed to increase the threshold from 30 to 50 per cent, but stakeholders raised concerns about the effects on competitiveness. The current threshold will be retained to allow a longer transitional period for hard-to-abate sectors.
- Maintain the basic tax-free allowance until 31 December 2030. The discussion paper proposed to reduce this allowance from 2027. Given concerns about the availability of low-carbon technologies, energy costs, competition, load-shedding and logistical challenges, the National Treasury will consult with the Department of Forestry, Fisheries and the Environment, the Presidential Climate Commission and others on options to reduce the basic allowance from 1 January 2031.
- Extend the carbon budget allowance for the voluntary carbon budget system until 31 December 2025.
- Introduce a greenhouse gas emission intensity benchmark of 0.94 tCO_2e/MWh for the electricity sector from 1 January 2026. Under the carbon tax, companies may qualify for a performance allowance if they outperform an approved sector intensity benchmark, which does not yet exist in the electricity sector. After further consultations the regulations will be amended and published for public comment.
- Extend the utilisation period for carbon offsets generated from projects approved before the introduction of the carbon tax until 31 December 2028.

Health promotion levy

An inflationary increase in the health promotion levy was due to take effect from 1 April 2025. Government proposes to cancel this increase to allow the sugar industry more time to restructure in response to regional competition.

Ad valorem excise duties on smartphones

Currently, ad valorem excise duties on smartphones are charged at a flat rate of 9 per cent. To enhance smartphone affordability at the lower end of the price spectrum and support efforts to promote digital inclusion for low-income households, government proposes that as of 1 April 2025 this duty rate be applied only to smartphones with a price paid greater than R2 500 at the time of export to South Africa.

Fuel taxes and levies

To mitigate the effects of higher inflation arising from fuel price increases, the general fuel levy has remained unchanged since 2022. Government proposes to keep the general fuel levy unchanged for 2025/26, resulting in tax relief of about R4 billion. The Road Accident Fund (RAF) levy and the customs and excise levy will also remain unchanged.

Table 4.8 Total combined fuel taxes on petrol and diesel

Rands/litre	2023/24		2024/25		2025/26	
	93 octane petrol	Diesel	93 octane petrol	Diesel	93 octane petrol	Diesel
General fuel levy	3.85	3.70	3.85	3.70	3.85	3.70
Road Accident Fund levy	2.18	2.18	2.18	2.18	2.18	2.18
Customs and excise levy	0.04	0.04	0.04	0.04	0.04	0.04
Carbon tax[1]	0.10	0.11	0.11	0.14	0.14	0.17
Total	**6.17**	**6.03**	**6.18**	**6.06**	**6.21**	**6.09**
Pump price[2]	23.10	21.54	22.51	20.20	22.16	20.34
Taxes as percentage of pump price	*26.7%*	*28.0%*	*27.5%*	*30.0%*	*28.0%*	*29.9%*

1. The carbon tax on fuel became effective from 5 June 2019
2. Average Gauteng pump price for the 2023/24 and 2024/25 years. The 2025/26 figure is the Gauteng pump price in February 2025. Diesel (0.05% sulphur) wholesale price (retail price not regulated)
Source: National Treasury

Adjustment to the diesel refund for the primary sector

To support South Africa's international competitiveness, tax regulations enable farming, mining and forestry businesses to qualify for a refund of the general fuel levy and RAF levy for 80 per cent of eligible diesel fuel purchases. Government proposes to align with the original policy intent and apply the refund for all eligible diesel purchases declared to SARS, effective from 1 April 2026. The proposal will simplify the administration of the diesel refund system, costing the fiscus an estimated R1 billion from 2026/27.

Other matters under consideration and consultation

- A discussion paper on collective investment scheme (CIS) taxation made three main proposals: make CIS fully tax transparent, provide a threshold for CIS and remove hedge funds from the framework. Government acknowledges the administrative concerns raised with respect to the fully tax-transparent proposal and confirms that it does not intend to tax all CIS returns as revenue. Consultations will continue in 2025.
- Government intends to publish a consultation paper on unlocking institutional funding for infrastructure. It will propose that certain investment vehicles be enabled to facilitate such investments, and would offer a flow-through tax regime. Further consultations will take place during 2025.
- Government aims to expand South Africa's tax treaty network and renegotiate some existing treaties to strengthen economic and trade relations, prevent double taxation and tax abuse, and enhance regional cooperation. In addition, government will seek to update some treaties to ensure alignment with recent international developments in the OECD Multilateral Instrument.
- The VAT Act (1991) provides for a VAT exemption on the importation of certain low-value goods. Government will review legislation to bring parity to the VAT treatment of such goods purchased online, as many offshore suppliers of these goods are not registered for VAT.

CONCLUSION

The 2025 Budget introduces measures to increase revenue and promote fiscal sustainability. Government remains committed to maintaining a progressive, stable and transparent tax system that is supported by an effective tax administration.

5

2025 BUDGET REVIEW

CONSOLIDATED SPENDING PLANS

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 5

CONSOLIDATED SPENDING PLANS

In brief

- 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 rate 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 and R23.4 billion is made available for the 2025 public-service wage agreement, which secures certainty for the fiscus for the next three years.

OVERVIEW

The 2025 Budget outlines medium-term spending plans and ensures government can meet its fiscal goals. Consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.84 trillion in 2027/28 – and South Africa needs to get better value for money from this large budget. In real terms, consolidated spending grows by 1.1 per cent over the medium term.

Government spending remains highly redistributive, with a majority of the budget allocated to the social wage – spending on health, education, social protection, community development and employment programmes.

Table 5.1 Social wage

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome			Revised estimate	Medium-term estimates		
Community development	**164.1**	**182.1**	**201.0**	**213.5**	**230.2**	**236.1**	**246.1**
Housing development	27.0	25.7	26.5	28.3	28.6	27.9	28.3
Transport	29.4	37.5	46.0	48.6	54.3	53.9	56.3
Basic services and local government[1]	107.7	118.9	128.5	136.6	147.3	154.2	161.4
Employment programmes	**17.6**	**19.1**	**19.1**	**18.9**	**20.7**	**21.9**	**23.5**
Health	**228.5**	**235.3**	**243.3**	**254.3**	**272.8**	**286.8**	**300.0**
Basic education	**262.5**	**276.2**	**291.4**	**299.3**	**321.3**	**341.0**	**357.0**
Higher education and training	**55.9**	**61.6**	**65.2**	**69.2**	**72.3**	**76.0**	**80.2**
Social protection	**252.2**	**260.3**	**277.8**	**296.2**	**323.3**	**342.4**	**351.3**
of which: Social grants	*222.7*	*233.0*	*250.5*	*267.3*	*289.4*	*304.4*	*318.8*
Social security funds	**76.2**	**66.4**	**65.5**	**80.3**	**82.6**	**81.8**	**84.5**
Total	**1 057.0**	**1 101.0**	**1 163.3**	**1 231.7**	**1 323.2**	**1 386.0**	**1 442.6**
Percentage of non-interest spending	*59.4%*	*59.9%*	*61.1%*	*61.1%*	*60.8%*	*61.2%*	*60.9%*
Percentage of consolidated spending	*51.6%*	*51.3%*	*51.5%*	*51.2%*	*50.9%*	*51.1%*	*50.7%*

1. Includes local government equitable share
Source: National Treasury

The 2025 Budget also includes provisional allocations that will be made available to departments during 2025/26 and over the medium term once certain conditions are met, and departmental plans and programmes are updated.

REVISIONS TO SPENDING PLANS

The 2025 Budget funds spending pressures of R252.6 billion over the MTEF period. These spending additions are partially offset by drawdowns on provisional allocations and contingency reserves, resulting in a net increase in non-interest expenditure of R173.3 billion. The main spending additions are for critical infrastructure investments, social protection and a higher-than-anticipated public-service wage agreement, alongside provisional allocations for critical frontline services.

After the approval of the 2024 *Medium Term Budget Policy Statement* (MTBPS), provisional allocations were increased by R75.6 billion. These amounts are provisionally allocated mainly for goods and services and compensation of employees in critical frontline services. This funding will address significant pressures in provincial health and education, expand access to and improve the quality of early childhood development, support the employment of doctors after their community service ends, increase the availability of medicines and medical supplies, and strengthen capacity within the Department of Home Affairs and the Border Management Authority.

Government remains committed to improving performance and efficiency in the public service. Access to funding to address compensation shortfalls will be linked to participation in the early retirement initiative, which is allocated R4.4 billion in 2025/26 and R6.6 billion in 2026/27. These amounts are set aside for departments to access during each financial year if they meet the relevant requirements, such as the minimum age of each applicant and confirmation that each application has been approved by the relevant executive authority. Departments will be allowed to retain their savings from this initiative, and may use them to address existing compensation pressures and support capacity building.

The 2025 Budget directs resources to growth-enhancing activities, particularly infrastructure, and advances regulatory reforms to support investment spending. It allocates an additional R46.7 billion for critical infrastructure projects. This includes support for projects approved as part of the Budget Facility for Infrastructure and higher investments in passenger rail transport to modernise signalling technology systems that will improve service frequency, safety and efficiency. As outlined in Chapter 6, the budget also aims to reverse declining water, electricity and solid waste services in cities through R8.5 billion earmarked for the turnaround of these entities. Finally, funding for disaster response will be supported by reforms to address inefficiencies in disaster management funding through a review of the conditional grants system.

In summary, the main proposed spending additions over the medium term include:

- R46.7 billion for infrastructure investments.

- R35.2 billion to extend the *COVID-19 social relief of distress grant* until March 2026.
- R23.4 billion for the costs of the 2025 public-service wage agreement.
- R23.3 billion to increase the value of social grants by more than inflation.
- R11 billion to implement early retirement measures in 2025/26 and 2026/27.
- R5 billion for the carry-through costs for the deployment of South African National Defence Force (SANDF) troops in the Democratic Republic of the Congo.
- R4.6 billion in 2025/26 for public employment programmes.
- R3.2 billion in 2025/26 for national government's share of the debt repayment for the South African National Roads Agency Limited (SANRAL). In addition, Gauteng province will pay R13.4 billion for its share of the debt repayment to SANRAL.

Table 5.2 Spending additions funded over the MTEF period

R million	2025/26	2026/27	2027/28	MTEF total
Infrastructure investment	**14 104**	**15 833**	**16 741**	**46 678**
Budget Facility for Infrastructure window 8 projects	3 346	5 380	3 086	11 812
Disaster management*	1 851	1 099	1 050	4 000
Passenger Rail Agency of South Africa*	5 890	5 423	7 923	19 236
Turnaround revenue-generating services in metros*	2 404	2 031	4 022	8 457
Western Cape Rapid Schools Build Programme	1 048	1 250	–	2 298
Drakenstein project allocation	–	225	–	225
Rescheduling of MyCiTi	-435	425	660	650
2025 public-service wage agreement and carry-through costs	**7 317**	**7 842**	**8 211**	**23 371**
Early retirement costs*	**4 400**	**6 600**	**–**	**11 000**
COVID-19 social relief of distress grant	**35 169**	**–**	**–**	**35 169**
Social grants above-inflation increases	**6 276**	**8 011**	**8 994**	**23 281**
Provisional allocations for frontline services	**23 766**	**25 115**	**26 712**	**75 593**
Education: provincial education compensation costs and expansion of ECD provision*	8 113	9 647	11 335	29 095
Health: provincial health compensation costs, unemployed doctors and goods and services*	9 311	9 644	9 991	28 946
Defence: compensation costs shortfalls*	2 500	2 090	2 184	6 774
Correctional services: compensation costs shortfalls*	840	878	917	2 635
Home Affairs: digitisation and human resource capacitation*	3 002	2 856	2 284	8 142
Other spending additions	**17 619**	**11 135**	**8 707**	**37 460**
SARS spending adjustments and further support	500	1 500	1 500	3 500
Employment programmes	4 592	–	–	4 592
SANRAL GFIP phase 1 debt repayment[1] and maintenance backlog	8 681	4 639	3 314	16 634
SANDF troop deployment in DRC	1 800	1 747	1 480	5 027
Spending additions to various institutions[2]	1 443	871	917	3 231
Local government elections	–	1 435	–	1 435
Direct charges[3]	603	942	1 496	3 042
Total additions to baselines and provisional allocations	**108 652**	**74 536**	**69 365**	**252 553**

** Provisional allocations not appropriated to votes*
1. Includes the national government portion of R3.2 billion in 2025/26
2. Includes G20 and ICASA spectrum auction cost in 2025/26, new ministries and deputy ministries carry-through costs and financing of Parliament and Office of Chief Justice funding pressures
3. Include additions for injury on duty and post-retirement medical benefits
Source: National Treasury

PROVISIONAL ALLOCATIONS

As reflected in Table 5.2, a portion of additions to planned spending is in the form of provisional allocations. These are funds that, though set aside for a specific purpose, will only be made available to departments when they demonstrate readiness or meet specific conditions. For example, provisional allocations to address compensation shortfalls in the departments of Defence and Correctional Services will be appropriated to these departments once the extent of their participation in the early retirement programme is clarified.

In this regard, the 2025 Budget includes provisional allocations not appropriated to votes of R38.6 billion in 2025/26, R84.6 billion in 2026/27 and R86.5 billion in 2027/28. These cover a wide range of critical services and other priorities, as shown in Table 5.3.

Table 5.3 Provisional allocations not appropriated

R million	2025/26	2026/27	2027/28	MTEF total
Provisional allocations from 2024 Budget				
SASSA free ATM withdrawal	5	183	191	379
BFI - Tygerberg Hospital	212	–	–	212
BFI - Klipfontein Hospital	60	–	–	60
Employment programmes	–	7 415	7 751	15 166
COVID-19 social relief of distress grant	–	36 756	38 411	75 167
Provisional allocations not appropriated to votes				
Early retirement costs	**4 400**	**6 600**	**–**	**11 000**
Infrastructure investment				
Infrastructure Fund	–	–	425	425
Disaster management	1 851	1 099	1 050	4 000
Passenger Rail Agency of South Africa	5 890	5 423	7 923	19 236
Turnaround of services in metros	2 404	2 031	4 022	8 457
Provisional allocations for frontline services				
Education	8 113	9 647	11 335	29 095
Health	9 311	9 644	9 991	28 946
Defence	2 500	2 090	2 184	6 774
Correctional Services	840	878	917	2 635
Home Affairs	3 002	2 856	2 284	8 142
Total	**38 588**	**84 622**	**86 483**	**209 693**

Source: National Treasury

CONSOLIDATED GOVERNMENT EXPENDITURE

Table 5.4 outlines spending plans by function, debt-service costs and the contingency reserve. Total consolidated government spending is expected to grow at an average annual rate of 5.8 per cent, from R2.4 trillion in 2024/25 to R2.84 trillion in 2027/28.

The Budget includes once-off support for the G20 hosting requirements. South Africa's G20 Presidency in 2025 seeks to enhance solidarity through unified effort and cooperation among nations, and to promote equality through the fair treatment and advancement of all people.

Table 5.4 Consolidated government expenditure by function[1]

R million	2024/25 Revised estimate	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Learning and culture	**482 326**	**508 685**	**536 359**	**562 393**	**23.7%**	**5.3%**
Basic education	324 856	349 582	369 280	385 981	16.3%	5.9%
Post-school education and training	145 207	146 640	154 343	163 194	6.9%	4.0%
Arts, culture, sport and recreation	12 264	12 462	12 735	13 218	0.6%	2.5%
Health	**277 229**	**298 894**	**313 698**	**328 890**	**13.9%**	**5.9%**
Social development	**396 970**	**426 990**	**445 853**	**458 332**	**19.6%**	**4.9%**
Social protection	300 157	327 534	346 848	355 969	15.2%	5.8%
Social security funds	96 813	99 455	99 006	102 363	4.4%	1.9%
Community development	**267 800**	**286 603**	**293 499**	**305 611**	**13.1%**	**4.5%**
Economic development	**252 354**	**289 758**	**297 788**	**318 400**	**13.4%**	**8.1%**
Industrialisation and exports	39 379	40 760	41 402	43 400	1.9%	3.3%
Agriculture and rural development	28 600	29 383	30 634	31 917	1.4%	3.7%
Job creation and labour affairs	21 567	23 658	25 286	26 964	1.1%	7.7%
Economic regulation and infrastructure	143 280	175 738	179 033	194 392	8.1%	10.7%
Innovation, science and technology	19 528	20 220	21 434	21 728	0.9%	3.6%
Peace and security	**250 372**	**267 645**	**279 177**	**288 783**	**12.3%**	**4.9%**
Defence and state security	57 503	60 778	63 069	65 263	2.8%	4.3%
Police services	124 919	133 379	139 517	145 296	6.2%	5.2%
Law courts and prisons	54 507	58 059	60 765	63 664	2.7%	5.3%
Home affairs	13 443	15 430	15 827	14 560	0.7%	2.7%
General public services	**77 133**	**78 661**	**81 064**	**84 200**	**3.6%**	**3.0%**
Executive and legislative organs	17 639	17 837	18 023	18 728	0.8%	2.0%
Public administration and fiscal affairs	50 454	51 679	53 747	55 784	2.4%	3.4%
External affairs	9 040	9 146	9 294	9 688	0.4%	2.3%
Payments for financial assets	**10 213**	**11 416**	**7 211**	**5 903**		
Allocated by function	**2 014 397**	**2 168 652**	**2 254 649**	**2 352 513**	**100.0%**	**5.3%**
Debt-service costs	389 561	424 159	448 572	477 213		7.0%
Contingency reserve	–	8 000	10 000	15 000		
Consolidated expenditure	**2 403 958**	**2 600 810**	**2 713 222**	**2 844 726**		**5.8%**

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

Debt-service costs are higher than estimated in the 2024 MTBPS due to the annual budget deficit, elevated interest rates and a weaker exchange rate. Over the MTEF period, government will spend more on debt-service costs than on health, basic education or social development.

From the perspective of economic classification, Table 5.5 shows that current payments constitute the largest share of the budget, driven mainly by compensation of employees, which makes up 31.9 per cent of total spending. Transfers and subsidies grow at an annual average rate of 4.7 per cent. Payments for capital assets are the fastest-growing item, at 8.1 per cent annually, mainly because of infrastructure allocations for transport and water projects.

Table 5.5 Consolidated government expenditure by economic classification[1]

R million	2024/25	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Economic classification						
Current payments	**1 487 471**	**1 609 084**	**1 686 079**	**1 771 131**	**62.3%**	**6.0%**
Compensation of employees	763 082	824 313	863 543	901 783	31.9%	5.7%
Goods and services	326 486	352 071	364 773	382 078	13.5%	5.4%
Interest and rent on land	397 903	432 700	457 762	487 269	17.0%	7.0%
of which:						
Debt-service costs	*389 561*	*424 159*	*448 572*	*477 213*	*16.6%*	*7.0%*
Transfers and subsidies	**789 808**	**837 095**	**874 239**	**905 563**	**32.2%**	**4.7%**
Municipalities	179 968	192 891	201 464	209 670	7.4%	5.2%
Departmental agencies and accounts	30 078	27 808	28 950	29 458	1.1%	-0.7%
Higher education institutions	54 565	55 675	58 499	61 766	2.2%	4.2%
Foreign governments and international organisations	3 213	3 767	3 897	4 030	0.1%	7.8%
Public corporations and private enterprises	41 803	42 851	45 684	45 236	1.6%	2.7%
Non-profit institutions	39 828	42 857	45 904	49 264	1.7%	7.3%
Households	440 354	471 246	489 842	506 139	18.1%	4.8%
Payments for capital assets	**116 466**	**135 215**	**135 692**	**147 130**	**5.1%**	**8.1%**
Buildings and other fixed structures	81 563	99 788	100 531	109 240	3.8%	10.2%
Machinery and equipment	30 355	31 953	32 516	35 187	1.2%	5.0%
Other capital assets	4 548	3 474	2 646	2 703	0.1%	-15.9%
Payments for financial assets	**10 213**	**11 416**	**7 211**	**5 903**		
Total	**2 403 958**	**2 592 810**	**2 703 221**	**2 829 726**	**100.0%**	**5.6%**
Contingency reserve	–	8 000	10 000	15 000		
Consolidated expenditure	**2 403 958**	**2 600 810**	**2 713 222**	**2 844 726**		**5.8%**

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

SPENDING PRIORITIES BY FUNCTION

Spending across functions supports the implementation of policy priorities. Learning and culture receives 23.7 per cent (R1.61 trillion) of the total function budgets, while the general public services function receives the smallest share at 3.6 per cent (R243.9 billion).

Figure 5.1 Percentage of total MTEF allocation by function, 2025/26 – 2027/28*

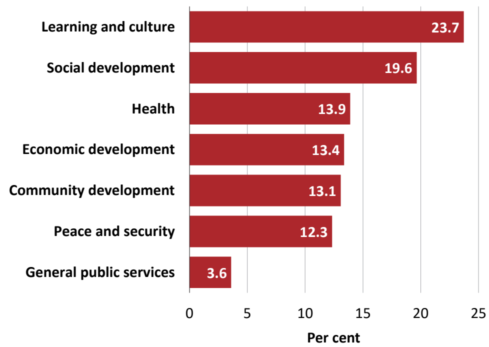
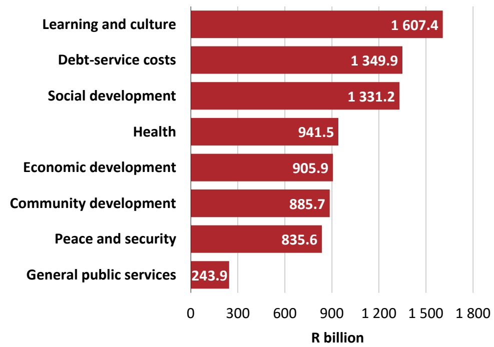


Figure 5.2 Total consolidated government expenditure, 2025/26 – 2027/28



**Excludes debt-service costs*

Source: National Treasury

Learning and culture

Spending in this function group is dominated by employee compensation in provincial education departments, which accounts for 52 per cent of total function group spending and 78 per cent of provincial education budgets. Mother tongue-based bilingual education and early grade reading are key focus areas for the basic education sector, with R99 million redirected over the MTEF period to support teacher training, the development of new teaching and learning resources, and the monitoring of these strategies.

Additionally, to enhance the rollout of early childhood development (ECD) services, R210 million has been reprioritised in 2026/27 and 2027/28 to upgrade and construct ECD centres. Two school infrastructure projects recommended by the Budget Facility for Infrastructure (BFI) in Gauteng and the Western Cape are included in the *education infrastructure grant*. The department will submit a sector request to the BFI to meet infrastructure needs in the other provinces. Provincial education departments will continue to prioritise improving educational outcomes by providing learning materials, enhancing school infrastructure, allocating funds to schools and developing teachers.

Meanwhile, the Department of Higher Education is implementing a pilot student funding model for the "missing middle", which refers to students from families with annual incomes ranging from R350 000 to R600 000. The National Student Financial Aid Scheme will manage these loans using funds provided by the National Skills Fund, amounting to R1.5 billion in 2024/25 and R3 billion over the MTEF period.

The apprenticeship and skills development levy systems will be reviewed. The goal is, in collaboration with the private sector, to double the number of artisans completing trade tests in the next three years through increased work-based learning opportunities.

The arts, culture, sport and recreation sector is allocated R38.4 billion over the medium term to support school sports, national recreation events and selected sporting codes, as well as to preserve and promote the cultural, heritage and linguistic diversity of South Africa.

Table 5.6 Learning and culture expenditure

	2024/25	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
R million	Revised estimate	Medium-term estimates				
Basic education	**324 856**	**349 582**	**369 280**	**385 981**	**68.7%**	**5.9%**
of which:						
Provincial compensation of employees	*246 592*	*265 632*	*279 884*	*292 512*	*52.1%*	*5.9%*
Workbooks and LTSM [1]	*6 673*	*6 742*	*7 581*	*8 933*	*1.4%*	*10.2%*
National school nutrition programme	*9 798*	*10 319*	*10 791*	*11 279*	*2.0%*	*4.8%*
Subsidies to schools [2]	*26 435*	*29 444*	*32 075*	*34 475*	*6.0%*	*9.3%*
School infrastructure [3]	*15 274*	*16 631*	*17 247*	*16 762*	*3.2%*	*3.1%*
Early childhood development	*10 616*	*13 572*	*15 429*	*17 376*	*2.9%*	*17.8%*
Post-school education and training	**145 207**	**146 640**	**154 343**	**163 194**	**28.9%**	**4.0%**
of which:						
University subsidies	*44 499*	*47 003*	*49 017*	*51 234*	*9.2%*	*4.8%*
of which:						
Higher education institutions infrastructure	*2 976*	*1 388*	*1 734*	*1 993*	*0.3%*	*-12.5%*
National Student Financial Aid Scheme [4]	*53 237*	*55 361*	*58 131*	*61 511*	*10.9%*	*4.9%*
Technical and vocational education and training	*13 092*	*13 752*	*14 606*	*15 721*	*2.7%*	*6.3%*
of which:						
Compensation of employees	*8 269*	*8 922*	*9 444*	*9 875*	*1.8%*	*6.1%*
TVET infrastructure	*388*	*196*	*316*	*780*	*0.1%*	*26.3%*
Subsidies	*4 436*	*4 634*	*4 847*	*5 066*	*0.9%*	*4.5%*
Community education and training	*2 820*	*3 285*	*3 272*	*3 421*	*0.6%*	*6.7%*
of which:						
Compensation of employees	*2 699*	*2 885*	*3 054*	*3 193*	*0.6%*	*5.8%*
CET infrastructure	*121*	*400*	*218*	*228*	*0.1%*	*23.5%*
Skills development levy institutions [5]	*30 370*	*27 862*	*29 804*	*31 726*	*5.6%*	*1.5%*
Arts, culture, sport and recreation	**12 264**	**12 462**	**12 735**	**13 218**	**2.4%**	**2.5%**
Total	**482 326**	**508 685**	**536 359**	**562 393**		**5.3%**

1. Learner and teacher support material
2. Includes some provision for LTSM and property payments for schools that manage their own budgets
3. Education infrastructure grant and the school infrastructure backlogs grant
4. Total payments made from all income sources, including Funza Lushaka teacher bursaries and debt repayments from students
5. Spending of the 21 sector education and training authorities and the National Skills Fund
Source: National Treasury

Health

The health function is allocated R941.5 billion over the MTEF period to support the equitable provision of public health services, including free primary healthcare. About 44.7 per cent of this allocation is directed to funding district health services, particularly primary healthcare facilities such as clinics and community health centres, which also provide outreach services. This level of care is recognised as the most efficient and effective due to its focus on disease prevention and proximity to communities. Almost 98 per cent of the budget for this function is allocated to provinces, amounting to about R922.7 billion. Employee compensation accounts for 64.1 per cent of the provincial total. To maintain an adequate number of healthcare personnel, especially doctors and nurses, the sector plans to focus on stricter enforcement of existing policies such as overtime work and remuneration for work performed outside the public sector.

Table 5.7 Health expenditure

R million	2024/25 Revised estimate	2025/26 Medium-term estimates	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	**277 229**	**298 894**	**313 698**	**328 890**	**100.0%**	**5.9%**
of which:						
Central hospital services	*53 937*	*58 319*	*60 709*	*63 305*	*19.4%*	*5.5%*
Provincial hospital services	*45 608*	*49 017*	*51 178*	*53 400*	*16.3%*	*5.4%*
District health services	*123 716*	*132 146*	*140 664*	*147 745*	*44.7%*	*6.1%*
of which:						
HIV and TB	*24 724*	*24 927*	*26 073*	*27 252*	*8.3%*	*3.3%*
Emergency medical services	*10 660*	*10 945*	*11 358*	*11 764*	*3.6%*	*3.3%*
Facilities management and maintenance	*11 011*	*11 902*	*11 965*	*12 364*	*3.8%*	*3.9%*
Health science and training	*6 057*	*6 845*	*7 134*	*7 469*	*2.3%*	*7.2%*
National Health Laboratory Service	*13 259*	*14 083*	*15 013*	*16 216*	*4.8%*	*6.9%*
National Department of Health [1]	*5 668*	*7 111*	*6 577*	*6 807*	*2.2%*	*6.3%*
Total	**277 229**	**298 894**	**313 698**	**328 890**	**100.0%**	**5.9%**
of which:						
Compensation of employees	*178 942*	*193 626*	*202 339*	*211 102*	*64.5%*	*5.7%*
Goods and services	*78 204*	*83 159*	*89 521*	*95 386*	*28.5%*	*6.8%*
Transfers and subsidies	*6 649*	*6 938*	*7 255*	*7 454*	*2.3%*	*3.9%*
Buildings and other fixed structures	*7 339*	*9 405*	*8 465*	*8 612*	*2.8%*	*5.5%*
Machinery and equipment	*6 053*	*5 748*	*6 105*	*6 319*	*1.9%*	*1.4%*

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas
Source: National Treasury

As part of strengthening the health system and preparing for the national health insurance (NHI) policy, the Department of Health will fund the development of a patient information system, a centralised chronic medicine dispensing and distribution system, and a facility medicine stock surveillance system. Over the MTEF period, the indirect and direct conditional grants for NHI are allocated R8.5 billion and R1.4 billion respectively.

Sustained allocations for direct and indirect infrastructure grants, including potential additional funding through the BFI, as outlined in the 2024 MTBPS, will focus on new or replacement buildings, upgrades, rehabilitation and maintenance. The total infrastructure allocation is R37.4 billion over the MTEF period, including provisional allocations from the BFI and new allocations for Siloam District Hospital and Tygerberg Hospital equipment through a public-private partnership in 2027/28. It remains important to improve efficiency in expenditure, including in the areas of commuted overtime, public procurement and price benchmarking.

Social development

The social development function is allocated R427 billion in 2025/26, which increases to R458.3 billion in 2027/28 at an average annual growth rate of 4.9 per cent. This funding supports poverty reduction through social grants, the provision of risk benefits through social insurance and the delivery of welfare services, development initiatives, empowerment programmes, gender equality initiatives and advocacy for children, women, youth, the elderly and individuals with disabilities.

Table 5.8 Social development expenditure

R million	2024/25 Revised estimate	2025/26 Medium-term estimates	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
Social protection expenditure	**300 157**	**327 534**	**346 848**	**355 969**	**100.0%**	**5.8%**
of which:						
Social grants	*267 327*	*289 433*	*267 674*	*280 399*	*81.3%*	*1.6%*
of which:						
Child support	*84 918*	*93 453*	*97 513*	*102 248*	*28.5%*	*6.4%*
Old age [1]	*106 873*	*118 833*	*125 170*	*130 997*	*36.4%*	*7.0%*
Disability	*28 604*	*30 630*	*32 727*	*34 306*	*9.5%*	*6.2%*
Foster care	*3 845*	*3 493*	*3 299*	*3 455*	*1.0%*	*-3.5%*
Care dependency	*4 529*	*4 825*	*5 201*	*5 445*	*1.5%*	*6.3%*
Grant-in-aid	*2 977*	*2 906*	*3 321*	*3 485*	*0.9%*	*5.4%*
Social relief of distress	*35 581*	*35 293*	*443*	*463*	*3.5%*	
Provincial social development	22 113	23 331	24 235	25 048	7.0%	4.2%
Women, youth and persons with disabilities	1 019	1 362	844	882	0.3%	-4.7%
Social security funds	**96 813**	**99 455**	**99 006**	**102 363**	**29.2%**	**1.9%**
Road Accident Fund	49 267	50 161	51 309	52 588	15.0%	2.2%
Unemployment Insurance Fund	35 660	38 117	36 027	37 545	10.8%	1.7%
Compensation funds	11 886	11 178	11 670	12 231	3.4%	1.0%
Total	**396 970**	**426 990**	**445 853**	**458 332**	**100.0%**	**4.9%**
Social grants as percentage of GDP	*3.6%*	*3.6%*	*3.1%*	*3.1%*		
Social grant beneficiary numbers by grant type (thousands)						
Child support	13 218	13 242	13 266	13 290	60.3%	0.2%
Old age [1]	4 138	4 258	4 378	4 498	19.9%	2.8%
Disability	1 059	1 073	1 088	1 103	4.9%	1.4%
Foster care	214	197	182	168	0.8%	-7.8%
Care dependency	174	181	188	195	0.9%	3.9%
COVID-19 SRD	8 305	8 712	–	–	13.2%	-100.0%
Total	**27 108**	**27 663**	**19 102**	**19 254**	**100.0%**	**-10.8%**

1. Includes war veterans
Source: National Treasury

Social grant spending makes up 81.3 per cent of the allocation for this function. At an average annual growth rate of 5.8 per cent, social protection spending increases above inflation over the medium term; however, social grant reform and efficiency savings will be necessary to ensure the sustainability of the social security system. The number of social grant beneficiaries, excluding the *COVID-19 social relief of distress grant,* is expected to rise from 19 million in 2025/26 to 19.3 million in 2027/28, primarily due to the growing population of older people. Therefore, the sector's operational budget will be subject to conditions, including the need to improve biometric verification of recipients to achieve savings.

The budget for social grants is increased by R23.3 billion over the medium term to account for higher costs of living, including the increase in VAT. In April 2025, the *old age grant*, *war veterans grant*, *disability grant* and *care dependency grant* will each increase by R150.

The *foster care grant* will increase by R80 in April to R1 260. The *child support grant* and *grant-in-aid grant* will both rise by R50 in April to R580.

The *COVID-19 social relief of distress grant* will be extended by another year until 31 March 2026. An amount of R35.2 billion is allocated to extend the payment at the current R370 per month per beneficiary, including administration costs.

Table 5.9 Average monthly social grant values

Rand	2024/25	2025/26	Percentage increase
Old age	2 185	2 335	6.9%
War veterans	2 205	2 355	6.8%
Disability	2 185	2 335	6.9%
Foster care	1 180	1 260	6.8%
Care dependency	2 185	2 335	6.9%
Child support	530	580	9.4%
Grant-in-aid	530	580	9.4%

Source: National Treasury

Meanwhile, the Department of Women, Youth and Persons with Disabilities is allocated an additional R71.7 million over the MTEF period for operations and public-service wage increases, and to lead the Women Empowerment Working Group of the G20. The National Youth Development Agency has been allocated R549.8 million for the national youth service programme over the same period.

Community development

Spending in the community development function is expected to increase by an average of 4.5 per cent annually due to growth in the local government equitable share and allocations for infrastructure. Priorities include improving responses to disasters, increased oversight over local government, investments in public transport, affordable housing, implementation of the Integrated National Electrification Programme, supporting just energy transition measures, and continuing to invest in water, sanitation and other infrastructure through conditional grants.

To support infrastructure development, R885.7 billion is allocated. This will be concentrated on supporting the recovery of the Passenger Rail Agency of South Africa, improving the financial viability of trading entities, bulk infrastructure maintenance and development at the municipal level, post-disaster infrastructure recovery investments and expanding electricity transmission lines through the National Transmission Company of South Africa.

Table 5.10 Community development expenditure

R million	2024/25	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Community development	**267 800**	**286 603**	**293 499**	**305 611**	**100.0%**	**4.5%**
of which:						
Human settlements	*41 473*	*41 764*	*41 811*	*42 626*	*14.2%*	*0.9%*
Public transport, including commuter rail	*61 192*	*67 736*	*68 380*	*70 001*	*23.3%*	*4.6%*
Local government equitable share	*99 478*	*106 087*	*110 661*	*115 666*	*37.5%*	*5.2%*
Municipal infrastructure grant	*17 054*	*19 762*	*21 392*	*24 259*	*7.4%*	*12.5%*
Regional and local water and sanitation services	*12 364*	*13 108*	*13 026*	*13 266*	*4.4%*	*2.4%*
Electrification programmes	*4 222*	*4 287*	*4 364*	*4 561*	*1.5%*	*2.6%*
Total	**267 800**	**286 603**	**293 499**	**305 611**	**100.0%**	**4.5%**
of which:						
Compensation of employees	*19 260*	*19 763*	*20 256*	*20 778*	*6.9%*	*2.6%*
Goods and services	*17 998*	*19 700*	*17 402*	*17 388*	*6.2%*	*-1.1%*
Transfers and subsidies	*202 651*	*215 257*	*223 229*	*230 461*	*75.5%*	*4.4%*
Buildings and other fixed structures	*15 538*	*18 086*	*16 757*	*19 260*	*6.1%*	*7.4%*
Machinery and equipment	*11 425*	*13 298*	*15 241*	*17 000*	*5.1%*	*14.2%*

Source: National Treasury

Economic development

Medium-term spending for economic development will primarily focus on economic regulation and infrastructure, with average growth of 8.1 per cent from R252.4 billion in 2024/25 to R318.4 billion in 2027/28.

Over the medium term, the Department of Science, Technology and Innovation will invest R3 billion in construction of the MeerKAT array and efforts to secure the hosting of part of the Square Kilometre Array. Guided by evidence and targeted public policy interventions, R2.9 billion will be invested annually in postgraduate development and research support. Additionally, R3.8 billion will be allocated annually to provide access to cutting-edge research infrastructure.

To enhance productivity, competitiveness and the green economy, government will spend R18.4 billion over the medium term to support businesses through various incentive programmes under the Department of Trade, Industry and Competition. These programmes include the automotive investment scheme, business process outsourcing, film and television production incentives, special economic zones, clothing and textile competitiveness programmes, the industrial park revitalisation programme and industrial development support for electric vehicle production.

The Department of Small Business Development is allocated R2.1 billion over the medium term to support about 120 000 competitive small businesses, particularly those owned by women, youth and persons with disabilities in marginalised areas such as townships and rural regions. In addition, government has allocated R313.7 million over the medium term for the establishment of micro, small and medium enterprise hubs to support business expansion.

Table 5.11 Economic development expenditure

R million	2024/25	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Economic regulation and infrastructure	**143 280**	**175 738**	**179 033**	**194 392**	**60.6%**	**10.7%**
of which:						
Water resource and bulk infrastructure	*46 174*	*61 591*	*56 683*	*60 061*	*19.7%*	*9.2%*
Road infrastructure	*72 058*	*89 238*	*97 863*	*109 618*	*32.8%*	*15.0%*
Environmental programmes	*10 746*	*11 414*	*11 373*	*11 936*	*3.8%*	*3.6%*
Job creation and labour affairs	**21 567**	**23 658**	**25 286**	**26 964**	**8.4%**	**7.7%**
of which:						
Employment programmes [1]	*18 852*	*20 655*	*21 944*	*23 470*	*7.3%*	*7.6%*
Industrialisation and exports	**39 379**	**40 760**	**41 402**	**43 400**	**13.9%**	**3.3%**
of which:						
Economic development and incentive programmes	*20 171*	*22 374*	*22 409*	*23 264*	*7.5%*	*4.9%*
Innovation, science and technology	**19 528**	**20 220**	**21 434**	**21 728**	**7.0%**	**3.6%**
Agriculture and rural development	**28 600**	**29 383**	**30 634**	**31 917**	**10.1%**	**3.7%**
of which:						
Land reform	*1 154*	*1 113*	*1 180*	*1 230*	*0.4%*	*2.1%*
Agricultural land holding account	*1 159*	*1 203*	*1 069*	*1 156*	*0.4%*	*-0.1%*
Restitution	*3 818*	*3 947*	*4 174*	*4 358*	*1.4%*	*4.5%*
Farmer support and development	*3 683*	*3 687*	*3 856*	*4 032*	*1.3%*	*3.1%*
Total	**252 354**	**289 758**	**297 788**	**318 400**	**100.0%**	**8.1%**
of which:						
Compensation of employees	*61 875*	*66 445*	*69 125*	*73 126*	*23.0%*	*5.7%*
Goods and services	*91 296*	*109 714*	*111 040*	*117 896*	*37.4%*	*8.9%*
Transfers and subsidies	*43 197*	*46 084*	*46 131*	*47 591*	*15.4%*	*3.3%*
Buildings and other fixed structures	*40 962*	*52 700*	*56 396*	*63 060*	*19.0%*	*15.5%*
Machinery and equipment	*5 443*	*5 243*	*5 034*	*5 680*	*1.8%*	*1.4%*

1. Includes the Expanded Public Works Programme, the Community Works Programme and the Jobs Fund
Source: National Treasury

Government will merge the *comprehensive agricultural support programme grant* and the *Ilima/Letsema projects grant* into a single grant with the existing consolidated baseline of R7.3 billion over the MTEF period. This merger aims to streamline grant administration, improve resource allocation and support commercial and subsistence farming. To minimise outbreaks of pests and diseases that affect agricultural production, the department will accelerate regulatory compliance and monitoring interventions costing R30.3 million over the medium term.

The Independent Communications Authority of South Africa is allocated R102 million in 2025/26 for the second phase of the licensing of spectrum through an auction process. This is expected to increase investment in networks, improve network quality, contribute to economic growth and lower data costs.

The Department of Land Reform and Rural Development will expedite the finalisation of outstanding land claims, prioritising older claims. Over the medium term, R11.6 billion is allocated to settle about 844 land restitution claims, with R3 billion earmarked to allocate 138 000 hectares of land.

Peace and security

This function aims to establish a capable developmental state by promoting safer communities, boosting business confidence, managing borders effectively and supporting development. The budget for the function grows by 4.9 per cent annually, from R250.4 billion in 2024/25 to R288.8 billion in 2027/28. This increase is primarily to fund SANDF troop deployment in the Democratic Republic of the Congo, enhance capacity in the judiciary and prepare for the 2026 local government elections.

Over the medium term, R119.1 million has been reprioritised within this function to help establish a shared forensic capability at the Financial Intelligence Centre. Moreover, R150 million will be reprioritised to the Directorate for Priority Crime Investigation over the next two years to improve forensic accounting services as part of an initiative to bolster efforts to combat complex financial crimes and corruption. The total cost of R300 million over 30 months will be equally shared between the directorate and the private sector, fostering a collaborative approach to tackling economic crimes. These allocations will help combat money laundering and the financing of terrorism, in line with recommendations from the Financial Action Task Force and the State Capture Commission.

Table 5.12 Peace and security expenditure

R million	2024/25	2025/26	2026/27	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Defence and state security	57 503	60 778	63 069	65 263	22.6%	4.3%
Police services	124 919	133 379	139 517	145 296	50.0%	5.2%
Law courts and prisons	54 507	58 059	60 765	63 664	21.8%	5.3%
Home affairs	13 443	15 430	15 827	14 560	21.6%	2.7%
Total	**250 372**	**267 645**	**279 177**	**288 783**	**100.0%**	**4.9%**
of which:						
Compensation of employees	*175 993*	*193 105*	*201 964*	*210 445*	*72.5%*	*6.1%*
Goods and services	*54 206*	*53 381*	*56 664*	*57 150*	*20.0%*	*1.8%*
Transfers and subsidies	*12 960*	*13 151*	*13 696*	*14 239*	*4.9%*	*3.2%*
Buildings and other fixed structures	*2 237*	*2 193*	*2 338*	*2 432*	*0.8%*	*2.8%*
Machinery and equipment	*4 764*	*5 598*	*4 306*	*4 321*	*1.7%*	*-3.2%*

Source: National Treasury

An allocation of R821.2 million over the medium term is designated for the Office of the Chief Justice to enhance capacity, address the funding shortfall for employee compensation and cover operational costs. This funding will also support the development of an online court system to improve judicial efficiency and enhance access to justice.

To support the smooth conduct of the 2026 local government elections, R1.4 billion is allocated for 2026/27. Of this funding, R885 million will be directed to the Independent Electoral Commission to oversee and manage the electoral process. Additionally, R400 million will be allocated to the South African Police Service to ensure public safety and maintain order during the elections, while R150 million will go to the Department of Defence for logistical and security support.

As part of initiatives to strengthen border security and improve the management of ports of entry, R909 million has been reallocated over the next three years from the Department of Public Works and Infrastructure to the Border Management Authority under the Department of Home Affairs. This funding will enhance the management of infrastructure at ports of entry.

General public services

The general public services function focuses on building a capable, ethical and developmental state that delivers services to all citizens. Over the medium term, the budget grows by 3 per cent annually.

At the time of the 2024 MTBPS, the South African Revenue Service was allocated R3.5 billion over the medium term to modernise its operations and enhance taxpayer services. The focus is on leveraging technology, data science and artificial intelligence to foster efficiency and transparency in tax administration while combating exploitation by criminal syndicates.

Table 5.13 General public services expenditure

R million	2024/25 Revised estimate	2025/26	2026/27 Medium-term estimates	2027/28	Percentage of total MTEF allocation	Average annual MTEF growth
Executive and legislative organs	17 639	17 837	18 023	18 728	22.4%	2.0%
Public administration and fiscal affairs	50 454	51 679	53 747	55 784	66.1%	3.4%
External affairs	9 040	9 146	9 294	9 688	11.5%	2.3%
Total	**77 133**	**78 661**	**81 064**	**84 200**	**100.0%**	**3.0%**
of which:						
Compensation of employees	*37 085*	*38 930*	*40 807*	*42 656*	*50.2%*	*4.8%*
Goods and services	*24 655*	*25 538*	*26 254*	*27 230*	*32.4%*	*3.4%*
Transfers and subsidies	*11 206*	*10 712*	*11 366*	*11 780*	*13.9%*	*1.7%*
Buildings and other fixed structures	*2 251*	*2 074*	*1 576*	*1 603*	*2.2%*	*-10.7%*
Machinery and equipment	*944*	*671*	*547*	*541*	*0.7%*	*-16.9%*

Source: National Treasury

The National Treasury is allocated R5.3 billion over the MTEF period for international institutions and agreements, including the Collaborative Africa Budget Reform Initiative, the Monetary Common Area and the International Monetary Fund's Regional Technical Assistance Centre for Southern Africa. The Department of International Relations and Cooperation also receives funding to further the African Union's Agenda 2063 and the United Nations' 2030 Agenda for Sustainable Development.

Over the 2025 MTEF period, medical benefits expenditure for former government employees is projected to rise from R5.4 billion in 2024/25 to R7.5 billion in 2027/28, growing at 12 per cent per year. This rise is mainly driven by increased premiums and a growing number of retired employees. An additional R2.7 billion will be allocated to account for expected premium increases and membership growth.

The abolition of the Department of Public Enterprises and transfer of functions to other ministries created savings of R151.4 million, most of which will be used to enhance public administration and modernise information and communications technology in the Presidency. The Department of Public Service and Administration is allocated R82.6 million over the medium term to implement measures to combat corruption, such as enforcing codes of conduct, providing protection to whistleblowers and conducting lifestyle audits for state employees.

CONCLUSION

Over the medium term, consolidated expenditure grows at an annual average of 5.8 per cent. Government spending continues to prioritise the social wage, focusing on critical areas such as health, education, social protection, community development and employment programmes. The 2025 Budget enables government to add funding for essential services, meet the demands of rising public-service wage obligations and drive significantly higher infrastructure investment.

6

2025 BUDGET REVIEW

DIVISION OF REVENUE AND SPENDING BY PROVINCES AND MUNICIPALITIES

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 6

DIVISION OF REVENUE AND SPENDING BY PROVINCES AND MUNICIPALITIES

In brief

- The division of revenue makes R2.95 trillion available to provinces and municipalities over the medium term.
- Significant reforms are under way to improve provincial and municipal performance.
- Provinces need to improve the management of personnel costs, raise infrastructure investment and arrest the trend of rising accruals in the health and education sectors.
- Municipalities face governance, accountability and capacity challenges, with persistent irregular expenditure, rising debt accruals and declining revenue generation.
- Additional provision for disaster risk financing reforms aim to enhance resilience.
- Conditional grant reforms focus on streamlining, enhancing flexibility and aligning resources with service delivery priorities.

OVERVIEW

This chapter focuses on developments in provinces and municipalities – particularly the structural reforms under way to address persistent financial, accountability and service delivery problems, which include significant fiscal difficulties.

Municipalities are grappling with weak revenue generation as property tax and service charge collections decline in real terms. There is a growing reliance on intergovernmental transfers, which now account for over 70 per cent of municipal budgets in many cases. Urban municipalities are more resilient due to diversified revenue streams, but rural municipalities remain heavily dependent on transfers, exacerbating inequities in development and service delivery.

Provinces face similar fiscal pressures, with personnel costs – particularly in education and health – consuming over 70 per cent of budgets in some cases. Underspending on capital projects due to weak capacity and procurement further hampers service delivery.

Government is implementing a range of reforms to support resilience and disaster management, increase the financing and delivery of infrastructure and improve the delivery of services. A new performance-based grant has also been established that will reward improvements in the institutional capability, financial sustainability and operational performance of metro trading services such as water and sanitation.

Subnational governments need to implement structural reforms to improve spending efficiency, enhance revenue management and enforce accountability. Strategic planning and robust financial management are essential to ensure sustainable service delivery and reduce disparities between urban and rural areas.

DIVISION OF REVENUE

For the 2025 medium-term expenditure framework (MTEF) period, provinces and municipalities are allocated R2.95 trillion or 49.7 per cent of total non-interest spending. Of this amount, R2.4 trillion goes to provinces and local government receives R552.7 billion. Funds are allocated in the form of equitable shares, which are distributed through a formula that factors in demographic and developmental considerations, and conditional grants. Conditional grants are designed to achieve specific objectives, and they are made available once provinces and municipalities fulfil conditions relating to their use.

Provinces and municipalities face spending and revenue pressures from the rising costs of basic and social services, as well as declining economic growth and high borrowing costs. Table 6.1 sets out the division of revenue over the MTEF period. After providing for debt-service costs, the contingency reserve and provisional allocations, 48.5 per cent of nationally raised funds are allocated to national government, 41.9 per cent to provincial government and 9.6 per cent to local government.

Table 6.1 Division of nationally raised revenue

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average annual MTEF growth
		Outcome		Revised estimate		Medium-term estimates		
Division of available funds								
National departments	**822.8**	**855.9**	**826.9**	**862.3**	**917.5**	**915.0**	**949.6**	**3.3%**
of which:								
Indirect transfers to provinces	*3.8*	*3.5*	*4.1*	*3.9*	*5.1*	*3.0*	*2.6*	*-12.2%*
Indirect transfers to local government	*5.7*	*7.2*	*8.2*	*7.1*	*7.9*	*7.9*	*8.2*	*4.9%*
Provinces	**660.8**	**694.1**	**706.3**	**730.7**	**767.8**	**798.4**	**833.8**	**4.5%**
Equitable share	544.8	570.9	585.1	600.5	633.2	660.6	690.2	4.8%
Conditional grants	116.0	123.3	121.2	130.2	134.6	137.9	143.6	3.3%
Local government	**135.6**	**150.7**	**157.7**	**167.7**	**176.8**	**185.1**	**190.8**	**4.4%**
Equitable share	76.2	83.9	92.3	99.5	106.1	110.7	115.7	5.2%
Conditional grants	44.8	51.4	50.0	52.1	53.9	56.8	56.7	2.9%
General fuel levy sharing with metros	14.6	15.3	15.4	16.1	16.8	17.6	18.4	4.5%
Provisional allocations not appropriated[1]	–	–	–	–	38.6	84.6	86.5	
Non-interest allocations	**1 619.2**	**1 700.7**	**1 690.8**	**1 760.7**	**1 900.7**	**1 983.1**	**2 060.6**	**5.4%**
Percentage increase	*4.0%*	*5.0%*	*-0.6%*	*4.1%*	*7.9%*	*4.3%*	*3.9%*	
Debt-service costs	268.1	308.5	356.1	389.6	424.2	448.6	477.2	7.0%
Contingency reserve	–	–	–	–	8.0	10.0	15.0	
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 150.3**	**2 332.9**	**2 441.7**	**2 552.9**	**5.9%**
Percentage increase	*5.5%*	*6.5%*	*1.9%*	*5.0%*	*8.5%*	*4.7%*	*4.6%*	
Percentage shares								
National departments	*50.8%*	*50.3%*	*48.9%*	*49.0%*	*49.3%*	*48.2%*	*48.1%*	
Provinces	*40.8%*	*40.8%*	*41.8%*	*41.5%*	*41.2%*	*42.1%*	*42.2%*	
Local government	*8.4%*	*8.9%*	*9.3%*	*9.5%*	*9.5%*	*9.8%*	*9.7%*	

1. Includes amounts for Budget Facility for Infrastructure projects and other provisional allocations
Source: National Treasury

The *Explanatory Memorandum to the Division of Revenue* sets out the provincial and municipal allocations, details the equitable share formula and explains how the division takes into account the recommendations of the Financial and Fiscal Commission. The memorandum is available as Annexure W1 of the *Budget Review* on the National Treasury website.

PROVINCIAL REVENUE AND SPENDING

Provinces are responsible for providing social services according to nationally determined norms and standards, including basic education for 13.5 million learners and healthcare for 53.2 million South Africans without private medical insurance. In 2023/24, transfers through the division of revenue accounted for about 97 per cent of provincial revenue. The rest is composed of legislatively limited own-revenue collections, which are estimated to amount to R84.1 billion over the MTEF period, mainly from motor vehicle licence fees.

Direct national transfers to provinces are projected to grow from R730.7 billion in 2024/25 at an average annual rate of 4.5 per cent to reach R833.8 billion in 2027/28. The transfers include R633.2 billion for the provincial equitable share and R134.6 billion for conditional grants in 2025/26. Within conditional grants, R94 million is reprioritised over the MTEF period from the *provincial roads maintenance grant* to fund other transport priorities. To help implement the 2025 public-service wage agreement, provinces are allocated an additional R4.8 billion in 2025/26, R5.2 billion in 2026/27 and R5.4 billion in 2027/28.

PROVISIONAL ALLOCATIONS

The Budget includes provisional allocations that will be made available to provinces during 2025/26 and over the medium term, subject to the fulfilment of specific conditions or the completion of outstanding planning and administrative processes.

A total of R29.1 billion is provisionally allocated to provincial education departments for compensation costs and the expansion of early childhood development provision. Of this amount, R10 billion is earmarked for the *early childhood development grant*, and the remaining funds will flow through the provincial equitable share. In addition, R28.9 billion has been provisionally allocated to the health sector. Of this, R16.3 billion is set aside for compensation costs in provincial health departments and will be distributed through the provincial equitable share.

Table 6.2 Provincial equitable share

	2024/25	2025/26	2026/27	2027/28	Average annual
R million	Estimate	Medium-term estimates			MTEF growth
Eastern Cape	78 093	82 452	85 665	89 502	4.6%
Free State	33 091	34 836	36 305	37 876	4.6%
Gauteng	127 992	133 979	138 934	144 161	4.0%
KwaZulu-Natal	121 145	128 095	134 320	141 007	5.2%
Limpopo	69 625	74 064	77 792	81 807	5.5%
Mpumalanga	49 499	52 487	55 084	57 872	5.3%
Northern Cape	16 143	17 111	17 924	18 793	5.2%
North West	42 816	44 765	46 200	47 719	3.7%
Western Cape	62 071	65 376	68 344	71 507	4.8%
Total	**600 476**	**633 166**	**660 569**	**690 243**	**4.8%**

Source: National Treasury

Review on the education component of the provincial equitable share

The provincial equitable share is the main revenue source for provinces, comprising six key components: education, health, basic, institutional, poverty and economic activity. It is updated annually to ensure fair allocation based on demographic shifts and service delivery needs.

The review of the education component has been finalised and endorsed by the Department of Basic Education. Proposed reforms include incorporating learners with special needs into enrolment numbers and restructuring the enrolment subcomponent to differentiate among learners. This redesign assigns greater weight to learners from poorer backgrounds compared to those who are better off. However, implementation of these reforms has been deferred to the 2026 MTEF period due to the unavailability of updated Income and Expenditure Survey data from Statistics South Africa at the level required to revise the quintile table used for categorising learners.

Table 6.3 Conditional grants to provinces

R million	2024/25 Revised estimate	2025/26 Medium-term estimates	2026/27	2027/28	MTEF total
Direct conditional grants					
Comprehensive agricultural support programme	2 041	1 685	1 709	1 799	5 193
Ilima/Letsema projects	448	677	708	740	2 126
Land care programme grant: poverty relief and infrastructure development	90	94	99	103	296
Early childhood development grant	1 589	1 947	2 136	2 238	6 320
Education infrastructure	14 002	15 285	16 847	16 762	48 894
HIV and AIDS (life skills education) grant	250	262	274	286	821
Learners with profound intellectual disabilities grant	279	293	306	320	920
Maths, science and technology grant	444	459	480	502	1 441
National school nutrition programme	9 798	10 319	10 791	11 279	32 389
Provincial disaster response grant	149	151	158	165	475
District health programmes grant	27 963	28 339	29 643	30 983	88 965
Health facility revitalisation	7 158	7 246	7 578	8 215	23 039
Human resources and training grant	5 517	5 650	5 911	6 179	17 740
National health insurance grant	456	467	476	497	1 440
National tertiary services	15 264	15 995	16 744	17 501	50 239
Human settlements development	13 655	14 150	14 333	14 981	43 464
Informal settlements upgrading partnership	3 251	2 770	930	972	4 672
Mass participation and sport development grant	618	627	656	686	1 969
Expanded public works programme integrated grant for provinces	312	627	656	686	1 969
Social sector expanded public works programme incentive grant for provinces	306	–	–	–	–
Community library services	1 612	1 649	1 725	1 803	5 176
Provincial roads maintenance	17 243	17 851	17 247	18 029	53 128
Public transport operations	7 735	8 082	8 452	8 834	25 369
Total direct conditional grants	**130 182**	**134 625**	**137 858**	**143 561**	**416 044**
Indirect transfers	**3 877**	**4 909**	**3 024**	**2 624**	**10 557**
School infrastructure backlogs	1 677	1 627	450	–	2 077
National health insurance indirect	2 200	3 283	2 574	2 624	8 480

Source: National Treasury

While there are indications that provinces are tightening financial controls, further improvements are needed. Irregular expenditure declined notably from R55 billion in 2022/23 to R20.7 billion in 2023/24. Unauthorised expenditure also decreased, from R3.1 billion in 2022/23 to R2.2 billion in 2023/24, while fruitless and wasteful expenditure fell from R626.6 million in 2022/23 to R193.1 million in 2023/24.

In contrast, accruals and payables, where an invoice has not yet been received or paid, increased sharply from R28.4 billion in 2022/23 to R37.1 billion in 2023/24. This increase in unpaid obligations is particularly pronounced in the health and education sectors, driven by rising service delivery demands due to population growth and the impact of higher sectoral inflation. These pressures highlight the need for improved cash flow management and prioritisation of spending.

Medico-legal claims

Medico-legal payments divert critical funds from healthcare services, exacerbating other problems, such as outdated equipment, understaffing and medication shortages. Many provinces either underestimate or fail to budget for these payments.

Contingent liabilities from medico-legal claims have decreased significantly, from R111.2 billion in 2019/20 to R76 billion in 2023/24, while expenditure on these claims fell from R1.7 billion to R1.5 billion over the same period. Although the liability remains alarmingly high, reflecting ongoing court cases and continued financial strain on the health sector, the improvement follows sustained efforts by provinces to address the root causes. Provinces are enhancing internal controls, including improving patient record management, enhancing patient safety, refining mediation processes and conducting forensic investigations into medico-legal claims.

MUNICIPAL REVENUE AND SPENDING

Greater commitment is needed from municipalities to ensure residents and businesses pay their bills, to improve internal governance and to ensure effective use of resources to meet the needs of their communities.

As part of a five-year programme of action to improve local governance, the National Treasury is leading a comprehensive review of the local government fiscal framework, which was endorsed by the Budget Forum in October 2024. This review aims to refine the funding model to ensure it is equitable, efficient and responsive to the diverse needs of municipalities. Key reforms include revising the local government equitable share formula to better target poor households and account for cost differences across municipalities. In addition, the National Treasury is consulting stakeholders as part of developing norms and standards for municipal electricity surcharges, which will help reform municipal revenue collection.

The challenges facing local government go beyond funding. Weak political and administrative management has resulted in persistent failures – including poor cash flow management, irregular and wasteful expenditure and non-compliance with financial management statutes – that highlight the need for stronger accountability. Vacancies in critical senior management positions, weak internal controls and poor implementation of audit findings further undermine financial discipline and service delivery.

CHANGES TO PROVINCIAL AND MUNICIPAL ALLOCATIONS

Adjustments to allocations since the 2024 *Medium Term Budget Policy Statement* address critical infrastructure needs, improve service delivery and enhance revenue collection. These adjustments include the first set of reforms flowing from the conditional grants review.

Progress on the conditional grants review

Following a comprehensive review of the conditional grant system and extensive stakeholder consultation, government has developed targeted reforms to be phased in over the next three years. These reforms will enhance the effectiveness, equity and sustainability of the system by streamlining the grant framework and integrating certain grants into the provincial equitable share. Some reforms will be introduced during the 2025 MTEF period. Further preparation, including consultations and impact assessments, will follow the tabling of the 2025 Budget to ensure the successful rollout of longer-term reforms.

The reforms aim to better address the diverse needs of provinces and municipalities by:

- Refining allocation methodologies to balance equity and efficiency.
- Strengthening co-funding requirements to promote shared responsibility.
- Reducing restrictive earmarking to allow greater flexibility in fund use.
- Introducing performance-based incentives to improve accountability.
- Aligning related grants to reduce fragmentation and duplication.

Streamlining the grant system will reduce duplication and administrative burdens in municipalities. Proposed measures include merging water reticulation grants into a unified water infrastructure fund, consolidating energy grants, combining urban development grants, and replacing grants for road maintenance, sports development and capacity-building initiatives with better-suited provincial programmes. Implementation will be closely monitored to ensure the intended objectives are achieved while maintaining fiscal discipline.

A key development is the introduction of the *urban development financing grant,* which merges the metro component of the *neighbourhood development partnership grant* with the *programme and project preparation support grant.* The new grant is intended to strengthen the management of and infrastructure investment in municipal entities that supply water and sanitation, electricity, energy and solid waste management services. Allocations will be paid to metros based on the achievement of targets related to management accountability, transparency and institutional capability; financial performance, including better collections, cash flow, debtors management and capital investment; and service delivery efficiency, such as reduced losses and better quality and reliability. The grant will be augmented by results-based financing from international development finance partners such as the World Bank. This merged grant will have baselines of R518 million in 2025/26, R678 million in 2026/27 and R709 million in 2027/28. Over the MTEF period, R8.5 billion is provisionally allocated pending the fulfilment of agreed performance conditions and obligations by metropolitan municipalities. Additional results-based financing in 2025/26 is linked to the *urban settlements development grant*, which supplements municipal capital budgets for bulk infrastructure.

In the provincial sphere, the *expanded public works programme integrated grant* will be merged with the *social sector expanded public works programme incentive grant* from 2025/26, combining their allocations.

Furthermore, the *municipal systems improvement grant* will be discontinued, with funds redirected to the Department of Cooperative Governance for municipal support. In addition, R494 million in 2025/26 will be shifted from the direct to the indirect component of the *municipal infrastructure grant* to address wastewater infrastructure issues in 21 municipalities. Alfred Duma Local Municipality will become a recipient of the *integrated urban development grant,* with allocations of R76 million in 2025/26, R83 million in 2026/27 and R86 million in 2027/28.

Table 6.4 Transfers to local government

R million	2024/25 Adjusted budget	2025/26	2026/27	2027/28	MTEF total
		Medium-term estimates			
Equitable share and related	**99 478**	**106 087**	**110 661**	**115 666**	**332 414**
General fuel levy sharing with metros	**16 127**	**16 849**	**17 621**	**18 418**	**52 888**
Direct conditional grants	**52 129**	**53 889**	**56 830**	**56 720**	**167 439**
Integrated urban development	1 146	1 278	1 386	1 449	4 114
Municipal disaster recovery	1 225	709	–	–	709
Municipal disaster response	378	395	413	432	1 240
Municipal infrastructure	17 054	17 358	19 361	20 236	56 955
Energy efficiency and demand-side management	236	246	258	269	773
Expanded public works programme integrated	560	567	593	620	1 781
Integrated national electricification programme	1 746	1 697	1 655	1 729	5 081
Informal settlements upgrading partnership	4 515	4 717	4 934	5 157	14 808
Infrastructure skills development	165	173	181	189	542
Local government financial management	582	590	617	645	1 851
Urban settlements development	8 705	9 250	9 819	9 327	28 396
Urban development financing	–	1 024	1 365	1 343	3 732
Neighbourhood development partnership	1 291	542	430	450	1 422
Programme and project preparation support	386	–	–	–	–
Public transport network	6 523	7 241	8 044	7 099	22 384
Rural roads asset management systems	121	126	132	138	396
Regional bulk infrastructure	3 627	3 757	3 230	3 026	10 013
Water services infrastructure	3 868	4 219	4 412	4 611	13 242
Total direct transfers	**167 734**	**176 825**	**185 112**	**190 804**	**552 741**
Indirect transfers	**7 127**	**7 863**	**7 866**	**8 222**	**23 951**
Integrated national electricification programme	2 196	2 274	2 390	2 498	7 162
Municipal infrastructure	58	494	–	–	494
Municipal systems improvement	173	–	–	–	–
Neighbourhood development partnership	95	99	104	108	311
Smart meters	500	650	800	836	2 286
Regional bulk infrastructure	3 058	3 227	3 232	3 378	9 836
Water services infrastructure	1 047	1 119	1 341	1 402	3 862

Source: National Treasury

The local government equitable share formula has been updated to include revised cost factors for bulk services such as electricity and water. For the 2025 MTEF period, the formula will continue to use the 2023/24 household estimates from the 2024 MTEF formula. This approach provides stability in allocations until Statistics South Africa releases a new data series based on the 2022 Census. Similarly, the proportion of households below the affordability threshold in each municipality continues to be based on 2011 Census data. This is because the 2022/23 Income and Expenditure Survey data was delayed and has not been released at the municipal level to enable updates to the local government equitable share formula for the 2025 Division of Revenue Bill.

Updating the formula with the latest official data is necessary to ensure that municipal allocations reflect demographic changes. To this end, the National Treasury is engaging with Statistics South Africa so that the necessary data is available for the 2026 Budget.

UPDATE ON THE MUNICIPAL DEBT-RELIEF PROGRAMME

Many of the 71 municipalities in the municipal debt-relief programme are failing to meet the required conditions for national government to write off their arrears debt to Eskom in equal tranches over three years. Key issues include persistent non-payment of monthly electricity accounts and an inability to collect the mandated 85 per cent of revenue. Forty-seven municipalities have consistently defaulted and already accumulated substantial arrears after receiving debt relief. Despite monthly support from provincial treasuries, these municipalities continue to struggle with financial management, risking termination from the programme.

The National Treasury has issued final warnings to several municipalities, including Mangaung Metro, Richtersveld and Inxuba Yethemba. Termination from the programme will require municipalities to repay their debt and accumulated arrears in full while facing credit control measures from Eskom, such as legal proceedings and the introduction of prepaid bulk electricity systems. The National Treasury and provincial treasuries will continue to enforce programme conditions and support municipalities. Municipalities need to improve efforts to meet their obligations by implementing cost-reflective tariffs, sustainably managing free basic services, and exploring smart prepaid meters to improve revenue collection and financial sustainability.

While challenges persist, there are success stories. Eleven municipalities have had one-third of their debt written off after meeting the programme conditions. These successes highlight the programme’s potential to improve municipal financial stability.

STRENGTHENING DISASTER RISK FINANCING

The National Treasury is leading reforms to enhance the disaster risk financing framework in the context of increasingly frequent and severe disasters. Reforms are aimed at ensuring that disaster response is timely, efficient and equitable, while proactively reducing risks. A multi-layered risk financing strategy has been developed that will address overreliance on budget reallocations, which often delays disaster response and recovery.

Insights from high-risk municipalities

The National Treasury surveyed the 40 municipalities at highest risk of natural disasters. The results highlighted significant delays in municipalities accessing disaster response funds and recovery grants, averaging five months and 12.25 months respectively. These delays hinder an effective response in resource-constrained municipalities. Complex application, verification and reporting processes, combined with limited technical capacity, exacerbate the delays, particularly in smaller municipalities. Challenges such as access to disaster sites, reliance on consultants and unclear processes are contributing factors.

In coastal and rural municipalities, which are heavily reliant on disaster recovery grants, reported expenditure often falls below allocations due to data discrepancies – such as issues with data quality and reporting practices – and spending challenges. Disaster risk reduction remains underfunded, with ageing infrastructure and poor maintenance increasing vulnerability. Inefficiencies are worsened by fragmentation, delays in provincial collation for disaster declarations and unclear roles across government.

CONCLUSION

The 2025 *Budget Review* emphasises the need for structural reforms to improve revenue generation, efficiency and accountability in provinces and municipalities. Government is implementing targeted reforms to address these challenges. Stronger intergovernmental collaboration and improved governance at all levels of government are also required.

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7

2025 BUDGET REVIEW

GOVERNMENT DEBT AND CONTINGENT LIABILITIES

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GOVERNMENT DEBT AND CONTINGENT LIABILITIES

In brief

- The gross borrowing requirement has declined from R457.7 billion at the time of the 2024 Budget to R418.3 billion in 2024/25, largely due to lower debt redemptions as a result of government's bond-switch programme.
- In 2025/26, the gross borrowing requirement is expected to be R14.6 billion lower than projected in the 2024 *Budget Review* due to a reduction in Eskom debt relief.
- Gross loan debt is expected to stabilise at 76.1 per cent of GDP in 2025/26, slightly higher than the level of 75.3 per cent projected in the 2024 Budget, and to decline thereafter.
- Debt-service costs will stabilise at 21.7 per cent of revenue in 2024/25 and decline thereafter.
- Over the medium term, dedicated instruments will finance some infrastructure projects.

OVERVIEW

The 2024/25 budget deficit was R34.4 billion higher than projected in the 2024 *Budget Review* as revenue collection fell below expectations. However, debt redemptions were R73.8 billion lower than estimated a year ago as the bond-switch programme continued to exchange shorter-dated for longer-dated bonds. As a result, the gross borrowing requirement, which consists of the budget deficit, maturing debt and the Eskom debt-relief arrangement, decreased from a projected R457.7 billion to R418.3 billion for 2024/25, or from 6.1 per cent to 5.6 per cent of GDP.

Over the past year, improved investor sentiment has contributed to a more benign financing environment. The major factors contributing to this positive trend were the formation of the government of national unity, the absence of load-shedding and interest-rate reductions. These developments were also reflected in South Africa's credit rating outcomes, which either remained stable or were upgraded from stable to positive.

Gross debt stock is expected to increase from R5.68 trillion in 2024/25 to R6.79 trillion in 2027/28. Net loan debt – gross loan debt less cash balances – will increase from R5.47 trillion to R6.68 trillion over the same period. Gross loan debt is now expected to stabilise at 76.1 per cent of GDP in 2025/26.

The National Treasury has developed a debt sustainability forecasting model to enhance its framework for analysing fiscal sustainability. The model incorporates findings from an international benchmarking exercise to improve the framework's usability and technical capabilities.

The model will be used to forecast government debt and debt-service costs, create macro-fiscal scenarios and assess the sustainability of public debt under different conditions. It will do so by simulating the impact of changes in macroeconomic and fiscal variables, including expenditure, debt, debt-service costs, the sovereign risk premium and the exchange rate.

FINANCING STRATEGY

Government borrowing is guided by three primary considerations: liquidity management, refinancing risk and managing the cost of borrowing. With these factors in mind, and supported by a strategic risk framework (Table 7.1), government determines the best mix of debt instruments and maturities to finance the gross borrowing requirement.

In 2025/26, the gross borrowing requirement will be financed through a combination of domestic short- and long-term loans and foreign-currency loans. Cash balances will be increased to finance a portion of the Eskom debt-relief arrangement in 2025/26. In addition, government has introduced two shorter-dated (9-year and 15-year) bonds to help minimise borrowing costs, and will continue to refinance high redemptions coming due over the next three years through the bond-switch programme.

As indicated in the 2024 *Budget Review*, the financing strategy will support public infrastructure financing, with a focus on attracting private-sector capital. Over the medium term, some projects will be financed through dedicated, innovative infrastructure instruments that will not increase the gross borrowing requirement.

Government is also preparing a credit guarantee vehicle to mobilise private capital by de-risking critical projects in the energy, transport and water sectors. The arrangement is projected to have initial capital of US$500 million.

As part of continuously developing South Africa's capital market and ensuring a diversified portfolio of instruments, government is developing a sustainable finance framework to raise funding through the issuance of green or sustainability-linked bonds.

Table 7.1 Performance against strategic portfolio risk benchmarks

Description	Benchmark range or limit	2024/25	2025/26
		Estimates	
Treasury bills as % of domestic debt[1]	15.0	10.90%	11.43%
Long-term debt maturing in 5 years as % of bonds	25.0	19.33%	22.7%
Inflation-linked bonds as % of domestic debt	20-25	21.40%	21.55%
Foreign debt as % of total debt	15.0	10.24%	9.92%
Weighted term-to-maturity of fixed-rate bonds and Treasury bills (years)	10-14	10.04	10.13
Weighted term-to-maturity of inflation-linked bonds (years)	14-17	14.27	12.74
Other indicators (weighted average)			
Term-to-maturity of total debt (years)		10.94	11.00
Term-to-maturity of foreign debt (years)		12.91	13.60

1. Excludes borrowing from the Corporation for Public Deposits and retail savings bonds
Source: National Treasury

Risks to the financing strategy

The main risks to the financing strategy are as follows:

- Higher borrowing costs as a result of geopolitical risks and exchange rate volatility, which could reduce South African bond holdings by non-resident investors.
- Weaker economic growth, which could reduce revenue performance and lower the demand for inflation-linked bonds.

- Materialisation of contingent liabilities at state-owned companies.

Government monitors and manages these risks to the financing strategy. Most of South Africa's debt is issued in the domestic market, reducing the impact of global volatility.

BORROWING PERFORMANCE AND PROJECTIONS

In 2025/26, the gross borrowing requirement will amount to R564.4 billion, including payments to Eskom of R80.2 billion – R30 billion lower than the 2024 Budget estimate. The requirement is also affected by the transfer to government of R100 billion in 2024/25 and R25 billion in each of the two following years from the Gold and Foreign Exchange Contingency Reserve Account, as discussed in the 2024 *Budget Review*.

The borrowing requirement will decline to R438.7 billion in 2026/27, then increase to R596.6 billion in 2027/28. Domestic and foreign redemptions increase from R172.6 billion in 2025/26 to R303.9 billion in 2027/28. The bond-switch programme will mitigate refinancing risks by spreading redemptions over time.

Update on Eskom debt-relief arrangement

The 2023 *Budget Review* announced government's decision to provide Eskom with debt relief amounting to R254 billion to strengthen its balance sheet, restructure the business and invest in necessary maintenance.

By 31 March 2025, government will have advanced R140 billion in debt relief to Eskom. This is a reduction of R4 billion from the original amount projected up to this point, owing to the utility's failure to meet the deadline for the disposal of the Eskom Finance Company. Under the terms of the arrangement, the remaining elements are a R40 billion advance and a R70 billion debt takeover scheduled for 2025/26.

As the agreement moves towards closure, government has decided, in consultation with Eskom, to simplify the final phase of the debt relief – a change that also reflects some improvement in the utility's financial position flowing from the interventions to date. The final R70 billion debt takeover will now be replaced with two advances amounting to R50 billion: R40 billion in 2025/26 to redeem debt maturing in April 2026 and R10 billion in 2028/29 for debt maturing in May 2028.

In summary, over the five-year period, government will have provided Eskom with loans to the value of R230 billion to assist the utility in repaying its debt. This is about R24 billion less than projected at the outset, reducing the gross borrowing requirement. In accordance with the original agreement, the debt relief provided to Eskom will be converted into government equity over time.

Table 7.2 Financing of national government gross borrowing requirement[1]

	2023/24	2024/25		2025/26	2026/27	2027/28
R million	Outcome	Budget	Revised	Medium-term estimates		
Main budget balance	**-322 916**	**-320 946**	**-355 315**	**-336 550**	**-310 806**	**-292 672**
Redemptions	**-144 395**	**-172 568**	**-98 802**	**-172 647**	**-152 881**	**-303 908**
Domestic long-term loans	-97 250	-132 087	-61 538	-112 495	-112 495	-277 621
Foreign loans	-47 145	-40 481	-37 264	-60 152	-40 386	-26 287
Eskom debt-relief arrangement	**-76 000**	**-64 154**	**-64 154**	**-80 223**	**–**	**–**
GFECRA settlement (net)[4]	**–**	**100 000**	**100 000**	**25 000**	**25 000**	**–**
Total	**-543 311**	**-457 669**	**-418 271**	**-564 419**	**-438 687**	**-596 580**
Financing						
Domestic short-term loans	**88 745**	**33 000**	**38 932**	**38 800**	**35 300**	**46 700**
Treasury bills (net)	88 084	33 000	38 932	38 800	35 300	46 700
Corporation for Public Deposits	661	–	–	–	–	–
Domestic long-term loans	**336 239**	**328 100**	**337 500**	**349 500**	**318 000**	**420 200**
Market loans	336 079	328 100	336 287	349 500	318 000	420 200
Loans issued for switches	824	–	1 094	–	–	–
Loans issued for repos (net)	-664	–	119	–	–	–
Foreign loans	**45 663**	**36 700**	**67 021**	**98 625**	**81 444**	**95 884**
Market loans	45 663	36 700	67 021	98 625	81 444	95 884
Loans issued for switches	–	–	–	–	–	–
Change in cash and other balances[2]	**72 664**	**59 869**	**-25 182**	**77 495**	**3 943**	**33 797**
Cash balances	42 672	53 112	-29 411	72 497	-222	29 462
Other balances[3]	29 992	6 757	4 229	4 998	4 165	4 335
Total	**543 311**	**457 669**	**418 271**	**564 419**	**438 687**	**596 580**
Percentage of GDP	*7.7%*	*6.1%*	*5.6%*	*7.1%*	*5.1%*	*6.6%*

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
4. In 2024/25, the Reserve Bank will pay R200 billion to government in partial settlement of the GFECRA balances. Of this amount government will pay the Reserve Bank R100 billion towards the contingency reserve
Source: National Treasury

Domestic short-term borrowing

Government's short-term borrowing consists of Treasury bills and borrowing from the Corporation for Public Deposits. In 2024/25, net Treasury bill issuances grew by R5.9 billion to R38.9 billion. Government also borrowed from the Corporation for Public Deposits to manage liquidity levels.

Table 7.3 Domestic short-term borrowing

	2024/25			2025/26		2024/25	2025/26
R million	Opening balance	Net change	Closing balance	Net change	Closing balance	Weekly auction estimates	
Corporation for Public Deposits	**661**	**-661**	**–**	**–**	**–**	**–**	**–**
Treasury bills	**510 555**	**38 932**	**549 487**	**38 800**	**588 287**	**14 550**	**15 700**
91-days	14 255	4 140	18 395	3 505	21 900	1 500	1 700
182-days	84 830	7 470	92 300	3 900	96 200	3 550	3 700
273-days	166 358	12 705	179 063	15 937	195 000	4 600	5 000
364-days	245 111	14 617	259 728	15 458	275 186	4 900	5 300
Total	**511 216**	**38 271**	**549 487**	**38 800**	**588 287**		

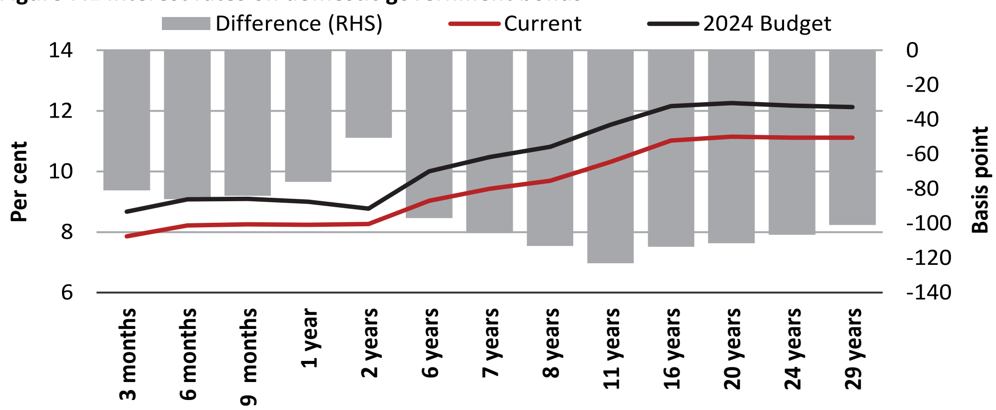
Source: National Treasury

Over the next three years, net Treasury bill issuances will average R40.3 billion, or about 10 per cent of total domestic borrowing. Government will continue to use the Corporation for Public Deposits as a bridging finance facility.

Domestic long-term borrowing

Domestic long-term borrowing, which consists mainly of bonds, will amount to R337.5 billion in 2024/25 and will average R362.6 billion over the next three years. Between April 2024 and January 2025, government raised R293.7 billion or 87 per cent of the 2024/25 amount. Fixed-rate bonds accounted for 65.6 per cent of the total, with floating rate notes, inflation-linked bonds and retail bonds making up the remainder. RSA retail savings bonds raised R9.9 billion in 2023/24 compared with R7.6 billion as at January 2025.

Figure 7.1 Interest rates on domestic government bonds



Source: National Treasury

The yield curve – the relationship between bonds of different maturities – has strengthened by an average of 96 basis points since the 2024 Budget (Figure 7.1), reflecting an improvement in investor sentiment.

Investor trends in the bond portfolio

Although foreign investors continue to hold the largest share of South Africa's domestic debt (24.6 per cent in December 2024), the percentage has declined somewhat in light of higher risk aversion (Figure 7.2). Insurers and other financial institutions increased their holdings over the past year, while pension funds decreased theirs over the same period.

Figure 7.2 Ownership of domestic bonds

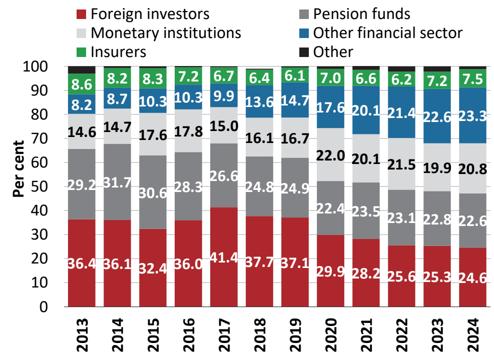
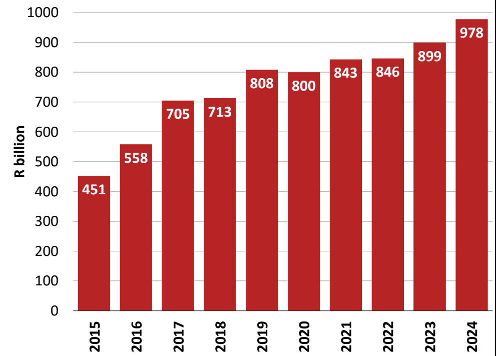


Figure 7.3 Domestic bonds held by foreign investors



Source: National Treasury

International borrowing

Government borrows in foreign currency to meet its foreign-currency commitments. In 2024/25, government issued a dual-tranche bond, raising US$2 billion through 12-year bonds and US$1.5 billion through 30-year bonds. Demand for these bonds significantly exceeded supply, resulting in an increase in the issuance size from US$3 billion to US$3.5 billion. In addition, a €400 million loan from the French Development Bank for the implementation of the country's Just Energy Transition Investment Plan was concluded, with €200 million expected to flow in by the end of 2024/25 and the remainder in 2025/26.

Table 7.4 Foreign-currency commitments and financing

US$ million	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome	Estimate	Medium-term estimates		
Opening balance	**7 119**	**5 393**	**4 621**	**3 802**	**2 929**
Commitments	**-4 506**	**-4 477**	**-6 122**	**-5 176**	**-4 631**
Redemptions	-2 485	-2 019	-3 233	-2 132	-1 370
Interest	-1 424	-1 771	-2 180	-2 328	-2 553
Departments	-597	-687	-709	-716	-708
Financing	**2 780**	**3 705**	**5 303**	**4 303**	**5 003**
Loans	2 427	3 700	5 300	4 300	5 000
Purchases	–	–	–	–	–
Interest	353	5	3	3	3
Closing balance	**5 393**	**4 621**	**3 802**	**2 929**	**3 301**

Source: National Treasury

Over the medium term, government will raise about US$14.6 billion to meet its foreign exchange commitments. This funding will be sourced from multilateral development banks, international financial institutions and international capital markets.

Table 7.5 Borrowing from international finance institutions

Institutions	Disbursement date	Interest rate	Terms (years)	Grace period[1] (years)	Amount (billion)
New Development Bank*	20 July 2020	6-month SOFR[2] plus 1.64%	30	5	US$1.0
International Monetary Fund	29 July 2020	1.0660%	5	3.25	US$4.3
African Development Bank	15 October 2020	3-month JIBAR[3] plus 0.8%	20	5	R5.00
New Development Bank*	17 June 2021	6-month SOFR[2] plus 1.64%	30	5	US$1.0
New Development Bank*	15 November 2021	6-month SOFR[2] plus 1.44%	25	4.5	US$1.0
World Bank	22 March 2022	6-month SOFR[2] plus 0.75%	13	3	US$0.75
World Bank	22 September 2022	6-month EURIBOR[4] plus 0.67%	13	3	EUR0.45
French Development Bank	22 December 2022	6-month EURIBOR[4] plus 1.29%	20	5	EUR0.3
KfW Development Bank	20 January 2023	6-month EURIBOR[4] plus 0.69%	20	5	EUR0.3
African Development Bank	22 December 2023	6-month SOFR[2] plus 1.22%	12	2	US$0.3
World Bank	26 January 2024	Fixed at 4.74%	15	5	US$1.0
KfW Development Bank	09 February 2024	Fixed at 4.4%	15	3	EUR0.5
Government of Canada	22 March 2024	Fixed at 3.5344%	10	–	CAD0.120
French Development Bank	TBD[5]	6-month EURIBOR[4] plus 1.66%	15	2	EUR0.4

1. A period after the disbursement where no capital repayments are required
2. SOFR (Secured Overnight Financing Rate)
3. JIBAR (Johannesburg Interbank Average Rate)
4. EURIBOR (Euro Interbank Offered Rate)
5. Disbursement linked to achievement of indicators
**SOFR replaced the LIBOR (London Interbank Offered Rate) for all the NDB loans*
Source: National Treasury

Cash balances

Government's cash holdings consist of deposits held at commercial banks and the Reserve Bank, which holds accumulated deposits from foreign-loan proceeds.

Table 7.6 Change in cash balances

R million	2023/24 Outcome	2024/25 Budget	2024/25 Revised	2025/26	2026/27	2027/28
				Medium-term estimates		
Rand currency						
Opening balance	**120 501**	**65 000**	**92 320**	**130 466**	**71 403**	**87 195**
Closing balance	**92 320**	**50 000**	**130 466**	**71 403**	**87 195**	**50 000**
of which:						
Tax and loan accounts	*92 320*	*50 000*	*130 466*	*71 403*	*87 195*	*50 000*
Change in rand cash balance[1] (opening less closing balance)	**28 181**	**15 000**	**-38 146**	**59 063**	**-15 792**	**37 195**
Foreign currency[2]						
Opening balance	**113 409**	**85 261**	**98 900**	**90 165**	**76 731**	**61 161**
Closing balance	**98 900**	**47 149**	**90 165**	**76 731**	**61 161**	**68 895**
US$ equivalent	*5 393*	*2 172*	*4 621*	*3 802*	*2 929*	*3 301*
Change in foreign currency cash balance[1] (opening less closing balance)	**14 509**	**38 112**	**8 735**	**13 434**	**15 570**	**-7 734**
Total change in cash balances[1]	**42 690**	**53 112**	**-29 411**	**72 497**	**-222**	**29 461**
Total closing cash balance	**191 220**	**97 149**	**220 631**	**148 134**	**148 356**	**118 895**

1. A positive value indicates that cash is used to finance part of the borrowing requirement
2. Rand values at which foreign currency was purchased or borrowed
Source: National Treasury

Government expects a closing cash balance of R220.6 billion at the end of 2024/25. Domestic balances will amount to R130.5 billion, R80.5 billion higher than the 2024 Budget estimate. The balances were increased to finance a portion of the borrowing requirement in 2025/26. Over the medium term, foreign-currency balances will average US$3.3 billion.

GOVERNMENT DEBT AND DEBT-SERVICE COSTS

National government debt

Table 7.7 Total national government debt[1]

End of period R billion	2023/24 Outcome	2024/25 Estimate	2025/26 Medium-term estimates	2026/27	2027/28
Domestic loans[2]	**4 667.8**	**5 086.8**	**5 440.9**	**5 749.9**	**6 008.8**
Short-term	511.2	549.5	588.3	623.6	670.3
Long-term	4 156.6	4 537.3	4 852.6	5 126.3	5 338.5
Fixed-rate	*3 010.7*	*3 267.9*	*3 406.9*	*3 519.6*	*3 706.2*
Inflation-linked	*1 027.5*	*1 092.4*	*1 232.5*	*1 367.6*	*1 439.4*
Floating rate note	*118.3*	*177.0*	*213.2*	*239.1*	*192.9*
Foreign loans[2]	**591.6**	**597.2**	**649.3**	**703.2**	**782.1**
Gross loan debt	**5 259.4**	**5 684.0**	**6 090.2**	**6 453.1**	**6 791.0**
Less: National Revenue Fund	-195.7	-214.5	-142.2	-142.7	-113.3
Net loan debt	**5 063.7**	**5 469.4**	**5 948.0**	**6 310.5**	**6 677.7**
As percentage of GDP:					
Gross loan debt	*74.1*	*76.0*	*76.1*	*75.7*	*74.8*
Net loan debt	*71.4*	*73.1*	*74.3*	*74.1*	*73.5*

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review
2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates
Source: National Treasury

National government debt is expected to stabilise at 76.1 per cent of GDP in 2025/26 – marginally higher than the 75.3 per cent projected in the 2024 Budget – and to decline thereafter. Foreign-currency debt will average R711.5 billion or 11 per cent of gross debt over the medium term, well within the 15 per cent risk benchmark. This exposure is partly offset by foreign-currency deposits, which amounted to US$4.6 billion in 2024/25.

Table 7.8 Analysis of annual increase in gross loan debt

R million	2023/24 Outcome	2024/25 Estimate	2025/26 Medium-term estimates	2026/27	2027/28
Budget deficit	322 916	355 315	336 550	310 806	292 672
Eskom debt-relief arrangement	76 000	64 154	80 223	–	–
GFECRA settlement	–	-100 000	-25 000	-25 000	–
Discount on loan transactions	76 605	63 198	25 528	12 599	8 832
Revaluation of inflation-linked bonds[1]	53 667	40 935	52 779	55 576	60 820
Revaluation of foreign-currency debt[1]	37 448	-24 198	13 623	12 893	9 312
Change in cash and other balances[2]	-72 664	25 182	-77 495	-3 943	-33 797
Total	**493 972**	**424 586**	**406 207**	**362 930**	**337 840**

1. Revaluation based on National Treasury projections of inflation and exchange rates
2. A negative value indicates that cash is used to finance part of the borrowing requirement
Source: National Treasury

In 2024/25, debt stock increased by R424.6 billion. The main budget deficit accounts for 83.7 per cent of this increase, while interest-, inflation- and exchange-rate changes account for the remainder. The medium-term increase in gross loan debt will be driven by the budget deficit and the financing of the Eskom debt-relief arrangement.

National government debt-service costs

Debt-service costs are determined by debt stock, new borrowing and macroeconomic variables such as interest, inflation and exchange rates. In 2024/25, debt-service costs are revised upwards by R7.4 billion compared with the 2024 Budget estimate, mainly due to the higher budget deficit. As a share of GDP, debt-service costs are projected to average 5.3 per cent over the medium term; as a share of revenue, they are expected to peak in 2024/25, declining thereafter.

Table 7.9 National government debt-service costs

	2023/24	2024/25		2025/26	2026/27	2027/28
R million	Outcome	Budget	Revised	Medium-term estimates		
Domestic loans	324 519	354 083	357 347	383 428	404 311	428 109
Short-term	43 001	48 097	45 182	45 004	46 885	50 341
Long-term	281 518	305 986	312 165	338 424	357 426	377 768
Foreign loans	31 591	28 100	32 214	40 731	44 261	49 104
Total	**356 110**	**382 183**	**389 561**	**424 159**	**448 572**	**477 213**
As percentage of:						
GDP	*5.0*	*5.1*	*5.2*	*5.3*	*5.3*	*5.3*
Expenditure	*17.4*	*17.9*	*18.1*	*18.2*	*18.4*	*18.7*
Revenue	*20.7*	*21.1*	*21.7*	*21.2*	*21.1*	*21.1*

Source: National Treasury

CONTINGENT LIABILITIES

Contingent liabilities are state obligations that could result in expenditure if a specific event occurs. Government closely monitors the status of these liabilities, which include guarantees to state-owned companies, independent power producers and public-private partnerships (PPPs), along with provisions for multilateral institutions and other fiscal obligations.

Government's guarantee *exposure* consists of the sum of the outstanding value of a loan, accrued interest and adjustments to inflation-linked bonds. The guarantee *amount*, however, reflects only the capital value of the loan. As a result, exposure may exceed the approved guarantee amount.

The total guarantee amount is expected to decrease from R498.9 billion on 31 March 2024 to R491.9 billion on 31 March 2025, and the exposure amount will increase by R2.7 billion to R414.3 billion over the same period. The reduction in the total guarantee amount is due to the termination of the Land Bank's R8 billion guarantee at the end of 2023/24.

The increase in exposure results from a R9.1 billion drawdown on the Transnet guarantee. This increase was offset by the net repayment of the South African National Roads Agency Limited debt of R6.3 billion and repayments on the South African Reserve Bank Loan Guarantee Scheme of R3.5 billion. Eskom, the Development Bank of Southern Africa and the Trans-Caledon Tunnel Authority have made additional drawdowns, resulting in an increase in their exposure amounts. The implementation of Treasury Instruction No. 9 of 2020/21 has continued to see a reduction in the volume of guarantees issued, with some improvement in credit quality. Eskom remains the largest guarantee exposure, constituting about 88 per cent of the portfolio. With the implementation of the Eskom debt-relief arrangement, the volume of exposure to Eskom has declined. However, given Eskom's share of guarantee exposure, the risk from state-owned companies remains elevated.

Cabinet members who have requested guarantees for state-owned companies are required to report those requests to Parliament once they have been considered by the Minister of Finance.

Table 7.10 Government guarantee exposure[1]

	2022/23		2023/24		2024/25	
R billion	Guarantee	Exposure[2]	Guarantee	Exposure[2]	Guarantee	Exposure[2]
Public institutions	**470.3**	**433.0**	**498.9**	**411.6**	**491.9**	**414.3**
of which:						
Eskom	*341.6*	*362.3*	*326.6*	*356.9*	*331.7*	*357.6*
SANRAL	*37.9*	*38.2*	*37.9*	*28.9*	*37.9*	*22.6*
Trans-Caledon Tunnel Authority	*25.0*	*8.7*	*35.5*	*7.9*	*35.5*	*10.3*
South African Airways	*19.1*	*0.2*	*4.7*	*0.1*	*4.7*	–
Land and Agricultural Development Bank of South Africa	*8.1*	*0.6*	*8.0*	–	–	–
Development Bank of Southern Africa	*10.1*	*5.7*	*10.3*	*6.1*	*10.1*	*6.5*
Transnet	*3.5*	*3.8*	*50.5*	*3.8*	*50.5*	*12.9*
Denel	*3.4*	*3.4*	*3.4*	–	–	–
Industrial Development Corporation	*0.6*	*0.1*	*0.6*	*0.2*	*0.5*	*0.1*
South African Reserve Bank[3]	*20.0*	*9.3*	*21.1*	*7.8*	*21.1*	*4.3*
Independent power producers	**208.5**	**187.1**	**277.9**	**207.1**	**277.9**	**229.5**
Public-private partnerships[4]	**7.1**	**7.1**	**6.8**	**6.8**	**6.2**	**6.2**

1. A full list of guarantees is given in Table 11 of the statistical annexure in the Budget Review
2. Total amount of borrowing, adjustments to inflation-linked bonds as a result of inflation rate changes and accrued interest
3. In April 2022, the Minister approved the reduction of the loan guarantee scheme to R20 billion
4. These amounts only include national and provincial PPP agreements
Source: National Treasury

Other guarantees and contingent liabilities

Contingent liability risks from independent power producers are low. As at 31 March 2025, government's commitment to the Renewable Energy Independent Power Producer Procurement Programme is expected to be R277.9 billion. The value of signed projects, which represents government's exposure, is expected to amount to R229.5 billion by 31 March 2025, declining to R166.4 billion by 2027/28. PPP exposure arises mainly from early termination of contracts. In 2024/25, PPP contingent liabilities fell by about R600 million to R6.2 billion as projects reached maturity. Total exposure is expected to decline to R4.3 billion in 2025/26, R2.9 billion in 2026/27 and R2.4 billion in 2027/28.

Table 7.11 shows government's exposure to multilateral institutions and other implicit contingent liabilities. South Africa subscribes to shares in several multilaterals but does not pay the full amount. These commitments represent the unpaid portion of the share subscribed to in the unlikely event these institutions run into financial difficulty.

Table 7.11 Provision for multilateral institutions and other contingent liabilities

R billion	2022/23	2023/24	2024/25
Multilateral institutions	**578.7**	**593.9**	**535.3**
of which:			
New Development Bank	*142.2*	*152.3*	*145.6*
African Development Bank	*149.7*	*160.3*	*153.2*
International Monetary Fund	*246.4*	*236.7*	*195.8*
World Bank Group	*40.4*	*44.6*	*42.6*
Other contingent liabilities	**430.4**	**423.9**	**438.9**
of which:			
Export Credit Insurance Corporation of South Africa	*5.5*	*1.3*	*0.8*
Post-retirement medical assistance	*69.9*	*69.9*	*69.9*
Road Accident Fund	*355.0*	*352.7*	*368.2*

Source: National Treasury

Net valuation profits and losses

Government's largest contingent asset is the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). It reflects profits and losses on gold and foreign exchange reserves held by the Reserve Bank to meet foreign exchange obligations and to maintain liquidity in the presence of external shocks. GFECRA is estimated to reach R343.7 billion by 31 March 2025. In 2024, the National Treasury and the Reserve Bank signed a revised GFECRA settlement agreement that allowed for the disbursement of R100 billion in 2024/25 and R25 billion in the following two years to government, reducing government borrowing. It also provided for the disbursement of R100 billion to the Reserve Bank's contingency reserve. The GFECRA buffers will be reviewed and reported on annually.

CONCLUSION

Government continues to manage its debt portfolio in a prudent and sustainable manner. Gross debt is now expected to stabilise in 2025/26 at 76.1 per cent of GDP.

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8

2025 BUDGET REVIEW

FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHAPTER 8

FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

In brief

- State-owned companies remain distressed due to weak governance, financial pressures and ongoing operational challenges.
- Eskom is making progress on its recovery plan, although its finances remain weak and operational performance requires significant improvement.
- Transnet is hampered by high debt levels and needs to make faster progress on its recovery plan to improve operations and finances.
- Development finance institutions continue to support economic growth. Social security funds remain critical for social protection, with the Unemployment Insurance Fund and Compensation Fund showing financial resilience.

OVERVIEW

This chapter reports on the financial position of major state-owned companies, development finance institutions and social security funds. Many state-owned companies continue to operate at a loss and have become dependent on substantial government support.

STATE-OWNED COMPANIES

For over a decade, most state-owned companies listed under schedule 2 of the Public Finance Management Act (1999) have not met the legal requirements to maintain sustainable profitability, manage risks effectively and generate returns while ensuring prudent use of public resources. Various initiatives, including turnaround plans agreed with government, are under way, but progress has been mixed. Notably, Eskom and Transnet are implementing recovery plans agreed to during 2023/24.

Table 8.1 summarises the financial position of major state-owned companies. Total assets grew by 2.6 per cent to R1.35 trillion in 2023/24. Total liabilities, however, grew by 6.4 per cent, mainly due to R76 billion in debt relief – recognised as a liability – disbursed to Eskom. This amount was converted to equity in 2024/25 after being assessed for compliance with the debt-relief arrangement.

Table 8.1 Combined balance sheets of state-owned companies[1]

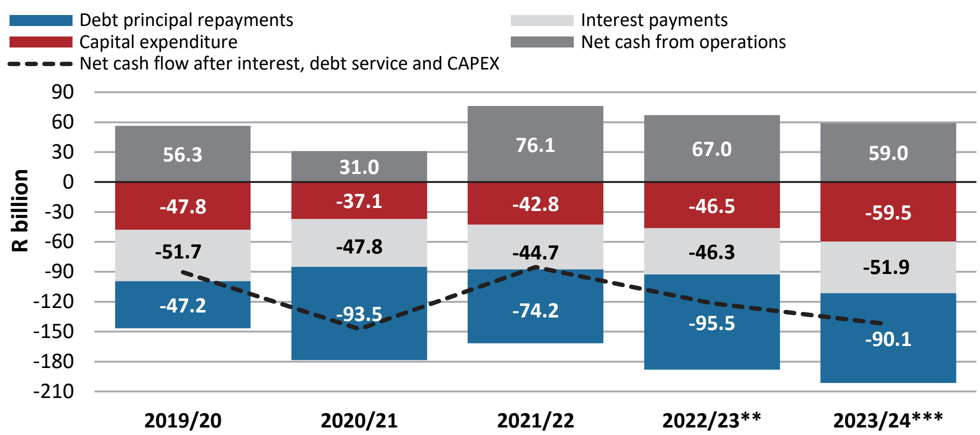
R billion/per cent growth	2019/20	2020/21	2021/22[2]	2022/23[2]	2023/24[3]
Total assets	1 313.4	1 251.9	1 283.4	1 314.7	1 348.9
		-4.7%	*2.5%*	*2.4%*	*2.6%*
Total liabilities	960.7	871.7	864.4	892.7	950.2
		-9.3%	*-0.8%*	*3.3%*	*6.4%*
Net asset value	352.7	380.2	419.0	422.0	398.8
	3.1%	*7.8%*	*10.2%*	*0.7%*	*-5.5%*
Return on equity (average)	-9.9%	-13.1%	-2.7%	-7.5%	-15.6%

1. State-owned companies listed in schedule 2 of the PFMA, excluding development finance institutions
2. Numbers may differ from earlier publications due to restatement or error
3. Due to reporting delays, unaudited financial results or quarter 4 reports for 2023/24 were used
Source: National Treasury

In 2023/24, state-owned companies reported a negative return on equity of 15.6 per cent, highlighting an ongoing inability to turn a profit. Sales were subdued owing to operational constraints and inefficiency, while costs remained high. In the context of persistent weakness, government has to make difficult choices on the future of these companies. Options include closures, mergers and withdrawal of financial support. Poor quality management and the adoption of mandates that are not financially feasible should also be addressed. Failure to make proactive decisions will result in continued fiscal pressure or financial collapse, leading to service disruptions and large job losses.

Meanwhile, state-owned companies continue to use the majority of their cash to meet debt obligations. Cash flows remain insufficient to cover operational costs, financial obligations and capital requirements. Consequently, these companies are unable to effectively fulfil their mandates. With government support, capital expenditure increased by 28 per cent from 2022/23 to 2023/24. However, major backlogs persist.

Figure 8.1 Consolidated cash flows at state-owned companies*



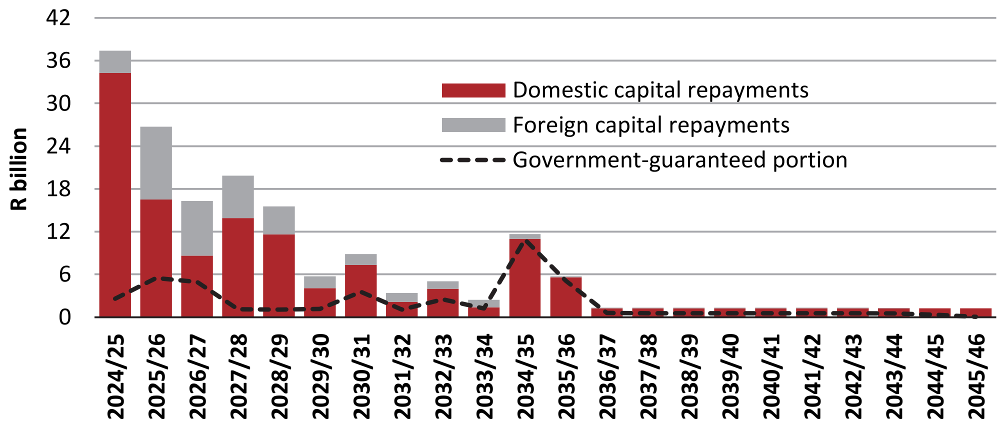
**State-owned companies listed in the PFMA schedule, excluding development finance institutions*
***Numbers may differ from earlier publications due to restatement or error*
****Due to reporting delays, unaudited financial results or quarter 4 reports for 2023/24 were used*
Source: National Treasury

DEBT OBLIGATIONS

Figure 8.2 shows state-owned company debt maturing over the medium term. It excludes Eskom, South African Airways, Transnet and Denel because their quarterly reports are outstanding. Debt repayments of R37.4 billion are expected in 2024/25, of which R2.6 billion is guaranteed by government. Over the medium term, aggregate debt maturities are expected to amount to R62.9 billion, of which R11.5 billion (18 per cent) is government guaranteed.

Restrictions on Eskom borrowing as part of the debt-relief arrangement alongside weaker balance sheets in other state-owned companies have resulted in a large reduction in borrowing (Table 8.2). Over the medium term, state-owned companies expect to prioritise domestic funding with long-term maturities to address their financing needs.

Figure 8.2 Debt maturity profile of major state-owned companies*



**Eskom, Transnet, South African Airways and Denel are excluded because their reports are outstanding*
Source: National Treasury

Table 8.2 Borrowing requirement of state-owned entities[1]

R billion	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28[2]
	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**60.0**	**29.1**	**17.9**	**1.8**	**36.9**	**46.4**	**29.0**	**24.8**
Short-term	–	5.6	3.0	1.8	3.0	3.0	3.0	3.0
Long-term	60.0	23.5	14.9	–	33.9	43.4	26.0	21.8
Foreign loans (gross)	**34.5**	**29.3**	**18.4**	**–**	**11.2**	**2.8**	**6.7**	**16.6**
Long-term	34.5	29.3	18.4	–	11.2	2.8	6.7	16.6
Total	**94.5**	**58.4**	**36.3**	**1.8**	**48.1**	**49.2**	**35.7**	**41.4**
Percentage of total:								
Domestic loans	*63.5%*	*49.8%*	*49.3%*	*100.0%*	*76.7%*	*94.3%*	*81.2%*	*59.9%*
Foreign loans	*36.5%*	*50.2%*	*50.7%*	*0.0%*	*23.3%*	*5.7%*	*18.8%*	*40.1%*

1. ACSA, SANRAL, TCTA, Transnet, Denel, Eskom (excludes actuals for 2022/23 and 2023/24) financial years
2. TCTA did not provide forecasts for 2027/28 financial year
3. Eskom, Transnet, SAA and Denel are excluded because their reports are outstanding
Source: National Treasury

Denel

Denel remains unable to meet its financial obligations. As outlined in the 2024 *Budget Review*, Denel was granted R3.4 billion in the Special Appropriation Act (2022) to implement the plan. It was permitted to access a portion of the funds after meeting certain milestones, although the completion of some targets – particularly the sale of non-core assets – remains outstanding. As Denel has implemented aspects of the turnaround plan, government is granting access to the remaining ring-fenced funds. After debt repayments in the past year, these amount to R914 million. These funds will help Denel to cover legacy obligations, invest in essential capital projects and optimise restructuring.

Eskom

Eskom continues to rely on government support through the debt-relief arrangement in order to operate. Revenue grew by 14 per cent to R295.8 billion in 2023/24 due to an 18.7 per cent tariff increase, while sales fell by 3 per cent. Losses doubled to R55 billion in

2023/24 due to tariffs that do not reflect costs, poor operational performance, non-payment by municipalities and high finance costs. Municipal debt to Eskom rose from R74.4 billion at end-March 2024 to R94.8 billion at end-December 2024.

Progress on unbundling has been slow. After Eskom failed to dispose of the Eskom Finance Company by the agreed deadline, government reduced the debt-relief allocation by R4 billion. Chapter 7 outlines the current status of the Eskom debt-relief agreement.

The Department of Electricity and Energy is preparing to issue a request for proposals for a pilot independent transmission project in November 2025. This will invite the private sector to assist the National Transmission Company in expanding transmission lines.

South African Post Office

The South African Post Office (SAPO) was placed in business rescue on 10 July 2023. In 2023/24, SAPO reduced costs and met some operational targets, yet it remains financially stressed due to high net losses and low revenue. SAPO used the R2.4 billion allocated in 2022/23 to implement a business rescue plan, including cutting costs and paying creditors. As part of this plan, it closed 354 branches and retained 657 branches. The National Treasury and the Department of Communications and Digital Technologies are working with the business rescue practitioners to ensure the effective implementation of the plan.

Transnet

With the support of Operation Vulindlela, Transnet is addressing a years-long financial and operational decline. Rail volumes fell from 226.3 million tonnes in 2017/18 to 151.7 million tonnes in 2023/24 due to derailments, inefficiency and infrastructure damage. Transnet has made some progress in implementing its recovery plan, and estimates indicate that rail volumes will reach 165.4 million tonnes by the end of 2024/25.

In 2023/24, Transnet reported a net loss of R7.3 billion, relative to R5.1 billion in 2022/23, largely due to increased finance costs. Additional debt and higher interest rates pushed finance costs to R14.3 billion in 2023/24, placing further strain on cash flows. Transnet’s earnings before interest, taxes, depreciation and amortisation declined from R22.8 billion in 2022/23 to R22 billion. Revenue gains were offset by rising net operating expenses.

Transnet needs to stabilise and reduce its debt. Since 2018, Transnet has shifted funds from capital expenditure to debt servicing. While this prevented default, the shift has come at the expense of maintaining and expanding critical infrastructure. Government provided a R47 billion guarantee in December 2023, which Transnet used to refinance maturing debt and take on new debt. Government is now providing direct support to critical infrastructure projects, such as the expansion of the land-side container terminal in Cape Town, while avoiding debt relief or general balance sheet support. Total borrowing increased by R7.6 billion to R137.7 billion between end-March 2023 and end-March 2024, underscoring the need for better debt management.

DEVELOPMENT FINANCE INSTITUTIONS

Development finance institutions (DFIs) support government's strategic objectives by channelling investments into critical sectors and developing small- to medium-sized businesses. Table 8.3 summarises the financial position of selected DFIs.

Table 8.3 Financial position of selected development finance institutions

R billion	2019/20	2020/21	2021/22	2022/23[1]	2023/24
IDC					
Total assets	**109.7**	**135.8**	**164.0**	**159.3**	**154.8**
Loan book	29.1	25.5	24.3	38.9	40.6
Equity and other investments	80.6	110.3	139.7	120.4	114.2
Total liabilities	**49.4**	**53.3**	**52.9**	**50.1**	**46.3**
Net asset value	**60.3**	**82.5**	**111.1**	**109.3**	**108.5**
DBSA					
Total assets	**100.5**	**100.0**	**100.0**	**108.6**	**118.3**
Loan book	86.2	82.7	84.2	93.7	99.3
Equity and other investments	14.3	17.3	15.8	14.9	19.0
Total liabilities	**62.9**	**60.9**	**57.1**	**60.9**	**66.3**
Net asset value	**37.6**	**39.1**	**42.9**	**47.6**	**52.0**
Land Bank					
Total assets	**44.1**	**40.0**	**34.4**	**34.6**	**29.1**
Loan book	39.5	30.7	20.5	14.8	13.3
Equity and other investments	4.6	9.3	13.9	19.8	15.8
Total liabilities	**43.8**	**37.6**	**30.8**	**28.2**	**23.5**
Net asset value	**0.3**	**2.4**	**3.6**	**5.0**	**5.6**

1. Numbers may differ from earlier publications due to restatement or error
Source: National Treasury

As at 31 March 2024, the Industrial Development Corporation (IDC) accounted for 65 per cent of the net asset base of national DFIs, followed by the Development Bank of Southern Africa (DBSA) at 31 per cent.

Table 8.4 Borrowing requirement for development finance institutions[1]

	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28[2]
R billion	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**17.2**	**10.4**	**17.6**	**9.7**	**15.4**	**12.3**	**10.9**	**8.8**
Short-term	1.6	–	2.5	–	2.2	2.6	1.0	1.0
Long-term	15.6	10.4	15.1	9.7	13.2	9.7	9.9	7.8
Foreign loans (gross)	**12.2**	**2.7**	**6.9**	**11.7**	**8.1**	**12.8**	**7.0**	**2.1**
Long-term	12.2	2.7	6.9	11.7	8.1	12.8	7.0	2.1
Total	**29.4**	**13.1**	**24.5**	**21.4**	**23.5**	**25.1**	**17.9**	**10.9**
Percentage of total:								
Domestic loans	*58.5%*	*79.4%*	*71.8%*	*45.3%*	*65.5%*	*49.0%*	*60.9%*	*0.0%*
Foreign loans	*41.5%*	*20.6%*	*28.2%*	*54.7%*	*34.5%*	*51.0%*	*39.1%*	*0.0%*

1. Land Bank, Development Bank of Southern Africa and Industrial Development Corporation
2. DBSA has not provided forecasts for the 2027/28 financial year
3. Land Bank was excluded due to non-submission of forecasts
Source: National Treasury

Development finance institutions borrowed R21.4 billion in 2023/24, slightly below the planned R24.5 billion. In 2024/25, the DBSA and IDC are projected to borrow R23.5 billion. Domestic borrowing is expected to constitute 65.5 per cent (R15.4 billion) of total funding.

Development Bank of Southern Africa

In 2023/24, the DBSA disbursed R16.9 billion, with 65 per cent allocated to projects in South Africa and 35 per cent to projects in other parts of Africa. The bank supported infrastructure projects valued at R2.5 billion against an annual target of R1.5 billion. The DBSA reported a strong financial performance in 2023/24, with net interest income increasing by 18 per cent to R7.7 billion, driven by higher interest rates and robust loan disbursements. Net profit fell by 11 per cent from R5.2 billion to R4.6 billion between 2022/23 and 2023/24 due to higher impairments and lower foreign exchange gains, but earnings grew to R4.5 billion (2022/23: R4.2 billion) due to resilience in core operations.

Industrial Development Corporation

Most of the IDC's funding during 2023/24 supported capacity expansion, startups, distressed businesses and working capital requirements. In 2023/24, the IDC approved funding amounting to R17.3 billion, compared with R20.7 billion in 2022/23, while actual disbursements decreased from R20.5 billion to R15.9 billion. Net profit declined to R7.8 billion from R10.7 billion in 2022/23. Revenue increased by 8 per cent to R24.3 billion, supported by favourable interest rates and a growing loan book. However, reduced investment income and operational challenges in subsidiaries, along with a weaker mining and metals portfolio as commodity prices fell, offset these gains.

The Land Bank

In September 2024, the Land Bank reached an agreement with its lenders to resolve the default triggered in April 2020. This solution includes measures to stabilise operations, strengthen finances and restructure debt. Between April 2020 and December 2024, debt was reduced from R40.6 billion to R10.8 billion.

In 2023/24, net profit fell to R21 million from R515 million the previous year. Expected credit losses in 2022/23 were based on an overestimate of loan defaults, but losses increased in 2023/24, requiring higher provisions. The non-performing loan ratio rose from 51.9 per cent to 53.1 per cent, largely because the total value of loans decreased, making non-performing loans a larger proportion of the loan book. The bank disbursed R723 million in loans and grants, falling short of its R1.5 billion target.

The Land Bank has increased its development and transformation portfolio from 10 per cent of total loans in 2017/18 to 41 per cent in 2023/24. This growth is driven by the blended finance scheme, launched in 2022, which combines grants from the Department of Agriculture, Land Reform and Rural Development with loans from the Land Bank to support emerging farmers. In 2023/24, the bank disbursed all loans and grants – totalling R723 million – through the blended finance scheme, compared to R6.9 million in 2022/23.

SOCIAL SECURITY FUNDS

Social security funds provide income support and compensation to individuals facing unemployment or those affected by road and workplace accidents. Over the medium term, these funds are projected to generate total revenue of R289.4 billion, primarily from contributions and earmarked allocations. Total expenditure is anticipated to amount to R300.8 billion, mainly designated for benefit payments.

As of 2023/24, aggregate assets held by these funds stood at R287.3 billion, with the Unemployment Insurance Fund comprising 52.7 per cent of this total. Total liabilities were reported at R416.2 billion, of which the Road Accident Fund accounted for 84.9 per cent, equivalent to R353.3 billion. Comprehensive financial data for these funds is available in the *Estimates of National Expenditure*.

Table 8.5 Financial position of social security funds

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome			Estimate	Medium-term estimates		
Unemployment Insurance Fund							
Total assets	125.2	136.2	151.3	158.2	160.8	165.0	169.5
Total liabilities	20.6	21.6	20.8	20.8	21.9	22.9	24.0
Net asset value	104.6	114.6	130.5	137.3	138.9	142.2	145.5
Compensation Fund[1]							
Total assets	104.4	112.2	118.5	139.4	146.1	153.1	160.5
Total liabilities	47.0	42.1	42.1	57.6	60.4	63.3	66.4
Net asset value	57.5	70.2	76.4	81.7	85.7	89.8	94.2
Road Accident Fund							
Total assets	12.3	12.6	17.5	18.3	19.2	20.1	20.9
Total liabilities	357.0	355.5	353.3	370.3	387.7	405.5	423.3
Net asset value	-344.7	-342.9	-335.9	-352.0	-368.5	-385.5	-402.4

1. Includes Mines and Works Compensation Fund
Source: National Treasury

Unemployment Insurance Fund

The Unemployment Insurance Fund, established under the Unemployment Insurance Act (2001), offers short-term unemployment insurance to eligible workers. Over the medium term, the fund aims to enhance its provision of social insurance benefits while extending coverage to vulnerable groups and contributors. Technological advancements are central to these plans, including improvements to mobile applications. Over the medium term, R22.9 billion is allocated to implement labour activation programmes across the country, with a target of creating 2 million short-term jobs. Beneficiaries will be identified through the Employment Services of South Africa system. The fund's net asset value is forecast to rise from R137.3 billion in 2024/25 to R145.5 billion in 2027/28 as surpluses accumulate.

Compensation Fund

The Compensation Fund, including the Mines and Works Compensation Fund, provides compensation to employees for disablement or death caused by occupational injuries or diseases. Over the medium term, the fund aims to improve the efficiency of claims adjudication and processing. It has introduced an integrated employer portal, enabling registered employers to submit earnings returns, make annual assessment payments and obtain letters of good standing online. Benefit payments are projected to grow by 2.2 per cent annually, from R7.4 billion in 2024/25 to R7.9 billion in 2027/28. The aggregate net asset value of the Compensation Fund and the Mines and Works Compensation Fund is expected to improve from R81.7 billion in 2024/25 to R94.2 billion in 2027/28, underpinned by the accumulation of surpluses.

Road Accident Fund

The Road Accident Fund (RAF) compensates road users for losses or damages resulting from motor vehicle accidents, funded through the RAF levy. Long-term provisions are expected to rise from R355 billion in 2023/24 to R370.3 billion in 2024/25, and R423.3 billion by 2027/28, accounting for a large share of total liabilities. The RAF's expenditure is expected to increase at an average annual rate of 19.1 per cent, from R53.1 billion in 2024/25 to R89.7 billion in 2027/28.

GOVERNMENT EMPLOYEES PENSION FUND

Membership in the Government Employees Pension Fund (GEPF), a defined benefit pension fund for public-sector employees, grew by 0.8 per cent in 2023/24. At end-March 2024, the fund recorded its highest membership to date, with 1 777 902 active members and 544 765 pensioners and beneficiaries. The GEPF is solvent, with statutory actuarial valuations confirming that its assets exceed its best estimate of liabilities. Total benefits paid for claims increased from R137.4 billion in 2022/23 to R142.5 billion in 2023/24, primarily due to higher pensionable salaries in 2023/24. Contributions income rose from R83.1 billion in 2022/23 to R92.2 billion in 2023/24, strengthening the fund's financial position. At end-March 2024, the GEPF reported a net cash flow position of R59.7 billion.

Table 8.6 Selected income and expenditure of GEPF

R billion	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Revenue									
Employer contributions	21.7	23.4	25.1	26.9	28.6	28.7	28.8	23.3	25.9
Employee contributions	38.6	42.1	45.3	48.2	51.7	52.8	53.2	59.8	66.3
Investment income[1]	73.4	73.7	77.3	84.8	88.6	82.1	108.6	107.0	109.0
Expenditure									
Benefits paid	83.1	88.3	94.9	102.5	110.5	110.6	135.5	137.4	142.5

1. Dividends on listed equities, interest on bonds and money market instruments and income from unlisted properties and unlisted investments excludes adjustments for value of financial assets
Source: Government Pensions Administration Agency

CONCLUSION

The financial performance of public-sector institutions remains mixed, with difficult choices required over the medium term. Government continues to support struggling state-owned companies while implementing measures to improve their operational and financial sustainability. Addressing the challenges faced by these institutions is crucial for sustained economic growth and social development.

2025 BUDGET REVIEW

ANNEXURES

Two annexures are available on the National Treasury website (www.treasury.gov.za):

- Annexure W1: Explanatory memorandum to the division of revenue
- Annexure W2: Structure of the government accounts

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National Treasury
REPUBLIC OF SOUTH AFRICA

A

2025 BUDGET REVIEW

REPORT OF THE MINISTER OF FINANCE TO PARLIAMENT

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Section 7(4) of the Money Bills and Related Matters Act (2009) requires that the Minister of Finance submit a report to Parliament during the tabling of the budget explaining how the Division of Revenue Bill and the national budget give effect to recommendations made by Parliament or providing reasons for deviating from these recommendations. The recommendations to which this annexure responds are contained in:

- Budgetary review and recommendation reports (BRRRs) submitted by portfolio committees of the National Assembly in terms of section 5 of the act.
- Reports submitted by the finance committees in terms of section 6 of the act on the fiscal framework proposed in the *Medium Term Budget Policy Statement* (MTBPS).
- Reports submitted by the appropriations committees in terms of section 6 of the act on the proposed division of revenue and the conditional grant allocations to provinces and local governments set out in the MTBPS.

BUDGETARY REVIEW AND RECOMMENDATION REPORTS

In terms of section 5 of the act, the National Assembly committees must assess the performance of each national department before the budget is introduced and prepare budgetary review and recommendation reports. These reports:

- Must provide an assessment of the department's service delivery performance given available resources.
- Must provide an assessment of the effectiveness and efficiency of the department's use and forward allocation of available resources.
- May include recommendations on the future use of resources.

This annexure provides responses to the recommendations of portfolio committees and those from finance committees, particularly where they relate to the National Treasury.

Several committees recommended allocating additional budget for certain programmes, sub-programmes or other budget items. Tax measures in the 2025 Budget will make it possible to accommodate some critical spending priorities while maintaining the fiscal stance. Nonetheless, there remains limited scope to fulfil multiple recommendations for additional budget given the constrained fiscal outlook. Reprioritisation of existing funds remains the primary tool for departments, public entities and other institutions to fund emerging priorities. Furthermore, all accounting officers must implement measures to minimise inefficiency and waste to improve value for money.

PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR

The committee should be regularly updated on engagements between the department and the National Treasury on preferential procurement status of the Supported Employment Enterprises (SEE).

Prior to the enactment of the Public Procurement Act (2024), the National Treasury advised the department to develop a policy on preferential procurement within government. This policy would require departments to procure goods and services from SEEs; however, development of this policy has yet to commence. Notwithstanding, the National Treasury is committed to supporting the department, as the custodian of the SEEs programme, to engage the Office of the Chief Procurement Officer on this matter and provide a comprehensive report to the committee.

Application should be made to the National Treasury (NT) for budget surpluses of other entities within the Employment and Labour portfolio that are not going to be utilised by those entities to be transferred to the Commission for Conciliation, Mediation and Arbitration (CCMA).

As noted in the 2024 Budget, public entities and constitutional institutions are required to annually submit surplus retention requests to the National Treasury in terms of section 53(3) of the Public Finance Management Act (1999) and National Treasury Instruction 12 of 2020/21. Cash surpluses of entities are evaluated as standalone applications and approval is granted based on the motivation provided, which details how the surplus arose and what it will be spent on, if approved. Should an entity only be granted a partial surplus retention or not be granted approval to retain the surplus, those funds revert to the National Revenue Fund. As such, surpluses of one entity cannot be transferred to another entity. In addition, some entities' founding legislations stipulate what any surplus should be used for.

PORTFOLIO COMMITTEE ON HIGHER EDUCATION

The department should provide additional funding to colleges to expand the offering of occupational programmes. The department needs to assist Technical and Vocational Education and Training colleges with additional funding to improve the uptake of occupational qualifications developed by the Quality Council for Trades and Occupations, which are in demand in the industry.

In the 2024 Budget, R15 billion was made available in the post-school education and training system to fund the occupational programmes at technical and vocational education and training colleges. This included funding from the technical and vocational education and training subsidies, the National Student Financial Aid Scheme, the National Skills Fund and sector education and training authorities through the skills development levy.

In light of the expanding mandate and scope of work of the Council on Higher Education, additional funding should be considered for the entity to implement its new fit-for-purpose organisational structure that matches the work that needs to be done; make progress in implementing its Digital Transformation Strategy and carry out the increased scope of work.

As noted in the 2024 Budget, the Council on Higher Education's baseline was increased by an additional allocation of R19 million in 2022/23 and R25 million in 2023/24 to address critical capacity needs and implement its mandate. In addition, the council retained a cash surplus of R4.4 million in 2023/24 to enhance its information and communication technology infrastructure and resources as part of the planned phased implementation of the new Quality Assurance Framework.

Additional funding over the MTEF period (2025/26 – 2027/28) should be considered to: enable the South African Qualifications Authority to fund automation and digitisation; verification of South

African qualifications and the National Qualifications Framework Chair (Research); and implement the phased-in approach of the automation Project Phoenix.

The South African Qualifications Authority was authorised to retain a cash surplus of R108.4 million in 2023/24 to address critical capacity challenges and to implement its mandate. These surplus funds are being used for rolling out the business process automation project, operational commitments as per the National Qualifications Framework Act (2008), the purchase of a new office building, contingent liabilities arising from pending legal cases and various research projects. Furthermore, the authority is receiving a transfer payment from the department totalling R292.3 million over the medium term.

PORTFOLIO COMMITTEE ON SPORT, ARTS AND CULTURE

The committee notes that the cost containment measures that are still in place for 2024/25, specifically in relation to cost of employment, stifle the department's efforts to reduce its vacancy rate. The committee further notes that the department has made a request for an adjustment budget for 2024/25 of R10 million, however, this is still not sufficient to address staffing deficiencies and will have implications for service delivery. The Minister of Finance should work with the department to implement the necessary budget adjustments to address staffing deficiencies.

The compensation of employees ceiling requires departments to evaluate their personnel budgets and only fill critical posts. In undertaking that exercise, the impact of the carry-through costs must also be taken into consideration. The National Treasury is willing to assist the department in implementing necessary budget adjustments to address staffing deficiencies. However, caution should be exercised to ensure that compensation of employees does not crowd out other service delivery priorities.

The committee has heard the appeals of several entities that require additional funding to address deficiencies in their operational budgets, including but not limited to the Mandela Bay Theatre Complex, the Amazwi Museum, the South African Library for the Blind, and the South African Heritage Resources Agency. The committee notes the Minister's response to the 2023 BRRR which indicates that additional funding to public entities will have to be done through reprioritising funds within departmental allocations.

The White Paper on Arts, Culture and Heritage advocates for the amalgamation of affected entities to enable the sharing of resources and administrative functions, saving costs and ensuring the sustainability of these entities. However, in a letter to the Minister of Finance dated 2 September 2024, the Minister of Sport, Arts and Culture announced the cancellation of the amalgamation of entities. Accordingly, the liquidity of some of the department's entities remains a concern. The department has been advised to work with all entities to eliminate the practice of budgeting for cash deficits in terms of section 53(3) of the Public Finance Management Act. Given fiscal constraints affecting all parts of the state, entities must remain within their allocated budgets.

PORTFOLIO COMMITTEE ON SOCIAL DEVELOPMENT

The committee raised a concern that budget cuts imposed by National Treasury affected service delivery to the poor. There should be a mechanism where political representatives of the departments can make representations to National Treasury on behalf of their departments.

The budget is adopted by Cabinet and endorsed for tabling in the National Assembly every year. Cabinet is chaired by the President and composed solely of all ministers of the state. The budget is the decision of the political representatives in the executive and is passed into law by political representatives in the legislature. Furthermore, recommendations from the Technical Committee on the Budget (composed of officials) are tabled at the Ministers' Committee on the Budget before they are taken to Cabinet for approval, while intergovernmental allocations are discussed at the Budget Council and the Budget Forum, each of which is composed of political leadership from the provincial and local government spheres. Finally, the chairs of the Finance and Appropriations committees from both houses of Parliament have standing invitations to Budget Council and Budget Forum meetings.

Overall, therefore, the annual budget process is highly consultative, and departments are given the opportunity to make representations and submissions to inform the discussions in the Technical Committee on the Budget.

Against the above backdrop, the committee is also advised that no new budget reductions are effected in the baselines of institutions in the 2025 Budget.

PORTFOLIO COMMITTEE ON WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The committee requests National Treasury to consider the requests for rollover of funds for the department and the Commission for Gender Equality.

In the 2024 Adjustment Budget, the National Treasury approved a rollover request of R13 million from the Department of Women, Youth, and Persons with Disabilities for the payment of contractual obligations and commitments. Of this amount, R5 million was allocated to the Commission for Gender Equality as an increase to its transfer payment in 2024/25. Furthermore, the National Treasury approved the Commission for Gender Equality's retention of a cash surplus of R7.7 million from the previous year for use in 2024/25.

The committee requests that National Treasury considers the continuation of the Presidential Youth Employment Initiative in the 7th Administration.

In 2025/26, R549.8 million has been allocated to the National Youth Development Agency under the presidential employment initiative. Moreover, the 2024 Budget announced funding of R7.4 billion for the presidential employment initiative.

The committee requests National Treasury to reassess the funding allocation to the department to optimally implement its respective mandates.

The Department of Women, Youth and Persons with Disabilities has been provided with additional funding of R20 million in 2025/26, R20.9 million in 2026/27 and R21.8 million in 2027/28.

PORTFOLIO COMMITTEES ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

The Minister of Finance must consider the impact of budget reductions for land reform (redistribution, tenure reform and restitution) in view of the constitutional imperative and the potential risks associated with slow pace of delivery of land, especially the settlement of all the pre-1994 land claims as well as labour tenants' applications:

- *In addition, note that the recent Communal Property Associations Amendment Act (2018) commits the State to setting up institutions and capacity to administer the Communal Property Associations Act effectively.*
- *Internal reprioritisation of funds has reached a point where it could potentially have negative effect on key programmes of the Department of Land Reform and Rural Development.*

The National Treasury acknowledges the committee's concerns about the slow progress in settling land claims and processing labour tenants' applications, largely attributable to court rulings that caused unforeseen funding gaps. To address these issues, the department should expedite the review of the rural development financing model, focusing solely on coordinating rural infrastructure development rather than duplicating projects such as building roads and schools. This revision could free up departmental resources that can be reallocated to accelerate land delivery without negatively impacting rural development programmes. Additionally, the Agricultural Land Holding Account should enhance its budget utilisation processes to minimise unspent funds being returned to the National Revenue Fund or seek to retain any surpluses.

The Minister of Finance, in consultation with the Minister and the Department of Land Reform and Rural Development, the Chief Land Claims Commissioner, and the Office of the Valuer-General, consider reviewing the land reform and rural development financing model to increase the allocation for restitution:

- *To ensure that all the pre-1998 land claims lodged (old order land claims) in terms of the Restitution of Land Rights Act (1994) are settled over the next five years.*
- *To support the implementation of Project Kuyasa, focusing on the autonomy of the Commission on Restitution of Land Rights as recommended by the South African Human Rights Commission, the Auditor-General of South Africa, the High-Level Panel on Assessment of Key Legislation and Fundamental Change, and the Portfolio Committee.*

The National Treasury concurs with the committee's proposal and will work together with the Department of Land Reform and Rural Development to find an appropriate financing model. Due to the constrained fiscal environment, the National Treasury welcomes the review of the current financing model for land reform programmes, which is expected to free up resources that can be reallocated to pressing restitution programme priorities such as settling old order land claims. The Office of the Valuer-General should enhance its capacity by filling critical frontline positions, as the current staff shortages lead to costly dependence on private land valuers. Furthermore, it should work to minimise unspent funds being returned to the National Revenue Fund.

Given the land claims court order in the Mwelase and Others matter, confirmed by the Constitutional Court, compelling the State to settle all outstanding labour tenant applications lodged in terms of the Labour Tenants (Land Reform) Act (1996) over the next five years, allocate a ring-fenced budget for the department, under the supervision of the Special Master of Labour Tenants at the Land Claims Court, to facilitate settlement to, and post settlement support for, all labour tenants' applicants whose claims are valid.

The National Treasury notes the committee's recommendation. Government finances are currently operating with an unsustainable deficit that will exceed R377 billion by the end of March 2025. Reprioritisation is advised to fund spending pressures and emerging priorities.

In view of the Communal Property Associations Amendment Act No. 20 of 2018, assented to by the President on October 8, 2024, particularly Section 2B and 2C which establishes the Communal Property Associations Office and the appointment of a Registrar, and outside the usual internal reprioritization of the budget, allocate additional funding for the support of Communal Property Associations in line with the Act.

The National Treasury notes the committee's recommendation. Government finances are currently operating with an unsustainable deficit that will exceed R377 billion by the end of March 2025. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

Consider a budget allocation to the Onderstepoort Biological Products for the Good Manufacturing Practice Facility:

- *The Onderstepoort Biological Products is a National Key Point and the only manufacturer of certain animal vaccines in the country and the continent, which is on the verge of collapse due to aging infrastructure. The Onderstepoort Biological Products operates on very old infrastructure and equipment that has been in use for more than 30 years and has surpassed its 15 to 20-year lifespan.*
- *This has resulted in frequent equipment breakdowns, thus constraining the Onderstepoort Biological Products' ability to produce sufficient quantities of animal vaccines for diseases of economic importance as and when required.*

Onderstepoort Biological Products was allocated over R492 million in 2018/19 to upgrade equipment and build the vaccine manufacturing facility; however, progress has been slow. According to the report presented to the Onderstepoort Biological Products shareholders on 31 October 2024, R153.4 million remained unspent for the Good Manufacturing Practice project. The National Treasury also noted that the entity's sales revenue increased significantly from R170.1 million in 2021/22 to R232.3 million at the end of 2023/24, driven by the sale of vaccines in the export market.

Consider for approval the Agricultural Research Council's funding application from the Budget Facility for Infrastructure that was submitted in May 2024:

- *The required funding is for the construction of the Foot-and-Mouth Disease Vaccine Facility, whose delay has a negative impact on the local availability of the vaccine and the health of the national herd.*

- *The vaccine is currently sourced from Botswana, which is not only costly but poses a serious biosecurity risk to the country, compounded by concerns about the Botswana vaccine's longevity of immunity as it has not been tested under local conditions.*
- *Currently, the country is struggling with outbreaks of Foot-and-Mouth Disease, with serious implications for livelihoods and the economy as some export markets have placed bans on South African livestock products.*

The National Treasury is collaborating with the council and the department to enhance compliance and explore funding options, including reprioritising funds towards infrastructure projects. Despite an initial R500 million allocation over a decade ago, construction has progressed slowly. Recently, the council secured approval to retain an accumulated surplus of R13.6 million, raising the total allocation for the facility to R885.1 million. Efforts are ongoing to expedite the project's completion.

PORTFOLIO COMMITTEE ON TOURISM

The National Treasury should increase the ring-fenced budget to capitalise the Tourism Transformation Fund and Tourism Equity Fund.

Implementation of the revised R1.2 billion Tourism Equity Fund has faced delays, reflecting broader challenges in fully using allocated budgets. Both funds underscore the need for continued efforts to streamline processes and enhance their impact on economic transformation.

National Treasury should appropriate a ring-fenced budget to facilitate tourism development and growth in villages, townships and small towns.

The Department of Tourism is already implementing multi-year spatial planning and infrastructure projects that support rural and township economies, with an allocation of R924 million over the medium-term expenditure framework (MTEF) period. The spatial planning and infrastructure projects provide support for community-based tourism projects and community museums. They will continue to contribute to tourism development and ensure that tourism benefits accrue to communities, especially those around key attractions and sites in rural areas.

National Treasury should approve the filling of vacancies in the department to enable the tourism sector to create more jobs and continue to contribute immensely to the GDP of the country.

Authority to fill vacant posts vests with the Department of Public Service and Administration. The National Treasury provides input on the availability of funds to fill vacancies. The Department of Tourism is aligning its process to fill vacant posts with the requirements of the directive by the Minister of Public Service and Administration dated 2 April 2024 (Implementation of control measures aimed at assisting Executive Authorities in managing fiscal sustainability during the process of creating and filling vacant posts in departments).

PORTFOLIO COMMITTEE ON SCIENCE, TECHNOLOGY AND INNOVATION

The committee recommends that the National Treasury allocates the additional R2.4 billion needed to offset the existing shortfalls in bursary and grant support.

The National Treasury notes the committee's recommendation. Given the current constrained fiscal environment, there is limited scope for additional funding to departments and entities. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

The committee recommends that the National Treasury allocate R570 million that South African National Space Agency needs for its satellite build and launch capability. This includes R350 million for Earth Observation Satellite 1, R120 million for launch capability and R100 million for the development of Synthetic Aperture Radar technology.

The National Treasury notes the committee's recommendation. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities. Nevertheless, the South African National Space Agency is advised to consider private-sector partnerships or blended finance approaches for this project. The entity can obtain further advice from the Development Bank of Southern Africa or the Government Technical Advisory Centre.

The committee recommends that the National Treasury allocate the needed R35 million for the Innovation Fund and the R100 million for the Pre-seed Fund to the Technology Innovation Agency.

The National Treasury has conducted a spending review exploring the agency's role and efficiency in the commercialisation and development of intellectual property from publicly funded institutions. The review is under consideration by the Department of Science, Technology and Innovation. Concurrently, the agency is conducting its own internal institutional review, which will also be submitted to the department for consideration. Both processes must be concluded before additional funding requests for the agency can be considered.

PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS

As in previous years, it remains evident that there is limited progress in addressing the compensation of employees over-expenditure in the Department of Defence. The committee therefore reiterates the recommendation by the Portfolio Committee on Defence and Military Veterans of the 6th Parliament that a long-term, permanent solution is based on the development of a new Human Resources management strategy or adjustment of the current strategy to ensure long-term stability in the South African National Defence Force's personnel contingent by focusing specifically on force rejuvenation. It is recommended that this plan be developed in consultation with the National Treasury and that the plan be fully funded to achieve the desired outcomes. Of specific importance to this recommendation is that the strategy should create a permanent exit mechanism for older soldiers who will not advance in their military careers and that such an exit mechanism ensures a smooth transition to civilian life through, for example, vocational training, job placement, and/or monetary assistance. The strategy should be adapted for the unique socio-economic conditions in South Africa on the one hand and be fully aimed at creating long-term force rejuvenation and compensation of employees stability in the Department of Defence. The committee noted previous indications that the National Treasury is open to engaging with the Department of Defence on the matter and therefore requests feedback from National Treasury once engagements on the plan start.

The National Treasury has made similar recommendations to the department in the past without any tangible progress on the matter. The National Treasury is open to engaging with the Department of Defence on the matter and will participate accordingly should the department require the

National Treasury's involvement in drafting the human resources management strategy. The National Treasury will brief the committee accordingly once invited to do so.

Dependent on the development of an agreement on a long-term stabilisation and rejuvenation plan as noted above, the committee recommends that National Treasury considers the allocation of additional funds to the Department of Defence to fund the compensation of employees' shortfall while the rejuvenation plan is implemented.

Over the next two years, the Department of Defence will participate in the government-wide early retirement programme without penalisation of pension benefits. This is intended to achieve two key objectives. First, it aims to rejuvenate the force by creating opportunities for the recruitment and advancement of younger personnel, ensuring a more agile and capable defence force. Second, it seeks to generate savings within the compensation of employees' budget, which can be redirected to alleviate ongoing financial pressures in this area. Government finances are currently operating with an unsustainable deficit that will exceed R377 billion at the end of March 2025. Moreover, the National Treasury will continue advising departments and Cabinet to consider difficult trade-offs to fund critical priorities.

Adverse findings by the Auditor-General of South Africa related to the Department of Defence's procurement systems and its logistics management systems are often related to outdated Information and Communication Technology systems and infrastructure in the Department of Defence. Previously, Parliament recommended that the National Treasury provide the Department of Defence with an additional ring-fenced allocation for the upgrading of Information and Communication Technology systems in the procurement and logistics management environments. During the 2024 Medium Term Expenditure Framework budget process, the National Treasury advised departments and entities to reprioritize funds towards emerging priorities. The committee recommends that a ring-fenced allocation in 2025/26 be reconsidered to boost the Information and Communication Technology systems and infrastructure in the Department of Defence with the aim to limit irregular expenditure.

The National Treasury notes the committee's recommendation. Government finances are currently operating with an unsustainable deficit that will exceed R377 billion by the end of March 2025. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

The National Treasury should indicate to the committee its view on whether the utilisation of the South African National Defence Force (SANDF) to guard selected Critical Infrastructure can serve as a cost-saving measure and the scope for implementation thereof.

The cost-effectiveness of deploying the SANDF to safeguard critical infrastructure should be evaluated based on empirical evidence, as insourcing has, in some cases, proven to be expensive. For example, past internal deployments of the SANDF have incurred high costs due to the comprehensive mobilisation of all capabilities, highlighting the need for a more targeted and efficient approach. A previous spending review by the Government Technical Advisory Centre revealed that insourcing security services is generally more expensive due to higher public-sector salary structures relative to private-sector alternatives.

PORTFOLIO COMMITTEE ON JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Additional funding should be allocated to Legal Aid South Africa to address the carry through costs of the 2023/24 wage agreement, lack of relief capacity, and to increase court coverage. Legal Aid South Africa must also be allocated an amount of R73.3 million to fund additional capacity required flowing from the promulgation of the Land Court Act, and the shortfall in respect of fees due to legal practitioners in land matters for pending instructions held on 1 January 2022 must be addressed.

The 2024 Budget shifted R156 million from the Department of Agriculture, Land Reform and Rural Development to Legal Aid South Africa to settle fees owed to legal practitioners handling land-related matters. At the same time, government finances are currently operating with a deficit that will exceed R377 billion at the end of March 2025. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

The Information Regulator must be allocated funds to meet the compliance and capacitation costs of its listing as a Schedule 3A National Public Entity in terms of the Public Finance Management Act (1999); for the continued capacitation of its structure; and to expand its footprint.

The costing and identification of funds should take place before an entity is established, rather than afterwards. Against this backdrop, the National Treasury reiterates that government finances are currently operating with a deficit that will exceed R377 billion by the end of March 2025. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

Concerning the South African Human Rights Commission and Public Protector South Africa, the committee does not support any budget cuts to their allocations. The committee also supports the Public Protector South Africa's funding proposals, especially for security and additional capacity.

The 2025 Budget includes additional allocations totalling R23 million and R73 million over the medium term for the South African Human Rights Commission and the Public Protector South Africa respectively to address capacity constraints. No budget reductions are effected in the baselines of institutions in the 2025 Budget.

PORTFOLIO COMMITTEES ON MINERAL AND PETROLEUM RESOURCES, ELECTRICITY AND ENERGY

Assist the Council for Geoscience to secure more funding from the National Treasury as well as from collaborative activities and partnerships so that the entity can contribute to South Africa's Economic Reconstruction and Recovery Plan by securing a minimum of 5 per cent of the global exploration expenditure through the application of geoscience information and knowledge.

An additional R80 million in 2024/25 and R120 million in 2025/26 was allocated in the 2024 Budget to the Department of Mineral Resources and Energy for the establishment of an Exploration Fund to benefit junior miners. The Council for Geoscience, in collaboration with the department and the Industrial Development Corporation, is managing this fund. Beyond this, it should be noted that government finances are currently operating with an unsustainable deficit that will exceed R377 billion by the end of March 2025. Reprioritisation remains the primary mechanism to fund spending pressures and emerging priorities.

Ensure that, together with the Minister of Finance, the funding models of the department's entities are addressed to ensure that they can fulfil their mandates.

The National Treasury notes the committee's recommendation. The National Treasury is available to engage with the department and affected entities on exploring possible funding models.

PORTFOLIO COMMITTEE ON TRANSPORT

The Minister of Finance through the National Treasury should assist the Department of Transport and its entities, along with the Auditor General South Africa, to obtain a definitive interpretation or definition of supply chain management (SCM) terminology and issues raised with Broad-Based Black Economic Empowerment (B-BBEE) compliance requirements to prevent future disputes during the audit process linked to these terms.

Accounting officers and executive authorities are responsible for managing supply chain processes in line with applicable legal prescripts and policies. As noted in the 2024 Budget, the National Treasury will continue to liaise with the Department of Transport to provide guidance on interpreting and applying specific SCM terminology. B-BBEE legislation falls within the purview of the Department of Trade, Industry and Competition. The Department of Transport is thus advised to refer all queries relating to B-BBEE compliance to the Department of Trade, Industry and Competition for guidance.

The Minister of Finance through the National Treasury should assist the Department of Transport and its entities to receive final decisions on all alternative revenue source proposals submitted to National Treasury from the transport portfolio and submit a progress report to the committee by the end of January 2024.

As noted in the 2024 Budget, the National Treasury has not received any alternative revenue source proposals from the Department of Transport and its entities for consideration since 2023/24. The National Treasury considers proposals by departments and entities on a case-by-case basis for activities that are consistent with their mandates and where approval from the Minister of Finance is required.

The Minister of Finance through the National Treasury should submit a progress report to the committee by the end of January 2024 on the progress made with the Gauteng government, South African National Roads Agency Limited and National Treasury to finalise the funding issues linked to the Gauteng Freeway Improvement Project e-tolling matter.

A memorandum of agreement has been signed between the national government and the Gauteng provincial government detailing contributions to be made towards the Gauteng Freeway Improvement Project debt and maintenance backlog. This has made it possible for requisite allocations to be tabled in Parliament. This committee's recommendation aligns with that of the Standing Committee on Appropriations, which also requested a briefing from the National Treasury and the Department of Transport. In light of these recommendations, the National Treasury proposes a joint briefing for both committees and will await the official invitation.

PORTFOLIO COMMITTEE ON WATER AND SANITATION

The committee recommends that the Minister of Finance should not reduce the budget for the Department of Water and Sanitation over the medium term considering the state of water in the country and its importance in relation to other sectors such as health, energy, human settlements, agriculture, among others – these sectors rely on water to function optimally.

No budget reductions are effected in the baselines of institutions in the 2025 Budget.

The committee recommends that the Department of Water and Sanitation, National Treasury, South African Local Government Association and the Department of Cooperative Government and Traditional Affairs should develop a water debt management plan that should consider top slicing of equitable share, Municipal Infrastructure Grant, among other sources to address municipal water debt.

The National Treasury is collaborating with the Department of Water and Sanitation and the Department of Cooperative Governance and Traditional Affairs to identify pragmatic and legislatively feasible solutions to get municipalities to prioritise debt repayments to water boards. The National Treasury plans to invoke section 216 of the Constitution for five defaulting municipalities. This entails withholding the transfer of funds in the upcoming local government equitable share while negotiating a feasible repayment agreement with the affected water boards.

The committee recommended that the department, together with the National Treasury should develop a debt write off plan for municipalities that owe water boards in line with the debt eradication framework currently used for municipal electricity debts to ESKOM.

The National Treasury and the Department of Water and Sanitation are engaging on a mechanism to facilitate debt recovery, which will allow water boards and debtor municipalities to renegotiate repayment agreements. This mechanism involves writing off a portion of the municipal debt following the payment of the current account to water boards, and in turn water board arrears to the Department of Water and Sanitation will also be written off. However, the mechanism does not include the transfer of fiscal funding to water boards, as was the case in the Eskom arrangement.

STANDING COMMITTEE ON FINANCE

The committee recommends that National Treasury increase South African Revenue Service's (SARS) baseline funding by R17–R20 billion over the Medium-Term Expenditure Framework. This adjustment is essential to address the operational gaps created by years of limited growth in grant allocations, ensuring South African Revenue Service can adequately meet its expanded mandate under current inflationary pressures. To support short-term revenue recovery initiatives, the committee recommends an annual allocation of approximately R1 billion. This targeted funding would improve South African Revenue Service's capacity to enhance compliance measures and achieve sustainable revenue growth, contributing to national fiscal stability.

The National Treasury recognises the importance of the work SARS does in collecting taxes and duties, as well as its positive impact on the fiscal framework. SARS has received additional allocations in previous budgets mainly for capital projects, capacity-building initiatives, skills requirements and revenue-raising capabilities such as data analytics. During the 2023 Adjustment Budget, SARS received an in-year additional allocation of R1 billion to enhance its capacity and capability in tax compliance and revenue collection. In the 2024 Budget, an additional R1 billion was allocated each year for 2024/25 and 2025/26 for this purpose. Furthermore, the 2024 MTBPS allocated additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and R1.5 billion in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS. The National Treasury will continue to engage SARS on its budget requirements for its priority projects and make the necessary adjustments based on affordability and the capacity of SARS to fully roll out the implementation of projects.

For modernisation, the committee supports the allocation of an additional R3 billion over the Medium-Term Expenditure Framework. This investment should facilitate digital upgrades, automation, and improvements in taxpayer services and compliance efforts. The committee further recommends that a portion of this funding be used to extend SARS' presence in rural areas through mobile offices or other accessible platforms, ensuring individuals in underserved communities have equitable access to tax services, enhancing broader tax compliance and inclusivity.

The National Treasury notes the committee's recommendation. The 2024 MTBPS allocated additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and R1.5 billion in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS. The National Treasury will continue to engage SARS on its budget requirements for its priority projects and make the necessary adjustments based on affordability and the capacity of SARS to fully roll out the implementation of projects.

The committee recommends an allocation of R1.5 billion to support the hiring of 2 338 additional resources. Strengthening SARS' human resources is vital for improving service delivery, enforcing compliance, and effectively utilising data analytics in tax administration.

In the 2023 Adjustment Budget, SARS received an in-year additional allocation of R1 billion to enhance its capacity and capability in tax compliance and revenue collection. In the 2024 Budget, an additional R1 billion was allocated each year for 2024/25 and 2025/26 for this purpose. Furthermore, the 2024 MTBPS allocated additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and R1.5 billion in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS.

Given the dynamic nature of the tax and customs environment, the committee recommends periodic reviews of South African Revenue Service's funding requirements. This approach will allow South African Revenue Service's budget to adapt responsively to technological advancements and evolving priorities, helping maintain the organisation's global competitiveness.

The National Treasury notes the committee's recommendation. The annual budget process, through baseline analyses, considers competing priorities before allocation decisions are made. Nonetheless, the constrained fiscal environment in recent years has limited the scope for additional funding.

RECOMMENDATIONS OF THE STANDING AND SELECT COMMITTEES ON FINANCE ON THE 2024 REVISED AND PROPOSED FISCAL FRAMEWORK

The Committee urges National Treasury and relevant departments to investigate and address the root causes of underspending, including potential administrative bottlenecks, capacity gaps, and *procedural inefficiencies. Strengthening these areas would improve budget execution, enhance service delivery, and ensure that government resources are utilized efficiently to meet the needs of the public.*

The National Treasury notes this recommendation. The National Treasury has well-established in-year expenditure monitoring through monthly and quarterly reports as part of the early warning system to detect root causes of underspending and overspending, among other things. Once deviations are noted, these are communicated with relevant departments and entities. These reports also inform in-year budget adjustment proposals.

The Committee emphasises the importance of balancing fiscal adjustments to ensure that essential services are not compromised. While the R10.4 billion net increase reflects a responsive approach to budget management, the reliance on contingency funds and projected underspending indicates underlying challenges in budget predictability and control. The Committee encourages NT to further streamline expenditure allocations and strengthen contingency planning, especially considering South Africa's pressing socio-economic needs and fiscal limitations.

The National Treasury notes this recommendation.

Revenue for 2024/25 is revised at R2.021 trillion, or 26.9% of GDP, with modest growth expected over the medium term, reaching R2.471 trillion by 2027/28 and stabilizing around 27% of GDP. The Committee notes the challenges in expanding the tax base and enhancing revenue due to the current economic environment. To support fiscal sustainability, the Committee urges NT to continue to explore avenues for improving tax compliance and stimulating economic growth.

The National Treasury notes this recommendation. The additional allocations proposed for SARS are intended to improve tax compliance. At the same time, government is running a broad economic growth agenda, including through Operation Vulindlela.

The Committee acknowledges the projected narrowing of the budget deficit from -5.0% of GDP in 2024/25 to -3.2% by 2027/28, indicating a commitment to fiscal consolidation. However, the persistent structural deficit raises concerns about vulnerability to revenue shortfalls and economic downturns, especially given the optimistic economic outlook embedded in the projections. The Committee recommends NT adopt contingency measures to safeguard deficit targets, ensuring fiscal stability even if revenue shortfalls or unforeseen expenditures arise.

The National Treasury notes this recommendation.

Gross loan debt is expected at R5.623 trillion for 2024/25, reaching R6.818 trillion by 2027/28, with the debt-to-GDP ratio stabilizing around 75%. The Committee remains concerned about high debt levels and debt-service costs, which limit funds for essential services. Strengthening debt management and exploring ways to reduce borrowing costs are recommended to mitigate fiscal risks. In particular, the Committee stresses the need for NT to diversify funding sources and enhance fiscal discipline to ensure long-term debt sustainability.

The National Treasury notes this recommendation. Committees of Parliament are urged to peruse the debt management reports publicly released by the National Treasury, as well as the debt management updates in Chapter 7 of the annual *Budget Review*. These publications outline how government has diversified funding sources and the policy benchmarks used to ensure that risks are kept to a manageable level.

The tax gap remains a challenge, with an estimated gross gap of R1.061 trillion, 42% of total tax liability, and a net gap of R800 billion. To bridge this gap, the Committee recommends further resource allocation to SARS, including enhancing digital capacity and retaining critical skills.

The National Treasury notes this recommendation. As noted earlier, SARS has received additional allocations in recent budgets. The 2024 MTBPS allocated additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and R1.5 billion in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS.

Budget constraints have led to reductions in SARS staffing, particularly affecting customs and excise. Given the rising demands of cross-border trade and non-compliance challenges, the Committee stresses the need for increased SARS funding to support modernisation and bolster tax compliance.

As noted earlier, SARS has received additional allocations in recent budgets. The 2024 MTBPS allocated additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and R1.5 billion in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS.

To address revenue shortfalls projected at R22.3 billion for 2024/25, the Committee recommends exploring progressive tax options, including taxes on luxury items and wealth taxes. Stakeholders suggest this approach could reduce fiscal strain without overburdening low-income households.

SARS is collecting and analysing wealth-related data through its High Net Worth Individuals Unit; however, no final decision has yet been made on the proposal.

The Committee recognises that high tax rates can impede economic growth and job creation. In light of this, it recommends that the government, as part of its commitment to a pro-growth agenda, also explores options to reduce certain taxes strategically. Lowering tax rates in key areas could stimulate savings, attract investment, enhance international competitiveness, and support broader economic growth and employment creation. Such an approach should be balanced to ensure that fiscal sustainability remains intact while fostering an environment conducive to economic expansion.

The National Treasury notes this recommendation.

Fiscal consolidation has constrained aggregate demand. The Committee suggests that targeted expenditure adjustments in high-impact sectors could support recovery, balancing austerity with economic stimulus.

The National Treasury notes this recommendation.

The Committee notes the progress of OV reforms, particularly in the energy and logistics sectors. While recognizing the potential of these reforms to drive economic growth, the Committee advises that greater innovation and clearer timelines are essential to ensure tangible improvements in critical services, such as water, sanitation, and infrastructure. Structural reforms in these sectors are vital for fostering a growth-friendly environment, enhancing job creation, and boosting revenue generation, thereby strengthening the fiscal framework. However, the Committee also acknowledges concerns raised by stakeholders regarding OV's inclination to shift resources from the state to the private sector. This approach, while aimed at efficiency, may face opposition due to its *impact on public service delivery and the state's role in essential services. The Committee recommends that these concerns be carefully weighed to strike a balance that ensures effective reforms while maintaining the state's accountability to citizens.*

The National Treasury agrees that a balance needs to be struck between private-sector efficiency and state accountability, and that it is important to find strategies to address challenges in water and sanitation, and implement infrastructure priorities.

The Committee acknowledges the planned infrastructure spending growth of 10.6% annually, reaching R160.6 billion by 2027/28, which aligns with goals under Operation Vulindlela. This investment is critical for economic growth and service delivery. PPPs mobilize private resources for infrastructure but carry risks of long-term costs and governance challenges. Stakeholders caution against over-reliance on PPPs, as they can prioritize profits over public welfare. The Committee recommends a balanced approach that incorporates government-led projects alongside PPPs.

The National Treasury notes this recommendation.

To enhance PPP outcomes, the Committee recommends standardized oversight, periodic reviews, and transparent governance to ensure efficiency and minimize financial strain on the state.

The National Treasury notes this recommendation.

Prioritizing government-led projects in health, education, law enforcement and social welfare will help maximize public benefits. Clear timelines, budgeted milestones, and performance targets are recommended for infrastructure projects to ensure socio-economic benefits.

The National Treasury notes this recommendation.

Contingent liabilities from IPP guarantees pose fiscal risks. The Committee notes that long-term contracts with IPPs represent potential liabilities that could impact fiscal stability. It recommends NT provide a comprehensive report on these liabilities and adopt monitoring frameworks to manage fiscal risks effectively.

The structure of the programme and its contracts significantly reduces the fiscal risk by mitigating the likelihood of contingent liabilities materialising. However, the extent to which these liabilities impact the fiscus remains contingent on government decisions. The monitoring process involves active engagement during the opening of bid windows to assess potential risks and incorporate appropriate mitigation measures. The Independent Power Producer (IPP) Office submits quarterly reports on the programme to the National Treasury. These reports undergo thorough review and are subsequently presented to the Financial and Legislative Committee and the Minister of Finance, and are incorporated into a comprehensive quarterly report submitted to Parliament. This regular reporting to the National Treasury and Parliament strengthens accountability and transparency, safeguarding economic stability while advancing the energy transition.

The Committee notes reports indicating that some public servants may be compensated above market levels, while others may be under remunerated. To address these discrepancies, the Committee recommends that public sector remuneration levels be systematically benchmarked against market standards to ensure government pay scales align with market rates, thereby promoting equitable, competitive, and sustainable remuneration practices across the public sector.

The National Treasury acknowledges this recommendation and will forward it to the Department of Public Service and Administration.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE 2024 MTBPS

The National Treasury should ensure that the proposed additional funding allocations made in the 2024 MTBPS are utilised in a manner that is cost effective, efficient, attaining value for money while respecting the Laws and Regulations governing South Africa's public finances. The full application of the PFMA and Treasury regulations by all Accounting Officers and Accounting Authorities when utilising public funds is mandatory and the Minister of Finance must ensure that there are consequences for the violations of the PFMA, Treasury Regulations and all Treasury issued Practice Notes governing the utilisation of public funds.

The National Treasury notes this recommendation. The roles and responsibilities of accounting officers in budgetary control and consequence management are clearly defined in section 39 and section 81 of the Public Finance Management Act. However, the National Treasury will continue to monitor expenditure and report quarterly to Parliament.

National Treasury should provide a comprehensive report on overall government plans to improve spending efficiencies, reduce fruitless and wasteful expenditures and irregular expenditure as reflected in the reports of the Auditor General of South Africa. This should also be understood within the context of the consistent failure of government institutions to pay invoices with the PFMA 30 days requirements and its impact on the overall financial viability of business, small, medium and macro enterprises.

The National Treasury is committed to improving spending efficiencies and addressing fruitless, wasteful and irregular expenditures highlighted in the Auditor-General's reports. The National Treasury continues to strengthen expenditure monitoring, enforce compliance with the Public Finance Management Act and provide targeted support to departments and entities to enhance financial management. Furthermore, the National Treasury is intensifying efforts to ensure adherence to the 30-day payment requirement, recognising its critical impact on the financial viability of businesses, particularly small, medium and micro enterprises.

The National Treasury should ensure that government procurement structural reforms are centred around Operation Vulindlela and briefs the Committee on Operation Vulindlela and all the government proposed structural reforms.

Operation Vulindlela, a joint initiative of the Presidency and the National Treasury, aims to accelerate structural reforms in key network industries such as electricity, water, transport and digital communications. Although procurement modernisation supports these reforms, it falls outside the initiative's scope. Key procurement reforms include the recent Public Procurement Act (2024), for which regulations are being developed. Other initiatives include improving information and communication technology data transparency and digitalisation.

Since the budgeted bandwidth within the MTBPS for wage increases for public sector employees was at 4.7 per cent, the Minister of Finance should ensure that proposed wage increases as indicated in the MTBPS should therefore be more realistic going forward.

The National Treasury acknowledges this recommendation. The final wage agreement is for a wage increase of 5.5 per cent in 2025/26 and consumer price index-related increases over the subsequent two years. This agreement will support greater certainty in budget planning. Nevertheless, the wage adjustments still allow government to meet its overall fiscal targets.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL

That the Minister of Finance ensures that National Treasury provide a comprehensive report on the review/assessment of all the conditional grants allocation that necessitated the merger, discontinuation and even changes of conditional grants from direct to indirect and vice-versa. The Committee want to understand the rationales of these decisions and its implications on service delivery.

The National Treasury will provide the requested information.

That the Minister of Finance ensures that National Treasury provide a comprehensive report on terms of reference and progress made in reviewing the local government fiscal framework and due to the urgency of this matter, provide quarterly progress reports to Parliament until this process is finalised.

Terms of reference and governance documents have been finalised for the local government fiscal framework review. Updates to the terms of reference, discussed on 14 October 2024, include a new sub-theme on the vertical division of revenue and performance evaluation measures for non-compliance. The National Treasury remains committed to commencing the review in the first quarter of 2025/26.

The Minister of Finance should ensure that National Treasury brief Parliament on the Eskom Municipal Debt Relief Programme. Parliament wants to satisfy itself on the practicality of these conditions and thereby ensures that municipal balance sheets are not negatively impacted by conditions that are impossible to implement. The Committee's interest is on the provision of service delivery to South Africans whilst acknowledging the debt obligations of municipalities to Eskom and the Eskom debt relief programme that Parliament has approved.

The Eskom Municipal Debt Relief Programme addresses unsustainable municipal debt while promoting sound financial management. Key conditions include meeting a revenue collection rate of at least 85 per cent, implementing cost-reflective tariffs and restricting free basic services to indigent households. Non-compliance may result in programme termination, repayment of relief debt and arrears and exclusion from medium-term revenue and expenditure framework grants. The National Treasury provides monthly support, monitors compliance, encourages smart prepaid meter adoption and considers mandatory interventions where needed. The National Treasury remains committed to balancing debt obligations with service delivery and will update Parliament accordingly.

That both the Minister of Finance and the Minister of Basic Education ensure that National Treasury provide, and the Department of Basic Education provide a comprehensive report to Parliament on both the financial implications and the overall government strategy in funding and fully implementing the BELA Act.

The Department of Basic Education, as the department bringing the Basic Education Laws Amendment Act (2024) to Parliament, is required to provide the costing and financial implications of the legislation as per section 35 of the Public Finance Management Act. The department presented this information to the Portfolio Committee on Education in 2023 and 2024. The Department of Basic Education is compiling the regulations mapping the implementation of the act by provinces. Funding the implementation of the act will form part of the normal budget process at national and provincial level.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE ADJUSTMENTS APPROPRIATION BILL

The National Treasury should provide a comprehensive report to the Committee and Parliament on the reasons to allocate R30.847 million to the Department of Higher Education and R30.762 million to the Department of Mineral Resources as unforeseeable and unavoidable expenditure for the funding of the new ministry as part of the national macro-organisation of government, within a context of well-known general elections' calendar. The Committee is of the view that the proposed expenditure allocations related to compensation of employees, goods and services, and capital assets in Higher Education, Forestry, Fisheries and the Environment, and Mineral Resources and Energy; and the Minister of Electricity and Energy are inconsistent with the provisions of unforeseen and unavoidable expenditures as classified in section 30 of the PFMA. This report must further clarify all the consideration and alternative budgeting processes that were considered to conclude on all the unforeseen and unavoidable expenditures as proposed in the Bill.

The allocations of R30.9 million to the Department of Higher Education and R30.8 million to the Department of Mineral Resources as well as allocations to other departments outlined above were necessitated by the national macro-organisation of government following the President's announcement of additional deputy ministers and new ministries. While the general elections calendar was known, the specific structural changes and the timing of their implementation were not foreseeable during the preparation of the budget. As such, these allocations meet the criteria for unforeseeable and unavoidable expenditure under section 30 of the Public Finance Management Act, as they address the urgent operational requirements of the newly established ministries and additional deputy ministers to ensure their effective functionality. Alternative budgeting processes were considered; however, reallocation within the 2024 MTEF budget framework was insufficient to meet the immediate needs that arose from the organisational change. A detailed report providing further clarity and considerations will be submitted to the Committee and Parliament as requested.

The National Treasury should provide the Committee and Parliament with a comprehensive report on the utilisation of R2.1 billion for the South African National Defence Force (SANDF) through section 16 of the PFMA. Given that the announcement of this deployment was made in December 2023, this report must further clarify as to why this proposed allocation of R2.1 billion was appropriated under Section 16 of the PFMA, rather than being included in the 2024 Budget Review. The Committee is of the view that the utilisation of section 16 of the PFMA was not warranted in this instance.

The National Treasury can provide a report in this regard. Funding for the Southern African Development Community Mission in the Democratic Republic of the Congo (DRC) could not be accommodated in the 2024 Budget, as the SANDF deployment occurred in late December 2023, after the 2024 MTEF budget process had been finalised. In compliance with section 16(4)(a) of the act, the Minister of Finance submitted a report to Parliament and the Auditor-General within 14 days of authorising the R2.1 billion expenditure under section 16 of the act in July 2024. This report, addressed to the Speaker of the National Assembly and the Chairperson of the National Council of Provinces, outlined the justification for the expenditure, including the escalation of conflict in Eastern DRC and the associated loss of life and injuries to SANDF personnel.

RECOMMENDATIONS OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE SPECIAL APPROPRIATION BILL

The Minister of Finance and the Minister of Transport should ensure that National Treasury and the Department of Transport brief the Committee and report to Parliament on the Memorandum of Agreement entered by the National Treasury, the Department of Transport and the Gauteng provincial government on the decisions and conditions of government taking over the GFIP debt portfolio. This MOA has given rise to this Special Appropriation Bill that must be processed by Parliament in line with the Money Bills Act. Parliament appreciates the sensitivity of some of these agreements. However, Parliament still has a constitutional responsibility to hold the executive accountable on any decisions taken regarding the utilisation of public funds. Furthermore, Parliament, through both houses, has an accounting responsibility to the citizens in any decisions taken by Parliament through the recommendations of its committees regarding the passage of Money Bills. Parliament must be briefed on the MOA on its entirety, to exercise its oversight role over the implementation of this Bill while scrutinising the rationality of the decision taken by government.

This committee's recommendation aligns with that of the Portfolio Committee on Transport, which also requested a detailed report from the National Treasury. In light of these recommendations, the National Treasury proposes a joint briefing for both committees and will await the official invitation.

The Minister of Finance ensures that National Treasury briefs the Committee on all the avenues explored by government in engaging with international partners to mobilise the resources needed to fund international court cases. This should be understood and reported within the overall context of government's fiscal consolidation policy and all the other myriads of issues affecting ordinary and poor South Africans, the high levels of poverty, high levels of unemployment and high levels of inequality.

The in-year allocations to the Presidency, the Department of International Relations and Cooperation, and the Department of Justice and Constitutional Development through the Special Appropriation Act (2024) were made to ensure that South Africa adequately fulfils its diplomatic obligations in pursuing its case at the International Court of Justice. The National Treasury will brief the committee on efforts to engage international partners and explore co-funding mechanisms to minimise the fiscal impact of international legal proceedings.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE ADJUSTMENTS APPROPRIATION BILL

The National Treasury and the Department of Cooperative Governance should develop clear and proper financial management systems and the necessary support to ensure that additional *allocations earmarked for rebuilding and rehabilitation of infrastructure damaged by floods across multiple provinces and municipalities are spent according to approved plans and for the intended purpose before the end of the current financial year without incurring wasteful and fruitless expenditure.*

The National Treasury has a well-established in-year expenditure monitoring system to ensure that funds allocated for rebuilding and rehabilitating infrastructure damaged by floods are spent effectively and in line with approved plans. In collaboration with the Department of Cooperative Governance, the National Treasury will continue to enhance financial management systems and provide targeted support to provinces and municipalities. The National Treasury remains committed to ensuring that the additional allocations are used efficiently and achieve their intended purpose.

The National Treasury and the departments of Transport and Human Settlements should develop clear plans to ensure that the adjusted allocations for the Emergency Housing Grant and the Provincial Roads Maintenance Grant are effectively and efficiently utilised in compliance with the conditional grant framework to achieve value for money and the necessary impact on the ground.

The National Treasury notes this recommendation. The development of the plans is the primary responsibility of the line function departments. Nonetheless, the National Treasury, in collaboration with the departments of Transport and Human Settlements, is committed to ensuring that the adjusted allocations for the *emergency housing grant* and the *provincial roads maintenance grant* are used effectively and efficiently. Furthermore, the National Treasury has a well-established in-year expenditure monitoring system to ensure compliance with the approved plans, value for money and measurable impact on the ground. The National Treasury, together with the relevant departments, will continue to support provinces and municipalities to address implementation challenges.

The National Treasury should ensure that government departments implement clear measures to improve self-financing mechanisms as part of addressing the continuous revenue shortfall in the budget, and these funds should be used responsibly and effectively to address the impact on service delivery programmes of the rising debt service cost and other spending pressures.

The National Treasury has an established framework on self-financing to support departments in enhancing their generation of own revenue. Departments are encouraged to implement clear and effective measures to maximise self-financing opportunities while ensuring that these funds are responsibly used to reduce the impact of other spending pressures on service delivery programmes. The National Treasury will continue to provide guidance and oversight to ensure that revenue-generating initiatives align with fiscal sustainability and service delivery objectives.

The Committee is of the view that, while the National Treasury together with the Department of Social Development are still investigating the most responsible and sustainable methods of financing the mooted universal Basic Income Grant, the current Social Relief of Distress (SRD) Grant should be extended beyond March 2025 as a temporary measure to cushion grant beneficiaries in the absence of jobs.

The National Treasury notes this recommendation. Funding for the *COVID-19 social relief of distress grant* will be extended for another year in 2025/26 while government continues to explore sustainable interventions to address poverty and unemployment. It should be noted that the grant is part of the social wage, which accounts for 61 per cent of consolidated non-interest spending over the medium term.

During the 2025 Budget, the Minister of Finance should outline clear measures and efforts which will be considered to ensure that the necessary consequence management is implemented against the departments which have continuously declared under-expenditure without meeting service delivery targets. The Committee is of the view that if not addressed, this has the potential to undermine government targets set out in the National Development Plan (NDP): Vision 2030.

The National Treasury acknowledges the committee's concerns. The National Treasury, through the annual budget process and in-year expenditure monitoring, makes allocation recommendations to Cabinet after considering the spending trends of departments. The roles and responsibilities of accounting officers in budgetary control and consequence management are clearly defined in section 39 and section 81 of the Public Finance Management Act.

The National Treasury and the Department of Cooperative Governance should ensure that specific consequence management measures are developed and put in place to address the impact of local government under-expenditure, with R2 billion being surrendered to the National Revenue Fund (NRF) this year. The Committee is of the view that such under-expenditure has the potential to undermine much-needed basic service delivery and impact negatively on communities and therefore clear and stricter measures should be taken to prevent this for the 2025/26 financial year.

The National Treasury shares the committee's concerns. The observed underspending partly stems from the recovery of grant funds misused by municipalities for non-compliant purposes, such as using infrastructure grants for operational expenses like salaries. These funds are clawed back through the equitable share mechanism, appearing as underspending in financial reports. While this recovery ensures compliance and proper use of public funds, it highlights the need for stronger preventative measures.

The Minister of Finance should ensure that all budget adjustments made due to unforeseen and unavoidable circumstances adequately comply with the relevant provisions of the Public Finance Management Act (PFMA), Treasury Regulations and other regulatory frameworks. The Minister should further ensure the approval of the requested rollovers in compliance with section 6.4 of the Treasury Regulations, together with section 30(2) of the PFMA.

The National Treasury notes this recommendation. Budget adjustments due to unforeseeable and unavoidable circumstances and rollover of funds are always carried out in line with the relevant legislations and regulations, including those cited by the committee.

All virements should be approved in terms of section 43 of the Public Finance Management Act (PFMA), together with section 6.3 of the Treasury Regulations, particularly those that are beyond 8 percent of the amount appropriated under the main division. However, the Committee does not support any movement of funds above 8 percent, which is because of poor planning and project management and unsatisfactory performance by some government departments, and the executive will have to apply the necessary remedial actions at their disposal to address such, if any.

The National Treasury notes this recommendation. Virements and the shifting of funds are carried out in line with the relevant legislations and regulations, including those cited by the committee.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL

The Minister of Finance should gazette the Division of Revenue Amendment Bill [B13 – 2024] once it is signed into law and ensure that the National Treasury continues to assist all provinces and municipalities where additional resources have been allocated to build proper financial management capacity and internal control measures to safeguard these allocations from corrupt elements and ensure that value for money is always achieved; failing which the necessary consequence management must be implemented.

The National Treasury notes this recommendation. All bills enacted by Parliament are gazetted.

The National Treasury, together with provincial treasuries, should continue to strengthen and improve their early warning monitoring and oversight measures for conditional grant spending through monthly expenditure reports. The National Treasury should further strengthen its regular and quarterly expenditure reports, which are presented to the Standing and Select Committees on Appropriations in Parliament. The Committee believes that these reports are critical in enabling these two Committees to conduct in-year monitoring over the executive.

The National Treasury agrees with the committee's recommendation and will work to improve the quality and scope of expenditure reports. In cases of conditional grant misuse, the National Treasury, in collaboration with relevant departments, will enforce the Division of Revenue Act by withholding or stopping transfers to non-compliant municipalities or provinces. These actions are essential to protect the integrity of the grant system and ensure funds are used as intended.

RECOMMENDATIONS OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE PROPOSED DIVISION OF REVENUE AND CONDITIONAL GRANT ALLOCATIONS TO PROVINCES AND MUNICIPALITIES AS CONTAINED IN THE 2024 MTBPS

During the 2025 Budget announcement, the Minister of Finance should outline clear medium term spending plans for government that will ensure a stable economic recovery trajectory to address government debt, major spending pressures which are mostly funded through reprioritisation or even shifting of funds over the Medium-Term Expenditure Framework (MTEF). Moreover, the National Treasury together with provincial treasuries should put proper financial management systems in place to ensure that the proposed medium term allocations are spent according to approved plans and are closely monitored to realise much-needed inclusive economic growth to reduce unemployment, poverty and inequality.

The National Treasury notes this recommendation. However, it should be noted that the tabling of the annual budget and money bills is accompanied by explanatory publications such as the *Budget Review* and the *Estimates of National Expenditure*. These documents outline the various aspects of the budget, including those cited by the committee.

Whilst the Committee acknowledges the impact of financial bailouts to state-owned entities (SOEs) and inadequate economic growth; the Minister of Finance should, in the next Budget, outline clear measures to address the fast-growing debt service cost, which is crowding out much-needed *spending on service delivery programmes aimed at addressing poverty, unemployment and inequality over the MTEF.*

The National Treasury notes this recommendation. Chapter 3 of the *Budget Review* provides an outline of government's strategy for fiscal sustainability. The 2025 Budget projects government debt will stabilise in 2025/26 and debt-service costs will peak as a percentage of revenue in 2024/25 and decline thereafter.

The National Treasury together with the Department of Planning, Monitoring and Evaluation, should expedite the finalisation of the Medium-Term Development Framework (MTDF) process, which underpins both budget formulation and sector strategic imperatives, and further ensure that the perpetual misalignment between the State of the Nation Address and the Budget is addressed. Parliament should monitor the progress in this regard.

The Department of Planning, Monitoring and Evaluation, as the department mandated for planning, has engaged extensively with stakeholders, including the National Treasury, in the development of the MTDF. The National Treasury has provided inputs into process and looks forward to collaborating with departments to align priorities in the budget process.

The National Treasury, together with the Department of Basic Education (DBE), should ensure that the proposed allocations for Basic Education are prioritised to address the challenges of infrastructure backlogs and overcrowding over the MTEF, especially given that there is a need to ensure that vacant teaching posts are filled and protected. Furthermore, the DBE should ensure that adequate libraries and other facilities needed for schooling are built, especially in rural schools.

The National Treasury notes the recommendation. Provincial education departments (along with provincial treasuries) are tasked with reviewing the budgets of provincial education departments to ensure that priority areas are funded. The Department of Basic Education will provide the infrastructure plans of the sector, which will indicate how they intend to resolve overcrowding.

Given the lack of inclusive economic activities, poverty levels, unemployment and inequality in the country, the duration of the Social Relief of Distress (SRD) Grant should be extended beyond 31 March 2025 as a temporary intervention while the National Treasury and the Department of Social Development continue to investigate the most sustainable and responsible revenue mechanism to fund the mooted permanent universal Basic Income Grant.

The National Treasury notes this recommendation. Funding for the SRD grant will be extended for another year in 2025/26 while government continues to explore sustainable interventions to deal with poverty and other interventions. It should be noted that the grant is part of the social wage, which accounts for 61 per cent of consolidated non-interest spending over the medium term.

The National Treasury should expedite the finalisation of reforming the Metro Trading Services Grant to incentivise reforms to trading services and unlock additional infrastructure financing.

Reforming the metro trading services is a key priority for the National Treasury to enhance the financial sustainability, efficiency and capacity of trading services such as water, electricity and sanitation. The proposed reforms aim to incentivise structural and institutional improvements, including governance, stronger financial management, improved revenue collection and reduced inefficiencies. These changes are essential to ensuring that metros can sustainably manage trading services and deliver high-quality services to their communities.

The National Treasury and the Department of Small Business Development should ensure that, within 90 days after the adoption of this Report by the House, a clear plan to support small businesses is developed and implemented to stimulate economic growth and address rising youth unemployment.

The responsibility to develop the plan to support small businesses rests with the Department of Small Business Development. An additional allocation of R313.7 million has been provided to the department over the 2025 MTEF period to provide support to small businesses.

The Committee reiterates its previous recommendation that the National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA), should expedite the review of both the provincial and local government equitable share formulas to address the 17 percent funding gap in local government. Moreover, the Committee believes that a proper review of local government transfers is necessary, especially of the vertical division of revenue; considering the increasing number of dysfunctional and financially distressed municipalities, the factors of geography and rurality and the nature of localities; to ensure proper equitable sharing of nationally raised revenue across all spheres of government.

A comprehensive review of the local government fiscal framework is under way to address challenges such as the growing number of dysfunctional and financially distressed municipalities. This review considers factors like geography, rurality and local characteristics to ensure equitable revenue sharing across government spheres. Regarding SALGA's identified 17 per cent funding gap, the National Treasury has flagged data and methodological concerns, which are being addressed as part of the review to ensure reliable calculations. For provinces, reforms to the provincial equitable share formula for the education component have been finalised but await Income and Expenditure Survey data from Statistics South Africa, with implementation planned for the 2026 Budget.

While welcoming the finalisation of the review of the conditional grant system and the resulting reforms, aiming to rationalise conditional grants and incorporate some into the provincial equitable share over the MTEF period, the Committee recommends that such reforms should bring about the much-needed balance between funding for new and existing projects, by making provision both for constructing new projects and maintaining or refurbishing existing ones.

The National Treasury welcomes the committee's recommendation and supports the use of grants for the development and refurbishment of new infrastructure, which are essential for sustainable growth and effective service delivery. However, grants should not be used to fund maintenance, as this responsibility should be addressed through cost-reflective tariffs, particularly at the local government level. This approach will promote sustainable cost recovery and help prevent further deterioration of infrastructure.

Whilst the Committee welcomes the amendment of the Municipal Structures Act, both the National Treasury and the Department of Cooperative Governance (DCoG) should, over the Medium-term Expenditure Framework (MTEF), develop clear measures to ensure that the implementation of the District Development Model (DDM) is properly funded and ensure that all concerns related to the DDM regulations are addressed with all the relevant role players in local government.

The National Treasury notes this recommendation. Funding priorities of the DDM remain part of the annual budget process. However, it should be noted that the fiscus remains constrained, so there is limited space for additional funding.

Regarding gender-responsive budgeting, the Committee reiterates its previous recommendation that budget is a critical instrument for government to achieve both transformation and inclusive economic growth, and therefore, the Minister of Finance, together with the Minister in the Presidency for Women, Youth and Persons with Disabilities, should ensure that adequate resources are allocated for women, youth and people with disabilities. Furthermore, they should ensure that enough resources are earmarked and transferred to provinces for the implementation of the National Strategic Plan on Gender-Based Violence and Femicide; to help address the scourge of gender-based violence and to ensure proper mainstreaming of gender issues including those of the LGBTQIA+ community.

The National Treasury notes this recommendation. The Department of Women, Youth and Persons with Disabilities is provided with an additional allocation of R20 million in 2025/26, R20.9 million in 2026/27 and R21.8 million in 2027/28.

The National Treasury, together with provincial treasuries should, within 90 days of the adoption of this Report by the House, ensure that provinces develop clear plans and specific measures to find a way to enhance revenue generation mechanisms to augment their equitable share allocations to address the funding challenges in the education and health sectors. Further, the Committee believes that the quality of financial decisions made by provinces also impact on other provinces.

The National Treasury will share this recommendation with provincial treasuries through the appropriate platforms. For example, the National Treasury is committed to supporting provinces through the Provincial Revenue Workgroup, which facilitates benchmarking and sharing best practices. Additionally, the National Treasury will continue monitoring revenue collection and engaging with provinces on mitigation measures to improve revenue outcomes.

REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE SPECIAL APPROPRIATION BILL

The Minister of Finance should approve and gazette the Special Appropriation Bill [B19 – 2024] and the National Treasury, together with the Department of Transport, should ensure that the allocation earmarked for the Gauteng Freeway Improvement Project (GFIP) debt redemption is used effectively and efficiently for the intended purpose, and if there are any conditions for the allocation as suggested by the Organisation Undoing Tax Abuse (OUTA), the National Treasury should follow the due and proper process to publish those conditions to promote budget transparency as enshrined in the Constitution.

The National Treasury notes this recommendation. These funds are earmarked to ensure that they are used for the intended purpose in line with the Special Appropriation Act (2024).

The National Treasury should ensure that any future infrastructure projects implemented by government departments are properly planned, with a proper evaluation exercise, and undergo rigorous public participation, social and economic feasibility studies and the necessary due diligence and scrutiny to avoid similar challenges.

The National Treasury remains committed to assisting departments in improving infrastructure project planning and delivery through existing frameworks, guidance and evaluation mechanisms, ensuring alignment with sound financial and economic principles while respecting the responsibilities of the implementing departments. Additionally, in response to the challenges mentioned, the National Treasury, in collaboration with key government stakeholders, created the Budget Facility for Infrastructure in 2016 as part of broader reforms to improve infrastructure investment planning and execution. However, its role is to provide support and oversight, rather than taking full control of infrastructure planning and execution, which remains the responsibility of individual government departments.

The Committee reiterates its previous recommendation made during the 6th Parliament that it does not encourage the introduction of special appropriation bills unless absolutely necessary and there are exceptional circumstances that dictate this, as this may signal budgeting challenges. When such bills are introduced, it needs to be done timeously, so that Parliament has sufficient time to satisfy itself, engage with the public meaningfully, and process them accordingly to ensure full compliance.

The introduction of a special appropriation bill is undertaken only in exceptional circumstances to address urgent and unforeseen priorities. The National Treasury acknowledges the committee's concerns and remains committed to ensuring that such bills are introduced in a timely manner to allow Parliament adequate time for meaningful deliberation, public engagement and proper processing. Special appropriation bills are not indicative of systemic budgeting challenges but rather a mechanism to address specific critical needs while maintaining fiscal accountability and transparency. The National Treasury values Parliament's oversight role and will continue to ensure full compliance with legislative processes.

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B

2025 BUDGET REVIEW

TAX EXPENDITURE STATEMENT

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

The primary aim of the tax system is to raise sufficient revenue for government spending. It can also promote socioeconomic objectives through targeted tax exemptions, deductions or credits. Tax expenditures are estimates of the total revenue foregone due to this preferential tax treatment. This annexure presents government's latest estimates of the fiscal cost of tax expenditures as well as the methodology used to produce these estimates.

Tax expenditure documents promote transparency and accountability. They help government and the public assess the costs, benefits and overall effectiveness of this expenditure. In 2022/23 – the latest year for which data is available – tax expenditures were estimated at R286.6 billion or 4.2 per cent of GDP.

TAX EXPENDITURE ESTIMATES

The estimates presented in tables B.1 and B.2 are calculated using the "revenue foregone" method. This entails comparing actual revenue collections with the revenue that would have been collected without the incentive in place.

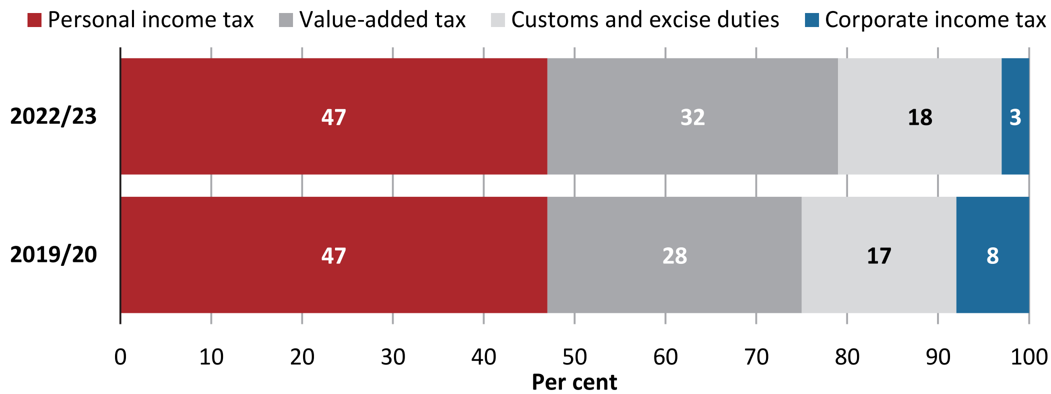
The revenue foregone approach assumes that taxpayers do not change their behaviour in response to a tax expenditure being withdrawn. However, behaviour is likely to change if an incentive is withdrawn, so the additional revenue collected may be less than estimated.

Most of the personal income tax and corporate income tax estimates are calculated using administrative data from the South African Revenue Service (SARS), which allows tax expenditure estimates to be accounted for on an accrual basis.

Trends in tax expenditure: 2019/20 – 2022/23

This section uses historical data to analyse trends in tax expenditure at an aggregate level between 2019/20 and 2022/23. The numbers presented for the latest fiscal year reported in each tax expenditure statement are generally lower than previous fiscal years because the number of taxpayers that SARS has assessed is not close to 100 per cent. Tax expenditures remained relatively constant as a share of nominal GDP over the period, decreasing from 4.7 per cent in 2019/20 to 4.2 per cent in 2022/23. The 2022/23 share will be more accurate in the 2026 *Budget Review* once levels of assessment are higher.

Figure B.1 Share of total tax expenditure per tax type



Source: National Treasury

Sectoral trends in tax expenditure: 2019/20 – 2022/23

The SARS tax administrative data is aligned with the Standard Industrial Classification, rather than SARS sector codes, for the sectoral analysis.

Research and development (R&D) tax incentive (section 11D of the Income Tax Act, 1962)

The R&D tax incentive aims to encourage more private-sector companies to invest in R&D by providing a 150 per cent deduction for expenditure on eligible scientific or technological R&D carried out in South Africa.

Table B.1 shows the five sectors that have benefited the most from this tax incentive over the reporting period. More than 65 per cent of the tax expenditure has supported the financial intermediation, insurance, real estate and business services sector and the manufacturing sector. The agricultural sector has also benefited, highlighting that this incentive encourages R&D in sectors that are important for job creation.

Participation exemption in terms of foreign dividends and share sales (section 10B(2) of the Income Tax Act)

To qualify for the participation exemption, a resident company (or group of companies) must hold 10 per cent or more of the total equity shares and voting rights of a company declaring a foreign dividend. The exemption aims to encourage resident companies to repatriate dividends and prevent economic double taxation (if dividend withholding tax is due in the foreign country, for example). Qualifying companies are also exempt from capital gains tax on the sale of shares.

Table B.1 shows the five sectors that benefited the most between 2019/20 and 2022/23. The reported numbers relate solely to the exempt foreign dividend element, as there is insufficient information to publish the tax expenditure associated with the capital gains tax element.

The financial intermediation, insurance, real estate and business services sector benefits the most – both in respect of the number of taxpayers and the monetary value of the exemption. Between 2019/20 and 2022/23, an average of 1 871 taxpayers benefited from the participation exemption (limited to dividends).

Table B.1 Selected corporate tax expenditure estimates by sector

R million	2019/20	2020/21	2021/22	2022/23
Research and development	**234**	**294**	**359**	**40**
Financial intermediation, insurance, real estate and business services	59	119	140	17
Manufacturing	95	102	120	13
Agriculture, hunting, forestry and fishing	21	26	22	3
Community, social and personal services	19	15	16	2
Mining and quarrying	19	9	29	0
Other	20	23	32	4
Participation exemption	**12 640**	**10 864**	**12 187**	**925**
Financial intermediation, insurance, real estate and business services	8 245	5 360	5 668	890
Mining and quarrying	1 765	2 472	2 259	8
Transport, storage and communication	1 554	1 604	2 062	8
Community, social and personal services	375	420	297	4
Manufacturing	328	345	903	8
Other	373	663	998	8

Source: National Treasury

Table B.2 Tax expenditure estimates

R million	2019/20	2020/21	2021/22	2022/23
Personal income tax				
Retirement fund contributions[1]	79 603	77 486	80 751	82 694
Pension contributions – employees	*20 478*	*22 788*	*21 274*	*19 746*
Pension contributions – employers	*29 597*	*27 010*	*29 308*	*31 133*
Provident contributions – employees	*5 179*	*5 102*	*5 251*	*6 009*
Provident contributions – employers	*12 401*	*11 452*	*12 539*	*13 030*
Retirement annuity	*11 948*	*11 134*	*12 379*	*12 776*
Medical	35 571	36 070	37 169	39 391
Medical tax credits on contributions	*27 207*	*27 833*	*28 922*	*30 360*
Medical tax credits on out-of-pocket expenditure	*8 364*	*8 237*	*8 247*	*9 031*
Interest exemptions	3 933	3 263	3 285	4 302
Secondary rebate (65 years and older)	3 902	4 758	4 923	4 671
Tertiary rebate (75 years and older)	319	415	423	325
Donations	485	477	481	511
Capital gains tax (annual exclusion)	625	525	682	539
Venture capital companies	854	1 001	1 328	–
Foreign remuneration exemption	531	1 863	2 276	2 747
Total personal income tax	**125 823**	**125 858**	**131 318**	**135 179**
Corporate income tax				
Small business corporation tax savings	3 415	3 271	3 627	3 441
Reduced headline rate	*3 341*	*3 216*	*3 566*	*3 382*
Section 12E depreciation allowance	*74*	*56*	*61*	*58*
Research and development	234	294	359	40
Learnership allowances	498	404	384	159
Strategic industrial projects (12I)	16	2	0	–
Film incentive[2]	19	1	16	23
Urban development zones	267	159	194	69
Employment tax incentive	4 754	7 165	6 167	4 791
Energy-efficiency savings	181	121	216	3
Participation exemption[3]	12 640	10 864	12 187	925
Total corporate income tax	**22 024**	**22 283**	**23 150**	**9 450**

Table B.2 Tax expenditure estimates *(continued)*

R million	2019/20	2020/21	2021/22	2022/23
Value-added tax				
Zero-rated supplies	71 752	61 584	74 444	88 847
22 basic items [4]	*31 834*	*27 960*	*31 494*	*34 439*
Petrol [5]	*20 003*	*14 730*	*20 705*	*24 916*
Diesel [5]	*8 212*	*6 592*	*9 321*	*13 006*
Paraffin [5]	*838*	*740*	*1 741*	*2 992*
Municipal property rates	*10 528*	*11 235*	*10 766*	*12 837*
Reduced inclusion rate for commercial accommodation	*336*	*328*	*416*	*657*
Exempt supplies (public transport and education)	1 687	1 525	1 717	1 836
Total value-added tax	**73 439**	**63 109**	**76 161**	**90 683**
Customs duties and excise				
Motor vehicles (MIDP/APDP, including IRCCs)[6]	34 107	26 189	34 165	42 738
Textile and clothing (duty credits – DCCs)[6]	725	709	869	917
Furniture and fixtures	168	138	144	114
Other customs[7]	625	1 409	1 147	1 004
Diesel refund[8]	8 767	7 090	7 347	6 508
Total customs and excise	**44 393**	**35 534**	**43 672**	**51 281**
Total tax expenditure	**265 679**	**246 783**	**274 301**	**286 594**
Tax expenditure as % of total gross tax revenue	**19.6%**	**19.7%**	**17.5%**	**17.0%**
Total gross tax revenue	**1 355 766**	**1 249 711**	**1 563 754**	**1 686 697**
Tax expenditure as % of GDP	**4.7%**	**4.4%**	**4.3%**	**4.2%**

1. Retirement benefits are taxable once they are paid out, therefore a portion of the revenue is deferred rather than foregone, unlike most other tax expenditures. Some of the revenue foregone is also recouped through taxes on lump sum withdrawals before or on retirement
2. Tax expenditure for all years is attributable to allowances under section 24F and exemptions under section 12O
3. Tax expenditure only attributable to foreign dividends. Capital gains tax on shares sales not included
4. VAT relief in respect of basic food items based on 2010/11 Income and Expenditure Survey data, and two food items and sanitary towels (pads) added from 1 April 2019
5. Based on fuel volumes and average retail selling prices
6. Motor Industry Development Programme (MIDP), replaced in 2013 by the Automative Production Development Programme (APDP); import rebate credit certificate (IRCC); duty credit certificate (DCC)
7. Goods manufactured exclusively for exports, television monitors and agricultural goods exempted
8. Diesel refund previously offset against domestic VAT has been added
Source: National Treasury

C

2025 BUDGET REVIEW

ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ADDITIONAL TAX POLICY AND ADMINISTRATIVE ADJUSTMENTS

This annexure should be read with Chapter 4 of the Budget Review. It elaborates on some of the proposals contained in the chapter, clarifies certain matters and presents additional technical proposals arising from the annual tax policy process.

PERSONAL INCOME TAX

The proposed tax schedule in Table 4.4 in Chapter 4 partially compensates individuals for the effect of inflation. The effects of these proposals are set out in tables C.1, C.2 and C.3.

Table C.1 Annual income tax payable, 2025/26

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
90 000	–	–	–	–	–	–
100 000	765	–	-765	-100.0%	0.8%	0.0%
120 000	4 365	3 537	-828	-19.0%	3.6%	2.9%
150 000	9 765	8 937	-828	-8.5%	6.5%	6.0%
200 000	18 765	17 937	-828	-4.4%	9.4%	9.0%
250 000	28 797	27 049	-1 748	-6.1%	11.5%	10.8%
300 000	41 797	40 049	-1 748	-4.2%	13.9%	13.3%
400 000	69 272	66 629	-2 643	-3.8%	17.3%	16.7%
500 000	100 272	97 629	-2 643	-2.6%	20.1%	19.5%
750 000	191 942	187 834	-4 108	-2.1%	25.6%	25.0%
1 000 000	292 284	287 626	-4 658	-1.6%	29.2%	28.8%
1 500 000	497 284	492 626	-4 658	-0.9%	33.2%	32.8%
2 000 000	709 604	702 622	-6 982	-1.0%	35.5%	35.1%

Source: National Treasury

Table C.2 Annual income tax payable, 2025/26 (taxpayers aged 65 to 74)

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates	
					Old rates	New rates
120 000	–	–	–	–	–	–
150 000	321	–	-321	-100.0%	0.2%	0.0%
200 000	9 321	8 037	-1 284	-13.8%	4.7%	4.0%
250 000	19 353	17 149	-2 204	-11.4%	7.7%	6.9%
300 000	32 353	30 149	-2 204	-6.8%	10.8%	10.0%
400 000	59 828	56 729	-3 099	-5.2%	15.0%	14.2%
500 000	90 828	87 729	-3 099	-3.4%	18.2%	17.5%
750 000	182 498	177 934	-4 564	-2.5%	24.3%	23.7%
1 000 000	282 840	277 726	-5 114	-1.8%	28.3%	27.8%
1 500 000	487 840	482 726	-5 114	-1.0%	32.5%	32.2%
2 000 000	700 160	692 722	-7 438	-1.1%	35.0%	34.6%

Source: National Treasury

Table C.3 Annual income tax payable, 2025/26 (taxpayers aged 75 and over)

Taxable income (R)	2024/25 rates (R)	Proposed 2025/26 rates (R)	Tax change (R)	% change	Average tax rates Old rates	Average tax rates New rates
150 000	–	–	–	–	–	–
200 000	6 176	4 743	-1 433	-23.2%	3.1%	2.4%
250 000	16 208	13 855	-2 353	-14.5%	6.5%	5.5%
300 000	29 208	26 855	-2 353	-8.1%	9.7%	9.0%
400 000	56 683	53 435	-3 248	-5.7%	14.2%	13.4%
500 000	87 683	84 435	-3 248	-3.7%	17.5%	16.9%
750 000	179 353	174 640	-4 713	-2.6%	23.9%	23.3%
1 000 000	279 695	274 432	-5 263	-1.9%	28.0%	27.4%
1 500 000	484 695	479 432	-5 263	-1.1%	32.3%	32.0%
2 000 000	697 015	689 428	-7 587	-1.1%	34.9%	34.5%

Source: National Treasury

CUSTOMS AND EXCISE DUTY

Government proposes that excise duties in the Customs and Excise Act (1964, section A of part 2 of schedule 1) be amended with effect from 19 February 2025 to the extent shown in Table C.4.

Table C.4 Specific excise duties, 2024/25 – 2025/26

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.00		**PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO**		
104.01	**19.01**	**Malt extract; food preparations of flour, groats,meal, starch or malt extract, not containing cocoa or containing less than 40 per cent by mass of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 per cent by mass of cocoa calculated on a totally defatted basis not elsewhere specified or included:**		
104.01.05	1901.90.13	Preparations for making alcoholic beverages (excluding those of subheading 1901.90.20) as defined in Additional Note 2 to Chapter 19	34,7c/kg	34,7c/kg
104.01.10	1901.90.20	Traditional African beer powder as defined in Additional Note 1 to Chapter 19	34,7c/kg	34,7c/kg
104.05	**21.06**	**Food preparations not elsewhere specified or included:**		
104.05.10	2106.90.13	Preparations for making alcoholic beverages as defined in Additional Note 1 to Chapter 21	34,7c/kg	34,7c/kg
104.10	**22.03**	**Beer made from malt:**		
104.10.10	2203.00.05	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.10.20	2203.00.90	Other	R135.89/li aa	R145.18/li aa
104.15	**22.04**	**Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):**		
104.15.01	2204.10	Sparkling wine	R17.83/li	R19.05/li
104.15	**2204.21**	**In containers holding 2 li or less:**		
104.15	**2204.21.4**	**Unfortified wine:**		
104.15.03	2204.21.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.04	2204.21.42	Other	R274.39/li aa	R293.13/li aa
104.15	**2204.21.5**	**Fortified wine:**		
104.15.05	2204.21.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.06	2204.21.52	Other	R274.39/li aa	R293.13/li aa
104.15	**2204.22**	**In containers holding more than 2 li but not more than 10 li:**		
104.15	**2204.22.4**	**Unfortified wine:**		
104.15.13	2204.22.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.15	2204.22.42	Other	R274.39/li aa	R293.13/li aa
104.15	**2204.22.5**	**Fortified wine:**		
104.15.17	2204.22.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.19	2204.22.52	Other	R274.39/li aa	R293.13/li aa
104.15	**2204.29**	**Other:**		
104.15	**2204.29.4**	**Unfortified wine:**		
104.15.21	2204.29.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.57/li	R5.95/li
104.15.23	2204.29.42	Other	R274.39/li aa	R293.13/li aa
104.15	**2204.29.5**	**Fortified wine:**		
104.15.25	2204.29.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.15.27	2204.29.52	Other	R274.39/li aa	R293.13/li aa
104.16	**22.05**	**Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:**		
104.16	**2205.10**	**In containers holding 2 li or less:**		
104.16.01	2205.10.10	Sparkling	R17.83/li	R19.05/li

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.16	**2205.10.2**	**Unfortified:**		
104.16.03	2205.10.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.57/li	R5.95/li
104.16.04	2205.10.22	Other	R274.39/li aa	R293.13/li aa
104.16	**2205.10.3**	**Fortified:**		
104.16.05	2205.10.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.16.06	2205.10.32	Other	R274.39/li aa	R293.13/li aa
104.16	**2205.90**	**Other:**		
104.16	**2205.90.2**	**Unfortified:**		
104.16.09	2205.90.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.57/li	R5.95/li
104.16.10	2205.90.22	Other	R274.39/li aa	R293.13/li aa
104.16	**2205.90.3**	**Fortified:**		
104.16.11	2205.90.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R9.40/li	R10.04/li
104.16.12	2205.90.32	Other	R274.39/li aa	R293.13/li aa
104.17	**22.06**	**Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included:**		
104.17.03	2206.00.05	Sparkling fermented fruit or mead beverages; mixtures of sparkling fermented beverages derived from the fermentation of fruit or honey; mixtures of sparkling fermented fruit or mead beverages and non-alcoholic beverages	R17.83/li	R19.05/li
104.17.05	2206.00.15	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.17.07	2206.00.17	Other fermented beverages, unfortified, with an alcoholic strength of less than 2.5 per cent by volume	R135.89/li aa	R145.18/li aa
104.17.09	2206.00.19	Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R135.89/li aa	R145.18/li aa
104.17.11	2206.00.21	Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R135.89/li aa	R145.18/li aa
104.17.15	2206.00.81	Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.18/li aa
104.17.16	2206.00.82	Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.18/li aa
104.17.17	2206.00.83	Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.17.21	2206.00.84	Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.17.22	2206.00.85	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R135.89/li aa	R145.18/li aa

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.17.25	2206.00.87	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.17.90	2206.00.90	Other	R274.39/li aa	R293.13/li aa
104.21	**22.07**	**Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:**		
104.21.01	2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher	R274.39/li aa	R293.13/li aa
104.21.03	2207.20	Ethyl alcohol and other spirits, denatured, of any strength	R274.39/li aa	R293.13/li aa
104.23	**22.08**	**Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol.; spirits, liqueurs and other spirituous beverages:**		
104.23	**2208.20**	**Spirits obtained by distilling grape wine or grape marc:**		
104.23	**2208.20.1**	**In containers holding 2 li or less:**		
104.23.01	2208.20.11	Brandy as defined in Additional Note 7 to Chapter 22	R246.95/li aa	R263.82/li aa
104.23.02	2208.20.19	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.20.9**	**Other:**		
104.23.03	2208.20.91	Brandy as defined in Additional Note 7 to Chapter 22	R246.95/li aa	R263.82/li aa
104.23.04	2208.20.99	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.30**	**Whiskies:**		
104.23.05	2208.30.10	In containers holding 2 li or less	R274.39/li aa	R293.13/li aa
104.23.07	2208.30.90	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.40**	**Rum and other spirits obtained by distilling fermented sugarcane products:**		
104.23.09	2208.40.10	In containers holding 2 li or less	R274.39/li aa	R293.13/li aa
104.23.11	2208.40.90	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.50**	**Gin and Geneva:**		
104.23.13	2208.50.10	In containers holding 2 li or less	R274.39/li aa	R293.13/li aa
104.23.15	2208.50.90	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.60**	**Vodka:**		
104.23.17	2208.60.10	In containers holding 2 li or less	R274.39/li aa	R293.13/li aa
104.23.19	2208.60.90	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.70**	**Liqueurs and cordials:**		
104.23	**2208.70.2**	**In containers holding 2 li or less:**		
104.23.21	2208.70.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.23.22	2208.70.22	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.70.9**	**Other:**		
104.23.23	2208.70.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.23.24	2208.70.92	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.90**	**Other:**		
104.23	**2208.90.2**	**In containers holding 2 li or less:**		
104.23.25	2208.90.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.23.26	2208.90.22	Other	R274.39/li aa	R293.13/li aa
104.23	**2208.90.9**	**Other:**		
104.23.27	2208.90.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R109.76/li aa	R117.25/li aa
104.23.28	2208.90.92	Other	R274.39/li aa	R293.13/li aa

Table C.4 Specific excise duties, 2024/25 – 2025/26 *(continued)*

Tariff item	Tariff subheading	Article description	2024/25 Rate of excise duty	2025/26 Rate of excise duty
104.30	**24.02**	**Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:**		
104.30	**2402.10**	**Cigars, cheroots and cigarillos containing tobacco:**		
104.30.01	2402.10.10	Imported from Switzerland	R5 474.32/kg net	R5 848.06/kg net
104.30.03	2402.10.90	Other	R5 474.32/kg net	R5 848.06/kg net
104.30	**2402.20**	**Cigarettes containing tobacco:**		
104.30.05	2402.20.10	Imported from Switzerland	R10.89 /10 cigarettes	R11.41 /10 cigarettes
104.30.07	2402.20.90	Other	R10.89 /10 cigarettes	R11.41 /10 cigarettes
104.30	**2402.90.1**	**Cigars, cheroots and cigarillos of tobacco substitutes:**		
104.30.09	2402.90.12	Imported from Switzerland	R5 474.32/kg net	R5 848.06/kg net
104.30.11	2402.90.14	Other	R5 474.32/kg net	R5 848.06/kg net
104.30	**2402.90.2**	**Cigarettes of tobacco substitutes:**		
104.30.13	2402.90.22	Imported from Switzerland	R10.89 /10 cigarettes	R11.41 /10 cigarettes
104.30.15	2402.90.24	Other	R10.89 /10 cigarettes	R11.41 /10 cigarettes
104.35	**24.03**	**Other manufactured tobacco and manufactured tobacco substitutes;"homogenised" or "reconstituted" tobacco; tobacco extracts and essences:**		
104.35	**2403.1**	**Smoking tobacco, whether or not containing tobacco substitutes in any proportions:**		
104.35.01	2403.11	Water pipe tobacco specified in Subheading Note 1 to Chapter 24	R301.05/kg net	R321.61/kg net
104.35	**2403.19**	**Other:**		
104.35.02	2403.19.10	Pipe tobacco in immediate packings of a content of less than 5 kg	R301.05/kg net	R321.61/kg net
104.35.03	2403.19.20	Other pipe tobacco	R301.05/kg net	R321.61/kg net
104.35.05	2403.19.30	Cigarette tobacco	R489.37/kg	R513.01/kg
104.35	**2403.91**	**"Homogenised" or "reconstituted" tobacco:**		
104.35.07	2403.91.20	Imported from Switzerland	R1 020.69/kg	R1 069.99/kg
104.35.09	2403.91.80	Other	R1 020.69/kg	R1 069.99/kg
104.35	**2403.99**	**Other:**		
104.35.15	2403.99.30	Other cigarette tobacco substitutes	R489.37/kg	R513.01/kg
104.35.17	2403.99.40	Other pipe tobacco substitutes	R301.05/kg net	R321.61/kg net
104.35.19	2403.99.90	Other	R1 020.69/kg	R1 069.99/kg
104.37	**24.04**	**Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body:**		
104.37	**2404.1**	**Products intended for inhalation without combustion:**		
104.37	**2404.11**	**Containing tobacco or reconstituted tobacco:**		
104.37	**2404.11.1**	**Containing reconstituted tobacco:**		
104.37.01	2404.11.11	Imported from Switzerland, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.56 /10 sticks
104.37.03	2404.11.13	Imported from Switzerland, other	R1 020.69/kg	R1 069.99/kg
104.37.05	2404.11.15	Other, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.56 /10 sticks
104.37.07	2404.11.19	Other	R1 020.69/kg	R1 069.99/kg
104.37	**2404.11.9**	**Other:**		
104.37.11	2404.11.91	Put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.56 /10 sticks
104.37.13	2404.11.99	Other	R1 020.69/kg	R1 069.99/kg
104.37.14	2404.12	Other, containing nicotine	R3.04/ml	R3.18/ml
104.37	**2404.19**	**Other:**		
104.37.16	2404.19.10	Containing nicotine substitutes	R3.04/ml	R3.18/ml
104.37.19	2404.19.20	Other, put up for retail sale in the form of sticks	R8.16 /10 sticks	R8.56 /10 sticks
104.37.21	2404.19.90	Other	R1 020.69/kg	R1 069.99/kg

Source: SARS

ADDITIONAL POLICY AND ADMINISTRATIVE AMENDMENTS

Additional tax amendments proposed for the upcoming legislative cycle are set out below.

Individuals, employment and savings

Amending the definition of "remuneration proxy"

The term "remuneration proxy" as defined in the Income Tax Act is often equated with "remuneration" as defined in the Fourth Schedule to the Income Tax Act. This equivalence is particularly relevant when the "remuneration proxy" serves as a surrogate to calculate remuneration for the current year of assessment. However, an unintended benefit arises for certain employees who, in the previous year of assessment, qualified for and claimed an exemption for foreign employment income. For example, these employees may have a reduced remuneration amount in the current year when determining the value of a domestic residential accommodation taxable benefit. In this context, variable "A" in the formula relies on the definition of "remuneration proxy" in section 1 of the act. It is proposed that the definition of "remuneration proxy" be amended to include amounts exempted under section 10(1)(*o*)(ii) of the act.

Clarifying the inclusion of an amount assigned to a non-retirement fund member spouse under religious tenets

In 2024, the Pension Funds Act (1956) was amended to recognise court orders pertaining to the division of marital assets in accordance with religious tenets. However, the Income Tax Act requires a consequential amendment to paragraph 2(1)(*b*)(iA) of the Second Schedule to the act to include amounts assigned to a non-member spouse in compliance with the tenets of a religion.

Closing loopholes in the ring-fencing of assessed losses

The current application of section 20A of the Income Tax Act enables taxpayers below the maximum marginal rate threshold to exploit the tax system by continuously offsetting losses from certain trades against other sources of income. This creates a loophole that leads to substantial revenue losses for the fiscus, as taxpayers receive full refunds of their employees' tax when those losses are allowed. It is proposed that the threshold at which ring-fencing rules apply be reviewed and amended.

Reinstating the exemption for child maintenance payments funded from after-tax income

Child maintenance payments, which are not sourced from retirement funds, are made using after-tax income and paid to the parent or guardian living with the child. The paying party receives no tax deduction or relief for these payments, while the recipient is taxed on the maintenance received. Since these payments are intended to fulfil the fundamental obligation of supporting a child, taxing them in the hands of the recipient requires reconsideration to better align with government's social policy objectives. It is proposed that amendments be made to exclude child maintenance payments from the recipient's taxable income to restore the original policy intent.

Retirement provisions

Clarifying payment of death benefits

With the enactment of the Revenue Laws Second Amendment Act (2024), a lump sum payable as a result of the death of a member is still a retirement fund lump sum benefit. However, the definition of “savings component” only makes provision for the treatment of the remaining balance in the savings component on retirement and not on death. As a result, any value in the savings component is only payable as a savings withdrawal benefit on death. It is proposed that an amendment be made that, on the member’s death, should the nominees or dependants choose to receive a lump sum benefit, such lump sum benefit will be considered part of the retirement fund lump sum benefit for Income Tax Act purposes.

Business (general)

Extending the anti-avoidance rules dealing with third-party backed shares

Third-party backed share anti-avoidance rules deem the accrual or receipt of dividends from preference shares backed by third parties through an enforcement right of the holder to be income, except where the funds derived from the issue of these third-party backed shares are used for a qualifying purpose. For the purposes of these specific anti-avoidance rules, an enforcement right encompasses a right of the holder to enforce performance by another person in respect of that preference share. Structures have been identified that consist of transactions to circumvent these third-party backed share anti-avoidance rules. It is proposed that additional measures be considered to address the circumvention of these anti-avoidance measures.

Refining the definition of “hybrid equity instrument”

The Income Tax Act contains anti-avoidance measures designed to address concerns of undue tax advantages obtained through merging equity and debt features to change the nature of income. The term “hybrid equity instrument” is broadly defined to encompass any type of share that has essential characteristics of debt. This definition covers five different types of instruments, including preference shares. It has come to government’s attention that the characteristics of the definition as it relates to preference shares can be circumvented, resulting in the potential non-application of this anti-avoidance measure. It is proposed that the definition of “hybrid equity instrument” be revised to address the circumvention of this anti-avoidance measure.

Clarifying the ordering of set-off of balance of assessed losses and certain deductions

With effect from 2023, the set-off of balance of assessed losses is limited to 80 per cent of taxable income for companies. Deductions for donations and transfers from policyholder funds of long-term insurers are limited with reference to taxable income, as defined. Government is aware of certain instances where uncertainty exists regarding the ordering of the set-off of balance of assessed losses and deductions for donations and transfers from policyholder funds of long-term insurers. It is proposed that amendments be introduced to clarify the ordering of these deductions in calculating taxable income.

Corporate reorganisation rules

Clarifying the rollover relief for listed shares in an asset-for-share transaction

The Income Tax Act contains rollover rules for asset-for-share reorganisation transactions. The provisions generally prescribe that the tax cost for assets acquired by a company in exchange for the issue of shares in that company to the seller be equal to the same tax cost of that seller. In 2010, a unified special rollover regime for asset-for-share reorganisations was introduced to address the tax cost tracing problem where the relevant assets are listed shares, as the acquiring company could not be realistically expected to know the tax cost of the target shares held by each shareholder disposing of the listed shares (disposing shareholders). At issue is that government's policy intent was to specifically limit the special rollover regime relief to disposing shareholders holding less than 20 per cent of the listed shares in the target company before the transaction. It is proposed that the legislation be amended to align with the original policy intent and that the special rollover regime for listed shares be limited to shareholders holding less than 20 per cent of the equity shares in the target company before the transaction.

Reviewing asset-for-share and amalgamations transactions involving collective investment schemes

According to the discussion document on the tax treatment of collective investment schemes (CISs), published on 13 December 2024, transferring shares to a CIS without tax implications has allowed for unintended tax avoidance during changes of shareholdings in listed companies, as the realised gains in the shares are not taxed on transfer. The realised gains are also not taxed when the CIS disposes of the shares as part of a corporate restructuring. It is proposed that these provisions relating to asset-for-share transactions and amalgamations transactions be reviewed.

Clarifying the interest limitation rules

In 2021, the Income Tax Act was amended to strengthen rules that govern the limitation of interest deductions. These rules limit interest deductions in two instances. The first is when a South African debtor incurs interest and there is a direct or indirect controlling relationship between the debtor and creditor, plus the interest income is not taxed in the hands of the creditor (per section 23M of the Income Tax Act). The second is in respect of reorganisation and acquisition transactions (per section 23N of the Income Tax Act). It has come to government's attention that these measures require further clarification in the following areas.

Refining and clarifying the definition of "interest" to enhance certainty

Government acknowledges the complexity surrounding the definition of "interest" in section 23M of the act and its use in the calculation of "adjusted taxable income". It is proposed that this definition of "interest" only pertain to interest deductions that are tested for limitation. As a result, taxpayers should rely on the definition of "interest" contained in section 24J of the Income Tax Act to calculate "adjusted taxable income".

Reviewing the carve-out for the interest limitation rules

The interest limitation rules do not apply to interest on debt in instances where the ultimate lending institution has no controlling relationship with the debtor and if the interest charged does not exceed the official rate of interest plus 100 basis points. It is proposed that back-to-back lending arrangements where there is no controlling relationship between the ultimate lending institution and the debtor also be eligible for carve-out from these rules.

Clarifying the treatment of foreign exchange differences when there is no accrual for the creditor

The interest limitation rules acknowledge foreign exchange differences on foreign exchange instruments under section 23M(7) of the act. However, it is unclear how foreign exchange differences should be treated when foreign exchange gains do not accrue to creditors. It is proposed to make it clear that the objective is to first test whether the underlying debt should be limited. Where this is the case, the foreign exchange difference thereon will also be limited.

Limiting interest deductions for reorganisation and acquisition transactions

In 2024, amendments were made to align the definition of "adjustable taxable income" and the formula applied to limit an interest deduction in section 23N of the act with the definition of "adjustable taxable income" and the formula applied in section 23M of the act. The effective date for the amendments is 1 January 2027 to give the National Treasury and affected stakeholders time to consider the impact of the proposed amendments. It is proposed that government review the impact of the 2024 amendments during the 2025 legislative cycle with the potential for a proposal in the 2026 Budget.

Business (financial sector)

Aligning the tax treatment of dividends with the accounting treatment by a covered person

A "covered person" (banks and brokers) is taxed in accordance with accounting principles of International Financial Reporting Standards 9. It has come to government's attention that covered persons are investing in shares and receiving dividends to hedge financial liabilities like equity-linked notes, where the payments are tax deductible. To ensure consistent tax treatment, it is proposed that dividends from these hedges be taxed to align the tax treatment of these dividends with their financial accounting treatment.

Anomaly in the act relating to capital distributions by collective investment schemes

According to the discussion document on the tax treatment of CISs published on 13 December 2024, since the 2009 change to tax CISs in securities according to an adjusted trust system, there has been no clear legal rule regarding "capital distributions" to holders of participatory interests. If a CIS portfolio in securities is liquidated, any payments at that time could be considered proceeds from the disposal of participatory interests. However, there is no specific rule for ongoing payments from the portfolio's capital. It is proposed that the tax treatment of these capital distributions be considered.

Tax treatment of first loss after capital (FLAC) instruments as defined in the Financial Sector Regulation Act (2017)

The Reserve Bank has the authority to instruct the Prudential Authority to establish Prudential Standards that define the features of FLAC instruments and to mandate designated institutions, such as banks, to hold a minimum amount of FLAC instruments, as specified by the Reserve Bank under the Financial Sector Regulation Act, to cover all liabilities of the designated institution. It is proposed that the tax treatment of these FLAC instruments be clarified where necessary.

International

Refining the definition of "equity shares" to cater for transfers by foreign companies

The terms "dividends" and "return of capital" are defined in section 1 of the Income Tax Act. Both definitions refer to amounts transferred by residents. There are separate definitions for "foreign dividends" and "foreign return of capital". Based on the current wording of the "equity share" definition, it seems that shares in a foreign company are not considered and cannot be classified as equity shares. It is proposed that the definition of "equity share" be updated.

Interaction between sections 6quat and 23(m) of the Income Tax Act

Section 6quat(1C) of the Income Tax Act allows for the sum of any taxes paid or proved to be payable to any sphere of government of any country other than South Africa to be deducted against income when determining that person's taxable income. Section 23(*m*) of the Income Tax Act, subject to certain exclusions, prohibits deductions in relation to any remuneration received from employment. At issue is that the list of exclusions to the application of section 23(*m*) does not include a reference to the deduction contemplated in section 6quat. It is proposed that the list of exclusions contemplated in section 23(*m*) be extended to include any deductions contemplated in section 6quat(1C).

Interaction of controlled foreign company rules in section 9D with section 9H

Section 9H of the Income Tax Act, also known as the exit charge, provides that when a foreign company ceases to be a controlled foreign company (CFC), it is deemed to have disposed of all its worldwide assets on the date immediately before the date it ceases to be a CFC. Section 9D(2A) of the act requires that the "net income" of a CFC be calculated as if the CFC were a taxpayer and tax resident. It has come to government's attention that some arrangements between South African holding companies and their foreign subsidiaries, which are CFCs, involve the CFCs acquiring all shares in the South African holding companies without triggering an exit charge. It is proposed that the act be amended to ensure that the exit charge is triggered in this case.

CFC rules and comparable tax exemption

South Africa has a comparable tax exemption that applies to CFCs. This exemption allows the net income of CFCs not to be imputed under CFC rules if the tax they pay to foreign countries is at least 67.5 per cent of what they would have paid in South Africa had they been a South African tax resident. However, the comparable tax exemption does not consider tax systems of countries that allow a refund to certain shareholders of a foreign company for tax paid by the company declaring the dividend. It is proposed that a tax refund to a shareholder should also be taken into account in applying the comparable tax exemption.

The flow-through taxation of trusts and their beneficiaries

In 2023, amendments were made to the rules relating to the taxation of trusts and their beneficiaries by limiting the flow-through principle to resident beneficiaries. The intention of the amendment is to have the limitation of the flow-through principle apply to all vesting and discretionary rights to income, similar to paragraph 80 of the Eighth Schedule to the Income Tax Act. It has come to government's attention that the current wording does not achieve this objective due to the deeming rules in section 7 of the Income Tax Act. It is proposed that the Income Tax Act be amended to ensure that the flow-through principle is limited only to resident beneficiaries for both vested and discretionary rights to income.

Refining deferral of exchange difference rules on debt between related companies

Section 24I of the Income Tax Act deals with the tax treatment of gains and losses on foreign exchange transactions. However, rules apply for postponing the taxation of exchange differences until the debt is realised. It is proposed that the policy be reconsidered so that deferred exchange differences are triggered on the portion of an exchange item realised during the year of assessment. In addition, it is proposed to clarify the classification of debt that is not recognised in the financial statements for financial reporting purposes.

Value-added tax

Debit and credit notes relating to a going concern as per section 8(25) of the Value-Added Tax (VAT) Act (1991)

The VAT Act only allows the vendor who acquired an enterprise as a going concern under section 11(1)(*e*) to issue debit and credit notes for the return of goods or services that were supplied by the selling vendor. It is proposed that section 21(1)(*d*)(ii) of the VAT Act be expanded to include the return of goods or services that were supplied by the transferor of a business as a going concern under section 42 or 45 of the Income Tax Act, where the goods or services are returned to the transferee.

Reviewing the scope of the intermediary provisions

Intermediaries may account for VAT on supplies made on behalf of foreign suppliers of "electronic services" as if these supplies were made by the intermediary. This, however, does not extend to supplies made on behalf of local suppliers. This results in the intermediary not being able to issue a single consolidated tax invoice for these supplies to the customer. It is proposed that widening the intermediary provisions be considered to include supplies facilitated on behalf of local suppliers.

Reviewing VAT rules dealing with documentary requirements for silver exports

The main purpose of refineries is to refine and smelt ore received from various customers, namely depositors. In most instances, the refineries also act as agents and sell or export ore on behalf of these depositors. Silver from more than one depositor is typically required to make up the volume ordered for sale or export. After the refining or smelting, it is difficult to determine which depositor's silver is sold or exported because the silver loses its original identity during refinery and smelting. As a result, depositors find it difficult to obtain the documentary evidence to support the application of the zero rate on a transaction-by-transaction basis for their silver as contemplated in paragraph (*a*) of the definition of "exported" in section 1(1) of the VAT Act as well as the regulations issued in terms of section 74(1) of the VAT Act, read with paragraph (*d*) of the definition of "exported" in section 1(1) of that act. It is proposed that changes be made to the VAT Act to address this.

Updating a portion of the Export Regulations

The wording of regulation 8(2)(*e*)(ii) of the "Regulations issued in terms of section 74(1) read with paragraph (*d*) of the definition of 'exported' in section 1(1) of the VAT Act" (the Export Regulations) seems to be causing practical difficulties in application. It is proposed that the wording of regulation 8(2)(*e*)(ii) be revised for ease of administration.

Reviewing the VAT treatment of testing services supplied to non-residents who are outside South Africa at the time of the supply, where services are supplied directly in connection with movable property situated in South Africa

Testing services supplied to non-residents, such as testing of medication or devices on patients (generally during clinical trials) or samples in South Africa, raises a problem because, for example, the patient also derives a benefit and section 11(2)(*l*)(iii) of the VAT Act will apply irrespective of the fact that the supply is being made to a non-resident. In certain cases, the testing services may be performed directly in respect of movable property, which is not subsequently exported, resulting in section 11(2)(*l*)(ii) of the VAT Act applying despite such movable property having no commercial value.

Although it may be argued that the results of the clinical trials are consumed offshore by non-residents, the current wording of section 11(2)(*l*) of the VAT Act prohibits the application of the zero-rating on the testing services. It is proposed that changes be made to the VAT Act to address this.

Updating the regulations on the domestic reverse charge mechanism relating to valuable metal

The definition of "residue" is limited to residue derived from or incidental to a mining operation due to concerns that the general inclusion of waste was too broad. The introduction of the *de minimis* rule, however, sufficiently covers the exclusion of waste from, for example, the medical and the electronic industries from the ambit of the regulations. Furthermore, practical difficulties arise in distinguishing scrap derived from or incidental to a mining operation and other waste items, as gold scrap may consist of various waste items. It is therefore proposed that the regulations be amended to remove this limitation in the definition of "residue".

Reviewing the definition of "insurance"

In light of the decision in the Constitutional Court matter of *Capitec Bank Limited v Commissioner for the South African Revenue Service (CCT 209/22) [2024] ZACC 1*, it is proposed that the definition of "insurance" be revised.

Clarifying the VAT treatment of temporary letting of residential properties

For ease of administration, it is proposed that the VAT treatment of the temporary letting of residential properties under section 18D of the VAT Act and consequential sections of this act be reviewed and updated.

Reviewing the VAT treatment of airtime vouchers supplied in South Africa for exclusive use in an export country

The supply of airtime vouchers in South Africa through the distribution chain for a foreign telecommunications supplier comprises two components, namely telecommunication services to be provided outside of South Africa and distribution services of the airtime vouchers in the country. Distributors that sell airtime vouchers that can only be used in a foreign country are charging such supplies at the standard rate. As these vouchers are typically supplied to distributors in South Africa or to foreign residents located in the country for consumption of telecommunication services by such foreign residents' family members in a foreign country, it is proposed that the VAT Act be amended in this regard.

Carbon tax

Aligning schedule 1 of the Carbon Tax Act (2019) emission factors

The Department of Forestry, Fisheries and the Environment (DFFE) approved country-specific Tier 2 emission factors for natural gas and coal fuel types to be used by data providers for estimating and reporting stationary and non-stationary fuel combustion emissions. To align with the DFFE-approved emission factors for coal, it is proposed to change the carbon dioxide factor for sub-bituminous coal from 96 100 to 96 777 $kgCO_2/TJ$ and for other bituminous coal from 94 600 to 82 912 $kgCO_2/TJ$ in schedule 1 of the Carbon Tax Act. The net calorific value to be used to convert to tonnes of emissions is 19.14 MJ/kg for sub-bituminous coal and 26.51 MJ/kg for other bituminous coal. It is proposed to amend the carbon dioxide emission factor for natural gas from 56 100 to 55 709 $kgCO_2/TJ$, with a net calorific value of 37.01 MJ/m^3. The proposed amendments will take effect on 1 January 2026. Further consultations will be held with the DFFE on country-specific emission factors and fuel types approved for specific companies for possible inclusion in the 2025 Taxation Laws Amendment Bill.

Fugitive emissions formula

Section 4(2)(*b*) of the Carbon Tax Act provides the formulas to be used by companies to calculate the carbon dioxide equivalent (CO_2e) emission factors for fugitive emission activities. The formulas apply to oil, natural gas and coal mining and handling. In the 2023 and 2024 Budgets, new fugitive emission categories for solid fuel transformation and coal to liquid fuels were added to the Schedule 1 fugitive emissions factor table. To provide clarity to taxpayers on the formula to be used to calculate the CO_2e factors for these activities, it is proposed to apply the formula for oil and natural gas to solid fuel transformation (IPCC code 1B1C) activities, including coke and charcoal production. A new formula will be considered for calculating the emission factors for the coal to liquid fuel and charcoal production activities where calorific values may be required to convert emissions to tonnes.

Sequestration deduction

Under the carbon tax, a deduction is provided for carbon dioxide sequestration in forestry plantations. During stakeholder consultations on the 2022 Budget proposals, the industry proposed that the sequestration deduction be extended to third-party timber sequestration – that is, informal third parties that grow and supply timber/wood to processing mills. In 2022/23, the Paper Manufacturers Association of South Africa developed a protocol to measure, report and verify carbon stocks and greenhouse gas emissions from plantations. The DFFE reviewed and approved the protocol in September 2024 contingent on third-party growers registering under the greenhouse gas reporting programme, independent verification of sequestration reports, a list of third-party growers registered with the DFFE and assistance being provided to small-scale operators to meet the carbon reporting and accounting requirements.

It is proposed to extend the sequestration deduction for the paper and pulp sector to third-party timber sequestration measured and verified in line with the approved protocol effective from 1 January 2026. This provides an incentive for informal growers to produce timber and will contribute towards economic development and the livelihoods of the producers.

Including additional carbon offset standards under the carbon tax

Under the carbon tax, carbon offset projects and credits approved under the Clean Development Mechanism, the Gold Standard and VERRA are eligible for the carbon offset allowance. International standards use approved methodologies to estimate the emissions removals from eligible renewable energy, energy efficiency and afforestation, reforestation and revegetation projects. Afforestation, reforestation and revegetation nature-based offset projects could, for example, have important climate benefits, such as sequestering carbon and supporting biodiversity, and provide significant social and economic benefits and opportunities for local economic development. However, methodologies for afforestation, reforestation and revegetation projects may not be available under current eligible offset standards. It is proposed that additional carbon offset standards be evaluated and considered for inclusion as eligible standards for the carbon offset allowance under the carbon tax.

Tax administration

Customs and Excise Act
Delegation of functions of customs officers and designation of persons as customs officers

It is proposed that section 3 of the Customs and Excise Act be amended to insert a provision providing that the Commissioner may, with the concurrence of an organ of state or institution with whom the Commission has concluded an agreement in terms of section 2(1A), delegate functions of customs officers to persons in the service of such organ of state or institution, or designate persons in the service of such organ of state or institution to act as customs officers for a specific purpose. This amendment is related to the implementation of the new South African Revenue Service (SARS) electronic traveller management system, among other things.

Customs voluntary disclosure programme

The Tax Administration Act (2011) provides for a voluntary disclosure programme but excludes customs and excise. It is proposed that the Customs and Excise Act be amended to provide for a customs and excise voluntary disclosure programme.

Timing of adjustment of bill of entry

It is proposed that section 40 of the Customs and Excise Act be amended in relation to the timing of the adjustment of the bill of entry to create flexibility in respect of adjustments made in a manner prescribed by the Commissioner. The required flexibility can be achieved by providing for the Commissioner to also prescribe the timing for such adjustments.

The Commissioner may by rule determine a different manner to adjust a bill of entry – for example, by allowing a single consolidated document to be submitted to adjust various affected bills of entry. This could happen in instances of transfer pricing adjustments or where invoices for bulk export shipments are amended. In these instances, the mandatory adjustment of the affected bills of entry cannot happen "without delay" as currently required by section 40. SARS is also reviewing how a single document could be used to adjust various bills of entry in such instances.

Body-worn cameras

SARS is investigating issuing body-worn cameras to customs officers to promote trust, transparency and accountability in relation to the enforcement functions performed by customs officers.

Diesel refund

The Customs and Excise Act may require amendments to facilitate the implementation of the new diesel refund system.

Dutiability of waste derived from processing imported goods in manufacturing plants

SARS aims to consider, with the cooperation of relevant government agencies such as the International Trade Administration Commission of South Africa, the dutiability of waste derived from processing imported goods in a manufacturing plant to provide for relief when waste is disposed of in a sustainable and environmentally friendly manner such as recycling.

Movement of fuel products

The fuel industry in South Africa has increasingly shifted from local manufacturing to importing refined petroleum products such as petrol, diesel, illuminating kerosene and aviation kerosene. Companies importing fuel levy goods highlighted the challenges they encounter in moving imported products (especially aviation kerosene) through the national multi-product pipeline. SARS proposes to review the legislation pertaining to the fuel industry to align it with changes in this industry and to facilitate the movement and storage of fuel products.

Income Tax Act
Clarifying the meaning of audit certificate to be issued by public benefit organisations

Section 18A of the Income Tax Act provides that a claim for a deduction for a donation made to an organisation as specified in that section is not allowed unless supported by a receipt issued by the organisation containing the information as prescribed in that section. The section further prescribes that the organisation conducting mixed section 18A and non-section 18A activities must obtain and retain an audit certificate confirming that all donations received or accrued in the year for which receipts were issued were used solely to undertake activities covered by section 18A of the act. Some uncertainty exists about how the term "audit certificate" must be interpreted and whether it should bear reference to terminology contained in the Auditing Profession Act (2005). It is proposed that the term be clarified in the context of this section.

Reviewing the Fourth Schedule to allow for one nominated employer for company group structures and employee share scheme trusts of a group of companies

The provisions of the Fourth Schedule to the Income Tax Act will be reviewed to determine if they should be amended to allow one employer to be nominated by a group of companies, or by an employee share scheme trust for a group of companies, to apply to be registered as the employer on their behalf for purposes of pay-as-you-earn withholding and payment, return submissions and IRP5 certificate generation of multiple companies in a group context or an employee share scheme trust. This may require, among others, extending the joint and several liability principles in the Fourth Schedule for the entities concerned.

Value-Added Tax Act
VAT disputes on the importation of goods

VAT on the importation of goods, as well as penalties or interest emanating from an import transaction, is imposed in terms of the VAT Act. For practical administrative purposes, VAT disputes in this context (for example, refusal to remit penalties and interest with regard to VAT on the importation of goods) are dealt with in terms of the customs internal administrative appeals framework provided in terms of Chapter XA of the Customs and Excise Act. However, nothing precludes the vendor from instituting an objection and appeal under the Tax Administration Act. This raises practical and administrative challenges as the customs and VAT disputes are interrelated and should ideally be dealt with as part of one dispute resolution mechanism. It is proposed that the dispute resolution framework of both acts be reviewed to determine the best way to deal with these types of disputes.

Tax Administration Act
Trustee's role as the representative taxpayer of the pre-insolvent person

An amendment is proposed to confirm that the liability of a trustee of an insolvent estate, in their representative capacity, also extends to any income received or accrued to the insolvent person prior to the sequestration of the estate.

Inspecting an enterprise that submits a voluntary VAT registration application

To curb VAT fraud and abuse, SARS implements risk-mitigating measures throughout the VAT product life cycle, including VAT registration. When voluntary VAT registration applications are submitted, SARS may require a site inspection to be conducted to verify that the enterprise business address given on the application exists and the premises are conducive to conducting the activities reflected on the application. The Tax Administration Act provides that SARS may conduct an inspection at business premises under certain circumstances. It is proposed that its provisions or those of the VAT Act be expanded to include inspections for this purpose.

Clarifying "bona fide inadvertent error" for purposes of understatement penalties

The concept and scope of a "bona fide inadvertent error" has proven to be contentious. This concept is not explicitly used in similar understatement penalty frameworks, because these do not mix purely factual tests such as "substantial understatement" with taxpayer behaviours in a single provision. To clarify the scope of "bona fide inadvertent error", it is proposed that "bona fide inadvertent error" be explicitly linked with "substantial understatement".

Tax clearance status

The interaction between the current tax compliance status system and SARS' entity scoring model will be reviewed to determine if synergies in approach can be achieved.

TECHNICAL CORRECTIONS

In addition to the amendments described above, the 2025 tax legislation will make various technical corrections, which mainly cover inconsequential items – typing errors, grammar, punctuation, numbering, incorrect cross-references, updating and removing obsolete provisions, removing superfluous text, and incorporating regulations and commonly accepted interpretations into formal law. Technical corrections also include changes to effective dates and the proper coordination of transitional tax changes.

Other technical corrections relate to modifications following the implementation of the tax law. Although tax amendments go through an intensive comment and review process, new issues arise once the law is applied (including obvious omissions and ambiguities). These issues typically arise when tax returns are prepared for the first time after the tax legislation is applied. These technical corrections are limited to recent legislative amendments.

D

2025 BUDGET REVIEW

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

INTRODUCTION

This annexure provides a review of planned public infrastructure spending and broader infrastructure reforms, including updates on the public-private partnership (PPP) regulatory framework amendments and the status of major capital projects.

Government seeks to facilitate a shift in the quantity and quality of infrastructure delivery by mobilising private-sector financing and technical expertise at scale. Several reforms are under way to strengthen public investment management and the associated value chain. Many of these involve pooling resources with the private sector in blended finance initiatives aimed at funding and implementing infrastructure projects more effectively. The reforms include improving the PPP regulatory framework, reviewing the institutional arrangements to fast-track delivery of strategic infrastructure, enhancing infrastructure monitoring and reporting (including on PPP contingent liabilities), and building a strong project pipeline. A comprehensive project pipeline appears at the end of the annexure.

The difference between public-sector infrastructure, PPPs and blended finance projects

Public-sector infrastructure refers to infrastructure that is for general public use, where the resulting service can be made available within the prescripts of legislation. A PPP is a contract between a public-sector institution and a private party, where the private party performs a function that is usually provided by the public sector and/or uses state property by agreement. Most of the project risk (technical, financial and operational) is transferred to the private party. The public sector pays for a full set of services, including new infrastructure, maintenance and facilities management, through monthly or annual payments. In instances where the public-sector asset has the potential to raise revenue – such as a toll road or a rail link – the private party would be responsible for these services through a user-pays PPP. In a traditional government project, the public sector pays for the capital and operating costs, and carries the risks of cost overruns and late delivery.

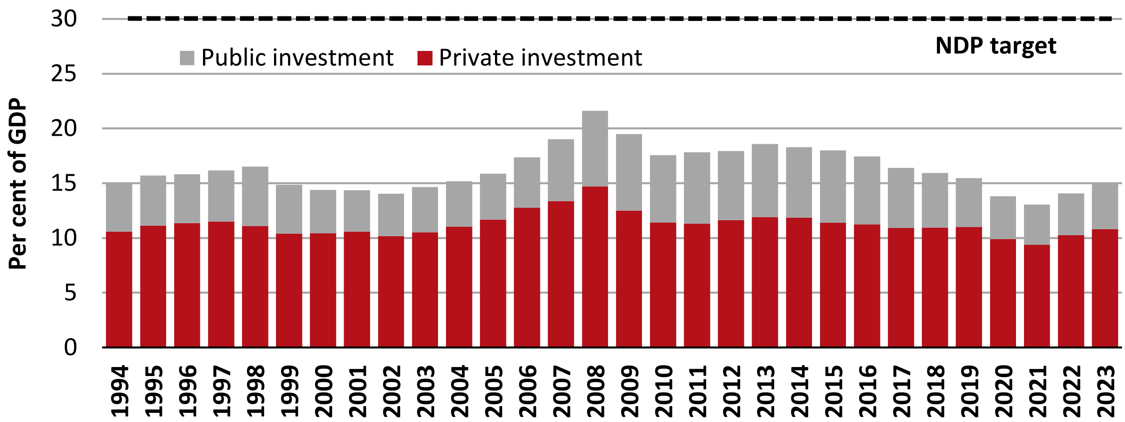
In this annexure, blending is defined as the strategic use of limited funds from the fiscus to mobilise financing from multilateral institutions, development finance institutions and the private sector to enhance the development impact of infrastructure.

TRENDS IN PUBLIC- AND PRIVATE-SECTOR INVESTMENT

In 2023, both public- and private-sector investment increased as a percentage of GDP. Public-sector capital investment increased from 3.8 per cent in 2022 to 4.1 per cent in 2023, while private-sector capital investment rose from 10.3 per cent to 10.8 per cent of GDP (Figure D.1). Yet, much faster growth is needed to expand the economy and reduce unemployment and poverty.

Over the past decade, weak growth, rising spending pressures, inefficient delivery and the financial support provided to state-owned companies have constrained government’s ability to optimally invest in infrastructure. Between 2013 and 2023, public-sector capital investment averaged 5.1 per cent of GDP, while private capital investment averaged 10.9 per cent of GDP. Higher total investment, measuring 14.9 per cent of GDP in 2023, remains well below the National Development Plan target of 30 per cent. To reach this target, public-sector investment in infrastructure would need to grow to 10 per cent of GDP by 2030, while private-sector investment would need to grow to 20 per cent in 2030. Bridging the infrastructure investment gap requires developing innovative approaches to leverage private-sector finance, making the necessary regulatory changes and improving infrastructure planning across government to build a pipeline of projects. To unlock this potential, government has initiated broad reforms in infrastructure provision, discussed later in the annexure, to support economic recovery.

Figure D.1 Public- and private-sector capital investment as a share of GDP, 1994–2023*



**All GDP data in this annexure is recalculated in line with Statistics South Africa's 2021 rebasing and benchmarking exercise. It is therefore not directly comparable with GDP data from earlier budget documentation*
Source: Reserve Bank

PUBLIC-SECTOR INFRASTRUCTURE SPENDING HIGHLIGHTS

Table D.1 summarises government's infrastructure spending plans for the next three years at national, provincial and local government level, including state-owned companies and other public entities. Public-sector infrastructure spending over the 2025 medium-term expenditure framework (MTEF) period is estimated at R1.03 trillion. State-owned companies continue to be the largest contributor to capital investment, spending a projected R410.9 billion over the next three years. Provinces are expected to spend R215.9 billion on infrastructure over the same period, while municipalities are forecast to spend R200.8 billion.

Public housing built in provinces through the *human settlements development grant* is expected to total R49.2 billion. Although these assets are transferred to homeowners, this spending is a substantial government contribution to the built environment. Spending on economic infrastructure, mainly by state-owned companies, accounts for 81.5 per cent of the medium-term estimate. These funds are used to expand power-generation capacity, upgrade and expand the transport network, and improve sanitation and water services. Social services infrastructure accounts for 15.5 per cent of the total, with the two largest sectors, health and education, contributing 4.4 per cent and 5.5 per cent respectively.

To help close the gap between available public resources and the growing infrastructure need, government's economic recovery plan includes immediate measures to boost investor confidence and longer-term reforms that promote sustained economic growth. Higher and more effective infrastructure spending is central to this plan.

Table D.1 Public-sector infrastructure expenditure and estimates

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	MTEF
	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	35.5	38.7	46.1	50.7	66.2	73.4	79.6	219.2
Water and sanitation	30.6	35.4	27.5	45.3	49.9	50.1	56.3	156.3
Transport and logistics	65.9	86.4	75.1	118.3	133.1	137.7	131.1	402.0
Other economic services	21.8	18.9	48.1	23.0	22.1	19.5	20.0	61.5
Health	16.4	11.9	13.1	14.5	15.6	14.8	15.0	45.5
Education	14.5	21.1	14.5	20.8	19.4	19.3	18.3	57.0
Human settlements[1]	13.4	14.3	21.3	17.8	17.3	15.6	16.3	49.2
Other social services	2.2	3.3	0.5	2.9	2.6	2.5	2.5	7.6
Administration services[2]	12.0	9.0	10.7	10.1	11.3	9.8	10.1	31.2
Total	**212.3**	**238.8**	**256.9**	**303.5**	**337.5**	**342.8**	**349.3**	**1 029.5**
National departments	12.5	13.2	14.2	15.0	15.0	12.6	12.6	40.1
Provincial departments	57.7	60.1	73.2	77.1	75.5	69.6	70.8	215.9
Local government	62.1	64.7	56.8	69.7	67.7	65.1	68.0	200.8
Public entities[3]	20.2	26.8	26.4	33.4	45.3	47.4	44.1	136.8
Public-private partnerships	6.5	6.0	6.8	7.1	7.9	8.4	8.7	25.0
State-owned companies[3]	53.4	67.9	79.4	101.2	126.0	139.8	145.1	410.9
Total	**212.3**	**238.8**	**256.9**	**303.5**	**337.5**	**342.8**	**349.3**	**1 029.5**

1. Human settlements includes public housing and bulk infrastructure amounting to R49.2 billion over the MTEF period
2. Administration services include infrastructure spending by the departments of International Relations and Cooperation, Home Affairs, and Public Works and Infrastructure, and Statistics South Africa and their entities
3. Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings
Source: National Treasury

SECTOR UPDATES

Water and sanitation

In the water sector, government is prioritising 11 strategic projects with an estimated value of R139.1 billion. These projects are expected to create about 20 000 jobs during construction and 14 000 jobs during operation. About 8 000 jobs have been created to date. Details on some of the projects are provided below.

The second phase of the Lesotho Highlands Water Project, which has an estimated capital investment of R42.1 billion, including the water delivery component for South Africa, is expected to be completed in 2028. The Trans-Caledon Tunnel Authority (TCTA) has raised about R24 billion from the Development Bank of Southern Africa (DBSA), the African Development Bank and the New Development Bank, among others, for this project. Construction is under way for the three main contracts (the Polihali Dam, the transfer tunnel from Polihali to Katse Dam and the Senqu Bridge). The dam and transfer tunnel are expected to be completed by June 2029. The project is estimated to be about 40 per cent complete.

The second phase of the Mokolo-Crocodile River Water Augmentation Project has an estimated capital investment of R12.3 billion. It is expected to be completed in 2030, providing about 75 million cubic meters of water annually to surrounding communities. The TCTA secured funding for the second phase from five local commercial banks (Investec Bank, Absa, Nedbank Corporate and Investment Banking, FirstRand Bank and Standard Bank) and two local development finance institutions (the DBSA and the Industrial Development Corporation). The project was structured around a blended finance portfolio, with an allocation from the fiscus for those components defined as social needs and a commitment from commercial users repaying for individual off-takes.

The uMkhomazi water augmentation project has an estimated capital investment of R24 billion, and construction is expected to be completed in 2032. The National Treasury approved an application for R12 billion through the Budget Facility for Infrastructure (BFI) to improve the affordability of the project. Credit enhancement mechanisms are being used to crowd in private-sector investment. The TCTA is negotiating the final water user agreements and framework agreements with recipient municipalities. Contracts for professional services providers for the 32-kilometre tunnel and the Smithfield Dam were awarded in May 2024 and September 2024 respectively. Both have commenced with their services.

The second phase of the Olifants River Water Resources Development Project has an estimated capital investment of R25 billion and is expected to be completed in 2030. The Department of Water and Sanitation has appointed Lebalelo Water User Association to implement this phase. The BFI provided half of the funding for the pipeline from Flag Boshielo Dam to the Sekuruwe water treatment works in Mogalakwena. Through the BFI, Phase 2D and 2F were approved for funding over the medium term.

The Berg River-Voëlvlei Augmentation Scheme has an estimated capital investment of R1.1 billion and is expected to be completed in 2027. Water supply agreements between the Department of Water and Sanitation and municipal and irrigation users have been signed. The department approved the water use licence application in December 2024. The procurement processes for the scheme will be concluded in 2025.

The rehabilitation of the Vaalharts-Taung irrigation scheme project was on hold from 2016 until the approval of project preparation support from the National Treasury in 2021. This led to the completion of the masterplan in June 2023. Based on the masterplan, the estimated capital cost for the project is R7.2 billion. The Department of Water and Sanitation and the DBSA signed the grant agreement on 17 October 2024. Work has commenced to develop a bankable feasibility study. The final overall project costs will be determined once the feasibility studies are concluded.

Energy

The overarching Independent Power Producer Procurement Programme has resulted in agreements for more than 8 588 megawatts (MW) of new generation capacity, totalling more than R280 billion in investment. To date, 6 331 MW are in operation and 2 257 MW are still under construction and expected to become operational in 2025/26.

Seven of the 11 preferred bidders under the Risk Mitigation Independent Power Producer Procurement Programme had signed agreements for projects totalling 578 MW by the end of December 2023. Three projects were in operation (150 MW) in November 2023, and three projects were under construction (278 MW) by the end of December 2024.

The fifth bid window of the Renewable Energy Independent Power Producer Procurement Programme focused on onshore wind and solar photovoltaic (PV) projects. Eleven projects under the fifth bid window (1 159 MW), with investment of about R31 billion, were under construction by the end of December 2024.

The sixth bid window resulted in the procurement of 1 000 MW of solar PV from six preferred bidders. Two of these projects, totalling 360 MW with investments of about R6.7 billion, reached commercial close by December 2024. The four outstanding projects are expected to reach commercial close by April 2025. The total investment associated with these four projects is about R9.7 billion.

The seventh bid window of the Renewable Energy Independent Power Producer Procurement Programme was launched in December 2023 for 5 000 MW of new generation and storage capacity, alongside the second bid window for 615 MW of battery storage capacity under the Battery Energy Storage Independent Power Producers Procurement Programme and the first bid window for 2 000 MW under the Gas Independent Power Producer Procurement Programme.

Four preferred bidders (360 MW) under the first battery storage bid window reached commercial close in December 2024, attracting investments of about R10 billion. Commercial close of the one outstanding project (153 MW) is expected by March 2025, with investment of about R6.7 billion. Eight preferred bidders under the second bid window were announced on 23 December 2024. The investment associated with these projects is about R12.8 billion. The projects are expected to reach commercial close by the second half of 2025. The third bid window was launched on 28 March 2024 for 616 MW of battery storage capacity. It closed on 29 November 2024. Bids are being evaluated and are expected to be awarded in 2026/27.

The Department of Electricity and Energy is working on bid windows 7.5 and 8 of the Renewable Energy Independent Power Producer Procurement Programme, taking into consideration mechanisms to optimise available grid capacity, system requirements and the 2019 Integrated Resource Plan. The department mandated the Independent Power Producers Office to implement the pilot programme under the Independent Transmission Infrastructure Procurement Programme to involve the private sector in expanding and strengthening the country's transmission network and related infrastructure. A request for information was published on 12 December 2024.

The Embedded Generation Investment Programme supports projects with a total capacity of 741 MW, comprising 300 MW of solar PV and 441 MW of wind power. These committed projects represent an investment value of R21 billion. The pipeline includes a 240 MW wind farm and solar PV projects totalling 300 MW under development in the Western Cape and Mpumalanga.

Transport and logistics

The transport sector gazetted 20 strategic integrated projects valued at about R126 billion.

The South African National Roads Agency Limited is improving the capacity of several routes on toll and non-toll networks. Thirteen projects with a combined value of about R40 billion have been prioritised and will create over 10 000 jobs during construction. Five projects worth about

R2.5 billion have been completed. Ten projects, valued at R36 billion, are under construction, including the N3 Cato Ridge to Dardenelles, N3 Dardenelles to Lynnfield Park, N3 Ashburton to Murray Road, N2/N3 EB Cloete Interchange, N2 Mtentu Bridge and N2 Msikaba Bridge, N3 Lynnfield Park to Ashburton, N3 Murray Road to New England, N3 Key Ridge to Hammarsdale, N3 Westville Viaduct to Paradise Valley Interchange and N2 Umdloti to Isipingo. Projects that are expected to be completed in the first quarter of 2025/26 are N3 Lynnfield Park to Ashburton, N3 Cato Ridge to Dardanelles and N3 Dardanelles to Lynnfield Park.

The Small Harbours Programme aims to revitalise harbours in the Western Cape and develop new harbours in the Northern Cape, the Eastern Cape and KwaZulu-Natal. Infrastructure South Africa is in the process of procuring the services of a professional service provider to develop spatial economic development frameworks for these Tier 1 and Tier 2 small harbours. The Tier 1 harbours are Port Nolloth, Port St Johns and Port Edward. From the initial 22 sites identified for the spatial economic development framework under Tier 2, five sites – two in KwaZulu-Natal, two in the Eastern Cape and one in the Northern Cape – are undergoing project development.

Under Project Ukuvuselela, the Gauteng-Eastern Cape high-capacity rail freight corridor for automotive volumes was gazetted in December 2022. The project is a catalyst for a R16 billion investment by Ford Motor Company SA in the City of Tshwane and will also facilitate the upgrading of the port of Gqeberha. The project aims to stimulate the automotive industry, which has been negatively affected by capacity constraints in the port of Durban and poor performance on the Container Corridor rail link. The construction phase of the project will yield an estimated 10 000 short-term jobs.

The high-capacity rail freight line is an expansion of the existing SouthCor rail infrastructure, which extends from Waltloo and Kaalfontein in Gauteng to Gqeberha through the Free State and the Eastern Cape. The project is at the bankable feasibility stage. In conjunction with Infrastructure South Africa, the Infrastructure Fund, DBSA and the Industrial Development Corporation, Transnet received R2 billion from the BFI to upgrade the rail and port infrastructure.

Digital infrastructure

The digital infrastructure sector consists of four strategic integrated projects: the Space Infrastructure Hub, the digitisation of government records, SA Connect Phase 1, and the MeerKAT and Square Kilometre Array (SKA) project.

The national Space Infrastructure Hub is a R4.4 billion project by the South African National Space Agency. It aims to increase the availability and use of Earth observation data. The agency received R1.2 billion from the BFI for the first phase of the project. The funding enabled the agency to complete the required site characterisation studies and construct a key infrastructure component at Matjiesfontein ground station. The Matjiesfontein site is a key component of the Space Infrastructure Hub as it will serve as a satellite tracking and telemetry site. It will also be used for deep space communication by the National Aeronautics and Space Administration as part of its upcoming lunar exploration programme. The requirements and procurement of the outstanding elements that form part of phase 1 are being finalised.

The South African Radio Astronomy Observatory received R1.3 billion from the BFI for the SKA data-hosting infrastructure project. This funding will cover the financial gap in construction, ensuring that the observatory can meet the required deadlines for delivering identified infrastructure elements. The Science Processing Centre and SKA Regional Centre Buildings, the Science Operations Centre Building and other components are at an advanced stage of the procurement process.

Agriculture and agro-processing

In partnership with multilateral development banks, the Department of Agriculture, Land Reform and Rural Development received a R9.9 million grant from the Middle-Income Country Technical Assistance Fund to prepare feasibility studies to attract finance to develop two agri-parks in the Free State and the North West. These pilot studies will be used to champion the revitalisation of the Rural Infrastructure Agri-Parks Programme and facilities to support access to fresh produce and other markets. A PPP financial structure is being explored for the two agri-parks.

The Marine Tilapia Industry Incubator Project in the Eastern Cape aims to establish a commercial marine tilapia industry. It was developed by the Eastern Cape Rural Development Agency and is supported by the Eastern Cape Department of Rural Development and Agrarian Reform and Infrastructure South Africa. An estimated R2.5 million has been allocated for feasibility, market demand and cost-benefit analysis studies, and overall business case development.

Human settlements

The human settlements portfolio has 17 strategic integrated projects: six integrated residential development programmes, nine social housing projects and two high-impact private-sector-led developments. Together, these projects have a total investment value of R163.1 billion and will provide housing for over 154 000 people. To date, 10 172 of the target of 154 000 housing units have been completed. The portfolio is projected to create over 285 000 jobs during development. To date, 39 056 short-term jobs have been created.

In collaboration with provinces and municipalities, the Department of Human Settlements expects to deliver about 86 000 fully subsidised houses over the medium term through an allocation of R43.5 billion to the *human settlements development grant*. A further R28.4 billion is allocated to the *urban settlements development grant* for metropolitan municipalities to implement bulk and related infrastructure projects.

PUBLIC-SECTOR INFRASTRUCTURE REFORMS

Over the past few years, the National Treasury has led reforms to strengthen the identification and prioritisation of projects, project planning and appraisal, funding, procurement and implementation readiness of the infrastructure project pipeline.

The National Treasury, the Department of Public Works and Infrastructure (DPWI) and the Infrastructure Fund are undertaking complementary reforms to strengthen the infrastructure value chain. The National Treasury is leading the review of the setup of the institutional value chain and spearheading initiatives to crowd in private investment. The DPWI is developing the second phase of the National Infrastructure Plan, focusing on distributed infrastructure aimed at making services more accessible to businesses and communities. Infrastructure South Africa is working to unblock policy and regulatory obstacles to build a credible and bankable pipeline of projects. The BFI is being strengthened to develop a pipeline of projects that can attract funding and financing, support the use of alternative delivery models and manage fiscal exposure and risks. The Infrastructure Fund is increasing skills and capacity in the structuring of blended finance projects, where most of the financing will come from the private sector.

Review of infrastructure delivery ecosystem and crowding in private-sector investment

The National Treasury is undertaking initiatives to catalyse greater private-sector participation and improve spending and delivery outcomes. These include introducing dedicated financing instruments to source funding from international financial institutions, development finance institutions and others to reduce the cost of borrowing, access technical assistance and improve accountability. As outlined in the 2024 *Medium Term Budget Policy Statement* (MTBPS), the National Treasury is piloting new models of funding and financing infrastructure, which are at different stages of development, such as the infrastructure funding platform, a credit guarantee vehicle and private sector funding for transmission infrastructure.

The review of the institutional arrangements to fast-track project planning, financial structuring to enable early financial closure and delivery of projects is at an advanced stage. In the 2024 MTBPS, the National Treasury indicated its intention to combine project preparation support, transaction advice for PPP projects and ringfenced financing from government borrowing in a single structure. This unified approach will bring together the PPP office and Capital Projects Appraisal Unit in the Government Technical Advisory Centre and the capabilities in the Infrastructure Fund located in the DBSA. The memorandum of agreement that will govern their operations will be signed in 2025, with the consolidation of these functions expected to commence in the current year.

The expected outcomes are clearer institutional arrangements to deliver strategic infrastructure and a streamlined public investment management system leading to a stronger pipeline of credible infrastructure projects; faster, more efficient and cost-effective delivery of infrastructure; and greater access to various forms of financing, including more private-sector investment.

Budget Facility for Infrastructure

The BFI is a multi-disciplinary facility for large infrastructure projects to be appraised, evaluated and linked to the budget process for the allocation of resources. It brings together experts across government to make recommendations on the technical feasibility and readiness of infrastructure projects. By improving the planning, technical assessment, budgeting and execution of large infrastructure projects, the BFI supports quality public investments. The facility has helped build a pipeline of projects that have undergone rigorous technical analysis.

Since inception, there have been eight BFI windows, with R52.9 billion allocated in windows 6, 7 and 8. To improve the preparation and packaging of projects, the BFI has enabled the establishment of project preparation facilities. Projects that require preparation assistance from the BFI are referred to these facilities.

As part of the current reforms, the BFI is being reconfigured to run multiple windows. Project submissions will be evaluated quarterly rather than annually, as is currently the case. The same appraisal methodology will be used, but financing decisions will be separated from the budget process to determine the most effective financing mechanism for each project. This could include government guarantees, appropriations, PPPs or other fiscal tools. This is expected to improve efficiency and the allocation of fiscal and project risk.

The eighth window for the 2025 Budget process piloted the reconfigured system of appraisal and financing. Table D.2 shows the projects that have been approved for funding and execution.

Table D.2 Projects approved for funding in Window 8 of the BFI

	2025/26	2026/27	2027/28	MTEF
Cape Town Container Terminal Expansion (Phase 2B)	320	888	92	1 300
Health Technology for the Tygerberg Hospital Redevelopment PPP	–	–	295	295
City of Johannesburg Alternative Waste Treatment Technology	–	578	533	1 111
Student Housing Infrastructure Programme		306	951	1 257
NECSA's Multi-Purpose Reactor	403	440	414	1 257
OMMP 2D and 2F Raw Water Pipeline, WTWs, Reservoirs and Ancillary Reticulation Infrastructure	1 500	1 000	700	3 200
Siloam District Hospital	858	259	–	1 117
Ukuvuselela: Gauteng-Eastern Cape High-Capacity Rail Corridor	209	1 800	–	2 009
eThekwini Non-Revenue Water (NRW) Project	56	109	101	266
Total	**3 346**	**5 380**	**3 086**	**11 812**

Source: National Treasury

Currently, infrastructure allocations in the MTEF period are only visible and assured for a three-year period. From a risk allocation perspective, fiscal support to a blended finance project should ideally be transparent and assured over the project life cycle.

Improving transparency in infrastructure delivery and reporting

The National Treasury extended the scope of the infrastructure reporting model from April 2021 to include national government. The model aims to enhance transparency and uniformity by providing project details so that infrastructure budgets can be analysed and spending can be reviewed across all spheres of government. Substantial progress has been made towards fully institutionalising national government reporting by the end of March 2025. The reporting process has also identified the need for awareness and implementation of the infrastructure delivery management system in national government. This area will be prioritised in the 2025 MTEF to enable alignment between planning (budgeting and procurement) and implementation processes. Selected municipalities will pilot the use of a customised infrastructure reporting model during the 2025 MTEF period before it is rolled out to the rest of the municipalities.

Infrastructure Fund

The Infrastructure Fund's role is to maximise the contribution of private-sector investors in blended finance projects while facilitating early financial closure. Since its establishment, the fund has made significant progress in supporting the financing of infrastructure projects. Since 2021, the fund has helped package and finance 26 blended finance projects and programmes with a capital value of R101.6 billion across the water and sanitation, human settlements, student accommodation, transportation, health and municipal energy sectors.

Table D.3 summarises these projects and programmes. Of this, R37.1 billion has been approved through the BFI. Private-sector contributions total an additional R53.9 billion.

The approved projects and programmes in the human settlements sector are expected to deliver about 34 400 units of housing, water and sanitation projects will deliver about 500 000 megalitres of water per year, and the student accommodation programme is anticipated to provide about 13 700 beds when completed. The transport projects are expected to facilitate trade between South Africa and other countries. They include refurbishing six land ports to streamline the movement of people and goods; increasing Cape Town Harbour's terminal handling capacity to 1.4 million 20-foot equivalent units to improve operational efficiency; and building 1 000 kilometres of rail network to increase trade through automotive exports while reducing road congestion.

The Alternative Waste to Energy Treatment Technology Project will provide an alternative waste disposal approach that reduces environmental damage while generating energy innovatively by converting 500 000 tons of solid waste per year at a dedicated waste-to-energy facility.

Table D.3 Blended finance projects

Sector	Project	Quantity[1]	Capital costs (R million)	Approved BFI (R million)	Expected private-sector funding (R million)	Other grants/ equity (R million)	Progress to date
Human settlements	Hospital Street Social Housing Project	1 056 units	388	88	–	300	Construction
Human settlements	Goodwood Station Social Housing Project	1 055 units	457	152	–	305	Construction
Human settlements	Midrand Heights Social Housing Project	305 units	163	64	–	99	Due diligence
Human settlements	Lufhereng Mixed Use Development Project	32 000 units	7 700	3 400	2 150	2 150	Construction
Water and sanitation	Phase 1: Olifantspoort and Ebenezer Water Supply Programme	20 075 ML	4 600	1 400	2 000	1 200	Construction
Water and sanitation	Phase 1: uMkhomazi Water Augmentation Project	300 000 ML	24 000	12 000	12 000	–	Procurement
Water and sanitation	Moretele North Klipvoor Bulk Water Supply Scheme	15 330 ML	5 200	1 900	2 600	700	Procurement
Water and sanitation	Pilanesberg Bulk Water Supply Scheme	45 990 ML	2 900	1 800	1 100	–	Construction
Water and sanitation	Olifants Management Model Programme Phase 2B and 2B+	95 995 ML	6 300	2 400	3 429	471	Financing
Water and sanitation	eThekwini NRW	22 266 ML	1 109	379	169	561	Procurement
Water and sanitation	Olifants Management Model Programme Phase 2D and 2F[2]	95 995 ML	7 000	3 200	3 500	300	Financing
Transportation	Ports of Entry	6 land ports	9 100	–	9 100	–	Procurement
Transportation	Ukuvuselela	1 000 km	7 009	2 009	5 000	–	Procurement
Transportation	Cape Town Container Terminal	1 400 000 TEU	2 801	1 300	–	1 501	Financing
Student housing	Tshwane University of Technology	1 089 beds	1 089	338	210	541	Procurement
Student housing	University of KwaZulu-Natal	973 beds	973	200	188	585	Withdrawn
Student housing	Gert Sibande TVET College	504 beds	504	188	109	207	Awaiting ministerial approval
Student housing	Majuba TVET College	477 beds	477	174	103	200	Awaiting ministerial approval
Student housing	Lephalale TVET College	1 200 beds	462	341	73	48	Financing
Student housing	Sekhukhune TVET College	1 500 beds	600	465	72	63	Financing
Student housing	Vhembe TVET College	1 300 beds	514	399	62	53	Financing
Student housing	Central University of Technology	2 000 beds	610	178	181	251	Financing
Student housing	Walter Sisulu University	3 200 beds	1 040	446	112	482	Financing
Student housing	Northlink TVET College	1 500 beds	468	346	63	59	Financing
Energy	CoJ AWTT	500 000 TPA solid waste	5 740	1 600	4 140	–	Public participation and request for qualification (RFQ)
Health	Tygerberg	893 beds	10 378	2 302	7 500	576	Treasury Approval 2A (TA IIA): RFQ stage
Total			**101 582**	**37 069**	**53 861**	**10 652**	

1. The quantity for human settlements is units, the quantity for student accommodation and health is beds, the quantity for water and sanitation is megalitres per annum (ML), the quantity for energy is tons per annum (TPA) and the quantity for transportation is kilometres (km) and twenty-foot equivalent units (TEU)

2. Phase 2D and 2F are designed to take the full capacity of water as was catered for in the existing Phase 2C pipeline. They will not be counted as part of the total to avoid double counting

Source: Infrastructure Fund Unit and Project Preparation Division

PUBLIC-PRIVATE PARTNERSHIPS

Implementing recommendations from the PPP review

The National Treasury is advancing the implementation of recommendations from the comprehensive review of the PPP regulatory framework across all three spheres of government. Recommendations are being implemented to improve the PPP policy, legal and regulatory framework; strengthen institutional arrangements; and improve the reporting of fiscal risks and contingent liabilities. The changes are expected to drive higher confidence and investment in PPPs as well as greater private-sector participation.

As highlighted in the 2024 Budget, amendments were drafted to the National Treasury Regulation 16 (NTR 16) and the Municipal PPP Regulation 309, which govern PPPs. The National Treasury issued these amendments for public comment on 19 February 2024. The public commentary process closed on 15 April 2024. The National Treasury has made good progress in addressing the recommendations related to changes in the legal and regulatory framework.

A communication will be issued in response to all public comments received on NTR 16. The amendments to the Municipal PPP Regulation 309 require more time because of procedural processes, including consultation with Parliament. These amendments will be finalised by June 2025.
The final amendments to NTR 16 were issued on 7 February 2025. The summary of the amendments is as follows:

- NTR 16 rationalises the approvals for smaller projects with a threshold of R2 billion that exempts projects from Treasury Approvals IIA and IIB.
- The PPP Advisory Unit's roles and responsibilities have been defined in the amendments to support institutions in the planning and procurement process for PPPs and to fast-track the conclusion of PPP projects to reach financial close.
- The amendments provide a clear delineation of the institutional roles and responsibilities of the PPP advisory function and the regulatory function.
- A new provision empowers national departments to establish dedicated units tasked with adopting a programmatic approach to support PPPs on behalf of other organs of state within the strategic sectors under their jurisdiction. The PPP Advisory Unit will collaborate closely with these departmental units to ensure effective coordination and execution of PPP initiatives.
- The legislative amendments provide mechanisms to track, report and manage fiscal commitments and contingent liabilities (FCCL) through the reporting requirements of Treasury Approvals I, IIB and III.
- The provisions for granting exemptions to NTR 16 have been improved to ensure good governance.

- The provision about applications from institutions seeking approvals for amendments to PPP agreements has been improved and clearly explained to ensure good governance.
- The amendments include a clear framework for receiving and processing PPP unsolicited bid proposals together with incentives to ease entry for the private sector.

The amendments are effective from 1 June 2025. This timeline has been set to allow sufficient time for institutions to familiarise themselves with the amendments as well as the enabling FCCL and unsolicited bid proposal guidelines that support these changes. In addition, institutions will receive training on the new amendments before their effective date.

To complement the recently issued amendments, the National Treasury will update the PPP manual to reflect the new amendment requirements as well as the modules recommended for revision, as outlined in the PPP review. Additionally, sector-specific toolkits are being developed, starting with priority sectors such as water and sanitation, tourism, electricity and accommodation. These updates are expected to be completed in 2025/26.

The legislative changes are not sufficient in crowding in private-sector investment. The National Treasury is working on various enabling mechanisms to support the legislative amendments. This includes:

- **Improving the policy framework:** The PPP ecosystem is being reviewed as part of a larger reform programme, as discussed above.
- **Strengthening the regulatory function:** The National Treasury will continue to strengthen the capacity of its regulatory function, which oversees and approves all PPPs, as this function is important for gatekeeping, timely approvals, transparency and fiscal oversight.
- **Exploring financial support mechanisms:** Further work is being done to explore options to bridge the affordability gap for PPP projects through budget processes. Funding mechanisms and other interventions need to be in place early to minimise delays in moving projects from contract to financial close.

CONTINGENT LIABILITIES

Contingent liabilities arise when there is a potential obligation that may materialise depending on the outcome of a future event. These liabilities are incurred if the contingency is likely to occur and the amount of the liability can be reasonably estimated. The materialisation of such liabilities, along with the associated costs, can significantly impact the budgets of institutions. Therefore, it is crucial to disclose all contingent liabilities, as they can have substantial implications for public finances. National and provincial PPP agreements are guaranteed by the Minister of Finance. These create a contingent liability for the national fiscus. This highlights the importance of carefully managing and monitoring contingent liabilities to ensure fiscal stability and transparency.

The National Treasury ensures that contingent liabilities arising from contracts are acceptable and monitors these liabilities. The National Treasury reviews and approves contingent liabilities of national or provincial PPP projects at the Treasury Approval III stage.

The legislative amendments to NTR 16 strengthen the reporting requirements and compliance relating to fiscal commitments and contingent liabilities.

There are various categories of contingent liabilities, depending on whether the termination is the result of private-sector default, government default or *force majeure* – an event beyond the party's control. Compensation depends on the reason the contract ended, but termination due to government default usually results in the greatest compensation. Table D.4 shows potential termination amounts for national and provincial departments and public entities. Total contingent liabilities amount to R11.4 billion for 2024/25.

Table D.4 Contingent liabilities by category[1]

	Termination for private party		Termination for force majeure		Termination for government default	
R million	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
National departments' exposure	2 722.3	1 719.5	3 093.2	2 858.1	3 832.7	3 211.6
Provincial departments' exposure	455.1	157.2	709.6	90.3	2 720.7	2 721.6
Public entities' exposure	217.1	184.5	184.1	156.4	272.6	272.6
Total	**3 394.5**	**2 061.2**	**3 986.9**	**3 104.8**	**6 826.0**	**6 205.8**

1. Municipalities are an autonomous sphere of government so their liabilities are not part of the fiscus
Source: National Treasury

Estimated contingent liabilities for PPPs that are likely to accrue to government if contracts are terminated due to government default decreased from R6.8 billion in 2023/24 to R6.2 billion in 2024/25. This decline was expected as government continues to pay off debt and equity owed to the private sector and as the contract terms of PPP projects end. National departments account for the greatest exposure, amounting to R3.2 billion in 2024/25. Head office accommodation projects and the Gautrain Rapid Rail Link project are the biggest contributors to government's exposure to contingent liabilities. Government manages the risk emanating from PPP contingent liabilities by closely monitoring each party's performance against their contractual obligations and enforcing regulatory requirements.

Improving the quantification of fiscal risks and contingent liabilities

The recommendations from the PPP review have underscored the need to enhance the reporting and monitoring of FCCL. This requirement has been reinforced through the revised legislative amendments to NTR 16, which mandate institutions to report on fiscal risks and contingent liabilities exposure.

Increased private-sector participation highlights the need for the National Treasury to better understand and manage fiscal risks associated with externally financed public projects. Effectively identifying, assessing, managing and reporting fiscal risks and contingent liabilities have become essential for designing new project financing methods and monitoring and reporting on existing projects.

In response to this, the National Treasury will issue FCCL guidelines that establish a shared understanding of the methodology for reporting fiscal risks, commitments and contingent liabilities. Additionally, the National Treasury will provide the necessary templates and training to ensure that institutions are equipped to regularly report on their financial commitments and contingent liabilities arising from PPP projects.

PPP projects going to the market

There are 35 PPP projects at different stages of development: 11 projects are in the inception phase, 11 are in the feasibility study phase and 13 are in the procurement stage. This distribution highlights the ongoing interest and commitment of public-sector institutions in the PPP market. Given budget constraints, the PPP model offers a viable alternative for these institutions to access private-sector financing and expertise.

Additionally, the amendments to the PPP regulatory framework will enable greater private-sector participation in public-sector infrastructure projects by reducing the procedural complexity in implementing PPPs. The creation of two pathways for PPPs, one for high-value projects and a simplified version for low-value projects, will incentivise the commencement of smaller PPP projects.

Brief details on some notable projects are outlined below.

Redevelopment of Ports of Entry Project

The R9.1 billion project aims to reduce delays experienced by passengers and vehicles at six inland borders that South Africa shares with its neighbouring countries. This will facilitate the efficient movement of goods to improve regional trade. The Department of Home Affairs will enter into a PPP agreement with a private party to design, build, operate and finance the redevelopment of the identified ports of entry.

The Department of Home Affairs has made significant progress in the procurement process, with the request for proposals submission period now closed. Both the department and the Border Management Authority are evaluating the submissions, with support from various stakeholders such as the National Treasury, the DBSA, the Infrastructure Fund and Infrastructure South Africa.

Gautrain Rapid Rail Link System

The Gautrain Rapid Rail Link System is an 80-kilometre rapid rail system in Gauteng, linking the cities of Johannesburg, Tshwane and Ekurhuleni. The current Gautrain concession ends in March 2026. The provincial government intends to implement new arrangements to ensure continuity of the current service while improving the quality, affordability, accessibility and sustainability of the system.

This project is at the evaluation stage and is expected to reach the stage of application for Treasury Approval IIB in 2025/26. The project should reach financial closure towards the end of this financial year.

Inkosi Albert Luthuli Central Hospital

The Inkosi Albert Luthuli Central Hospital is an 846-bed referral hospital that serves the whole of KwaZulu-Natal and part of the Eastern Cape. The 15-year PPP agreement is coming to an end, and the provincial government is undertaking a new PPP arrangement to ensure continuity of the current service while making improvements to the system. The project reached financial closure in 2024/25, and the new PPP agreement was signed on 28 May 2024. The project is now in its implementation stage.

Government Precincts

The R18.1 billion Salvokop Government Precinct is a mixed-use development that includes the construction of offices for four national government departments in Pretoria’s inner city. Four PPP projects are registered for this precinct, each at different stages of development. These include Home Affairs at the Treasury Approval I stage, Correctional Services and Social Development at the feasibility study stage, and Higher Education at the inception stage.

The subsequent phases will include other commercial uses by the private sector and mixed typology housing. The government precinct will be supported by other land uses, including residential, office, commercial, retail, recreational and services.

MAJOR CAPITAL PROJECTS

Infrastructure Fund project pipeline

Table D.5 outlines possible blended finance projects under consideration by the Infrastructure Fund with a capital value of about R135.7 billion. Most of these projects will be submitted for funding consideration to the BFI. If approved, the BFI may provide gap funding or structure other financing instruments for them.

Table D.5 Project pipeline

Project name	Sector	Project description	Estimate of potential total investment (R million)	Progress to date
Lanseria Wastewater Treatment Works	Water and sanitation	The project entails the planning, design and implementation of the Lanseria wastewater treatment works and associated bulk outfall sewer. The objective is to construct and commission a module of 50 Ml/day (Ml/d) as part of a programme to deliver 150 Ml/d	3 400	Addressing gaps raised by 2022 BFI. Resubmission in 2025
Beitbridge - Musina Water Transfer Scheme	Water and sanitation	The project entails the construction of a pipeline (about 20km) crossing the Limpopo River from Beitbridge to Musina with bidirectional capacity to transfer 15 million m^3/annum (41 Ml/d) of treated water from Beitbridge WTW to the terminal reservoirs in Musina	2 000	Feasibility study stage
Ngqura Manganese Export Terminal Project	Transport	Development of a world-class 16 million ton per annum (mtpa) manganese export facility at the port of Ngqura to complement 6mtpa from the port of Saldanha to cater for projected demand of 22mtpa	10 000	Addressing gaps raised by 2022 BFI. Resubmission in 2025
Nkuna Smart City Mixed Use Development	Human settlements	Nkuna Smart City is a mixed-use development that is being developed on 119 hectares of land and consists of an industrial park, warehousing, shopping centre, public- and private-sector offices, intermodal facility, petrol station, drive-thru food outlets, university campus, schools, hotel, private hospital, business park, residential walk-ups and single stands	3 100	The project was registered with ISA and is expected to be in the early business case stage. The project consists of 10 phases, with two already completed. A cost-benefit analysis is under way
Cornubia Boulevard Development Project	Human settlements	Cornubia is a greenfield integrated human settlement development that will incorporate a variety of land uses, including mixed-income residential, industrial, commercial, open space, education and other amenities, as well as the associated bulk infrastructure services	25 000	Phase 1 of the project has been completed and phase 2 is currently at feasibility study stage
eThekwini Avoca Node Phase 2	Human settlements	The programme is located on a 350-hectare site in the northern corridor of the metro in KwaZulu-Natal. It consists of the Brickworks, Northfield and Caneridge developments and will provide for industrial and social housing needs	12 000	Advanced project preparation. Processes are in place to submit the project to the BFI in 2025
Total			**55 500**	

Table D.5 Project pipeline *(continued)*

Project name	Sector	Project description	Estimate of potential total investment (R million)	Progress to date
Nelson Mandela Bay N2 Nodal	Human settlements	The programme consists of various residential and non-residential components and bulk services to be delivered around the Baywest Mall. It will deliver a mix of land uses, including residential units across different market segments (fully subsidised to upper-middle-range private developments), large-scale retail, commercial and office facilities, and light industrial and warehousing facilities	19 700	Early project preparation. Processes are in place to submit the project to the BFI in 2025
Southern Farms Human Settlements Project	Human settlements	The development has capacity to deliver a smart city with 11 014 dwelling units for over 8 000 poor families and 3 000 middle-class families, retail facilities, transport hub, offices, hotel, light industrial centre, agricultural area, recreational area, educational facilities and health facilities	9 700	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
Leeuwpoort Integrated Human Settlements Project	Human settlements	The project is on a 1 300-hectare site with a variety of land uses, including mixed-income residential, industrial, commercial, open space, education and other amenities. It is in Ekurhuleni across three sub-township extensions: Rieger Park, Park Dene and Sunward Park	15 600	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
First Land Mixed Use and Agri-hub	Agriculture	First land precinct is a mixed-use development by Atterbury. The project aims to develop a state-of-the-art fresh produce hub and agri-hub for Gauteng	10 762	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
6 District Municipalities Project Preparation Interventions*	Water and sanitation and energy	To improve the integrity of the bulk water and sanitation infrastructure in selected priority district municipalities, to improve supply reliability	1 600	Feasibility studies being completed
Chris Hani Baragwanath Academic Hospital	Health	Construction of a PPP central hospital facility with the private sector	10 000	Feasibility study is currently under way
George Mkhari Academic Hospital	Health	Construction of a PPP central hospital facility with the private sector	10 000	Feasibility study is currently under way
Joburg Fresh Produce Market	Agriculture	The project entails the refurbishment work and modernisation of the JFPM to be a "smart facility" to fulfil current and future needs, and ensure sustainability and that it is fit for purpose. The market needs an upgrade and expansion of its existing infrastructure	2 820	Feasibility study is currently under way
Total			**135 682**	

Source: Infrastructure Fund

Pipeline of other major public-sector projects

Table D.6 summarises other major public infrastructure projects, some of which are public-private partnerships.

Table D.6 Pipeline of other major public-sector projects

Project name	Project stage	Project description	Estimated project cost
Salvakop Precinct PPP Project	Various	A mixed-use development that includes the construction of offices for four national government departments in Pretoria's inner city	R18.1 billion
Kopanong Precinct PPP Project	Procurement	Construction of Gauteng Provincial Government office to consolidate administration function of 19 buildings in the Johannesburg CBD	R6.5 billion
Phase 2 - Rural Bridges Programme	Various	Construction of rural bridges in various parts of the country	R12 billion
KwaMashu Wastewater Treatment Works	Feasibility	Design, finance, build and operate wastewater treatment works in KwaMashu, eThekwini Municipality	R1.2 billion
City of Cape Town Water Desalination	Feasibility	Desalination of sea water for bulk and reticulation	R2.5 billion
Limpopo Central Hospital Project	Implementation	Construction of a new 488-bed central hospital in Polokwane, which will form part of an academic health complex attached to the University of Limpopo's medical school	R4.5 billion
Gauteng Rapid Rail Network Extension Parts 1 and 2	Procurement	A two-phase extension of the existing Gautrain rail system	R65.4 billion
Midvaal Electricity Distribution Project	Procurement	Refurbishment and expansion of the existing distribution lines owned by the municipality	R1 billion
Small Harbours Development Programme	Implementation	Upgrading and refurbishment of 12 proclaimed fishing harbours in the Western Cape, and nodal-based refurbishment and development of new harbours in the Northern Cape, Eastern Cape and KwaZulu-Natal	R7.1 billion
Expansion of the MyCiTi Bus Rapid Transit System in Cape Town	Implementation	Expansion of the MyCiTi bus rapid transit system in Cape Town	R7.1 billion
Belhar Regional Hospital	Concept design	Construction of a 550-bed regional hospital	R4.6 billion
Klipfontein Hospital	Concept design	Construction of a new hospital to replace the GF Jooste Hospital	R4.3 billion
Berg River Voëlvlei Dam Pipeline BRVAS (Western Cape)	Construction	Construction of a weir and abstraction works with a pump station on the Berg River, with a 6.3-km-long pipeline to the Voëlvlei Dam	R1.1 billion
Lower uMkhomazi Bulk Water Supply Scheme	Construction	Construction of an off-channel storage dam at Ngwadini, construction of two weirs within the uMkhomazi River, raw water transfer to a 100 Ml/d water treatment plant at Craigieburn and potable water infrastructure to supply the South Coast Quarry Reservoir	R 6.2 billion

Source: National Treasury

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2025 BUDGET REVIEW

FINANCIAL SECTOR UPDATE

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

This annexure reports on steps to strengthen South Africa's framework to combat money laundering, the financing of terrorism and other financial crimes; reforms to support greater financial inclusion; measures to enhance climate-resilient investment; and other initiatives.

BUILDING CAPABILITY TO FIGHT FINANCIAL CRIMES AND EXIT THE GREY LIST

In February 2023, the Financial Action Task Force (FATF) put South Africa on its "grey list" due to deficiencies in technical compliance and effectiveness of the country's system to combat money laundering and the financing of terrorism. This grey listing followed the publication of the 2021 mutual evaluation report, in which South Africa was identified as non-compliant with 20 of the 40 FATF recommendations and deficient in all 11 measures of the effectiveness of the system. In response, government developed a strategy to build a financial system that is less vulnerable to abuse and where abuses are effectively prosecuted. This involves both legislative and regulatory changes, as well as improvements in the implementation and application of these laws and regulations.

Progress on technical compliance

At its October 2024 plenary, the FATF approved the upgrade of South Africa's compliance. South Africa now complies or largely complies with 37 of the 40 FATF recommendations, while one recommendation was deemed to be inapplicable.

The country is deemed to partially comply with the two outstanding recommendations, which relate to non-profit organisations and cash couriers. Meeting the outstanding recommendations does not affect the process for the country to exit the FATF grey list, as grey listing is a consequence of the assessment of the extent to which a country's anti-money laundering laws and frameworks are applied effectively. Complying with 37 of 39 applicable recommendations positions South Africa well for the 2026/27 mutual evaluation assessment. Additional legislation will be introduced in 2025 to improve the extent of compliance with the FATF recommendations.

Progress on effectiveness

Government continues to address the 22 action items in the action plan agreed with the FATF. Once all items have been implemented and the improvements deemed sustainable, the FATF will reconsider the country's grey listing. South Africa provides a progress report every four months. The last progress report was submitted in November 2024.

The October 2024 plenary confirmed that six action items remain. These relate to timely access to beneficial ownership information and demonstrating a sustained increase in the investigation and prosecution of complex money laundering, terror financing and unlicensed cross-border money or value transfer services and the imposition of dissuasive sanctions.

The FATF is finalising a review of the November progress report, and additional feedback will be received at the February 2025 plenary, including whether all the action items have been addressed. If the FATF plenary assesses that the remaining action items have not been adequately addressed, South Africa will be required to continue reporting to the FATF every four months until this is done.

Cross-border remittances

In line with the FATF recommendations, the existing policy on cross-border remittances will be expanded to include informal money value transfer services. This will help to stem illicit financial flows as part of the fight against financial crimes.

FINANCIAL INNOVATION TO IMPROVE COMPETITION AND INCLUSION

Crypto asset policy

The Intergovernmental Fintech Working Group published a position paper on regulating crypto assets in June 2021. The group continues its analytical work to understand the applicable use cases of stablecoins and to recommend an appropriate policy and regulatory response. The group recently finalised a diagnostic of the domestic stablecoin landscape, which will be published in 2025. In addition, the group aims to finalise a set of regulatory recommendations in line with relevant international standards, including a framework for cross-border crypto asset transactions, which will be published for public consultation during 2025.

Artificial intelligence (AI) in the financial sector

In 2025, the Financial Sector Conduct Authority (FSCA) in collaboration with the Prudential Authority will publish a market study on the adoption and use of AI in South Africa's financial sector. Integrating AI into the financial sector presents both opportunities and challenges, particularly in the areas of consumer protection, market conduct and financial soundness. Despite AI's potential to enhance efficiency and innovation, there is a significant gap in understanding its current adoption and impact, and the associated regulatory challenges. The market study aims to explore the landscape of AI within the financial industry, focusing on how AI technologies affect consumer protection, influence market conduct and affect financial stability. The research will help to ensure that AI is used ethically, responsibly and effectively while safeguarding the integrity and soundness of the financial sector.

NATIONAL PAYMENT SYSTEM REFORMS

The Reserve Bank and the National Treasury are working on reforms aimed at strengthening the legal and regulatory framework of the national payment system. These efforts aim to promote stability, transparency, integrity and safety, while also supporting financial inclusion, competition and the prevention of financial crime. Additionally, these efforts will contribute to achieving the objectives of the Digital Payments Roadmap, national payment system financial inclusion initiatives and the *National Payment System Framework and Strategy: Vision 2025*.

National Payment System Bill

The National Treasury is carving out the amendments to the National Payment System Act (1998) from the schedule of the Conduct of Financial Institutions Bill into a standalone bill for the national payment system due to the length of the proposed amendments. Alignment will be maintained with the draft Conduct of Financial Institutions Bill and the Financial Sector Regulation Act (2017).

Given their interdependencies, it is envisaged that the two bills will be processed concurrently, to the extent feasible. The bills are anticipated to be tabled in Parliament during 2025.

Enabling broader access to the national payment system

The Reserve Bank is collaborating with the Prudential Authority to expedite non-bank access to the national payment system through a notice exempting certain payment activities from the business of a bank in the Banks Act (1990), such as mobile money and electronic fund transfers. The exemption notice will be accompanied by a regulatory framework to ensure that entities providing these exempted payment activities are effectively regulated, thereby mitigating risks within the national payment system and the broader financial system. Both the exemption notice and the regulatory framework will be published for public consultation in the first quarter of 2025.

Review of the payment ecosystem

In 2018, the Reserve Bank published *Vision 2025* to enhance the safety, efficiency and accessibility of the national payment system. This framework aimed to facilitate competition and reduce risks by leveraging technological developments to expand the availability of digital payment services to all sectors of society while meeting domestic, regional and international requirements.

Although progress has been made in achieving the goals of *Vision 2025,* competing priorities and the rapidly changing payments landscape have meant that some key initiatives have not achieved the desired results within expected timeframes. For this reason, the Reserve Bank initiated the Payments Ecosystem Modernisation Programme as a centrally coordinated effort to ensure rapid transformation of the payment ecosystem. The Reserve Bank will lead the transformation while working closely with both public- and private-sector stakeholders.

Ensuring universal access to and adoption of digital payments will require a holistic approach, combining continued innovation, policy reforms and enhanced coordination among stakeholders. The programme aims to transform the payment ecosystem through the introduction of several common capabilities, premised on the establishment of a centralised national payments utility to deliver various components required for modernisation. The key components to be delivered in the next five years include:

- A fit-for-purpose legal and regulatory framework, including risk management and policy coordination.
- A national payments utility housing the common services to be used by the payments industry, supported by a suitable governance model to enable its efficient functioning.

- Foundational capabilities to support the safe and efficient functioning of the payment ecosystem, including a digital financial identity, electronic know-your-customer registry and e-signing capabilities.
- A fast and efficient low-cost payment system.
- Interoperability standards and rules for all participants in the payment ecosystem.
- Centralised fraud management and intelligence capabilities to improve monitoring and support improved decision-making.
- Availability of low-cost, accessible stores of value (assets that can be saved, retrieved and exchanged in the future without significantly losing their worth) to facilitate digital transactions.
- A modernised, safe and efficient real-time gross settlement system.
- An awareness and education campaign of the offerings in the future payment ecosystem that targets all participants and consumers.

The Reserve Bank has initiated a process to formulate a new payments vision and strategy to follow on from *Vision 2025*. Various stakeholders are being engaged for input. The Reserve Bank intends to finalise the new vision in the latter part of 2025, with implementation starting in 2026.

RESPONDING TO CLIMATE RISKS AND WORKING TOWARDS NET ZERO

In the first quarter of 2025, the FSCA will run a pilot with key financial institutions to encourage greater adoption of the South African Green Finance Taxonomy. The FSCA will release the results of the pilot later in 2025.

The FSCA is also expected to release further information on climate disclosure requirements, building on the guidance note for banks and insurance companies issued by the Prudential Authority in 2024, and expanding it to a broader range of financial institutions.

RETIREMENT REFORM

The two-pot system

During the public comment process of the two-pot retirement reform, several reform areas were identified to be addressed later. This included the matter of withdrawals from the retirement portion if one is retrenched and has no alternative source of income.

The two-pot retirement system splits contributions into a “savings component” and a “retirement component”, with the latter fully preserved until retirement. Although an individual who is retrenched can transfer their retirement benefits to another fund, they cannot withdraw any portion of the retirement component until they reach retirement age.

During the public comment process, government received requests to allow access to the retirement component when an individual is retrenched. The restructuring required for this proposed reform is complex and therefore forms part of the second phase of the two-pot reforms. Government is beginning work and discussions on measures that may allow access to the retirement component if an individual has been retrenched and is in financial distress. Strict conditions will apply to this access. They may include proof that the individual has no alternative source of income after a period of time, such as payments from the Unemployment Insurance Fund, and limiting access to a percentage of income rather than a cash lump sum. The National Treasury will engage stakeholders, including labour and industry, once the research is concluded.

Unclaimed assets

In September 2022, the FSCA published a paper on unclaimed assets across the financial sector, titled *A Framework for Unclaimed Financial Assets in South Africa*. Following responses to and consultation on the recommendations put forward in the paper, the FSCA published a response document on the paper in March 2024. The National Treasury and the FSCA will work with industry to develop the recommendations from these papers, including a framework to manage unclaimed assets and the establishment of a central unclaimed assets fund.

FINANCIAL INCLUSION AND THE OMBUD SYSTEM

The National Treasury will develop a national strategy on financial inclusion in 2025 based on the policy paper *An Inclusive Financial Sector for All*, which Cabinet approved in 2023.

The National Treasury is reforming the financial sector ombud system to make it simpler, accessible, comprehensive, efficient and effective. As part of reforms, a National Financial Ombud Scheme was established and began operating on 1 March 2024 after being granted recognition by the Ombud Council. The National Financial Ombud is an umbrella financial services ombud scheme formed by the amalgamation of four ombud schemes: the offices of the Banking Ombud; the Credit Ombud; the office of the Long-Term Insurance Ombud; and the Short-Term Insurance Ombudsman.

CONDUCT OF FINANCIAL INSTITUTIONS BILL

The National Treasury is finalising the Conduct of Financial Institutions Bill together with comprehensive amendments to the Financial Sector Regulation Act and the Pension Funds Act (1956) and repealing various financial sector laws (conduct focused). The bill will streamline and harmonise the legal landscape that financial institutions will operate within and provide a single, holistic legal framework for market conduct regulation in South Africa that is consistently applied to all financial institutions.

The bill has been published twice for public consultation, discussed at several workshops and revised to address the comments received. The final draft of the bill is awaiting certification from the Office of the Chief State Law Adviser, whereafter it will be submitted to Cabinet for approval to be tabled in Parliament.

The FSCA is preparing for the bill’s implementation, as will be explained in more detail in its 2025 3-Year Regulation Plan. The FSCA has already started informal engagements on some of the regulatory frameworks it intends to make once the bill is passed, and these will continue over the next budget period.

MEASURES TO BOOST LONG-TERM INVESTMENT

Capital flows management framework

The 2024 *Budget Review* indicated that research will be undertaken to investigate the impact of recent reforms to modernise the foreign-exchange system and in turn promote trade and investment. As part of this research, the International Monetary Fund conducted a technical review of the increase and harmonisation of foreign exposure limits for institutional investors to 45 per cent in 2022. The draft review stated that the increase could have been implemented in a more transparent and phased manner, but the depth of South African financial markets meant that capital outflows could be absorbed without significant impact on the exchange rate and bond prices. The review recommended that the institutional limit not be reduced from 45 per cent as the reputational, implementation and administrative costs would outweigh any potential benefits.

Promoting trade

To support increased trade, Authorised Dealers may allow resident agricultural commodity producers with firm commitments to hedge their foreign exposures on foreign commodity exchanges, provided they produce suitable documentary evidence and report to the Financial Surveillance Department of the Reserve Bank.

Travel allowance

At present, unused foreign currency must be sold to either an Authorised Dealer or an Authorised Dealer in foreign exchange with limited authority within 30 days of the traveller's return to South Africa. Alternatively, going forward, the traveller may deposit unused foreign currency into a foreign currency account at an Authorised Dealer within 30 days of their return.

SUPPORTING INTEGRITY, EFFICIENCY AND COMPETITION IN CAPITAL MARKETS

Capital markets play a critical role in supporting productivity by providing access to much-needed funding by bringing together capital providers (investors and lenders) and seekers (issuers and borrowers). The ease of access to capital markets creates incentives for providers to earn competitive returns and for seekers to fund new projects and company operations, ultimately sustaining and creating jobs.

Reviewing legislation to align with global best practice

Aligning South Africa's legal framework with international standards makes it easier for global participants to engage with the domestic market. It facilitates smoother integration with global capital markets, enabling better access to foreign capital and efficient cross-border investments and transactions. It also reduces the perception of legal and regulatory risk, thereby enhancing investor confidence in South Africa as a stable and reliable destination for financial activities and investments.

The Financial Markets Act (2012) is the regulatory foundation of South Africa's capital markets. Various reviews have taken place, culminating in the publication in 2020 of the National Treasury policy proposal paper *Building Competitive Financial Markets for Innovation and Growth – A Work Programme for Structural Reforms to South Africa's Financial Markets.* Government proposes amendments to the act that will give effect to several of the proposals in the paper and final report; for example, enabling new forms of trading platforms, like multilateral trading facilities, with sufficient safeguards. The amendments also propose declaring foreign currency as a financial asset to enable conduct oversight on currency trading. The amendments are expected to be published for comment in 2025.

Standard to support the conduct of market infrastructures

South Africa has multiple exchanges and a few other market infrastructures, such as central securities depositories. This has necessitated the review of interoperability arrangements in the market. In 2020, the FSCA consulted on the draft Conduct Standard for Exchanges, and in the 2024 consultation phase, this was expanded to all market infrastructures. Further engagements and work focused on finalising this conduct standard will take place this year.

The transition from JIBAR to ZARONIA

Major global financial markets have been reviewing their benchmark rates following their manipulation in recent years. For example, in the United Kingdom, the London InterBank Offered Rate has been replaced by the Sterling Overnight Index Average. South Africa has embarked on a similar journey, with work now completed to replace the Johannesburg Interbank Average Rate (JIBAR) with the South African Rand Overnight Index Average (ZARONIA). ZARONIA offers a major advantage in that it uses previous actual transactions to set the average rate. The National Treasury is considering measures to enable the smooth transition to ZARONIA, including primary legislation to enable safe harbour provisions that provide sufficient protection for old and existing derivative contracts.

G20 FINANCE TRACK

The overall vision of South Africa's G20 Presidency is to enhance solidarity through unified effort and cooperation among nations, and promote equality through the fair treatment and advancement of all people.

The National Treasury and the Reserve Bank, with support from the FSCA, will lead the Finance Track during South Africa's Presidency. The technical groups aim to address the following key financial sector issues during the year:

- The International Financial Architecture Working Group will focus on reinforcing multilateral development banks, enhancing debt sustainability, strengthening the global financial safety net and strengthening financial resilience through robust capital flows.
- The Framework Working Group will prioritise building global economic resilience and monitoring the risks to growth from macroeconomic imbalances, fragmentation, inflation and debt; improving macroeconomic conditions and structural reform for the green transition; and boosting productivity growth in the context of AI, demographic change and migration.

- The Infrastructure Working Group will focus on developing an investable infrastructure pipeline, scaling up sustainable infrastructure through blended finance approaches and delivering cross-border infrastructure for regional development.
- The Sustainable Finance Working Group will focus on strengthening the global sustainable finance architecture, scaling up financing for adaptation and a just transition, and unlocking the financing potential of carbon markets.
- The Global Partnership for Financial Inclusion will focus on moving from access to usage of financial products and services, particularly among women, youth and small, medium and micro enterprises.

Other financial and taxation priorities

Finance ministers and central bank governors will also discuss financial sector issues, with a focus on financial regulations relating to cross-border payments, AI and crypto assets. The FSCA aims to convene a roundtable about AI in the financial sector with stakeholders from Africa and the rest of the world alongside the G20 programme of events. The aim is to promote international dialogue on conduct and consumer protection issues associated with AI.

The G20 has made notable progress in addressing global tax evasion and tax avoidance, including the implementation of the global 15 per cent effective minimum tax by over 50 countries. In 2025, the international taxation agenda will focus on assessing progress and moving forward with the two-pillar tax reform, supporting effective revenue collection, addressing inequalities in taxing high net worth individuals and improving tax certainty.

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2025 BUDGET REVIEW

SUMMARY OF THE BUDGET

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

SUMMARY OF THE BUDGET

Summary of the national budget

R million	2024/25 Budget estimate	2024/25 Revised estimate	2025/26 Budget estimate	2026/27 Medium-term estimates	2027/28 Medium-term estimates
REVENUE					
Main budget revenue before tax proposals			**1 938 308**	**2 070 392**	**2 196 288**
Budget 2025/26 proposals:			**58 000**	**60 510**	**63 896**
Direct taxes			**3 000**	**3 157**	**3 332**
Personal income tax					
Partial inflationary adjustment to tax brackets andrebates			1 500	1 589	1 694
No inflationary adjustment to medical tax credits			1 500	1 568	1 637
Indirect taxes			**55 000**	**57 353**	**60 564**
Value-added tax (VAT)					
Increase in VAT rate			60 000	63 675	67 300
Additional zero rating			-2 000	-2 128	-2 261
Fuel levy					
No adjustment to general fuel levy			-4 000	-4 258	-4 539
Diesel refund relief for primary sectors			-	-1 000	-1 066
Specific excise duties					
Above-inflation increase in excise duties on alcohol and tobacco			1 000	1 064	1 130
Main budget revenue after tax proposals	**1 815 020**	**1 794 972**	**1 996 308**	**2 130 902**	**2 260 184**
Percentage change from previous year			*11.2%*	*6.7%*	*6.1%*
EXPENDITURE					
Direct charges against the National Revenue Fund	**1 034 600**	**1 044 488**	**1 112 624**	**1 167 910**	**1 230 100**
Debt-service costs	382 183	389 561	424 159	448 572	477 213
Provincial equitable share	600 476	600 476	633 166	660 569	690 243
General fuel levy sharing with metropolitan municipalities	16 127	16 127	16 849	17 621	18 418
Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations	7 001	7 003	7 901	8 586	9 486
Skills levy and sector education and training authorities	24 500	24 493	26 006	27 811	29 773
Other [1)]	4 313	6 828	4 543	4 752	4 967
Appropriated by vote	**1 095 797**	**1 105 799**	**1 173 647**	**1 179 175**	**1 221 273**
Current payments	281 673	284 510	298 503	311 943	324 977
Transfers and subsidies	797 881	798 972	848 292	847 200	877 261
Payments for capital assets	15 189	16 274	17 064	14 464	14 751
Payments for financial assets	1 054	6 042	9 787	5 568	4 284
Provisional allocations	**570**	**-**	**38 588**	**84 622**	**86 483**
Provisional allocations not appropriated	570	-	38 588	84 622	86 058
Infrastructure Fund not appropriated	-	-	-	-	425
Total	**2 130 967**	**2 150 287**	**2 324 858**	**2 431 707**	**2 537 856**
Plus:					
Contingency reserve	5 000	-	8 000	10 000	15 000
Estimate of national expenditure	**2 135 967**	**2 150 287**	**2 332 858**	**2 441 708**	**2 552 856**
Percentage change from previous year			*8.5%*	*4.7%*	*4.6%*
2024 Budget estimate of expenditure		**2 135 967**	**2 255 576**	**2 373 222**	
Increase / decrease (-)		*14 321*	*77 282*	*68 486*	
Gross domestic product	*7 452 214*	*7 477 856*	*8 003 790*	*8 520 447*	*9 083 227*

1) Includes direct appropriations in respect of the salaries of the President, Deputy President, judges, magistrates, and members of Parliament, National Revenue Fund payments (previously classified as extraordinary payments), the Auditor-General of South Africa, and International Oil Pollution Compensation Fund.

Source: National Treasury

SUMMARY OF THE BUDGET

Summary of the consolidated budget

R million	2024/25 Budget estimate	2024/25 Revised estimate	2025/26 Budget estimate	2026/27 Medium-term estimates	2027/28 Medium-term estimates
National budget revenue [1]	**1 815 020**	**1 794 972**	**1 996 308**	**2 130 902**	**2 260 184**
Revenue of provinces, social security funds and public entities	221 602	231 671	251 420	258 959	273 997
Consolidated budget revenue [2]	**2 036 623**	**2 026 643**	**2 247 728**	**2 389 861**	**2 534 180**
National budget expenditure [1]	**2 135 967**	**2 150 287**	**2 332 858**	**2 441 708**	**2 552 856**
Expenditure of provinces, social security funds and public entities	233 029	253 670	267 952	271 514	291 870
Consolidated budget expenditure [2]	**2 368 996**	**2 403 958**	**2 600 810**	**2 713 222**	**2 844 726**
Consolidated budget balance	**-332 373**	**-377 314**	**-353 082**	**-323 360**	**-310 545**
Percentage of GDP	*-4.5%*	*-5.0%*	*-4.4%*	*-3.8%*	*-3.4%*
Redemptions	**-172 568**	**-98 802**	**-172 647**	**-152 881**	**-303 908**
Domestic long-term loans	-132 087	-61 538	-112 495	-112 495	-277 621
Foreign loans	-40 481	-37 264	-60 152	-40 386	-26 287
Eskom debt-relief arrangement	**-64 154**	**-64 154**	**-80 223**	**-**	**-**
GFECRA settlement	**100 000**	**100 000**	**25 000**	**25 000**	**-**
Gross borrowing requirement	**-469 096**	**-440 270**	**-580 952**	**-451 242**	**-614 453**
Financing					
Domestic loans	**379 094**	**377 397**	**382 768**	**351 267**	**470 357**
Foreign loans	**36 785**	**67 108**	**98 699**	**81 505**	**95 947**
Change in cash and other balances	**53 217**	**-4 235**	**99 485**	**18 469**	**48 150**
Total financing	**469 096**	**440 270**	**580 952**	**451 242**	**614 453**

1) Transfers to provinces, social security funds and public entities presented as part of the national budget.
2) Flows between national and provincial government, social security funds and public entities are netted out.
Source: National Treasury

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2025 BUDGET REVIEW

GLOSSARY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accounting officer	The public servant who is accountable to Parliament for financial management of a government department, usually the director-general at the national level or the head of the department at the provincial level.
Accrual	An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place.
Acquisition debt	Debt used to buy shares or assets.
Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Administered prices	Prices set outside ordinary market processes through administrative decisions by government, a public entity or a regulator.
Ad valorem duties	Taxes levied on commodities as a certain percentage of their value.
Agro-processing	Manufacturing activities that transform raw materials and intermediary goods derived from agriculture into intermediate or final goods.
Allocated expenditure	The part of the national budget that can be divided between the national, provincial and local spheres of government, after interest and the contingency reserve have been taken into account.
Amortisation	The repayment of a loan by instalments over its duration.
Annuity	A fixed amount of money paid over a period of time as a return on an investment.
Anti-avoidance rule	A provision aimed at preventing tax avoidance. See also *principal purpose test*.
Appreciation (exchange rate)	An increase in the external value of a currency.
Appropriation	The approval by Parliament of spending from the National Revenue Fund or by a provincial legislature from a provincial revenue fund.
Asset price bubble	A condition occurring when prices for a category of assets rise above the level justified by economic fundamentals.
Balance of payments	A summary statement of all the international transactions of the residents of a country with the rest of the world over a particular period of time.
Base erosion and profit shifting	Corporate tax-planning strategies that exploit the gaps and mismatches in tax laws between countries to shift taxable income to lower- or no-tax jurisdictions. See also *tax evasion* and *profit shifting*.
Basel III	Reforms developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Basis point	One hundredth of 1 per cent.
B-BBEE	A transformation strategy established by the South African government to empower previously disadvantaged groups (including African, Coloured, and Asian demographics affected by the apartheid era) so that they can participate in the growth of the economy.
Beneficiation	Manufacturing activities that transform raw minerals into higher-value products.
Benign deflation	A decrease in the general price level resulting from an increase in aggregate supply.
Blended finance	The combination of public, private, development and multilateral sources of financing to leverage funding for projects.
Bond	A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.
Bond premium	Amount by which the purchase price of a bond is greater than its par value.
Bond spread	The difference in yield between two bonds.

Bond-switch programme	An auction that aims to ease pressure on targeted areas of the redemption profile by exchanging shorter-dated debt for longer-term debt. See also *switch auction*.
Bracket creep	Increased real tax liability that arises when the personal income tax tables are not fully adjusted for inflation.
Budget balance	The difference between budgeted expenditure and budgeted revenue. If expenditure exceeds revenue, the budget is in deficit. If the reverse is true, it is in surplus.
Budget deficit	Occurs when a government's expenditure is greater than its revenue.
Budget Facility for Infrastructure	A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.
Budget pressures	Are unavoidable consequences of allocating scarce resources between competing priorities.
Budget reprioritisation	The process of re-evaluating and adjusting priorities in the allocation of funds.
Buoyancy	A measure of how responsive tax revenue is to changes in the economy.
Capital asset	Property of any kind, including assets that are movable or immovable, tangible or intangible, fixed or circulating, but excluding trading stock held to realise a financial or economic return.
Capital expenditure	Spending on assets such as buildings, land, infrastructure and equipment.
Capital flow	A flow of investments in or out of the country.
Capital formation	A measure of the net increase in the country's total stock of capital goods, after allowing for depreciation.
Capital gains tax	Tax levied on the income realised from the disposal of a capital asset by a taxpayer. A capital gain is the excess of the selling price over the purchase price of the capital asset.
Capital goods	Durable goods used over a period of time to produce other goods. See also *intermediate goods*.
Capitalised interest	The cost of borrowing to construct a capital asset, which is then included in the cost of the asset.
Capital market	A financial market where individuals and institutions raise capital or funding in the form of debt or equities.
Carbon budgeting	The process of allocating a greenhouse gas emissions allowance to a company for a specific period of time.
Category A, B and C municipalities	Municipal categories established by the Constitution: Category A, or metropolitan municipalities; Category B, or local municipalities; and Category C, or district municipalities.
Collateral	An asset placed as a guarantee for the repayment of debt, to be recouped in the case of a default.
Commercial close	The date of execution of a public-private partnership or concession agreement.
Commercial paper issuances	Debt issued by companies through short-term promissory notes.
Commission of inquiry	An expert panel established by the President to investigate a specific issue.
Commutation	When a member of a pension fund, pension preservation fund or retirement annuity fund retires, they are allowed to take (commute) a lump sum equal to a maximum of one-third of the retirement interest.
Concessionary funding	Financing extended by major financial institutions, such as development banks and multilateral funds, at substantially cheaper rates than market loans.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.

Connected person debt/credit	Debt or credit granted by a person/entity to a connected person/entity. In the case of a holding company, for example, a subsidiary company would be a connected person.
Consolidated general government	National, provincial and local government, as well as extra-budgetary government institutions and social security funds.
Consolidated government expenditure	Total expenditure by national and provincial government, social security funds and selected public entities, including transfers and subsidies to municipalities, businesses and other entities.
Consumer price index	The measure of inflation based on prices in a basket of goods and services.
Consumption expenditure	Expenditure on goods and services that are used within a short period of time, usually a year.
Contingency reserve	An amount set aside, but not allocated in advance, to accommodate changes to the economic environment and to meet unforeseeable spending pressures.
Contingent liability	A government obligation, such as a guarantee, that will only result in expenditure if a specific event occurs. See also *government guarantee*.
Controlled foreign company	A foreign business in which South Africans hold a greater than 50 per cent interest, usually of the share capital of a company.
Corporatisation	The transformation of state-owned enterprises into commercial entities, subject to commercial legal requirements and governance structures, while the state retains ownership.
Cost-push inflation	Inflation that is caused by an increase in production costs, such as wages or oil prices.
Countercyclical fiscal policy	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
Coupon (bond)	The periodic interest payment made to bondholders during the life of the bond. The interest is usually paid twice a year.
Covered person	Stockbrokers that do not trade as a treasury operation; the Reserve Bank; banks and their controlling companies; and companies or trusts that form part of a banking group, excluding short- and long-term insurers, and these insurers’ subsidiaries and companies in which they hold a controlling share.
Credit rating	An indicator of the risk of default by a borrower or the riskiness of a financial instrument.
Credit risk	The probability of financial loss resulting from failure to repay a loan or meet a contractual obligation.
Crowding in	An increase in private investment through the income-raising effect of government spending financed by deficits.
Crowding out	A fall in private investment or consumption as a result of increased government expenditure financed through borrowing, thereby increasing competition for loanable funds and raising the interest rate, which curtails private investment and consumption spending.
Cryptocurrency	A digital medium of exchange that uses cryptography to secure its transactions, control the creation of additional units and verify the transfer of assets.
Currency risk	The potential for a change in the price of a currency that would affect investors with assets, liabilities or operations denominated in other currencies.
Current account (of the balance of payments)	The difference between total imports and total exports, taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus. See also *trade balance*.
Current balance	The difference between revenue and current expenditure, which consists of compensation of employees, goods and services, and interest and rent on land.

Current expenditure	Government expenditure on salaries and goods and services, such as rent, maintenance and interest payments. See also *consumption expenditure*.
Customs duties	A tax levied on imported goods.
Debenture	An unsecured debt instrument backed by the general creditworthiness of the issuer rather than by specific assets.
Debt redemption profile	The set of fixed repayment dates and amounts that an issuer of debt, such as a preferred stock or bond, has committed to meeting.
Debt-service costs	The interest on government debt and other costs directly associated with borrowing.
Debt-service coverage ratio	The ratio of cash from operating activities available to service debt payments.
Debt stabilisation	The process of stabilising the country's public debt to ensure fiscal sustainability.
Debt stock	The total value of debt owed to all lenders.
Decommissioning	The removal or dismantling of a facility from service.
Default regulations	Retirement funds' trustee boards must offer a default in-fund preservation arrangement to members who leave the services of their employer before retirement, and a default investment portfolio to contributing members who do not or cannot choose how their savings should be invested.
Deflation	A consistent decrease in the price of goods and services.
Deleveraging	The reduction of debt previously used to increase the potential return of an investment.
de minimis	It is a legal principle that allows matters of insufficient importance or small scale to be exempted from a rule or requirement.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
Depreciation (exchange rate)	A reduction in the external value of a currency.
Derivative financial instrument	A financial asset that derives its value from an underlying asset, which may be a physical asset such as gold or a financial asset such as a government bond.
Designated countries	Foreign countries from which income may be exempt from South African tax under certain circumstances. See also *double tax agreement*.
Development finance institutions	State agencies that aim to meet the credit needs of riskier but socially and economically desirable projects that are beyond the acceptance limits of commercial banks.
Digital economy	An economy based on digital computing technologies – increasingly through internet-based markets.
Direct taxes	Taxes charged on taxable income or capital of individuals and legal entities.
Discouraged work seekers	See *unemployment*.
Discretionary trust	A trust where the executor has the choice of whether and how much of the trust's income or capital is to be distributed to beneficiaries. The beneficiaries have only provisional rights to the income or capital of the trust.
Disposable income	Total income less all taxes and employee contributions.
Dissaving	An excess of current expenditure, including the depreciation of fixed capital, over current income.
Dividend	The distribution of a portion of a company's earnings to a class of its shareholders.
Dividend withholding tax	A tax on dividends that is subtracted and withheld by a company or intermediary before the net dividend is paid to the shareholder. See also *withholding tax*.
Division of revenue	The allocation of funds between spheres of government, as required by the Constitution. See also *equitable share*.

Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Double tax agreement	An agreement between two countries to prevent income that is taxed in one country from being taxed in the other as well. Double taxation is juridical when the same person is taxed twice on the same income by more than one state. Double taxation is economic if more than one person is taxed on the same item. See also *designated countries* and *tax treaty*.
Dual-tranche	A financial arrangement where a security or debt issue is divided into two distinct portions, or tranches, each with different risk and return characteristics.
e-Visa system	An official electronic document permitting entry into and travel within South Africa.
Early childhood development	The development of children from birth until the year they enter formal schooling.
Economically active population	The part of the population that is of working age and is either employed or seeking work.
Economic cost	The cost of an alternative that must be forgone to pursue a certain action. In other words, the benefits that could have been received by taking an alternative action. Also known as opportunity cost.
Economic growth	An increase in the total amount of output, income and spending in the economy.
Economic prices	Financial prices that are adjusted for market distortions such as import tariffs, taxes or subsidies.
Economic rent	The difference between the return made by a factor of production (capital or labour) and the return necessary to keep the factor in its current occupation. For example, a firm making excess profits is earning economic rent.
Effective tax rate	Actual tax liability (or a reasonable estimate thereof) expressed as a percentage of a pre-tax income base rather than as a percentage of taxable income. In other words, tax rates that take into account not only the statutory or nominal tax rate, but also other aspects of the tax system (for example, allowable deductions) that determine the tax liability.
Embedded derivative	A provision in a contract modifying its cash flows by making them dependent on an underlying measure – such as interest or exchange rates, or commodity prices – the value of which changes independently.
Emerging economies	A name given by international investors to middle-income economies.
Employment coefficient	The ratio of employment growth to economic growth.
Equitable share	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution. See also *division of revenue*.
Equity finance	Raising money by selling shares of stock to investors, who receive an ownership interest in return.
Exchange control	Rules that regulate the flow of currency out of South Africa or restrict the amount of foreign assets held by South African individuals and companies.
Exchange item	A foreign-currency amount relating to a debt, loan or foreign-exchange contract.
Excise duties	Taxes on the manufacture or sale of certain domestic or imported products. Excise duties are usually charged on products such as alcoholic beverages, tobacco and petroleum.
Expansionary monetary policy	A macroeconomic strategy employed by central banks to stimulate economic growth by increasing the money supply and reducing interest rates.
Expenditure ceiling	The maximum allowable level of expenditure to which government has committed itself.
Extra-budgetary institutions	Public entities not directly funded from the fiscus.

Fair-value adjustment	A change in the value of an asset or liability resulting from the periodic reassessment of its expected future economic in- or outflows.
Fee-free higher education and training	A government policy on higher education and training that makes provision for full-cost-of-study bursaries to students below a specified household-income threshold, covering tuition fees, prescribed study material, meals and a certain level of accommodation and/or travel allowances.
Financial account	A statement of all financial transactions between the nation and the rest of the world, including portfolio and fixed-investment flows and movements in foreign reserves.
Financial and Fiscal Commission	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial close	The date, following commercial close, on which the last of the conditions precedent in a public-private partnership agreement are fulfilled, financing documents become unconditional and funds become available.
Financial Sector Conduct Authority	A body responsible for regulating and supervising the market conduct of financial institutions and market infrastructure.
Financial Services Board	An independent institution established by statute that regulates insurers, intermediaries, retirement funds, friendly societies, unit trust schemes, management companies and financial markets.
Financial year	The 12 months according to which companies and organisations budget and account. See also *fiscal year*.
Fintech	An abbreviation of “financial technology”, which refers to new technologies and innovations that aim to compete with traditional methods to deliver financial services more efficiently.
Fiscal anchor	A rule or target that imposes a constraint or limit on one or more fiscal measures for which government is responsible to preserve sustainability in the public finances.
Fiscal consolidation	Policy aimed at reducing government deficits and debt accumulation.
Fiscal constraints	Limitations or controls on what can be done with government or public money, especially taxes.
Fiscal framework	The arrangements, procedures, rules and institutions underlying the conduct of government’s budgetary policies.
Fiscal incidence	The combined overall economic impact that fiscal policy has on the economy.
Fiscal leakage	The outflow of revenue from an economy through tax evasion and avoidance.
Fiscal marking	The process of marking a product with a prescribed identification (or chemical). Marking allows the South African Revenue Service to trace products back to the manufacturers in order to collect excise duties.
Fiscal multiplier	A ratio measuring the extent to which national income changes in response to changes in government spending. For example, a fiscal multiplier of 0.5 implies that national income increases by 50 cents for every R1 of additional government spending.
Fiscal policy	Policy on taxation, public spending and borrowing by government.
Fiscal Risk Statement	A statement that focuses on medium and long – term risks of the public finances.
Fiscal space	The ability of government’s budget to provide additional resources for a desired programme without jeopardising fiscal or debt sustainability.
Fiscal year	The 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
Fixed investment/capital formation	Spending on buildings, machinery and equipment contributing to production capacity in the economy. See also *gross fixed-capital formation*.
Fixed-rate bond	A bond that pays a specific interest rate over a specified period of time.

Floating rate notes	A bond on which the interest rate is reset periodically in line with a money market reference rate.
Foreign currency swaps	The exchange of principal and/or interest payments in one currency for those in another.
Foreign direct investment	The acquisition of a controlling interest by governments, institutions or individuals of a business in another country.
Forward book	The total amount of contracts for the future exchange of foreign currency entered into by the Reserve Bank at any given point in time.
Forward cover	Transactions involving an agreed exchange rate at which foreign currency will be bought or sold at a future date.
Free-trade area	A geographical region in which countries have signed an agreement and maintain few or no barriers to trade in the form of tariffs or quotas between them.
Fringe benefit	A benefit supplementing an employee's wages or salary, such as medical insurance, company cars, housing allowances and pension schemes.
Fruitless and wasteful expenditure	Expenditure that was made in vain and could have been avoided had reasonable care been taken.
Fuel levy	An excise tax on liquid fuels.
Fugitive emissions	Emissions that are unintentionally released into the atmosphere through, for example, leaks from industrial plants and pipelines.
Function shift	The movement of a function from one departmental vote or sphere of government to another.
Funded pension arrangements	A pension scheme in which expected future benefits are funded in advance and as entitlement accrues.
Gearing ratio	The ratio of company debt to equity capital.
Geopolitical	A study of the influence of such factors as geography, economics, and demography on politics and especially the foreign policy of a state.
Gold and foreign exchange reserves	Reserves held by the Reserve Bank to meet foreign-exchange obligations and to maintain liquidity in the presence of external shocks.
Government debt	The total amount of money owed by government as a consequence of its past borrowing.
Government guarantee	An assurance made by government to a lender that a financial obligation will be honoured, even if the borrowing government entity is unable to repay the debt. See also *contingent liability*.
Government of national unity (GNU)	A coalition government formed by multiple political parties to promote stability and consensus. The first GNU was formed following the 1994 elections, with a subsequent GNU established after the 2024 elections.
Government Technical Advisory Centre	An agency of the National Treasury that supports public finance management through professional advisory services, programme and project management and transaction support.
Grey-list	Refers to the Financial Action Task Force's (FATF) practice of publicly identifying countries with Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) deficiencies.
Green bond	A fixed-income financial instrument (bond) which is used to fund projects that have positive environmental or climate benefits.
Green paper	A policy document intended for public discussion.
Gross borrowing requirement	The sum of the main budget balance, extraordinary receipts and payments (referred to as National Revenue Fund receipts and payments), maturing debt and the Eskom debt-relief arrangement. The amount is funded through domestic short- and long-term loans, foreign loans and changes in cash balances.
Gross domestic product	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, or goods and services that are produced outside the market economy, such as work within the household.

Gross domestic product inflation	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported and intermediate goods such as machines but excludes imported goods.
Gross fixed-capital formation	The addition to a country's fixed-capital stock during a specific period, before provision for depreciation.
Gross loan debt	See *government debt*.
Gross value added	The value of output less intermediate consumption. It is also a measure of the contribution an industry or sector makes to the economy.
Group of Twenty (G20)	An international forum of developing and developed countries which seeks to find solutions to global economic and financial challenges.
Hedging	An action taken by a buyer or seller to protect income against changes in prices, interest rates or exchange rates.
Horizontal equity	A principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden. In other words, taxpayers with the same amount of income or capital should be accorded equal treatment.
Impaired advances	Loans or advances that may not be collected in full.
Impairment	A reduction in the recorded value of a long-lived asset arising from circumstances that prevent the asset from generating the future economic benefits previously expected and recorded.
Import parity pricing	When a firm sells goods locally at the price customers would pay if they were to import the same goods from another country.
Inclusion rate	The portion of the net capital gain derived from the disposal of an asset that will be taxed at the applicable rate.
Independent power producer	A private-sector business that generates energy for the national grid.
Industrial development zone	Export-oriented manufacturing sites linked to an international air or sea port, supported by incentives to encourage investment and job creation.
Inflation	An increase in the overall price level of goods and services in an economy over a specific period of time.
Inflationary adjustments	The process of removing the effects of inflation from goods and services.
Inflation targeting	A monetary policy framework intended to achieve price stability over a certain period of time.
Infrastructure Fund	A fund that will provide government support for the co-financing of programmes and projects that blend public and private resources.
Integrated Resource Plan	The Department of Energy's long-term plan for the country's energy mix and generation expansion in order to meet electricity demand.
Intergenerational equity	A value based on ensuring that future generations do not have to repay debts taken on today unless they also share in the benefits of assets.
Intermediate goods	Goods produced to be used as inputs in the production of final goods.
Intra-state debt	Money that different organs of state owe to each other.
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period of time.
Investment grade	A credit rating indicating minimal risk to investors.
Irregular expenditure	Expenditure other than unauthorised incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.
Islamic bond	A financial certificate that complies with Islamic religious law. It represents partial ownership of an asset. The issuer buys back the bond at a future date at par value.
Just energy transition	A framework developed by the Presidential Climate Commission to ensure that workers and communities tied to high-emitting energy industries are supported in the shift towards a low-emissions economy.
Labour intensity	The relative amount of labour used to produce a unit of output.
Levelised cost of electricity	The estimated present value of the per-unit cost of electricity over the lifetime of a generating asset.

Liquidity	The ease with which assets can be bought and sold.
Liquidity requirements	The amount of liquid or freely convertible assets that banks are required to hold relative to their liabilities for prudential and regulatory purposes.
Liquidity risk	The risk that an asset might not easily and quickly be converted into cash through sale, or the risk to a debtor that it cannot meet its current debt obligations.
Load-shedding	A means of managing electricity supply when the power system is constrained by limiting the electricity supply to areas.
Loan covenant	A commitment, in a loan agreement, to certain activities. If violated, the covenant can trigger a default or penalties.
Loop structures	Structures that arise when private individuals are permitted by the Reserve Bank to acquire up to 40 per cent equity or voting rights in a foreign company, which may in turn hold investments and/or make loans in a Common Monetary Area country (South Africa, eSwatini, Lesotho and Namibia).
Low-income household	A household with a total income below a certain threshold
Lump-sum benefit	A one-time payment for the total or partial value of an asset, usually received in place of recurring smaller payments.
M3	The broadest definition of money supply in South Africa, including notes and coins, demand and fixed deposits, and credit.
Macroeconomics	The branch of economics that deals with the whole economy – including issues such as growth, inflation, unemployment and the balance of payments.
Macroprudential regulation	Rules that protect the stability of the financial sector and guard against systemic risk.
Marginal income tax rate	The rate of tax on an incremental unit of income.
Marginal lending rate	A penalty rate of interest charged by the Reserve Bank for lending to financial institutions in the money market in excess of the daily liquidity provided to the money market at the repurchase rate. See also *repurchase agreements*.
Marketable securities	Tradable financial securities listed with a securities exchange.
Medico-legal claims	A civil of alleged wrongful medical treatment against a health provider.
Medium Term Expenditure Committee	The technical committee responsible for evaluating the medium-term expenditure framework budget submissions of national departments and making recommendations to the Minister of Finance regarding allocations to national departments.
Medium-term expenditure framework	The three-year spending plans of national and provincial governments, published at the time of the Budget.
Microeconomics	The branch of economics that deals with the behaviour of individual firms, consumers and sectors.
Ministers' Committee on the Budget	The political committee that considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet.
Monetary policy	Policy concerning total money supply, exchange rates and the general level of interest rates.
Money laundering	The process of making illegally obtained money appear legitimate through transfers involving foreign banks or legitimate businesses.
Money supply	The total stock of money in an economy.
Multilateral institutions	Organisation formed by three or more countries to collaborate on issues of common interest and global priority.
Multinational company	A company that has business operations in at least one country other than its home country and generates revenue beyond its borders.
National budget	The projected revenue and expenditures that flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
National Development Plan	A planning framework prepared by the National Planning Commission that aims to eliminate poverty and reduce inequality by 2030.

National Energy Regulator of South Africa	The authority that regulates electricity, piped-gas and petroleum pipelines industries in South Africa.
National Revenue Fund	The consolidated account of the national government into which all taxes, fees and charges collected by the South African Revenue Service and departmental revenue must be paid.
Negotiable certificate of deposit	Short-term deposit instruments issued by banks, at a variable interest rate, for a fixed period.
Net borrowing requirement	The main budget balance.
Net exports	Exports less imports.
Net loan debt	Gross loan debt less government's cash balances.
Net open foreign currency position	Gold and foreign exchange reserves minus the oversold forward book. The figure is expressed in dollars.
Net trade	The difference between the value of exports and imports.
New Development Bank	A multilateral lending institution established by Brazil, Russia, India, China and South Africa.
Nominal exchange rates	The current rate of exchange between the rand and foreign currencies. The "effective" exchange rate is a trade-weighted average of the rates of exchange with other currencies.
Nominal wage	The return, or wage, to employees at the current price level.
Non-competitive bid auction	An auction in which an investor agrees to purchase a certain number of securities such as bonds at the average price of all competitive bids over a given period of time.
Non-financial public enterprises	Government-owned or controlled organisations that deliver goods and non-financial services, trading as business enterprises, such as Eskom or Transnet.
Non-interest expenditure	Total expenditure by government less debt-service costs.
Non-tax revenue	Income received by government as a result of administrative charges, licences, fees, sales of goods and services, and so on.
Occupation-specific salary dispensation	Revised salary structures unique to identified occupations in the public service, including doctors, nurses and teachers.
Offshore	Activities, operations, or locations outside of one's home country, where regulations may differ.
Operation Vulindlela	A joint initiative of the Presidency and the National Treasury to accelerate the implementation of structural reforms and support economic recovery. The unit monitors progress and actively supports implementation. Its aim is to fast-track the implementation of high impact reforms, addressing obstacles or delays to ensure execution on policy commitments.
Open finance	The ability of a customer to transfer all data linked to their financial activity, such as credit and payment histories.
Opportunity cost	The value of that which must be given up to achieve or acquire something. It is represented by the next highest valued alternative use of a resource.
Organisation for Economic Co-operation and Development	An organisation of 35 mainly industrialised member countries. South Africa is not a member.
PAYE	The pay-as-you-earn (PAYE) system of income tax withholding requires employers to deduct income tax, and in some cases, the employees' portion of social benefit taxes, from each paycheque delivered to employees.
Payroll tax	Tax an employer withholds and/or pays on behalf of employees based on employee wages or salaries.
Permanent establishment	A fixed place of business from which a company operates. When two countries have a tax treaty, the concept of "permanent establishment" is used to determine the right of one state to tax the profits of the business in the other state.

Plastic bag levy	An environmental tax on certain types of plastic carrier and flat bags that is earmarked to establish recycling facilities.
Policy reserve	Additional money in the fiscus to fund new and crucial priorities.
Portfolio investment	Investment in financial assets such as stocks and bonds.
Potential growth	The fastest growth an economy can sustain without increasing inflation.
Presidential Infrastructure Coordinating Commission	A commission established by Cabinet to develop, review and coordinate a 20-year infrastructure plan.
Price discovery	The process of determining the price level of a commodity or asset, based on supply and demand factors.
Price sensitivity	The extent to which changes in price affect consumers' purchasing behaviour.
Primary balance	The government's fiscal balance before accounting for interest payments on its outstanding debt. It is calculated as the difference between total government revenues and total non-interest expenditures. A positive primary balance indicates that the government's revenues exceed its non-interest spending, while a negative primary balance suggests a shortfall.
Primary bond auctions	The issuance of new bonds in the primary market by means of an auction.
Primary deficit/surplus	The difference between total revenue and non-interest expenditure. When revenue exceeds non-interest expenditure there is a surplus.
Primary market	The market where new securities (bonds or equities) are issued or sold by a company or government in the capital markets for the first time.
Primary sector	The agricultural, forestry, fishing, mining and quarrying sectors of the economy.
Principal purpose test	A test where the benefits of a tax treaty are denied if it is reasonable to conclude that obtaining the benefit was one of the principal purposes behind the arrangement or transaction.
Private-sector credit extension	Credit provided to the private sector. This includes all loans, credit cards and leases.
Privatisation	The full or partial sale of state-owned enterprises to private individuals or companies.
Producer price index	A measure of inflation based on the prices of production inputs as reported by producers across different sectors.
Productivity	A measure of the amount of output generated from every unit of input. Typically used to measure changes in labour efficiency.
Profit shifting	The allocation of income and expenses between related corporations or branches of the same legal entity to reduce overall tax liability.
Prudential Authority	The authority responsible for the prudential regulation of banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructure.
Public-benefit organisations	Organisations that engage in social activities to meet the needs of the general public. They are mainly funded by donations from the public and other institutions.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law.
Public Finance Management Act	The act regulating financial management of national and provincial government, including the efficiency and effectiveness of public expenditure and the responsibilities of those engaging with government financial management.
Public goods	Goods and services that would not be fully provided in a pure free-market system and are largely provided by government.
Public Investment Corporation	A government-owned investment management company that invests funds on behalf of public-sector entities. Its largest client is the Government Employees Pension Fund.
Public infrastructure investment	The allocation of financial resources towards the development, maintenance, and improvement of essential facilities, systems, and

	structures that are owned and operated by the government for public use.
Public-private partnerships	A contractual arrangement in which a private party performs a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria. See also *unitary payment*.
Public sector	National government, provincial government, local government, extra-budgetary governmental institutions, social security funds and non-financial public enterprises.
Public-sector borrowing requirement	The consolidated cash borrowing requirement of general government and non-financial public enterprises.
Purchasing managers' index	A composite index measuring the change in manufacturing activity. An index value of 50 indicates no change in activity, a value above 50 indicates increased activity and a value below 50 indicates decreased activity.
Quarterly Employment Statistics	An establishment-based survey conducted by Statistics South Africa to obtain information about the number of employees and gross salaries paid.
Quarterly Labour Force Survey	A household-based survey conducted by Statistics South Africa to measure the dynamics of the labour market, producing indicators such as employment, unemployment and inactivity.
Rand depreciation	A reduction in the external value of the rand.
Rating agency	A company that evaluates the ability of countries or other borrowers to honour their debt obligations. Credit ratings are used by international investors as indications of sovereign risk. See also *credit rating*.
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and the countries included.
Real expenditure	Expenditure measured in constant prices after taking account of inflation.
Real interest rate	The level of interest after taking account of inflation.
Real wage	The return, or wage, to employees, measured at a constant price level.
Recapitalisation	Injection of funds into a company or entity to aid liquidity, either as a loan or in return for equity.
Recession	A period in which national output and income decline. A recession is usually defined as two consecutive quarters of negative growth.
Redemption	The return of an investor's principal in a fixed-income security, such as a preferred stock or bond.
Refinancing	The repayment of debt at a scheduled time with the proceeds of new loans.
Refinancing risk	The risk that government will not be able to raise money to repay debt at any scheduled point, or that it will have to do so at a high cost.
Regional integration	An economic policy intended to boost economic activity in a geographical area extending beyond one country.
Remuneration	The costs of personnel, including salaries, housing allowances, car allowances and other benefits received by personnel.
Renewable Independent Power Producer Procurement Programme	A competitive tender process designed to facilitate private-sector investment in grid-connected renewable energy generation to increase South Africa's generation capacity.
Repurchase agreements	Short-term contracts between the Reserve Bank and private banks in the money market to sell specified amounts of money at an interest rate determined by daily auction.
Repurchase (repo) rate	The rate at which the Reserve Bank lends to commercial banks.
Reserves (foreign exchange)	Holdings of foreign exchange, either by the Reserve Bank only or by the Reserve Bank and domestic banking institutions.
Residence-based income tax system	A tax system in which the worldwide income accruing to a resident of a country is subject to the taxes of that country.

Retail bond	A fixed-income security issued by the National Treasury targeting retail investors. Two variants are offered: fixed-rate and inflation-linked retail bonds.
Revaluation gain/loss	The difference between the value of a foreign currency deposit from the original (historical) rate to execution of a trade based on the spot rate.
Risk premium	A return that compensates for uncertainty.
Saving	The difference between income and spending.
Seasonally adjusted	The removal of seasonal volatility (monthly or quarterly) from a time series dataset. This provides a measure of the underlying trend in the data.
Secondary market	A market where securities are bought and sold by participants in the capital market following primary market issuance.
Secondary market pricing	The price at which securities are bought and sold in the secondary market.
Secondary rebate	A rebate from income tax, in addition to the primary rebate, that is available to taxpayers aged 65 years and older.
Secondary sector	The part of the economy concerned with the manufacture of goods.
Secondary tax on companies	Tax on dividends declared by a company, calculated at the rate of 10 per cent of the net amount of dividends declared. This was discontinued in 2012 and replaced with a 15 per cent dividend withholding tax.
Section 21 company	Non-profit entities registered in terms of section 21 of the Companies Act.
Sector education and training authorities	Institutions funded through skills development levies, responsible for learnership programmes and implementing strategic sector skills plans.
Secured debt instruments	Debt backed or secured by collateral to reduce the risk of lending.
Securitisation	The pooling of assets into a financial instrument to sell to different types of investors.
Service and transfer payments	Services involve transactions of non-tangible commodities, while transfers are unrequited transactions that do not generate a counter-economic value (for example, gifts and grants).
Significant owner	A person who directly or indirectly materially controls or influences the business or strategy of a financial institution.
Skills development levy	A payroll tax designed to finance training initiatives in terms of the skills development strategy.
Social infrastructure	Infrastructure that supports social services.
Social wage	Social benefits available to all individuals, funded wholly or partly by the state.
Source-based income tax system	A system in which income is taxed in the country where the income originates.
Southern African Customs Union agreement	An agreement between South Africa, Botswana, eSwatini, Lesotho and Namibia that allows for the unrestricted flow of goods and services, and the sharing of customs and excise revenue.
Southern African Development Community	A regional intergovernmental organisation that promotes collaboration, economic integration and technical cooperation throughout southern Africa.
Sovereign debt	Debt issued by a government.
Sovereign debt rating	An assessment of the likelihood that a government will default on its debt obligations.
Spatial inequalities	The unequal distribution of resources, services, and opportunities across geographical regions or areas within a society.
Spatial planning	Planning to influence the geographic distribution of people and economic activity.
Special appropriation	The approval by Parliament of spending from the National Revenue Fund to appropriate additional funds other than the main support appropriation in the Budget Act.

Special economic zone	A designated zone where business and trade laws incentivise trade, investment and employment.
Specific excise duty	A tax on each unit of output or sale of a good, unrelated to the value of a good.
State-owned entities	A legal entity created by a government to partake in commercial activities on the government's behalf.
Standing appropriations	Government's expenditure obligations that do not require a vote or statutory provision, including contractual guarantees and international agreements.
Statutory appropriations	Amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.
Sterilisation	Action taken by the Reserve Bank to neutralise excess cash created in the money market when purchasing foreign currency.
Structural budget balance	A representation of what government revenue and expenditure would be if output were at its potential level, with cyclical variations stripped out.
Structural constraints	Imbalances in the structure of the economy that hinder growth and development.
Structural deficit	It is the excess of public spending over revenues that would continue even if the economy grew steadily at its highest sustainable employment rate.
Structural reforms	Measures put in place to substantially change the economy, or the institutional and regulatory framework in which people and businesses operate.
Sunset clause	A clause in a public policy that allows for a law to cease being in effect after a specified date.
Switch auction	An auction to exchange bonds to manage refinancing risk or improve tradability.
Syndicated loan	A large loan in which a group of banks work together to provide funds, which they solicit from their clients for the borrower.
Tariffs	Tax imposed by a government on goods or services imported from another country.
Tax amnesty	A period allowed by tax authorities during which taxpayers who are outside the tax net, but should be registered for tax purposes, can register for tax without incurring penalties.
Tax avoidance	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
Tax base	The aggregate value of income, sales or transactions on which particular taxes are levied.
Tax buoyancy	The relationship between total tax revenue collections and economic growth. This measure includes the effects of policy changes on revenue. A value above 1 means that revenues are growing faster than the economy; a value below 1 means they are growing below the rate of GDP growth.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax expenditure	Government revenue foregone due to provisions that allow deductions, exclusions or exemptions from taxable income. The revenue can also be forgone through the deferral of tax liability or preferential tax rates.
Tax gap	A measure of tax evasion that emerges from comparing the tax liability or tax base declared to the tax authorities with the tax liability or tax base calculated from other sources.
Tax incentives	Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities.
Tax incidence	The final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to

	those who experience a decrease in real income as a result of the imposition of a tax.
Taxable income	The income that is subject to taxation, calculated by subtracting deductions and exemptions from the total gross income.
Tax loopholes	Unintended weaknesses in the legal provisions of the tax system used by taxpayers to avoid paying tax liability.
Tax morality	The willingness, or motivation, of citizens to pay tax. This is separate from the statutory obligation to pay taxes but may influence tax compliance.
Tax policy measures	Are preferential or discretionary actions that modify the basic tax system, enabling governments to achieve certain objectives.
Tax-to-GDP ratio	The total tax payments for a particular fiscal year as a fraction or percentage of the GDP for that year.
Tax treaty	An agreement between two countries to resolve issues involving double taxation of income of their residents. See also *double tax agreement*.
Technical Committee on the Budget (TCB)	A committee of Directors-General from government departments, chaired by the National Treasury, broadly representing government clusters. The committee’s role is to consider budget proposals and make clear recommendations regarding allocations to the Ministers’ Committee on the Budget.
Terms of trade	An index measuring the ratio of a country’s export prices relative to its import prices.
Term-to-maturity	The time between issuance and expiry.
Tertiary sector	The part of the economy concerned with the provision of services.
Total factor productivity	An index used to measure the efficiency of all inputs that contribute to the production process.
Two-pot retirement reform	A reform that will allow retirement fund members to make partial withdrawals from their retirement funds before retirement, while preserving a portion that can only be accessed at retirement to help improve retirement outcomes.
Trade balance	The monetary record of a country’s net imports and exports of physical merchandise and services. See also *current account*.
Trade regime	The system of tariffs, quotas and quantitative restrictions applied to protect domestic industries, together with subsidies and incentives used to promote international trade.
Trade-weighted rand	The value of the rand pegged to or expressed relative to a market basket of selected foreign currencies.
Transfer pricing	The setting of the price at which connected persons transfer goods or services between themselves.
Treasury bills	Short-term government debt instruments that yield no interest but are issued at a discount. Maturities vary from one day to 12 months.
Treaty shopping	When related companies in different countries establish a third entity in another location to take advantage of a favourable tax arrangement.
Trend GDP growth	The theoretical level of GDP growth, where growth above the trend rate results in macroeconomic imbalances such as rising inflation or a weakening of the current account.
Unallocated reserves	Potential expenditure provision not allocated to a particular use.
Unauthorised expenditure	The overspending of a vote or main division within a vote, or expenditure that was not made in accordance with the purpose of a vote, or in the case of a main division, not in accordance with the purpose of main division.
Unemployment (broad definition)	All those of working age who are unemployed, including those actively seeking employment and discouraged work seekers.
Unemployment (official definition)	Those of working age who are unemployed and actively seeking work (excludes discouraged work seekers).
Unitary payment	The payment made to a private party for meeting its obligations in a public-private partnership.

Unit labour cost	The cost of labour per unit of output, calculated by dividing average wages by productivity (output per worker per hour).
Unqualified audit	An assessment by a registered auditing firm or the Auditor-General of South Africa asserting that the financial statements of a department, entity or company are free of material misstatement.
Unsecured debt instruments	Debt not backed or secured by collateral to reduce the risk of lending.
Unsecured lending	A loan that is not backed or secured by any type of collateral to reduce the lender's risk.
Unsolicited Proposal	Any proposal received by an institution outside its normal procurement process that is not an unsolicited bid (a submission that must be innovative, unique and provided by a sole supplier).
VAT refund	The amount of value-added tax (VAT) repayable by the South African Revenue Service to a VAT vendor.
Venture capital company	In terms of South African regulation, a company whose sole objective is managing investments in qualifying companies (small businesses). Investments in venture capital companies are tax deductible.
Vertical equity	A principle in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions. In other words, taxpayers with more income and/or capital should pay more tax.
Vested right	The right to ownership of an asset that cannot be arbitrarily taken away by a third party.
Virement	The transfer of resources from one programme to another within the same department during a financial year.
Vote	An appropriation voted by Parliament.
Wage minima	The lowest amount of money an employer can legally pay an employee for their work.
Water trading account	A departmental account that ring-fences revenue from the sale of bulk water and related services to secure funding to manage the sustainability of water resources and infrastructure.
Weighted average cost of capital	The average rate of return an organisation expects to pay to investors in its securities, such as bonds, debt and shares. Each category of security is accorded a proportionate weight in the calculation.
White paper	A policy document used to present government policy preferences.
Withholding tax	Tax on income deducted at source. Withholding taxes are widely used for dividends, interest and royalties.
Yield	A financial return or interest paid to buyers of government bonds. The yield/rate of return on bonds includes the total annual interest payments, the purchase price, the redemption value and the time remaining until maturity.
Yield curve	A graph showing the relationship between the yield on bonds of the same credit quality but different years to maturity at a given point in time.
Zero-rated tax items	Consumable goods that are exempt from the 15 per cent VAT rate.

2025 BUDGET REVIEW

STATISTICAL ANNEXURE

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

EXPLANATORY NOTES

The statistical tables present details of the main budget; consolidated national, provincial and social security funds expenditure; consolidated government revenue and expenditure; consolidated government revenue, expenditure and financing; total government debt; and net loan debt, provisions and contingent liabilities.

The tables are categorised according to government levels, from the main budget to the consolidated government account. The main budget consists of National Revenue Fund receipts, expenditure either voted by Parliament or allocated by statutory appropriation, and deficit financing. This is the national budget, including transfers to other spheres of government.

Consolidated national, provincial and social security funds expenditure consists of the main (national) budget, and the provincial and the social security funds' budgets or expenditure. These budgets are aggregated and transfers between the three spheres of government are netted out to arrive at a total consolidated expenditure figure. The consolidated government revenue, expenditure and financing budget includes national, provincial and social security funds, the Reconstruction and Development Programme (RDP) Fund and national public entities. This is referred to as the consolidated budget.

While government revenues are concentrated at a national level, a large proportion of expenditure has shifted to the provinces since 1994. Equitable share transfers to the nine provinces are included as a government statutory commitment on the National Treasury vote. In contrast, the local government equitable share is appropriated on the vote of the Department of Cooperative Governance. The consolidated government account consists of all the activities of the national and provincial governments and includes most of the listed public entities. The consolidation also includes several national government business enterprises.

Since more than 50 per cent of total national expenditure on the 2025/26 main budget consists of transfer payments to other levels of general government, economic and functional classifications of national budget expenditure are not comprehensive. For analysis, it would be preferable to present economic and functional classifications of general government expenditure, but this would require information on expenditure at all levels of general government, its financing through revenue, balances brought forward and transfer payments (mainly from the national budget). This information is not readily available to the local government. Historical data on general government finances is, however, published by the Reserve Bank in its *Quarterly Bulletin* and by Statistics South Africa.

Change in recording of extraordinary receipts and payments in the budget tables

Since 2014, the consolidated government account has been presented in a more transparent format in line with the International Monetary Fund's *Government Finance Statistics Manual* (2014). This format provides details of operating activities, capital and infrastructure investment, as well as transactions in financial assets and liabilities. The calculation of the budget balance includes all government transactions. Previously, extraordinary receipts and payments were added to the budget deficit to calculate government's net borrowing requirement. In the new format, there is no longer a difference between the budget balance and the net borrowing requirement. These transactions are now referred to as National Revenue Fund receipts and payments.

Treatment of foreign grants to the RDP Fund

All international technical assistance and other RDP-related grants are paid to the RDP Fund account, which is separated from government accounts. Departments incur expenditure on RDP-related projects through direct requisitions from this account. However, disbursements of foreign grants and technical assistance are included in the consolidated national and provincial expenditure estimates in Tables 5 and 6, and the consolidated government expenditure in Table 7.

Adjustments due to transactions in government debt

As part of the state's active management of its debt portfolio, government bonds are repurchased or switched into new bonds. In the process, government may make a capital profit, which is a book entry change in the bond discount. This capital profit does not represent actual cash flow and is regarded as a "book profit", which lowers the outstanding debt.

A premium may also be accrued, or payable, in managing the debt portfolio or when entering into new loans. Under the new format, premiums paid or received are now classified as receipts and payments of the National Revenue Fund, rather than being categorised as extraordinary receipts and payments.

Sources of information

The information in Tables 1 to 11 on national and provincial government and public entity finances is obtained from the following sources:

- Reports of the Auditor-General on the Appropriation and Miscellaneous Accounts
- Printed estimates of revenue and expenditure for the national and provincial budgets
- The Reserve Bank
- The South African Revenue Service (SARS)
- Monthly press releases from the National Treasury, published in terms of section 32 of the Public Finance Management Act (1999).

Main budget: revenue, expenditure, budget balance and financing (Table 1)

Table 1 summarises the main budget balances since 2018/19 and medium-term estimates to 2027/28. In line with the economic reporting format introduced in 2009, the revenue classification shows departmental sales of capital assets separately.

Appropriations by vote are divided into current payments, transfers and subsidies, payments for capital assets and payments for financial assets. Both current and capital transfers are included in transfers and subsidies, in line with the economic reporting format's requirements.

Repayments of loans and advances, which were previously shown as negative expenditure, have been reclassified as revenue. The national budget deficit (negative budget balance) is due to a higher increase in expenditure relative to the revenue collected over the same period.

The Eskom debt-relief arrangement outlines the financial support available to Eskom. This support takes the form of an interest-bearing loan and is classified as part of financing. In 2025/26, government plans to assume a portion of Eskom's debt by converting certain debt instruments into government debt.

The Gold and Foreign Exchange Contingency Reserve Account (GFECRA) settlement arrangement is recorded as a return on an investment (which is a balance sheet transaction) and not as government revenue. The settlement is set aside to reduce government's borrowing requirement and is shown separately as part of the calculation of national government's gross borrowing requirement.

The deficit figures presented in this table differ from those presented in budgets before 1995/96 because several items that were previously regarded as "below-the-line" expenditure have been included in total expenditure. In addition, revaluations of foreign loan obligations are excluded from expenditure, in keeping with international practice.

Under the "financing" item, domestic short-term loans include net transactions in Treasury bills and borrowing from the Corporation for Public Deposits. Long-term loans include all transactions in domestic government bonds and foreign loans (new loan issues, repayments on maturity, buybacks, switches and reverse purchase transactions).

Main budget: estimates of national revenue (Tables 2 and 3)

Table 2 presents a summary of revenue, and the details are set out in Table 3. Main budget revenue collections are recorded on an adjusted cash basis as the revenue is recorded in the SARS ledgers. Tax revenue is classified according to standard international categories and departmental receipts according to the economic reporting format's requirements.

In Table 3, a large amount of data cannot be reclassified to align with the economic reporting format because departments capture these transactions in their ledgers as miscellaneous receipts.

Main budget: expenditure defrayed from the National Revenue Fund by vote (Table 4)

Table 4 contains estimates of expenditure on national budget votes for the period 2021/22 to 2027/28. In 2024/25, amounts included in the budget estimate, the adjusted appropriation and the revised estimate on each vote are shown. Historical data has been adjusted to account for function shifts between departments. As a result, the figures presented for some departments may differ from their financial statements. Total expenditure, however, is not influenced by these changes.

Consolidated national, provincial and social security funds expenditure (Tables 5 and 6)

Tables 5 and 6 show the economic and functional classification of payments for the consolidated national and provincial government and social security funds, including the Unemployment Insurance Fund, the Road Accident Fund and the Compensation Fund. Provincial expenditure estimates are preliminary because their budgets are tabled after the national budget. As such, these estimates are subject to change before being tabled in provincial legislatures.

The functional classification

The functional classification in this annexure is aligned with the classification of government functions set out in the *Government Finance Statistics Manual*. The historical data published in these tables has been reclassified accordingly. Chapter 5 of the *Budget Review*, which sets out the medium-term expenditure framework, outlines the budget allocations across these function groups.

To support this approach, data at programme and entity level is aggregated into spending categories, which provides for a higher level of aggregation than in the functional classification. For example, functional classification tables include local development and social infrastructure as distinct functions. The fiscal statistics are an outcome of the budget process and can only be used as a guide to categorise expenditure for budgeting purposes.

Some of the most important differences between the key spending categories presented in Chapter 5 and the more detailed functional classification presented in the statistical tables are as follows:

- *Learning and culture:* Expenditure in this category includes spending related to school and tertiary education, as well as arts, culture, sport and recreation. In the statistical tables, this expenditure is included as part of either the education or recreation, culture and religion functions.
- *Economic development:* Expenditure related to innovation, science and technology is included in the economic development function group, while in the statistical tables it is classified as research and development according to the function to which it relates.
- *Peace and security:* This includes expenditure by defence, police, justice and home affairs. In the statistical tables, the bulk of this expenditure is included in the public order and safety function, with home affairs split between general public services and public order and safety.

- *General public services:* In the key spending categories, transfers made to international organisations are classified within the category of the paying department. In the statistical tables, they are classified under general public services.

Consolidated government revenue and expenditure (Tables 7 and 8)

Tables 7 and 8 show the economic and functional classification of payments for the consolidated government budget. This consists of the consolidated national, provincial and social security figures presented in Tables 5 and 6, combined with general government entities, as well as some government business enterprises.

The government budget consolidation includes all entities controlled and mainly financed by government revenue, where such revenue is defined as either taxes, levies and administrative or service fees prescribed by government, or direct budgetary support in the form of transfer payments. This consolidation also includes several government business enterprises, based on the principle that they either sell most of their goods and services to government institutions or departments at regulated prices, and are therefore not businesses in the true sense of the word, or they are directly involved in infrastructure financing and development.

Accordingly, state-owned entities are broadly identified as one of the following:

- Enterprises that sell mainly to government departments or institutions, that have no clear competitors and whose prices are therefore not clearly market-related.
- Science councils that conduct research or fulfil a regulatory or advisory function, with government-determined regulatory or administration fees.
- Government-regulated businesses that are primarily financed by a dedicated tax, administration fee or levy (the level of which is dictated by government), or that are directly involved in the maintenance or extension of critical infrastructure.

To present consolidated accounts, all units use the same accounting standards and policies. The format of the accounts, terminology used, classification, transaction coverage and accounting base (cash or accrual) must be the same. In this respect, the consolidated government budget is prepared on an adjusted cash basis of accounting. This is not strictly comparable to the financial information published in the consolidated financial statements, which has two components – a consolidation of departments using the modified cash basis of accounting and a separate consolidation of public entities that apply the accrual basis of accounting.

All transactions that occur between units being consolidated are eliminated. A transaction of one unit is matched with the same transaction recorded for the second unit and both transactions are eliminated from the consolidation. For example, if a public entity sells a service to a government department and data for the two units is being consolidated, neither the sale nor the purchase of the service is reported. In this way, only transactions between government and non-government entities are recorded, without inflating total government revenue as a result of internal transactions.

Not all intra-entity transactions are eliminated, however, because they are not always identifiable in the accounting systems of government and many of its agencies. Only those that can be identified have been eliminated. These broadly include:

- Transactions involving transfers from one government unit to another, including transfers made by national departments to public entities and transfers between public entities (such as Water Trading Entity transfers to water boards).
- Purchases of goods and services from other government units included in the consolidation (such as transactions between the Trans-Caledon Tunnel Authority, water boards and the Water Trading Entity).

As data collection and recording procedures for transactions improve, additional intra-entity transactions will be identified and removed from the consolidated government budget.

A total of 162 national and provincial departments and 195 entities are included in the 2025 consolidated government budget. The National Treasury is committed to presenting a comprehensive consolidation of the entire general government over time. Considerable work has been done to align the local government accounts with national and provincial accounts. A classification reporting framework has been developed for municipalities as a first step towards the consolidation of the financial information of all three spheres of government.

Consolidated government revenue, expenditure and financing (Table 9)

Table 9 presents the government account, which distinguishes between government's operating activities and its plans to invest in capital and infrastructure.

The balance on the operating account shows the outcome of government's operating activities, which is a measure of the cost of ongoing operations. It is calculated as the difference between current revenue and current expenditure, and the resulting balance shows how much government must borrow to run its operations. The current balance demonstrates the sustainability of government operations.

Capital investment activities are presented in the capital account. Government's capital financing requirement is the outcome of this account, which is calculated as the difference between capital revenue and capital expenditure. This account will mainly be in deficit due to continuous investment in infrastructure and substantial capital outlays.

Total debt of government (Table 10)

Table 10 shows the major components of government debt. Net loan debt consists of total domestic and foreign debt less the cash balances of the National Revenue Fund. The balances on the Gold and Foreign Exchange Contingency Reserve Account, which represent net revaluation profits and losses incurred on gold and foreign exchange transactions, are also disclosed.

Net loan debt, provisions and contingent liabilities (Table 11)

Provisions are liabilities with uncertain payment dates or amounts. The provisions for multilateral institutions are the unpaid portion of government’s subscriptions to these institutions, which are payable on request. Contingent liabilities are obligations that only result in expenditure when an uncertain future event occurs. Both explicit and implicit contingent liabilities are disclosed. Implicit contingent liabilities are mostly the actuarial deficits of social security funds, while explicit contingent liabilities are mostly guarantees for state-owned companies, public-private partnership projects and the Renewable Energy Independent Power Producer Procurement Programme. In the case of guarantees for state-owned companies, the exposure disclosed is the amount borrowed against a guarantee, any related revaluation adjustments due to the inflation rate and/or exchange rate movements, and any related interest on this amount, if guaranteed. The National Treasury published detailed information on provisions and contingent liabilities in the annual consolidated financial statements of national departments.

Table 1
Main budget: revenue, expenditure, budget balance and financing *1)*

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		Actual outcome				Preliminary outcome	
R million							
Main budget revenue							
Current revenue		1 260 705.6	1 329 942.0	1 209 839.9	1 555 283.0	1 682 006.5	1 694 153.0
Tax revenue (gross)	*2)*	*1 287 690.2*	*1 355 766.3*	*1 249 711.2*	*1 563 754.2*	*1 686 697.4*	*1 740 869.9*
Less: SACU payments	*3)*	*-48 288.6*	*-50 280.3*	*-63 395.2*	*-45 966.2*	*-43 683.4*	*-79 811.0*
Non-tax revenue (departmental and other receipts)	*4)*	*21 304.0*	*24 456.1*	*23 523.9*	*37 494.9*	*38 992.6*	*33 094.1*
Financial transactions in assets and liabilities	5)	14 453.1	15 807.2	28 404.7	8 853.5	17 020.9	29 657.5
Sales of capital assets		111.9	120.7	124.1	136.3	187.3	192.3
Total revenue		**1 275 270.6**	**1 345 869.9**	**1 238 368.7**	**1 564 272.8**	**1 699 214.7**	**1 724 002.9**
Main budget expenditure							
Direct charges against the National Revenue Fund		690 870.4	751 508.2	789 731.0	861 609.7	927 683.6	991 467.5
Debt-service costs	*6)*	*181 849.1*	*204 769.4*	*232 595.7*	*268 071.6*	*308 459.1*	*356 109.9*
Provincial equitable share		*470 286.5*	*505 553.8*	*520 717.0*	*544 834.9*	*570 868.2*	*585 085.9*
General fuel levy sharing with metropolitan municipalities		*12 468.6*	*13 166.8*	*14 026.9*	*14 617.3*	*15 334.8*	*15 433.5*
Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations		*4 955.6*	*5 420.2*	*5 128.8*	*5 981.1*	*6 709.2*	*6 597.2*
Skills levy and SETAs		*17 479.9*	*18 283.8*	*12 413.0*	*19 011.6*	*20 808.9*	*22 424.5*
Other	*7)*	*3 830.7*	*4 314.2*	*4 849.7*	*9 093.2*	*5 503.3*	*5 816.5*
Appropriated by vote		815 734.8	939 494.0	999 284.8	1 025 670.2	1 081 473.2	1 055 451.4
Current payments	*8)*	*229 831.3*	*245 038.8*	*238 160.3*	*256 143.1*	*263 167.6*	*267 907.4*
Transfers and subsidies	*9)*	*557 181.1*	*617 775.7*	*660 549.5*	*686 577.4*	*735 453.2*	*768 758.9*
Payments for capital assets	*10)*	*14 357.9*	*12 107.9*	*12 001.6*	*14 253.4*	*16 429.0*	*17 245.8*
Payments for financial assets	*11)*	*14 364.4*	*64 571.6*	*88 573.3*	*68 696.4*	*66 423.4*	*1 539.3*
Provisional allocations not appropriated		–	–	–	–	–	–
Infrastructure Fund not appropriated		–	–	–	–	–	–
Total		**1 506 605.2**	**1 691 002.2**	**1 789 015.8**	**1 887 279.9**	**2 009 156.8**	**2 046 918.9**
Contingency reserve		–	–	–	–	–	–
Total expenditure		**1 506 605.2**	**1 691 002.2**	**1 789 015.8**	**1 887 279.9**	**2 009 156.8**	**2 046 918.9**
Main budget balance		**-231 334.6**	**-345 132.2**	**-550 647.1**	**-323 007.2**	**-309 942.1**	**-322 916.0**
Percentage of GDP		*-4.3%*	*-6.0%*	*-9.8%*	*-5.1%*	*-4.6%*	*-4.6%*
Redemptions		**-15 569.9**	**-70 656.6**	**-67 638.9**	**-65 292.2**	**-90 324.0**	**-144 394.8**
Domestic long-term loans		*-13 528.7*	*-19 427.7*	*-53 222.6*	*-61 373.4*	*-74 562.4*	*-97 250.1*
Foreign loans	*12)*	*-2 041.3*	*-51 229.0*	*-14 416.3*	*-3 918.8*	*-15 761.6*	*-47 144.7*
Eskom debt-relief arrangement		**–**	**–**	**–**	**–**	**–**	**-76 000.0**
GFECRA settlement		**–**	**–**	**–**	**–**	**–**	**–**
Gross borrowing requirement		**-246 904.5**	**-415 788.8**	**-618 286.0**	**-388 299.4**	**-400 266.1**	**-543 310.8**
Financing							
Change in loan liabilities							
Domestic short-term loans (net)		**14 060.6**	**36 077.5**	**95 325.4**	**-7 954.8**	**-25 577.4**	**88 744.7**
Domestic long-term loans		**183 003.1**	**305 449.2**	**523 417.9**	**290 294.8**	**322 420.0**	**336 238.9**
Market loans		*183 503.3*	*305 738.5*	*523 376.1*	*289 933.1*	*322 506.5*	*336 079.1*
Loans issued for switches		*-500.3*	*-289.3*	*41.7*	*361.7*	*-86.5*	*824.1*
Loans issued for repos		–	–	–	–	–	*-664.3*
Foreign loans		**25 257.7**	**76 052.0**	**91 919.7**	**31 315.5**	**64 465.6**	**45 663.0**
Market loans		*25 257.7*	*76 052.0*	*91 919.7*	*31 315.5*	*64 465.6*	*45 663.0*
Loans issued for switches		–	–	–	–	–	–
Change in cash and other balances (- increase)		**24 583.2**	**-1 789.9**	**-92 377.1**	**74 643.9**	**38 958.0**	**72 664.3**
Total financing		**246 904.5**	**415 788.8**	**618 286.0**	**388 299.4**	**400 266.1**	**543 310.8**
GDP		*5 425 436.0*	*5 709 242.0*	*5 616 352.0*	*6 325 590.0*	*6 763 456.0*	*7 094 782.0*
National Revenue Fund transactions	13)						
National Revenue Fund receipts		*11 999.4*	*12 801.3*	*25 769.9*	*6 068.4*	*5 221.3*	*19 034.9*
National Revenue Fund payments		*-161.6*	*-468.5*	*-588.3*	*-2 173.4*	*-263.3*	*-1 093.1*
Net		***11 837.8***	***12 332.9***	***25 181.6***	***3 895.0***	***4 958.0***	***17 941.9***

1) This table summarises revenue, expenditure and the main budget balance since 2018/19. As available data is incomplete, the estimates are not fully consistent with other sources, such as the Government Finance Statistics series of the Reserve Bank.
2) Mining leases and ownership have been reclassified as non-tax revenue (rent on land). Historical numbers have been adjusted for comparative purposes.
3) Payments in terms of Southern African Customs Union (SACU) agreements.
4) Excludes sales of capital assets, discount and revaluation of foreign loan repayments. Includes receipts for which a department serves as a conduit to deposit funds into the National Revenue Fund.
5) Includes National Revenue Fund receipts (previously classified as extraordinary receipts).
6) Includes interest, cost of raising loans and management cost but excludes discount on the issue of new government debt instruments and the revaluation of foreign loan repayments.
Source: National Treasury

Table 1
Main budget: revenue, expenditure, budget balance and financing *1)*

2024/25			2025/26	2026/27	2027/28		
Budget estimate	Revised estimate	Deviation	Medium-term estimates				R million
							Main budget revenue
1 800 621.0	1 778 715.2	-21 905.8	1 982 067.5	2 128 822.1	2 258 467.9		Current revenue
1 863 034.8	*1 843 700.9*	*-19 333.9*	*2 032 097.4*	*2 175 929.0*	*2 319 239.3*	2)	*Tax revenue (gross)*
-89 870.9	*-89 874.1*	*-3.2*	*-73 552.1*	*-77 527.5*	*-91 200.8*	3)	*Less: SACU payments*
27 457.1	*24 888.4*	*-2 568.7*	*23 522.2*	*30 420.6*	*30 429.4*	4)	*Non-tax revenue (departmental and other receipts)*
14 253.2	16 077.9	1 824.7	14 097.0	1 932.7	1 563.2	5)	Financial transactions in assets and liabilities
146.1	179.2	33.1	144.0	147.6	152.6		Sales of capital assets
1 815 020.3	**1 794 972.4**	**-20 047.9**	**1 996 308.5**	**2 130 902.3**	**2 260 183.7**		**Total revenue**
							Main budget expenditure
1 034 599.9	1 044 488.0	9 888.1	1 112 623.6	1 167 910.4	1 230 100.0		Direct charges against the National Revenue Fund
382 182.9	*389 560.8*	*7 377.9*	*424 158.7*	*448 572.1*	*477 213.4*	6)	*Debt-service costs*
600 475.6	*600 475.6*	–	*633 166.0*	*660 568.5*	*690 243.5*		*Provincial equitable share*
16 126.6	*16 126.6*	–	*16 849.1*	*17 621.0*	*18 417.8*		*General fuel levy sharing with metropolitan municipalities*
7 001.4	*7 003.4*	*2.0*	*7 900.7*	*8 585.8*	*9 485.6*		*Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations*
24 500.3	*24 493.3*	*-7.0*	*26 006.0*	*27 811.0*	*29 772.8*		*Skills levy and SETAs*
4 313.1	*6 828.4*	*2 515.2*	*4 543.3*	*4 752.0*	*4 966.8*	7)	*Other*
1 095 796.6	1 105 799.3	10 002.7	1 173 646.9	1 179 175.1	1 221 273.1		Appropriated by vote
281 673.0	*284 510.3*	*2 837.4*	*298 503.4*	*311 943.3*	*324 976.8*	8)	*Current payments*
797 880.8	*798 972.3*	*1 091.5*	*848 292.4*	*847 200.0*	*877 261.3*	9)	*Transfers and subsidies*
15 188.7	*16 274.3*	*1 085.5*	*17 064.1*	*14 464.2*	*14 750.8*	10)	*Payments for capital assets*
1 054.1	*6 042.4*	*4 988.4*	*9 786.9*	*5 567.6*	*4 284.2*	11)	*Payments for financial assets*
570.2	–	-570.2	38 587.7	84 621.8	86 058.5		Provisional allocations not appropriated
–	–	–	–	–	424.9		Infrastructure Fund not appropriated
2 130 966.7	**2 150 287.3**	**19 320.6**	**2 324 858.2**	**2 431 707.4**	**2 537 856.5**		**Total**
5 000.0	–	-5 000.0	8 000.0	10 000.5	14 999.6		Contingency reserve
2 135 966.7	**2 150 287.3**	**14 320.6**	**2 332 858.2**	**2 441 707.9**	**2 552 856.0**		**Total expenditure**
-320 946.4	**-355 314.9**	**-34 368.6**	**-336 549.8**	**-310 805.6**	**-292 672.4**		**Main budget balance**
-4.3%	*-4.8%*	*-0.4%*	*-4.2%*	*-3.6%*	*-3.2%*		*Percentage of GDP*
-172 568.2	**-98 801.8**	**73 766.4**	**-172 646.7**	**-152 881.2**	**-303 908.0**		**Redemptions**
-132 087.0	*-61 537.9*	*70 549.1*	*-112 494.9*	*-112 494.9*	*-277 620.7*		*Domestic long-term loans*
-40 481.2	*-37 263.8*	*3 217.3*	*-60 151.8*	*-40 386.3*	*-26 287.4*	12)	*Foreign loans*
-64 154.0	**-64 154.0**	**–**	**-80 223.0**	**–**	**–**		**Eskom debt-relief arrangement**
100 000.0	**100 000.0**	**–**	**25 000.0**	**25 000.0**	**–**		**GFECRA settlement**
-457 668.6	**-418 270.7**	**39 397.9**	**-564 419.5**	**-438 686.8**	**-596 580.4**		**Gross borrowing requirement**
							Financing
							Change in loan liabilities
33 000.0	**38 932.0**	**5 932.0**	**38 800.0**	**35 300.0**	**46 700.0**		**Domestic short-term loans (net)**
328 100.0	**337 500.0**	**9 400.0**	**349 500.0**	**318 000.0**	**420 200.0**		**Domestic long-term loans**
328 100.0	*336 287.0*	*8 187.0*	*349 500.0*	*318 000.0*	*420 200.0*		*Market loans*
–	*1 094.0*	*1 094.0*	–	–	–		*Loans issued for switches*
–	*119.0*	*119.0*	–	–	–		*Loans issued for repos*
36 699.5	**67 020.9**	**30 321.4**	**98 624.6**	**81 443.6**	**95 883.6**		**Foreign loans**
36 699.5	*67 020.9*	*30 321.4*	*98 624.6*	*81 443.6*	*95 883.6*		*Market loans*
–	–	–	–	–	–		*Loans issued for switches*
59 869.0	**-25 182.2**	**-85 051.2**	**77 494.9**	**3 943.2**	**33 796.8**		**Change in cash and other balances (- increase)**
457 668.6	**418 270.7**	**-39 397.9**	**564 419.5**	**438 686.8**	**596 580.4**		**Total financing**
7 452 214.5	*7 477 856.4*	*25 641.9*	*8 003 790.1*	*8 520 447.3*	*9 083 227.3*		*GDP*
						13)	National Revenue Fund transactions
7 243.4	*9 158.3*	*1 915.0*	*1 478.0*	*943.0*	*544.0*		*National Revenue Fund receipts*
–	*-2 190.5*	*-2 190.5*	–	–	–		*National Revenue Fund payments*
7 243.4	***6 967.8***	***-275.6***	***1 478.0***	***943.0***	***544.0***		***Net***

7) *Includes direct appropriations in respect of the salaries of the President, Deputy President, judges, magistrates, members of Parliament, Auditor-General of South Africa, National Revenue Fund payments (previously classified as extraordinary payments), the International Oil Pollution Compensation Fund and allocations made in the 2023/24 Second Adjustments Appropriation Bill.*
8) *Includes compensation of employees, payments for goods and services, interest and rent on land. Payment for medical benefits to former employees has been moved to transfers.*
9) *Includes current and capital transfers and subsidies to business, households, foreign countries and other levels and funds of general government.*
10) *Includes acquisition and own account construction of new assets and the cost of upgrading, improving and extending existing capital assets.*
11) *Consists mainly of lending to public corporations or making equity investments in them for policy purposes. Previously included in transfers and subsidies.*
12) *Revaluation estimates are based on the National Treasury's projection of exchange rates.*
13) *National Revenue Fund payments include premiums paid on loan transactions and revaluation adjustments when utilising foreign exchange deposits. National Revenue Fund receipts include proceeds from the sale of state assets, premiums received on loan transactions and revaluation adjustments when utilising foreign exchange deposits.*

Table 2
Main budget: estimates of national revenue
Summary of revenue

R million		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
		Actual collections							
Taxes on income and profits		**332 058.3**	**383 482.7**	**359 044.8**	**379 941.2**	**426 583.7**	**457 313.8**	**507 759.2**	**561 789.8**
Personal income tax		168 774.4	195 145.7	205 145.0	226 925.0	250 399.6	275 821.6	309 931.2	352 950.4
Corporate income tax		140 119.8	165 539.0	134 883.4	132 901.7	151 626.7	159 259.2	177 459.6	184 925.4
Secondary tax on companies/dividends tax and interest withholding tax		20 585.4	20 017.6	15 467.8	17 178.2	21 965.4	19 738.7	17 308.8	21 247.3
Tax on retirement funds		285.4	143.3	42.7	2.8	6.7	0.2	–	–
Other	*1)*	2 293.3	2 637.2	3 505.9	2 933.6	2 585.3	2 494.1	3 059.6	2 666.7
Taxes on payroll and workforce		**6 330.9**	**7 327.5**	**7 804.8**	**8 652.3**	**10 173.1**	**11 378.5**	**12 475.6**	**14 032.1**
Skills development levy	*2)*	6 330.9	7 327.5	7 804.8	8 652.3	10 173.1	11 378.5	12 475.6	14 032.1
Taxes on property		**11 883.9**	**9 477.1**	**8 826.4**	**9 102.3**	**7 817.5**	**8 645.2**	**10 487.1**	**12 471.5**
Donations tax		27.6	125.0	60.1	64.6	52.7	82.1	112.8	167.0
Estate duty		691.0	756.7	759.3	782.3	1 045.2	1 013.0	1 101.5	1 488.6
Securities transfer tax	*3)*	3 757.1	3 664.5	3 324.0	2 932.9	2 886.1	3 271.9	3 784.3	4 150.1
Transfer duties		7 408.2	4 930.9	4 683.0	5 322.5	3 833.6	4 278.3	5 488.5	6 665.8
Domestic taxes on goods and services		**194 690.3**	**201 416.0**	**203 666.8**	**249 490.4**	**263 949.9**	**296 921.5**	**324 548.2**	**356 554.4**
Value-added tax	*4)*	150 442.8	154 343.1	147 941.3	183 571.4	191 020.2	215 023.0	237 666.6	261 294.8
Specific excise duties		18 218.4	20 184.5	21 289.3	22 967.6	25 411.1	28 377.7	29 039.5	32 333.6
Health promotion levy		–		–	–	–	–	–	–
Ad valorem excise duties		1 480.5	1 169.5	1 275.9	1 596.2	1 828.3	2 231.9	2 363.3	2 962.3
Fuel levies		23 740.5	24 883.8	28 832.5	34 417.6	36 602.3	40 410.4	43 684.7	48 466.5
Air departure tax		540.6	549.4	580.3	647.8	762.4	873.1	878.7	906.6
Electricity levy		–	–	3 341.7	4 996.4	6 429.7	7 983.9	8 818.9	8 648.2
Other	*5)*	267.4	285.6	405.7	1 293.3	1 895.8	2 021.4	2 096.5	1 942.5
Taxes on international trade and transactions		**27 081.9**	**22 852.4**	**19 318.9**	**26 977.1**	**34 121.0**	**39 549.1**	**44 732.2**	**41 462.9**
Customs duties		26 469.9	22 751.0	19 577.1	26 637.4	34 197.9	38 997.9	44 178.7	40 678.8
Health promotion levy on imports		–	–	–	–	–	–	–	–
Import surcharges		–	–	–	–	–	–	–	–
Other	*6)*	612.0	101.4	-258.3	339.7	-76.9	551.2	553.4	784.1
Stamp duties and fees		**557.1**	**571.8**	**49.5**	**3.1**	**-2.9**	**0.5**	**31.7**	**-1.2**
State miscellaneous revenue	*7)*	**212.2**	**-27.4**	**-5.7**	**16.7**	**7.4**	**17.2**	**-19.1**	**-14.6**
TOTAL TAX REVENUE (gross)		**572 814.6**	**625 100.2**	**598 705.4**	**674 183.1**	**742 649.7**	**813 825.8**	**900 014.7**	**986 295.0**
Non-tax revenue	*8)*	**14 542.4**	**20 819.6**	**15 323.1**	**16 474.0**	**24 401.5**	**28 467.7**	**30 725.8**	**30 899.6**
Less: SACU payments	*9)*	**-24 712.6**	**-28 920.6**	**-27 915.4**	**-14 991.3**	**-21 760.0**	**-42 151.3**	**-43 374.4**	**-51 737.7**
Other adjustment	*10)*	**–**	**–**	**–**	**-2 914.4**	**–**	**–**	**–**	**–**
TOTAL MAIN BUDGET REVENUE		**562 644.4**	**616 999.1**	**586 113.1**	**675 665.8**	**745 291.3**	**800 142.2**	**887 366.2**	**965 456.9**
Current revenue		**562 414.2**	**616 867.9**	**586 076.8**	**675 630.4**	**745 176.5**	**800 047.9**	**887 329.2**	**965 379.5**
Direct taxes		339 107.8	391 691.9	367 669.0	389 440.5	437 854.7	469 787.4	521 449.0	577 477.5
Indirect taxes		233 494.6	233 435.6	231 042.1	284 726.0	304 787.6	344 021.2	378 584.8	408 832.1
State miscellaneous revenue		212.2	-27.4	-5.7	16.7	7.4	17.2	-19.1	-14.6
Non-tax revenue (excluding sales of capital assets)	*11)*	14 312.2	20 688.4	15 286.8	16 438.5	24 286.8	28 373.4	30 688.8	30 822.1
Less: SACU payments		-24 712.6	-28 920.6	-27 915.4	-14 991.3	-21 760.0	-42 151.3	-43 374.4	-51 737.7
Sales of capital assets		**230.2**	**131.2**	**36.3**	**35.4**	**114.7**	**94.3**	**37.0**	**77.4**
National Revenue Fund receipts	*12)*	*1 849.8*	*8 203.4*	*6 428.6*	*3 013.9*	*5 209.2*	*12 302.8*	*11 709.3*	*12 647.0*

1) Includes interest on overdue income tax and small business tax amnesty (in 2007/08 and 2008/09).
2) Levy on payroll dedicated to skills development.
3) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
4) Value-added tax (VAT) replaced general sales tax in September 1991.
5) Includes plastic bag levy (from 2004/05), Universal Service Fund (from 1999/00), levies on financial services (up to 2004/05), CO_2 motor vehicle emissions (from 2010/11), incandescent light bulb levy (from 2009/10), turnover tax for micro businesses (from 2009/10), tyre levy, International Oil Pollution Compensation Fund (from 2016/17) and carbon tax (from 2020/21). Mining leases and ownership have been reclassified as non-tax revenue. The historical years from 2000/01 have been adjusted for comparative purposes.

Source: National Treasury

Table 2
Main budget: estimates of national revenue
Summary of revenue

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22		R million
			Actual collections					
606 820.5	**664 526.4**	**711 703.0**	**738 740.6**	**772 684.8**	**718 180.5**	**912 870.0**		**Taxes on income and profits**
388 102.4	424 545.2	460 952.8	492 082.9	527 632.5	487 011.1	553 951.5		Personal income tax
191 151.6	204 431.8	217 412.0	212 046.1	211 522.2	202 123.4	320 446.9		Corporate income tax
24 152.8	31 575.7	28 559.6	30 523.1	28 526.4	25 335.7	33 898.2		Secondary tax on companies/dividends tax and interest withholding tax
–	–	–	–	–	–	-0.2		Tax on retirement funds
3 413.7	3 973.8	4 778.6	4 088.6	5 003.7	3 710.3	4 573.7	*1)*	Other
15 220.2	**15 314.8**	**16 012.4**	**17 439.0**	**18 486.3**	**12 250.2**	**19 335.9**		**Taxes on payroll and workforce**
15 220.2	15 314.8	16 012.4	17 439.0	18 486.3	12 250.2	19 335.9	*2)*	Skills development levy
15 044.1	**15 661.2**	**16 584.6**	**15 251.8**	**15 979.9**	**15 946.6**	**22 032.8**		**Taxes on property**
134.8	280.3	732.1	604.4	572.3	602.0	635.4		Donations tax
1 982.2	1 619.5	2 292.0	2 069.3	2 047.8	2 316.3	3 140.8		Estate duty
5 530.7	5 553.2	5 837.5	5 334.8	6 240.2	5 422.3	7 680.5	*3)*	Securities transfer tax
7 396.3	8 208.3	7 723.0	7 243.2	7 119.6	7 606.0	10 576.1		Transfer duties
385 955.9	**402 463.9**	**422 248.3**	**460 544.6**	**492 282.8**	**455 866.6**	**549 806.3**		**Domestic taxes on goods and services**
281 111.4	289 166.7	297 997.6	324 766.0	346 760.8	331 196.8	390 895.1	*4)*	Value-added tax
35 076.7	35 773.8	37 355.9	40 829.7	46 826.6	32 273.0	49 705.1		Specific excise duties
–	–	–	3 195.1	2 446.2	2 046.2	2 182.3		Health promotion levy
3 014.1	3 396.2	3 780.9	4 191.9	4 124.2	3 385.5	4 725.1		*Ad valorem* excise duties
55 607.3	62 778.8	70 948.6	75 372.2	80 175.2	75 502.8	88 889.1		Fuel levies
941.2	1 003.9	1 086.0	1 082.9	1 068.3	138.5	285.1		Air departure tax
8 471.8	8 457.7	8 501.0	8 404.0	8 290.7	7 739.3	7 890.6		Electricity levy
1 733.4	1 886.8	2 578.3	2 702.9	2 590.9	3 584.4	5 233.9	*5)*	Other
46 942.3	**46 102.5**	**49 939.4**	**55 722.9**	**56 322.4**	**47 455.4**	**59 719.3**		**Taxes on international trade and transactions**
46 250.1	45 579.1	49 151.7	54 968.1	55 428.4	47 290.4	57 993.8		Customs duties
–	–	–	53.1	66.6	67.4	77.5		Health promotion levy on imports
–	–	–	–	–	–	–		Import surcharges
692.2	523.4	787.7	701.8	827.4	97.6	1 648.0	*6)*	Other
0.4	**-0.1**	**-0.3**	**0.0**	**–**	**–**	**–**		**Stamp duties and fees**
-0.8	**12.2**	**-23.5**	**-8.7**	**10.0**	**11.9**	**-10.1**	*7)*	**State miscellaneous revenue**
1 069 982.6	**1 144 081.0**	**1 216 463.9**	**1 287 690.2**	**1 355 766.3**	**1 249 711.2**	**1 563 754.2**		**TOTAL TAX REVENUE (gross)**
57 275.7	**33 271.8**	**35 849.3**	**35 869.0**	**40 384.0**	**52 052.7**	**46 484.7**	*8)*	**Non-tax revenue**
-51 021.9	**-39 448.3**	**-55 950.9**	**-48 288.6**	**-50 280.3**	**-63 395.2**	**-45 966.2**	*9)*	**Less: SACU payments**
–	**–**	**–**	**–**	**–**	**–**	**–**	*10)*	**Other adjustment**
1 076 236.4	**1 137 904.4**	**1 196 362.3**	**1 275 270.6**	**1 345 869.9**	**1 238 368.7**	**1 564 272.8**		**TOTAL MAIN BUDGET REVENUE**
1 076 115.2	**1 137 755.2**	**1 196 164.8**	**1 275 158.7**	**1 345 749.2**	**1 238 244.6**	**1 564 136.5**		**Current revenue**
624 157.7	681 741.0	730 739.5	758 853.4	793 791.2	733 349.0	935 982.2		Direct taxes
445 825.7	462 327.8	485 747.9	528 845.5	561 965.0	516 350.3	627 782.1		Indirect taxes
-0.8	12.2	-23.5	-8.7	10.0	11.9	-10.1		State miscellaneous revenue
57 154.6	33 122.6	35 651.8	35 757.1	40 263.2	51 928.6	46 348.4	*11)*	Non-tax revenue (excluding sales of capital assets)
-51 021.9	-39 448.3	-55 950.9	-48 288.6	-50 280.3	-63 395.2	-45 966.2		Less: SACU payments
121.1	**149.2**	**197.5**	**111.9**	**120.7**	**124.1**	**136.3**		**Sales of capital assets**
14 377.5	*14 240.7*	*16 600.3*	*11 999.4*	*12 801.3*	*25 769.9*	*6 068.4*	*12)*	*National Revenue Fund receipts*

6) Includes miscellaneous customs and excise receipts, ordinary levy (up to 2004/05) and export duties (duty on scrap metal from 2021/22).
7) Includes revenue received by SARS that could not be allocated to a specific revenue type.
8) Includes sales of goods and services, fines, penalties and forfeits, interest, dividends and rent on land (including mineral and petroleum royalties and mining leases and ownership), sales of capital assets as well as transactions in financial assets and liabilities.
9) Payments in terms of SACU agreements.
10) Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.
11) Excludes sales of capital assets.
12) Previously classified as extraordinary revenue, includes sales of strategic fuel stocks, proceeds from sales of state assets and certain other receipts that are, by law, paid into the National Revenue Fund.

Table 2
Main budget: estimates of national revenue
Summary of revenue

R million		2022/23	2023/24	2024/25		2025/26			
		Actual collections		Revised estimates	% change on actual 2023/24	Budget estimates Before tax proposals	Budget estimates After tax proposals	% change on revised 2024/25	% of total budget revenue
Taxes on income and profits		**988 505.3**	**1 008 555.8**	**1 095 686.3**	**8.6%**	**1 170 603.4**	**1 173 603.4**	**7.1%**	**58.8%**
Personal income tax		600 366.8	648 911.1	734 267.8	13.2%	797 457.0	800 457.0	9.0%	40.1%
Corporate income tax		344 659.9	313 097.2	314 633.9	0.5%	325 039.7	325 039.7	3.3%	16.3%
Secondary tax on companies/dividends tax and interest withholding tax		38 844.6	40 309.3	39 287.8	-2.5%	40 203.8	40 203.8	2.3%	2.0%
Tax on retirement funds		–	–	–	–	–	–	–	–
Other	*1)*	4 633.9	6 238.2	7 496.9	20.2%	7 902.9	7 902.9	5.4%	0.4%
Taxes on payroll and workforce		**20 892.5**	**22 604.3**	**24 493.3**	**8.4%**	**26 006.0**	**26 006.0**	**6.2%**	**1.3%**
Skills development levy	*2)*	20 892.5	22 604.3	24 493.3	8.4%	26 006.0	26 006.0	6.2%	1.3%
Taxes on property		**21 237.7**	**19 399.9**	**21 339.1**	**10.0%**	**22 839.9**	**22 839.9**	**7.0%**	**1.1%**
Donations tax		682.8	801.1	1 091.1	36.2%	1 167.9	1 167.9	7.0%	0.1%
Estate duty		3 702.2	3 532.5	3 784.9	7.1%	4 051.1	4 051.1	7.0%	0.2%
Securities transfer tax	*3)*	5 400.6	5 485.0	5 561.6	1.4%	5 952.7	5 952.7	7.0%	0.3%
Transfer duties		11 452.1	9 581.3	10 901.5	13.8%	11 668.3	11 668.3	7.0%	0.6%
Domestic taxes on goods and services		**579 990.1**	**616 458.9**	**623 019.8**	**1.1%**	**667 517.6**	**722 517.6**	**16.0%**	**36.2%**
Value-added tax	*4)*	422 416.4	447 556.7	459 963.0	2.8%	487 440.4	545 440.4	18.6%	27.3%
Specific excise duties		55 154.7	53 522.0	58 170.9	8.7%	61 844.0	62 844.0	8.0%	3.1%
Health promotion levy		2 194.7	2 244.7	2 306.1	2.7%	2 451.7	2 451.7	6.3%	0.1%
Ad valorem excise duties		5 520.5	7 347.6	6 962.4	-5.2%	7 452.1	7 452.1	7.0%	0.4%
Fuel levies		80 472.8	91 508.1	80 623.8	-11.9%	92 716.3	88 716.3	10.0%	4.4%
Air departure tax		788.6	945.7	923.7	-2.3%	968.3	968.3	4.8%	0.0%
Electricity levy		7 374.4	7 139.4	7 524.7	5.4%	7 661.9	7 661.9	1.8%	0.4%
Other	*5)*	6 067.9	6 194.7	6 545.2	5.7%	6 983.0	6 983.0	6.7%	0.3%
Taxes on international trade and transactions		**76 067.8**	**73 848.8**	**79 162.4**	**7.2%**	**87 130.5**	**87 130.5**	**10.1%**	**4.4%**
Customs duties		73 945.6	70 548.6	76 254.9	8.1%	84 115.4	84 115.4	10.3%	4.2%
Health promotion levy on imports		110.2	114.8	137.7	20.0%	151.9	151.9	10.3%	0.0%
Import surcharges		–	–	–	–	–	–	–	–
Other	*6)*	2 011.9	3 185.4	2 769.8	-13.0%	2 863.2	2 863.2	3.4%	0.1%
Stamp duties and fees		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
State miscellaneous revenue	*7)*	**4.1**	**2.1**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL TAX REVENUE (gross)		**1 686 697.4**	**1 740 869.9**	**1 843 700.9**	**5.9%**	**1 974 097.4**	**2 032 097.4**	**10.2%**	**101.8%**
Non-tax revenue	*8)*	**56 200.7**	**62 944.0**	**41 145.6**	**-34.6%**	**37 763.2**	**37 763.2**	**-8.2%**	**1.9%**
Less: SACU payments	*9)*	**-43 683.4**	**-79 811.0**	**-89 874.1**	**12.6%**	**-73 552.1**	**-73 552.1**	**-18.2%**	**-3.7%**
Other adjustment	*10)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL MAIN BUDGET REVENUE		**1 699 214.7**	**1 724 002.9**	**1 794 972.4**	**4.1%**	**1 938 308.5**	**1 996 308.5**	**11.2%**	**100.0%**
Current revenue		**1 699 027.4**	**1 723 810.6**	**1 794 793.2**	**4.1%**	**1 938 164.5**	**1 996 164.5**	**11.2%**	**100.0%**
Direct taxes		1 013 782.8	1 035 493.7	1 125 055.6	8.6%	1 201 828.3	1 204 828.3	7.1%	60.4%
Indirect taxes		672 910.5	705 374.0	718 645.3	1.9%	772 269.1	827 269.1	15.1%	41.4%
State miscellaneous revenue		4.1	2.1	–	–	–	–	–	–
Non-tax revenue (excluding sales of capital assets)	*11)*	56 013.4	62 751.6	40 966.4	-34.7%	37 619.2	37 619.2	-8.2%	1.9%
Less: SACU payments		-43 683.4	-79 811.0	-89 874.1	12.6%	-73 552.1	-73 552.1	-18.2%	-3.7%
Sales of capital assets		**187.3**	**192.3**	**179.2**	**-6.8%**	**144.0**	**144.0**	**-19.6%**	**0.0%**
National Revenue Fund receipts	*12)*	*5 221.3*	*19 034.9*	*9 158.3*	*-51.9%*	*1 478.0*	*1 478.0*	*-83.9%*	*0.1%*

1) Includes interest on overdue income tax and small business tax amnesty (in 2007/08 and 2008/09).
2) Levy on payroll dedicated to skills development.
3) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
4) Value-added tax (VAT) replaced general sales tax in September 1991.
5) Includes plastic bag levy (from 2004/05), Universal Service Fund (from 1999/00), levies on financial services (up to 2004/05), CO_2 motor vehicle emissions (from 2010/11), incandescent light bulb levy (from 2009/10), turnover tax for micro businesses (from 2009/10), tyre levy, International Oil Pollution Compensation Fund (from 2016/17) and carbon tax (from 2020/21). Mining leases and ownership have been reclassified as non-tax revenue. The historical years from 2000/01 have been adjusted for comparative purposes.

Source: National Treasury

Table 2
Main budget: estimates of national revenue
Summary of revenue

2026/27 Budget estimates Before tax proposals	2026/27 Budget estimates After tax proposals	2026/27 % change on estimate 2025/26	2026/27 % of total budget revenue	2027/28 Budget estimates Before tax proposals	2027/28 Budget estimates After tax proposals	2027/28 % change on estimate 2026/27	2027/28 % of total budget revenue		R million
1 263 179.0	**1 263 179.0**	**7.6%**	**59.3%**	**1 351 780.8**	**1 351 780.8**	**7.0%**	**59.8%**		**Taxes on income and profits**
850 915.7	850 915.7	6.3%	39.9%	910 809.6	910 809.6	7.0%	40.3%		Personal income tax
360 369.3	360 369.3	10.9%	16.9%	385 481.8	385 481.8	7.0%	17.1%		Corporate income tax
43 437.8	43 437.8	8.0%	2.0%	46 453.2	46 453.2	6.9%	2.1%		Secondary tax on companies/dividends tax and interest withholding tax
–	–	–	–	–	–	–	–		Tax on retirement funds
8 456.2	8 456.2	7.0%	0.4%	9 036.4	9 036.4	6.9%	0.4%	*1)*	Other
27 811.0	**27 811.0**	**6.9%**	**1.3%**	**29 772.8**	**29 772.8**	**7.1%**	**1.3%**		**Taxes on payroll and workforce**
27 811.0	27 811.0	6.9%	1.3%	29 772.8	29 772.8	7.1%	1.3%	*2)*	Skills development levy
24 314.3	**24 314.3**	**6.5%**	**1.1%**	**25 920.3**	**25 920.3**	**6.6%**	**1.1%**		**Taxes on property**
1 243.3	1 243.3	6.5%	0.1%	1 325.4	1 325.4	6.6%	0.1%		Donations tax
4 312.6	4 312.6	6.5%	0.2%	4 597.4	4 597.4	6.6%	0.2%		Estate duty
6 337.0	6 337.0	6.5%	0.3%	6 755.6	6 755.6	6.6%	0.3%	*3)*	Securities transfer tax
12 421.5	12 421.5	6.5%	0.6%	13 241.9	13 241.9	6.6%	0.6%		Transfer duties
768 260.7	**767 260.7**	**6.2%**	**36.0%**	**812 260.6**	**812 260.6**	**5.9%**	**35.9%**		**Domestic taxes on goods and services**
579 132.5	579 132.5	6.2%	27.2%	612 457.1	612 457.1	5.8%	27.1%	*4)*	Value-added tax
66 871.9	66 871.9	6.4%	3.1%	71 037.2	71 037.2	6.2%	3.1%		Specific excise duties
2 608.8	2 608.8	6.4%	0.1%	2 771.3	2 771.3	6.2%	0.1%		Health promotion levy
7 933.1	7 933.1	6.5%	0.4%	8 457.1	8 457.1	6.6%	0.4%		*Ad valorem* excise duties
95 443.7	94 443.7	6.5%	4.4%	100 681.8	100 681.8	6.6%	4.5%		Fuel levies
1 011.9	1 011.9	4.5%	0.0%	1 056.9	1 056.9	4.4%	0.0%		Air departure tax
7 799.3	7 799.3	1.8%	0.4%	7 947.0	7 947.0	1.9%	0.4%		Electricity levy
7 459.4	7 459.4	6.8%	0.4%	7 852.1	7 852.1	5.3%	0.3%	*5)*	Other
93 364.0	**93 364.0**	**7.2%**	**4.4%**	**99 504.9**	**99 504.9**	**6.6%**	**4.4%**		**Taxes on international trade and transactions**
90 253.0	90 253.0	7.3%	4.2%	96 293.2	96 293.2	6.7%	4.3%		Customs duties
163.0	163.0	7.3%	0.0%	173.9	173.9	6.7%	0.0%		Health promotion levy on imports
–	–	–	–	–	–	–	–		Import surcharges
2 948.0	2 948.0	3.0%	0.1%	3 037.7	3 037.7	3.0%	0.1%	*6)*	Other
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**Stamp duties and fees**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	*7)*	**State miscellaneous revenue**
2 176 929.0	**2 175 929.0**	**7.1%**	**102.1%**	**2 319 239.3**	**2 319 239.3**	**6.6%**	**102.6%**		**TOTAL TAX REVENUE (gross)**
32 500.8	**32 500.8**	**-13.9%**	**1.5%**	**32 145.1**	**32 145.1**	**-1.1%**	**1.4%**	*8)*	**Non-tax revenue**
-77 527.5	**-77 527.5**	**5.4%**	**-3.6%**	**-91 200.8**	**-91 200.8**	**17.6%**	**-4.0%**	*9)*	**Less: SACU payments**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	*10)*	**Other adjustment**
2 131 902.3	**2 130 902.3**	**6.7%**	**100.0%**	**2 260 183.7**	**2 260 183.7**	**6.1%**	**100.0%**		**TOTAL MAIN BUDGET REVENUE**
2 131 754.7	**2 130 754.7**	**6.7%**	**100.0%**	**2 260 031.1**	**2 260 031.1**	**6.1%**	**100.0%**		**Current revenue**
1 296 545.8	1 296 545.8	7.6%	60.8%	1 387 476.4	1 387 476.4	7.0%	61.4%		Direct taxes
880 383.2	879 383.2	6.3%	41.3%	931 762.9	931 762.9	6.0%	41.2%		Indirect taxes
–	–	–	–	–	–	–	–		State miscellaneous revenue
32 353.2	32 353.2	-14.0%	1.5%	31 992.6	31 992.6	-1.1%	1.4%	*11)*	Non-tax revenue (excluding sales of capital assets)
-77 527.5	-77 527.5	5.4%	-3.6%	-91 200.8	-91 200.8	17.6%	-4.0%		Less: SACU payments
147.6	**147.6**	**2.5%**	**0.0%**	**152.6**	**152.6**	**3.4%**	**0.0%**		**Sales of capital assets**
943.0	*943.0*	*-36.2%*	*0.0%*	*544.0*	*544.0*	*-42.3%*	*0.0%*	*12)*	*National Revenue Fund receipts*

6) Includes miscellaneous customs and excise receipts, ordinary levy (up to 2004/05) and export duties (duty on scrap metal from 2021/22).
7) Includes revenue received by SARS that could not be allocated to a specific revenue type.
8) Includes sales of goods and services, fines, penalties and forfeits, interest, dividends and rent on land (including mineral and petroleum royalties and mining leases and ownership), sales of capital assets as well as transactions in financial assets and liabilities.
9) Payments in terms of SACU agreements.
10) Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.
11) Excludes sales of capital assets.
12) Previously classified as extraordinary revenue, includes sales of strategic fuel stocks, proceeds from sales of state assets and certain other receipts that are, by law, paid into the National Revenue Fund.

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

R thousand		2021/22	2022/23	2023/24				2024/25	
		Actual collections		Before tax proposals	After tax proposals	Revised estimate	Actual collection	Budget estimates Before tax proposals	Budget estimates After tax proposals
Taxes on income and profits		**912 870 032**	**988 505 255**	**1 030 213 252**	**1 021 213 252**	**997 924 092**	**1 008 555 804**	**1 066 788 726**	**1 084 988 726**
Personal income tax		553 951 488	600 366 808	644 299 958	640 299 958	649 782 598	648 911 082	720 549 302	738 749 302
Tax on corporate income									
Corporate income tax		320 446 871	344 659 913	341 118 898	336 118 898	301 367 415	313 097 152	302 702 408	302 702 408
Secondary tax on companies/dividends tax		33 429 472	38 118 709	39 818 928	39 818 928	39 704 749	39 172 826	36 141 731	36 141 731
Interest withholding tax		468 752	725 925	793 443	793 443	1 079 188	1 136 500	1 098 550	1 098 550
Other									
Interest on overdue income tax		4 573 663	4 633 907	4 182 025	4 182 025	5 990 141	6 238 243	6 296 736	6 296 736
Small business tax amnesty		–	-8	–	–	–	–	–	–
Taxes on payroll and workforce		**19 335 917**	**20 892 489**	**23 026 959**	**23 026 959**	**22 712 959**	**22 604 347**	**24 500 270**	**24 500 270**
Skills development levy		19 335 917	20 892 489	23 026 959	23 026 959	22 712 959	22 604 347	24 500 270	24 500 270
Taxes on property		**22 032 795**	**21 237 713**	**23 862 925**	**23 862 925**	**19 485 595**	**19 399 918**	**20 600 318**	**20 600 318**
Estate, inheritance and gift taxes									
Donations tax		635 423	682 787	699 977	699 977	801 795	801 097	847 663	847 663
Estate duty		3 140 787	3 702 226	4 030 428	4 030 428	3 532 515	3 532 500	3 734 602	3 734 602
Taxes on financial and capital transactions									
Securities transfer tax	*1)*	7 680 453	5 400 599	6 768 577	6 768 577	5 400 255	5 484 988	5 709 190	5 709 190
Transfer duties		10 576 131	11 452 101	12 363 942	12 363 942	9 751 029	9 581 332	10 308 862	10 308 862
Domestic taxes on goods and services		**549 806 294**	**579 990 060**	**646 765 255**	**642 765 255**	**616 951 364**	**616 458 866**	**657 490 208**	**654 290 208**
Value-added tax									
Domestic VAT		448 760 190	486 437 225	522 881 471	522 881 471	525 579 077	525 446 325	559 123 076	559 123 076
Import VAT		204 551 808	254 984 018	251 184 661	251 184 661	270 614 003	265 043 201	286 760 809	286 760 809
Refunds		-262 416 899	-319 004 844	-302 589 358	-302 589 358	-350 852 660	-342 932 796	-369 134 947	-369 134 947
Specific excise duties									
Beer		19 957 814	21 370 188	22 456 301	22 456 301	21 657 151	21 873 495	22 955 300	23 360 567
Sorghum beer and sorghum flour		4 808	4 486	4 798	4 798	7 969	6 635	8 595	8 595
Wine and other fermented beverages		6 112 700	6 921 528	6 837 455	6 837 455	6 949 191	7 376 606	7 351 004	7 495 770
Spirits		11 308 512	13 174 704	14 364 101	14 364 101	12 644 416	12 448 198	13 388 980	13 638 947
Cigarettes and cigarette tobacco		8 958 630	10 188 505	11 651 855	11 651 855	9 044 015	8 280 337	9 755 360	9 755 360
Pipe tobacco and cigars		413 154	402 908	460 807	460 807	414 798	382 379	447 424	447 424
Petroleum products	*2)*	745 552	704 937	781 956	781 956	1 134 491	1 017 328	1 223 723	1 223 723
Revenue from neighbouring countries	*3)*	2 203 959	2 387 443	2 398 574	2 398 574	2 089 712	2 136 978	2 254 075	2 254 075
Health promotion levy		2 182 323	2 194 700	2 476 274	2 476 274	2 253 946	2 244 721	2 397 800	2 397 800
Ad valorem excise duties		4 725 140	5 520 495	4 698 867	4 698 867	7 782 257	7 347 555	6 846 748	6 846 748
Fuel levy		88 889 070	80 472 844	94 407 780	90 407 780	93 371 938	91 508 106	99 770 723	95 770 723
Taxes on use of goods or permission to use goods or to perform activities									
Air departure tax		285 088	788 582	785 219	785 219	885 984	945 694	927 356	927 356
Plastic bag levy		658 216	679 818	778 468	778 468	655 642	676 281	686 258	686 258
Electricity levy		7 890 565	7 374 436	7 719 455	7 719 455	6 979 092	7 139 414	7 077 742	7 077 742
Incandescent light bulb levy		23 345	24 182	26 235	26 235	19 929	19 098	20 211	20 211
CO_2 tax - motor vehicle emissions		2 173 481	2 929 579	2 720 199	2 720 199	2 775 943	2 554 284	2 551 505	2 551 505
Tyre levy		714 927	745 273	828 002	828 002	755 153	763 575	790 416	790 416
International Oil Pollution Compensation Fund		–	–	2 500	2 500	2 500	4 921	2 535	2 535
Carbon tax		1 397 618	1 590 394	1 772 370	1 772 370	2 080 723	2 072 191	2 177 886	2 177 886
Turnover tax for micro businesses		8 793	12 139	10 573	10 573	8 539	10 822	8 692	8 692
Other									
Universal Service Fund		257 500	86 521	106 694	106 694	97 557	93 516	98 936	98 936
Taxes on international trade and transactions		**59 719 265**	**76 067 769**	**76 588 081**	**76 588 081**	**74 278 667**	**73 848 830**	**78 655 310**	**78 655 310**
Import duties									
Customs duties		57 993 758	73 945 639	74 221 001	74 221 001	72 492 159	70 548 645	76 817 570	76 817 570
Health promotion levy on imports		77 510	110 194	113 571	113 571	107 179	114 764	113 574	113 574
Other									
Miscellaneous customs and excise receipts		1 070 568	1 016 940	1 288 451	1 288 451	1 123 675	2 637 228	1 139 558	1 139 558
Diamond export levy		169 992	151 301	150 302	150 302	154 691	137 086	162 752	162 752
Export tax		407 437	843 695	814 756	814 756	400 963	411 107	421 857	421 857
Other taxes		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Stamp duties and fees		–	–	–	–	–	–	–	–
State miscellaneous revenue	*4)*	**-10 057**	**4 093**	**–**	**–**	**–**	**2 119**	**–**	**–**
TOTAL TAX REVENUE (gross)		**1 563 754 245**	**1 686 697 378**	**1 800 456 472**	**1 787 456 472**	**1 731 352 677**	**1 740 869 884**	**1 848 034 832**	**1 863 034 832**
Less: SACU payments	*5)*	**-45 966 211**	**-43 683 418**	**-79 810 981**	**-79 810 981**	**-79 810 981**	**-79 810 981**	**-89 870 895**	**-89 870 895**
Payments in terms of SACU agreements		-45 966 211	-43 683 418	-79 810 981	-79 810 981	-79 810 981	-79 810 981	-89 870 895	-89 870 895
TOTAL TAX REVENUE (net of SACU payments)		**1 517 788 033**	**1 643 013 960**	**1 720 645 491**	**1 707 645 491**	**1 651 541 697**	**1 661 058 903**	**1 758 163 937**	**1 773 163 937**

1) The securities transfer tax replaced the uncertificated securities tax from 1 July 2008.
2) Specific excise duties on petrol, distillate fuel, residual fuel and base oil.
Source: National Treasury

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

		2025/26		2026/27		2027/28			
Revised estimate	% change on 2023/24 actual	Before tax proposals	After tax proposals	Before tax proposals	After tax proposals	Before tax proposals	After tax proposals		R thousand
1 095 686 348	**8.6%**	**1 170 603 363**	**1 173 603 363**	**1 263 178 996**	**1 263 178 996**	**1 351 780 836**	**1 351 780 836**		**Taxes on income and profits**
734 267 820	13.2%	797 456 952	800 456 952	850 915 744	850 915 744	910 809 552	910 809 552		Personal income tax
									Tax on corporate income
314 633 852	0.5%	325 039 689	325 039 689	360 369 302	360 369 302	385 481 753	385 481 753		Corporate income tax
38 107 890	-2.7%	38 996 400	38 996 400	42 133 233	42 133 233	45 058 048	45 058 048		Secondary tax on companies/dividends tax
1 179 925	3.8%	1 207 436	1 207 436	1 304 561	1 304 561	1 395 121	1 395 121		Interest withholding tax
									Other
7 496 861	20.2%	7 902 887	7 902 887	8 456 157	8 456 157	9 036 362	9 036 362		Interest on overdue income tax
–	–	–	–	–	–	–	–		Small business tax amnesty
24 493 292	**8.4%**	**26 005 953**	**26 005 953**	**27 810 985**	**27 810 985**	**29 772 759**	**29 772 759**		**Taxes on payroll and workforce**
24 493 292	8.4%	26 005 953	26 005 953	27 810 985	27 810 985	29 772 759	29 772 759		Skills development levy
21 339 122	**10.0%**	**22 839 948**	**22 839 948**	**24 314 303**	**24 314 303**	**25 920 275**	**25 920 275**		**Taxes on property**
									Estate, inheritance and gift taxes
1 091 122	36.2%	1 167 863	1 167 863	1 243 250	1 243 250	1 325 368	1 325 368		Donations tax
3 784 880	7.1%	4 051 079	4 051 079	4 312 583	4 312 583	4 597 431	4 597 431		Estate duty
									Taxes on financial and capital transactions
5 561 583	1.4%	5 952 741	5 952 741	6 337 000	6 337 000	6 755 562	6 755 562	*1)*	Securities transfer tax
10 901 536	13.8%	11 668 265	11 668 265	12 421 469	12 421 469	13 241 914	13 241 914		Transfer duties
623 019 768	**1.1%**	**667 517 582**	**722 517 582**	**768 260 747**	**767 260 747**	**812 260 572**	**812 260 572**		**Domestic taxes on goods and services**
									Value-added tax
564 685 293	7.5%	600 340 833	676 070 160	719 402 780	719 402 780	764 212 520	764 212 520		Domestic VAT
263 219 425	-0.7%	290 352 699	327 946 211	351 875 231	351 875 231	375 424 677	375 424 677		Import VAT
-367 941 713	7.3%	-403 253 151	-458 575 990	-492 145 499	-492 145 499	-527 180 100	-527 180 100		Refunds
									Specific excise duties
23 355 131	6.8%	24 726 921	25 231 320	26 848 517	26 848 517	28 520 842	28 520 842		Beer
8 593	29.5%	9 284	9 284	9 879	9 879	10 494	10 494		Sorghum beer and sorghum flour
7 494 026	1.6%	7 928 497	8 096 044	8 614 959	8 614 959	9 151 562	9 151 562		Wine and other fermented beverages
13 635 773	9.5%	14 417 772	14 731 176	15 675 368	15 675 368	16 651 747	16 651 747		Spirits
9 753 090	17.8%	10 529 725	10 536 586	11 211 927	11 211 927	11 910 289	11 910 289		Cigarettes and cigarette tobacco
447 320	17.0%	475 464	483 254	514 228	514 228	546 258	546 258		Pipe tobacco and cigars
1 223 438	20.3%	1 321 720	1 321 720	1 406 436	1 406 436	1 494 039	1 494 039	*2)*	Petroleum products
2 253 551	5.5%	2 434 585	2 434 585	2 590 630	2 590 630	2 751 993	2 751 993	*3)*	Revenue from neighbouring countries
2 306 084	2.7%	2 451 696	2 451 696	2 608 837	2 608 837	2 771 335	2 771 335		Health promotion levy
6 962 395	-5.2%	7 452 076	7 452 076	7 933 119	7 933 119	8 457 105	8 457 105		*Ad valorem* excise duties
80 623 813	-11.9%	92 716 251	88 716 251	95 443 703	94 443 703	100 681 759	100 681 759		Fuel levy
									Taxes on use of goods or permission to use goods or to perform activities
923 652	-2.3%	968 277	968 277	1 011 935	1 011 935	1 056 937	1 056 937		Air departure tax
707 033	4.5%	741 191	741 191	774 611	774 611	809 058	809 058		Plastic bag levy
7 524 720	5.4%	7 661 895	7 661 895	7 799 253	7 799 253	7 947 030	7 947 030		Electricity levy
12 063	-36.8%	12 283	12 283	12 504	12 504	12 740	12 740		Incandescent light bulb levy
2 747 994	7.6%	2 798 090	2 798 090	2 848 253	2 848 253	2 902 220	2 902 220		CO_2 tax - motor vehicle emissions
795 630	4.2%	834 069	834 069	871 677	871 677	910 440	910 440		Tyre levy
7 683	56.1%	7 823	7 823	7 963	7 963	8 114	8 114		International Oil Pollution Compensation Fund
2 025 700	-2.2%	2 335 924	2 335 924	2 685 680	2 685 680	2 945 369	2 945 369		Carbon tax
8 648	-20.1%	8 849	8 849	9 561	9 561	10 225	10 225		Turnover tax for micro businesses
									Other
240 424	157.1%	244 807	244 807	249 196	249 196	253 917	253 917		Universal Service Fund
79 162 387	**7.2%**	**87 130 519**	**87 130 519**	**93 363 963**	**93 363 963**	**99 504 877**	**99 504 877**		**Taxes on international trade and transactions**
									Import duties
76 254 893	8.1%	84 115 425	84 115 425	90 253 016	90 253 016	96 293 250	96 293 250		Customs duties
137 700	20.0%	151 895	151 895	162 978	162 978	173 885	173 885		Health promotion levy on imports
									Other
2 217 803	-15.9%	2 258 233	2 258 233	2 298 718	2 298 718	2 342 273	2 342 273		Miscellaneous customs and excise receipts
88 596	-35.4%	97 099	97 099	104 207	104 207	111 625	111 625		Diamond export levy
463 394	12.7%	507 866	507 866	545 044	545 044	583 844	583 844		Export tax
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**Other taxes**
–	–	–	–	–	–	–	–		Stamp duties and fees
–	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**	*4)*	**State miscellaneous revenue**
1 843 700 917	**5.9%**	**1 974 097 364**	**2 032 097 364**	**2 176 928 994**	**2 175 928 994**	**2 319 239 319**	**2 319 239 319**		**TOTAL TAX REVENUE (gross)**
-89 874 115	**12.6%**	**-73 552 115**	**-73 552 115**	**-77 527 500**	**-77 527 500**	**-91 200 803**	**-91 200 803**	*5)*	**Less: SACU payments**
-89 874 115	12.6%	-73 552 115	-73 552 115	-77 527 500	-77 527 500	-91 200 803	-91 200 803		Payments in terms of SACU agreements
1 753 826 801	**5.6%**	**1 900 545 249**	**1 958 545 249**	**2 099 401 495**	**2 098 401 495**	**2 228 038 516**	**2 228 038 516**		**TOTAL TAX REVENUE (net of SACU payments)**

3) Excise duties that are collected by Botswana, Lesotho, Namibia and eSwatini.
4) Revenue received by SARS in respect of taxation that could not be allocated to specific revenue types.

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

R thousand		2021/22	2022/23	2023/24				2024/25	
		Actual collections		Before tax proposals	After tax proposals	Revised estimate	Actual collection	Budget estimates Before tax proposals	After tax proposals
TOTAL TAX REVENUE (net of SACU payments)		**1 517 788 033**	**1 643 013 960**	**1 720 645 491**	**1 707 645 491**	**1 651 541 697**	**1 661 058 903**	**1 758 163 937**	**1 773 163 937**
Sales of goods and services other than capital assets		**2 822 473**	**4 005 217**	**2 346 228**	**2 346 228**	**2 774 868**	**3 088 096**	**2 710 536**	**2 710 536**
Sales of goods and services produced by departments									
Sales by market establishments	6)	57 686	80 832	70 084	70 084	114 077	165 629	98 593	98 593
Administrative fees		1 033 461	1 376 126	1 140 408	1 140 408	1 379 435	1 578 849	1 446 409	1 446 409
Other sales		1 723 910	2 533 845	1 125 737	1 125 737	1 272 785	1 334 973	1 156 898	1 156 898
Sales of scrap, waste, arms and other used current goods		7 416	14 414	9 999	9 999	8 571	8 645	8 636	8 636
Transfers received		**363 953**	**639 965**	**660 393**	**660 393**	**661 065**	**592 022**	**692 271**	**692 271**
Fines, penalties and forfeits		**428 113**	**543 527**	**462 803**	**462 803**	**578 902**	**613 282**	**565 224**	**565 224**
Interest, dividends and rent on land		**33 880 411**	**33 804 337**	**33 961 142**	**33 961 142**	**23 136 286**	**28 800 723**	**23 489 061**	**23 489 061**
Interest									
Cash and cash equivalents		5 524 230	7 888 626	11 209 889	11 209 889	7 050 204	12 557 186	7 204 714	7 204 714
Dividends									
Airports Company South Africa		916	–	51 424	51 424	–	–	–	–
South African Special Risks Insurance Association		–	198 048	198 048	198 048	198 048	141 000	198 048	198 048
Vodacom		–	–	–	–	–	–	–	–
Industrial Development Corporation		–	–	–	–	–	–	–	–
Reserve Bank (National Treasury)		–	–	–	–	–		–	–
Telkom			–	–	–	46	–	–	–
Other		–	362 843	–	–	151 370	99 048	51 621	51 621
Rent on land									
Mineral and petroleum royalties	7)	28 456 419	25 337 793	22 468 607	22 468 607	15 717 949	15 979 465	15 999 941	15 999 941
Mining leases and ownership	8)	-117 084	-157	–	–	–	–	–	–
Royalties, prospecting fees and surface rental	9)	13 035	13 462	29 272	29 272	14 767	19 039	30 589	30 589
Land rent		2 894	3 722	3 902	3 902	3 902	4 985	4 148	4 148
Sales of capital assets		**136 302**	**186 769**	**131 285**	**131 285**	**163 117**	**192 333**	**146 093**	**146 093**
Financial transactions in assets and liabilities	10)	**8 853 468**	**17 020 888**	**14 021 505**	**14 021 505**	**33 979 632**	**29 657 525**	**14 253 204**	**14 253 204**
TOTAL NON-TAX REVENUE	11)	**46 484 720**	**56 200 704**	**51 583 356**	**51 583 356**	**61 293 870**	**62 943 981**	**41 856 389**	**41 856 389**
TOTAL MAIN BUDGET REVENUE		**1 564 272 753**	**1 699 214 665**	**1 772 228 847**	**1 759 228 847**	**1 712 835 566**	**1 724 002 884**	**1 800 020 326**	**1 815 020 326**
National Revenue Fund receipts		***6 068 425***	***5 221 250***	***11 053 000***	***11 053 000***	***22 948 464***	***19 034 942***	***9 137 138***	***9 137 138***
Revaluation profits on foreign currency transactions		*3 172 356*	*4 775 102*	*11 053 000*	*11 053 000*	*19 466 000*	*18 714 044*	*6 253 000*	*6 253 000*
Premiums on loan transactions		*1 380 512*	*442 779*	–	–	*276 943*	*307 579*	–	–
Premiums on debt portfolio restructuring (switches)		*1 313 261*	–	–	–	*2 029*	*5 112*	–	–
Liquidation of South African Special Risks Insurance Association investment		–	–	–	–	–	–	–	–
Other		*202 296*	*3 369*	–	–	*3 203 492*	*8 207*	*2 884 138*	*2 884 138*

5) Payments in terms of SACU agreements (section 51(2) of the Customs and Excise Act of 1964).
6) New item introduced in the standard chart of accounts from 2008/09.
7) Mineral royalties imposed on the transfer of mineral resources in terms of the Mineral and Petroleum Resources Royalty Act (2008), which came into operation on 1 May 2009.
8) Mining leases and ownership have been reclassified as non-tax revenue.

Table 3
Main budget: estimates of national revenue
Detailed classification of revenue

		2025/26		2026/27		2027/28			
Revised estimate	**% change on 2023/24 actual**	**Before tax proposals**	**After tax proposals**	**Before tax proposals**	**After tax proposals**	**Before tax proposals**	**After tax proposals**		**R thousand**
1 753 826 801	**5.6%**	**1 900 545 249**	**1 958 545 249**	**2 099 401 495**	**2 098 401 495**	**2 228 038 516**	**2 228 038 516**		**TOTAL TAX REVENUE (net of SACU payments)**
3 953 054	**28.0%**	**3 310 166**	**3 310 166**	**3 438 560**	**3 438 560**	**3 574 682**	**3 574 682**		**Sales of goods and services other than capital assets**
									Sales of goods and services produced by departments
104 449	-36.9%	158 813	158 813	166 096	166 096	173 247	173 247	*6)*	Sales by market establishments
1 904 673	20.6%	2 024 878	2 024 878	2 124 953	2 124 953	2 228 029	2 228 029		Administrative fees
1 935 455	45.0%	1 117 748	1 117 748	1 138 609	1 138 609	1 164 326	1 164 326		Other sales
8 477	-1.9%	8 726	8 726	8 902	8 902	9 079	9 079		Sales of scrap, waste, arms and other used current goods
693 304	**17.1%**	**706 125**	**706 125**	**720 324**	**720 324**	**734 774**	**734 774**		**Transfers received**
391 071	**-36.2%**	**471 227**	**471 227**	**454 001**	**454 001**	**484 051**	**484 051**		**Fines, penalties and forfeits**
19 850 992	**-31.1%**	**19 034 685**	**19 034 685**	**18 842 133**	**18 842 133**	**19 888 707**	**19 888 707**		**Interest, dividends and rent on land**
									Interest
7 629 330	-39.2%	7 196 432	7 196 432	6 062 777	6 062 777	6 228 589	6 228 589		Cash and cash equivalents
									Dividends
–	–	–	–	–	–	–	–		Airports Company South Africa
–	-100.0%	154 000	154 000	160 000	160 000	169 000	169 000		South African Special Risks Insurance Association
–	–	–	–	–	–	–	–		Vodacom
–	–	–	–	–	–	–	–		Industrial Development Corporation
	–	–	–	–	–	–	–		Reserve Bank (National Treasury)
7	–	–	–	–	–	–	–		Telkom
853 939	762.1%	51 763	51 763	52 070	52 070	52 078	52 078		Other
									Rent on land
11 341 521	-29.0%	11 605 956	11 605 956	12 539 527	12 539 527	13 409 999	13 409 999	*7)*	Mineral and petroleum royalties
–	–	–	–	–	–	–	–	*8)*	Mining leases and ownership
21 216	11.4%	22 171	22 171	23 168	23 168	24 211	24 211	*9)*	Royalties, prospecting fees and surface rental
4 979	-0.1%	4 363	4 363	4 591	4 591	4 829	4 829		Land rent
179 213	**-6.8%**	**144 018**	**144 018**	**147 575**	**147 575**	**152 559**	**152 559**		**Sales of capital assets**
16 077 950	**-45.8%**	**14 097 012**	**14 097 012**	**8 898 217**	**8 898 217**	**7 310 366**	**7 310 366**	*10)*	**Financial transactions in assets and liabilities**
41 145 583	**-34.6%**	**37 763 231**	**37 763 231**	**32 500 810**	**32 500 810**	**32 145 139**	**32 145 139**	*11)*	**TOTAL NON-TAX REVENUE**
1 794 972 384	**4.1%**	**1 938 308 481**	**1 996 308 481**	**2 131 902 305**	**2 130 902 305**	**2 260 183 655**	**2 260 183 655**		**TOTAL MAIN BUDGET REVENUE**
9 158 338		***1 478 000***	***1 478 000***	***943 000***	***943 000***	***544 000***	***544 000***		***National Revenue Fund receipts***
7 020 074		*1 478 000*	*1 478 000*	*943 000*	*943 000*	*544 000*	*544 000*		*Revaluation profits on foreign currency transactions*
982 647		–	–	–	–	–	–		*Premiums on loan transactions*
225 664		–	–	–	–	–	–		*Premiums on debt portfolio restructuring (switches)*
–		–	–	–	–	–	–		*Liquidation of South African Special Risks Insurance Association investment*
929 953		–	–	–	–	–	–		*Other*

9) Royalties, prospecting fees and surface rental collected by the Department of Mineral Resources and Energy.
10) Includes recoveries of loans and advances.
11) Includes National Revenue Fund receipts previously accounted for separately.

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

R million	2021/22			2022/23	
	Expenditure on budget vote outcome	*of which* transfers to provinces 1)	transfers to local government 2)	Expenditure on budget vote outcome	*of which* transfers to provinces 1)
1 The Presidency	518.2	–	–	542.7	–
2 Parliament	2 144.1	–	–	2 367.3	–
3 Cooperative Governance	98 443.1	48.1	93 100.7	110 709.1	–
of which: local government equitable share	–	–	76 168.6	–	–
4 Government Communication and Information System	755.0	–	–	723.9	–
5 Home Affairs	9 431.4	–	–	10 398.0	–
6 International Relations and Cooperation	6 037.0	–	–	6 707.6	–
7 National School of Government	207.5	–	–	220.1	–
8 National Treasury	56 368.5	–	2 366.2	30 761.4	–
9 Planning, Monitoring and Evaluation	428.6	–	–	474.2	–
10 Electricity and Energy	38 531.6	–	2 223.0	29 772.1	–
11 Public Service and Administration	457.6	–	–	515.7	–
12 Public Service Commission	265.8	–	–	278.9	–
13 Public Works and Infrastructure	8 082.2	835.5	758.7	7 910.2	857.9
14 Statistics South Africa	4 648.3	–	–	3 797.6	–
15 Traditional Affairs	154.7	–	–	174.5	–
16 Basic Education	28 414.9	21 935.7	–	29 426.7	23 124.4
17 Higher Education	97 415.0	–	–	109 274.7	–
18 Health	65 137.4	52 462.2	–	62 896.0	56 251.5
19 Social Development	231 865.2	–	–	241 721.9	–
20 Women, Youth and Persons with Disabilities	1 164.4	–	–	983.3	–
21 Civilian Secretariat for the Police Service	138.4	–	–	152.6	–
22 Correctional Services	25 693.6	–	–	26 429.2	–
23 Defence	48 792.8	–	–	58 006.9	–
24 Independent Police Investigative Directorate	347.9	–	–	359.0	–
25 Justice and Constitutional Development	19 100.3	–	–	20 356.5	–
26 Military Veterans	515.6	–	–	615.6	–
27 Office of the Chief Justice	1 156.2	–	–	1 294.9	–
28 Police	99 595.4	–	–	102 499.9	–
29 Agriculture	7 822.9	2 235.3	–	8 038.9	2 294.4
30 Communications and Digital Technologies	3 569.5	–	–	5 221.3	–
31 Employment and Labour	3 232.2	–	–	3 897.1	–
32 Forestry, Fisheries and the Environment	7 512.4	–	–	8 849.3	–
33 Human Settlements	30 959.5	17 302.7	11 416.6	32 857.5	18 802.9
34 Mineral and Petroleum Resources	2 165.2	–	–	2 304.3	–
35 Science, Technology and Innovation	8 962.0	–	–	9 120.9	–
36 Small Business Development	2 885.3	–	–	2 793.4	–
37 Sport, Arts and Culture	5 643.7	2 086.9	–	6 236.7	2 176.1
38 Tourism	2 537.8	–	–	2 473.7	–
39 Trade, Industry and Competition	11 362.4	–	–	10 539.8	–
40 Transport	69 066.0	19 057.4	5 284.4	103 009.6	19 755.9
41 Water and Sanitation	15 203.5	–	5 857.8	17 693.4	–
42 Land Reform and Rural Development	8 937.1	–	–	9 066.9	–
Total appropriation by vote	**1 025 670.2**	**115 963.7**	**121 007.4**	**1 081 473.2**	**123 263.2**
Plus:					
Direct charges against the National Revenue Fund					
President and deputy president salaries (The Presidency)	5.7	–	–	5.9	–
Members' remuneration (Parliament)	501.9	–	–	538.2	–
Debt-service costs (National Treasury)	268 071.6	–	–	308 459.1	–
Provincial equitable share (National Treasury) 4)	544 834.9	544 834.9	–	570 868.2	570 868.2
General fuel levy sharing with metropolitan municipalities (National Treasury)	14 617.3	–	14 617.3	15 334.8	–
National Revenue Fund payments (National Treasury)	2 173.4	–	–	263.3	–
Auditor-General of South Africa (National Treasury)	140.0	–	–	148.6	–
Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)	–	–	–	889.1	–
Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations (National Treasury)	5 981.1	–	–	6 709.2	–
Section 70 of the Public Finance Management Act (1999) payment: Denel (Defence)	3 030.9	–	–	204.7	–
Skills levy and sector education and training authorities (Higher Education)	19 011.6	–	–	20 808.9	–
Magistrates' salaries (Justice and Constitutional Development)	2 174.5	–	–	2 297.4	–
Judges' salaries (Office of the Chief Justice)	1 063.3	–	–	1 154.6	–
Total direct charges against the National Revenue Fund	**861 609.7**	**544 834.9**	**14 617.3**	**927 683.6**	**570 868.2**
Provisional allocations not appropriated	–	–	–	–	–
Infrastructure Fund not appropriated	–	–	–	–	–
Total	**1 887 279.9**	**660 798.6**	**135 624.7**	**2 009 156.8**	**694 131.4**
Contingency reserve	–	–	–	–	–
National government projected underspending	–	–	–	–	–
Local government repayment to the National Revenue Fund	–	–	–	–	–
Main budget expenditure	**1 887 279.9**	**660 798.6**	**135 624.7**	**2 009 156.8**	**694 131.4**

1) Includes provincial equitable share and conditional grants allocated to provinces.
2) Includes local government equitable share and conditional grants allocated to local government, as well as general fuel levy sharing with metropolitan municipalities.

Source: National Treasury

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

2022/23	2023/24			2024/25		
of which transfers to local government 2)	Expenditure on budget vote outcome	*of which transfers to provinces 1)*	*transfers to local government 2)*	Budget estimate 3)	Adjusted appro-priation	R million
–	662.0	–	–	604.5	629.5	1 The Presidency
–	3 208.8	–	–	2 771.0	2 771.0	2 Parliament
105 700.5	116 800.1	–	*111 983.6*	125 183.3	125 895.9	3 Cooperative Governance
83 937.8	–	–	*92 261.9*	–	–	*of which: local government equitable share*
–	738.4	–	–	740.2	760.8	4 Government Communication and Information System
–	12 379.3	–	–	10 495.5	12 095.5	5 Home Affairs
–	7 268.3	–	–	6 566.2	7 081.2	6 International Relations and Cooperation
–	218.2	–	–	218.7	218.7	7 National School of Government
2 379.6	27 457.0	–	*2 384.6*	26 203.8	26 316.8	8 National Treasury
–	475.9	–	–	494.5	494.0	9 Planning, Monitoring and Evaluation
2 342.9	7 486.7	–	*2 256.1*	6 047.9	6 080.7	10 Electricity and Energy
–	507.6	–	–	539.5	539.5	11 Public Service and Administration
–	299.3	–	–	288.5	288.5	12 Public Service Commission
778.4	8 304.0	*799.5*	*749.0*	7 612.1	7 612.1	13 Public Works and Infrastructure
–	2 723.9	–	–	2 646.2	2 646.2	14 Statistics South Africa
–	186.8	–	–	187.3	187.3	15 Traditional Affairs
–	29 961.2	*23 598.5*	–	32 258.7	32 635.4	16 Basic Education
–	107 713.2	–	–	113 015.3	112 773.5	17 Higher Education
–	58 312.1	*52 743.4*	–	62 218.9	62 225.4	18 Health
–	259 300.3	–	–	275 141.1	278 295.9	19 Social Development
–	991.6	–	–	1 007.7	1 020.7	20 Women, Youth and Persons with Disabilities
–	150.2	–	–	156.0	156.0	21 Civilian Secretariat for the Police Service
–	27 185.2	–	–	27 757.6	27 758.9	22 Correctional Services
–	55 861.9	–	–	51 833.5	55 506.6	23 Defence
–	364.1	–	–	370.6	370.6	24 Independent Police Investigative Directorate
–	20 849.8	–	–	21 612.0	21 650.2	25 Justice and Constitutional Development
–	585.9	–	–	863.8	812.4	26 Military Veterans
–	1 339.4	–	–	1 222.4	1 273.8	27 Office of the Chief Justice
–	105 475.6	–	–	113 597.1	113 623.5	28 Police
–	7 028.3	*2 166.0*	–	7 581.4	7 915.6	29 Agriculture
–	3 279.7	–	–	3 968.6	3 968.6	30 Communications and Digital Technologies
–	3 996.0	–	–	3 854.8	3 854.8	31 Employment and Labour
–	9 495.2	–	–	8 771.6	8 794.6	32 Forestry, Fisheries and the Environment
11 677.8	31 226.9	*17 080.7*	*11 655.4*	33 145.6	33 680.4	33 Human Settlements
–	2 512.2	–	–	2 925.7	2 937.1	34 Mineral and Petroleum Resources
–	10 472.1	–	–	9 468.5	9 441.1	35 Science, Technology and Innovation
–	2 723.6	–	–	2 725.1	2 708.1	36 Small Business Development
–	6 065.4	*2 063.8*	–	6 105.7	6 105.7	37 Sport, Arts and Culture
–	2 372.3	–	–	2 380.9	2 380.9	38 Tourism
–	10 440.6	–	–	9 328.5	9 395.9	39 Trade, Industry and Competition
6 127.9	78 014.8	*22 720.0*	*6 309.5*	80 685.0	86 355.4	40 Transport
6 356.7	21 331.6	–	*6 878.5*	24 074.6	23 849.6	41 Water and Sanitation
–	9 686.1	–	–	9 126.7	9 082.2	42 Land Reform and Rural Development
135 363.8	**1 055 451.4**	***121 171.8***	***142 216.7***	**1 095 796.6**	**1 112 191.0**	**Total appropriation by vote**
						Plus:
						Direct charges against the National Revenue Fund
–	12.4	–	–	7.7	7.7	President and deputy president salaries (The Presidency)
–	542.9	–	–	492.9	713.7	Members' remuneration (Parliament)
–	356 109.9	–	–	382 182.9	388 854.3	Debt-service costs (National Treasury)
–	585 085.9	*585 085.9*	–	600 475.6	600 475.6	4) Provincial equitable share (National Treasury)
15 334.8	15 433.5	–	*15 433.5*	16 126.6	16 126.6	General fuel levy sharing with metropolitan municipalities (National Treasury)
–	1 093.1	–	–	–	2 080.2	National Revenue Fund payments (National Treasury)
–	123.1	–	–	128.6	128.6	Auditor-General of South Africa (National Treasury)
–	499.9	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)
–	6 597.2	–	–	7 001.4	7 003.4	Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Denel (Defence)
–	22 424.5	–	–	24 500.3	24 493.3	Skills levy and sector education and training authorities (Higher Education)
–	2 318.9	–	–	2 495.6	2 495.6	Magistrates' salaries (Justice and Constitutional Development)
–	1 218.8	–	–	1 175.2	1 333.2	Judges' salaries (Office of the Chief Justice)
15 334.8	**991 467.5**	***585 085.9***	***15 433.5***	**1 034 599.9**	**1 043 725.3**	**Total direct charges against the National Revenue Fund**
–	–	–	–	570.2	–	Provisional allocations not appropriated
–	–	–	–	–	–	Infrastructure Fund not appropriated
150 698.6	**2 046 918.9**	***706 257.8***	***157 650.2***	**2 130 966.7**	**2 155 916.3**	**Total**
–	–	–	–	5 000.0	–	Contingency reserve
–	–	–	–	–	-914.1	National government projected underspending
–	–	–	–	–	-2 000.0	Local government repayment to the National Revenue Fund
150 698.6	**2 046 918.9**	***706 257.8***	***157 650.2***	**2 135 966.7**	**2 153 002.2**	**Main budget expenditure**

3) Budget estimate adjusted for function shifts.
4) Provincial equitable share excluding conditional grants to provinces.

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

R million	2024/25 Revised estimate	2024/25 of which transfers to provinces 1)	2024/25 of which transfers to local government 2)	2025/26 Budget estimate	2025/26 of which transfers to provinces 1)	2025/26 of which transfers to local government 2)
1 The Presidency	629.5	–	–	739.1	–	–
2 Parliament	2 771.0	–	–	3 067.8	–	–
3 Cooperative Governance	123 996.2	*149.3*	*119 281.2*	131 129.2	*151.3*	*125 826.7*
of which: local government equitable share	–	–	*99 478.0*	–	–	*106 087.0*
4 Government Communication and Information System	760.8	–	–	820.3	–	–
5 Home Affairs	12 095.5	–	–	11 060.0	–	–
6 International Relations and Cooperation	7 081.2	–	–	7 090.2	–	–
7 National School of Government	218.5	–	–	228.7	–	–
8 National Treasury	26 316.8	–	*2 424.0*	27 972.9	–	*2 328.5*
9 Planning, Monitoring and Evaluation	471.0	–	–	509.1	–	–
10 Electricity and Energy	6 000.2	–	*1 982.1*	6 669.3	–	*1 943.3*
11 Public Service and Administration	511.5	–	–	564.7	–	–
12 Public Service Commission	288.5	–	–	302.0	–	–
13 Public Works and Infrastructure	7 607.1	*617.3*	*560.1*	7 623.0	*627.2*	*567.3*
14 Statistics South Africa	2 646.2	–	–	2 771.3	–	–
15 Traditional Affairs	184.0	–	–	195.5	–	–
16 Basic Education	32 635.4	*26 362.2*	–	35 489.2	*28 564.3*	–
17 Higher Education	112 573.5	–	–	116 441.7	–	–
18 Health	62 025.4	*56 357.9*	–	64 807.2	*57 696.1*	–
19 Social Development	276 242.6	–	–	298 738.1	–	–
20 Women, Youth and Persons with Disabilities	1 018.7	–	–	1 361.7	–	–
21 Civilian Secretariat for the Police Service	156.0	–	–	172.2	–	–
22 Correctional Services	27 758.9	–	–	29 222.0	–	–
23 Defence	55 506.6	–	–	55 940.7	–	–
24 Independent Police Investigative Directorate	370.6	–	–	428.6	–	–
25 Justice and Constitutional Development	21 650.2	–	–	22 737.5	–	–
26 Military Veterans	812.4	–	–	878.5	–	–
27 Office of the Chief Justice	1 273.8	–	–	1 515.1	–	–
28 Police	113 623.5	–	–	120 889.9	–	–
29 Agriculture	7 871.1	*2 579.9*	–	7 609.7	*2 456.9*	–
30 Communications and Digital Technologies	3 953.2	–	–	2 545.6	–	–
31 Employment and Labour	3 819.1	–	–	4 153.1	–	–
32 Forestry, Fisheries and the Environment	8 757.6	–	–	9 080.7	–	–
33 Human Settlements	33 585.1	*16 906.4*	*13 220.3*	34 042.8	*16 919.9*	*13 967.4*
34 Mineral and Petroleum Resources	2 910.2	–	–	2 859.6	–	–
35 Science, Technology and Innovation	9 439.2	–	–	9 063.7	–	–
36 Small Business Development	2 683.1	–	–	2 918.1	–	–
37 Sport, Arts and Culture	6 090.7	*2 230.4*	–	6 309.9	*2 276.2*	–
38 Tourism	2 346.9	–	–	2 434.9	–	–
39 Trade, Industry and Competition	9 385.9	–	–	11 071.7	–	–
40 Transport	85 302.6	*24 978.9*	*6 644.1*	95 692.1	*25 933.4*	*7 367.1*
41 Water and Sanitation	23 346.8	–	*7 495.1*	26 678.7	–	*7 975.5*
42 Land Reform and Rural Development	9 082.2	–	–	9 820.6	–	–
Total appropriation by vote	**1 105 799.3**	***130 182.3***	***151 606.9***	**1 173 646.9**	***134 625.3***	***159 975.9***
Plus:						
Direct charges against the National Revenue Fund						
President and deputy president salaries (The Presidency)	7.7	–	–	8.1	–	–
Members' remuneration (Parliament)	713.7	–	–	519.1	–	–
Debt-service costs (National Treasury)	389 560.8	–	–	424 158.7	–	–
Provincial equitable share (National Treasury) 4)	600 475.6	*600 475.6*	–	633 166.0	*633 166.0*	–
General fuel levy sharing with metropolitan municipalities (National Treasury)	16 126.6	–	*16 126.6*	16 849.1	–	*16 849.1*
National Revenue Fund payments (National Treasury)	2 190.5	–	–	–	–	–
Auditor-General of South Africa (National Treasury)	128.6	–	–	134.3	–	–
Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)	–	–	–	–	–	–
Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations (National Treasury)	7 003.4	–	–	7 900.7	–	–
Section 70 of the Public Finance Management Act (1999) payment: Denel (Defence)	–	–	–	–	–	–
Skills levy and sector education and training authorities (Higher Education)	24 493.3	–	–	26 006.0	–	–
Magistrates' salaries (Justice and Constitutional Development)	2 495.6	–	–	2 630.3	–	–
Judges' salaries (Office of the Chief Justice)	1 279.1	–	–	1 237.8	–	–
Total direct charges against the National Revenue Fund	**1 044 488.0**	***600 475.6***	***16 126.6***	**1 112 623.6**	***633 166.0***	***16 849.1***
Provisional allocations not appropriated	–	–	–	38 587.7	–	–
Infrastructure Fund not appropriated	–	–	–	–	–	–
Total	**2 150 287.3**	***730 657.9***	***167 733.5***	**2 324 858.2**	***767 791.3***	***176 825.0***
Contingency reserve	–	–	–	8 000.0	–	–
National government projected underspending	–	–	–	–	–	–
Local government repayment to the National Revenue Fund	–	–	–	–	–	–
Main budget expenditure	**2 150 287.3**	***730 657.9***	***167 733.5***	**2 332 858.2**	***767 791.3***	***176 825.0***

1) Includes provincial equitable share and conditional grants allocated to provinces.
2) Includes local government equitable share and conditional grants allocated to local government, as well as general fuel levy sharing with metropolitan municipalities.

Source: National Treasury

Table 4
Main budget: expenditure defrayed from the National Revenue Fund by vote

2026/27			2027/28			
	of which			*of which*		
Budget estimate	*transfers to provinces* 1)	*transfers to local government* 2)	Budget estimate	*transfers to provinces* 1)	*transfers to local government* 2)	R million
769.8	–	–	784.6	–	–	1 The Presidency
2 809.3	–	–	3 008.7	–	–	2 Parliament
136 800.3	*158.2*	*131 821.9*	142 986.6	*165.3*	*137 782.9*	3 Cooperative Governance
–	–	*110 661.4*	–	–	*115 665.5*	*of which: local government equitable share*
805.7	–	–	842.2	–	–	4 Government Communication and Information System
12 463.1	–	–	12 104.9	–	–	5 Home Affairs
7 227.6	–	–	7 516.3	–	–	6 International Relations and Cooperation
239.4	–	–	250.3	–	–	7 National School of Government
29 342.5	–	*2 593.0*	30 520.1	–	*2 626.2*	8 National Treasury
528.1	–	–	552.1	–	–	9 Planning, Monitoring and Evaluation
6 879.2	–	*1 912.1*	7 143.1	–	*1 998.6*	10 Electricity and Energy
591.9	–	–	618.7	–	–	11 Public Service and Administration
316.8	–	–	331.1	–	–	12 Public Service Commission
7 961.0	*656.0*	*593.3*	8 317.9	*685.7*	*620.1*	13 Public Works and Infrastructure
2 905.6	–	–	3 037.0	–	–	14 Statistics South Africa
204.9	–	–	214.2	–	–	15 Traditional Affairs
36 326.0	*30 834.1*	–	36 662.1	*31 386.7*	–	16 Basic Education
122 133.2	–	–	128 287.6	–	–	17 Higher Education
66 927.7	*60 351.0*	–	70 183.1	*63 375.7*	–	18 Health
277 086.5	–	–	290 237.2	–	–	19 Social Development
843.8	–	–	882.0	–	–	20 Women, Youth and Persons with Disabilities
181.0	–	–	189.8	–	–	21 Civilian Secretariat for the Police Service
30 567.4	–	–	31 950.3	–	–	22 Correctional Services
58 517.9	–	–	60 662.2	–	–	23 Defence
447.8	–	–	466.9	–	–	24 Independent Police Investigative Directorate
23 788.6	–	–	24 828.3	–	–	25 Justice and Constitutional Development
916.3	–	–	955.6	–	–	26 Military Veterans
1 609.2	–	–	1 713.3	–	–	27 Office of the Chief Justice
126 628.8	–	–	131 936.3	–	–	28 Police
7 848.8	*2 515.5*	–	8 212.7	*2 642.4*	–	29 Agriculture
2 557.1	–	–	2 672.8	–	–	30 Communications and Digital Technologies
3 983.7	–	–	4 163.9	–	–	31 Employment and Labour
9 496.4	–	–	9 925.9	–	–	32 Forestry, Fisheries and the Environment
33 317.7	*15 263.0*	*14 752.9*	33 888.1	*15 953.2*	*14 483.8*	33 Human Settlements
2 866.8	–	–	2 996.7	–	–	34 Mineral and Petroleum Resources
9 483.6	–	–	9 912.4	–	–	35 Science, Technology and Innovation
3 050.0	–	–	3 187.9	–	–	36 Small Business Development
6 234.8	*2 380.7*	–	6 516.8	*2 488.4*	–	37 Sport, Arts and Culture
2 547.8	–	–	2 663.0	–	–	38 Tourism
10 235.2	–	–	10 698.1	–	–	39 Trade, Industry and Competition
96 397.4	*25 699.6*	*8 176.1*	95 194.6	*26 863.1*	*7 236.6*	40 Transport
24 999.6	–	*7 642.2*	23 262.8	–	*7 637.4*	41 Water and Sanitation
10 336.7	–	–	10 795.1	–	–	42 Land Reform and Rural Development
1 179 175.1	***137 858.2***	***167 491.4***	**1 221 273.1**	***143 560.5***	***172 385.7***	**Total appropriation by vote**
						Plus:
						Direct charges against the National Revenue Fund
8.5	–	–	8.9	–	–	President and deputy president salaries (The Presidency)
542.7	–	–	567.4	–	–	Members' remuneration (Parliament)
448 572.1	–	–	477 213.4	–	–	Debt-service costs (National Treasury)
660 568.5	*660 568.5*	–	690 243.5	*690 243.5*	–	*4)* Provincial equitable share (National Treasury)
17 621.0	–	*17 621.0*	18 417.8	–	*18 417.8*	General fuel levy sharing with metropolitan municipalities (National Treasury)
–	–	–	–	–	–	National Revenue Fund payments (National Treasury)
140.5	–	–	146.8	–	–	Auditor-General of South Africa (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of South Africa (National Treasury)
8 585.8	–	–	9 485.6	–	–	Public-sector-related pension, post-retirement medical and other benefits in terms of statutory and collective agreement obligations (National Treasury)
–	–	–	–	–	–	Section 70 of the Public Finance Management Act (1999) payment: Denel (Defence)
27 811.0	–	–	29 772.8	–	–	Skills levy and sector education and training authorities (Higher Education)
2 751.4	–	–	2 875.9	–	–	Magistrates' salaries (Justice and Constitutional Development)
1 294.5	–	–	1 352.9	–	–	Judges' salaries (Office of the Chief Justice)
1 167 910.4	***660 568.5***	***17 621.0***	**1 230 100.0**	***690 243.5***	***18 417.8***	**Total direct charges against the National Revenue Fund**
84 621.8	–	–	86 058.5	–	–	Provisional allocations not appropriated
–	–	–	424.9	–	–	Infrastructure Fund not appropriated
2 431 707.4	***798 426.7***	***185 112.4***	**2 537 856.5**	***833 804.0***	***190 803.5***	**Total**
10 000.5	–	–	14 999.6	–	–	Contingency reserve
–	–	–	–	–	–	National government projected underspending
–	–	–	–	–	–	Local government repayment to the National Revenue Fund
2 441 707.9	***798 426.7***	***185 112.4***	**2 552 856.0**	***833 804.0***	***190 803.5***	**Main budget expenditure**

3) Budget estimate adjusted for function shifts.
4) Provincial equitable share excluding conditional grants to provinces.

Table 5
Consolidated national, provincial and social security funds expenditure: economic classification *1)*

R million	2021/22 Outcome	2021/22 % of total	2022/23 Outcome	2022/23 % of total	2023/24 Outcome	2023/24 % of total	2024/25 Revised estimate
Current payments	**1 095 798.9**	**54.9%**	**1 165 133.0**	**55.5%**	**1 250 049.9**	**57.8%**	**1 328 305.8**
Compensation of employees	603 197.1	30.2%	622 609.2	29.7%	650 744.0	30.1%	684 294.8
Goods and services	223 949.9	11.2%	233 349.3	11.1%	242 488.0	11.2%	253 934.3
Interest and rent on land	268 652.0	13.5%	309 174.5	14.7%	356 817.9	16.5%	390 076.7
Transfers and subsidies	**776 398.2**	**38.9%**	**814 449.7**	**38.8%**	**852 646.1**	**39.4%**	**890 624.0**
Municipalities	144 532.5	7.2%	160 275.8	7.6%	167 129.1	7.7%	177 231.4
of which: local government share *2)*	*121 007.4*	*6.1%*	*135 363.8*	*6.4%*	*142 216.7*	*6.6%*	*151 606.9*
Departmental agencies and accounts	159 261.5	8.0%	169 954.3	8.1%	183 359.9	8.5%	186 892.2
Higher education institutions	48 621.8	2.4%	52 298.8	2.5%	50 039.8	2.3%	52 602.4
Foreign governments and international organisations	2 953.4	0.1%	3 253.6	0.2%	2 974.6	0.1%	3 154.2
Public corporations and private enterprises	47 998.1	2.4%	52 215.5	2.5%	53 297.7	2.5%	49 143.7
Public corporations	36 890.0	1.8%	38 565.6	1.8%	40 682.9	1.9%	36 398.9
Subsidies on products and production	21 978.5	1.1%	25 954.8	1.2%	27 281.0	1.3%	24 797.6
Other transfers	14 911.5	0.7%	12 610.8	0.6%	13 401.9	0.6%	11 601.3
Private enterprises	11 108.1	0.6%	13 649.9	0.7%	12 614.7	0.6%	12 744.8
Subsidies on products and production	9 732.4	0.5%	11 407.2	0.5%	5 591.8	0.3%	5 069.2
Other transfers	1 375.7	0.1%	2 242.7	0.1%	7 023.0	0.3%	7 675.6
Non-profit institutions	39 340.0	2.0%	39 934.4	1.9%	41 505.0	1.9%	38 799.6
Households	333 690.8	16.7%	336 517.2	16.0%	354 340.1	16.4%	382 800.5
Social benefits	309 226.2	15.5%	310 639.3	14.8%	328 266.6	15.2%	348 577.4
Other transfers to households	24 464.6	1.2%	25 877.9	1.2%	26 073.5	1.2%	34 223.1
Payments for capital assets	**48 782.8**	**2.4%**	**51 470.5**	**2.5%**	**55 258.0**	**2.6%**	**57 513.0**
Buildings and other fixed structures	34 337.3	1.7%	34 876.5	1.7%	40 134.4	1.9%	42 091.1
Buildings	19 043.7	1.0%	20 292.2	1.0%	22 801.3	1.1%	24 339.4
Other fixed structures	15 293.6	0.8%	14 584.3	0.7%	17 333.1	0.8%	17 751.7
Machinery and equipment	11 756.1	0.6%	13 076.4	0.6%	13 423.3	0.6%	13 072.0
Transport equipment	4 447.1	0.2%	5 201.6	0.2%	5 200.4	0.2%	4 755.4
Other machinery and equipment	7 309.0	0.4%	7 874.8	0.4%	8 222.9	0.4%	8 316.6
Land and sub-soil assets	1 906.2	0.1%	2 193.2	0.1%	708.2	0.0%	1 077.0
Software and other intangible assets	732.7	0.0%	1 031.3	0.0%	835.6	0.0%	685.8
Other assets *3)*	50.5	0.0%	293.0	0.0%	156.5	0.0%	587.1
Payments for financial assets *4)*	**74 072.0**	**3.7%**	**68 087.0**	**3.2%**	**3 450.9**	**0.2%**	**8 287.3**
Subtotal: votes and direct charges	**1 995 051.9**	**100.0%**	**2 099 140.1**	**100.0%**	**2 161 404.9**	**100.0%**	**2 284 730.1**
Plus:							
Contingency reserve	–	–	–	–	–	–	–
Total consolidated expenditure	**1 995 051.9**	**100.0%**	**2 099 140.1**	**100.0%**	**2 161 404.9**	**100.0%**	**2 284 730.1**

1) These figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank. The numbers in this table are not strictly comparable to those published in previous years due to the reclassification of expenditure items for previous years. Data for the previous years has been adjusted accordingly.

2) Includes equitable share and conditional grants to local government.

Source: National Treasury

Table 5
Consolidated national, provincial and social security funds expenditure: economic classification *1)*

2024/25	2025/26		2026/27		2027/28			
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total		R million
58.1%	**1 429 155.4**	**58.0%**	**1 501 383.4**	**58.4%**	**1 576 128.2**	**58.7%**		**Current payments**
30.0%	742 922.7	30.2%	778 575.4	30.3%	812 363.5	30.2%		Compensation of employees
11.1%	261 638.0	10.6%	273 834.3	10.6%	286 186.1	10.7%		Goods and services
17.1%	424 594.7	17.2%	448 973.7	17.5%	477 578.5	17.8%		Interest and rent on land
39.0%	**958 043.3**	**38.9%**	**999 021.1**	**38.8%**	**1 033 370.7**	**38.5%**		**Transfers and subsidies**
7.8%	189 977.5	7.7%	198 328.8	7.7%	206 328.7	7.7%		Municipalities
6.6%	*159 975.9*	*6.5%*	*167 491.4*	*6.5%*	*172 385.7*	*6.4%*	2)	*of which: local government share*
8.2%	193 959.1	7.9%	204 231.0	7.9%	209 600.6	7.8%		Departmental agencies and accounts
2.3%	53 540.6	2.2%	56 244.0	2.2%	59 401.0	2.2%		Higher education institutions
0.1%	3 712.3	0.2%	3 839.4	0.1%	3 970.8	0.1%		Foreign governments and international organisations
2.2%	62 458.8	2.5%	62 875.6	2.4%	65 057.8	2.4%		Public corporations and private enterprises
1.6%	48 454.9	2.0%	49 067.4	1.9%	50 860.2	1.9%		Public corporations
1.1%	34 403.8	1.4%	32 481.3	1.3%	36 300.4	1.4%		Subsidies on products and production
0.5%	14 051.1	0.6%	16 586.1	0.6%	14 559.8	0.5%		Other transfers
0.6%	14 003.8	0.6%	13 808.2	0.5%	14 197.6	0.5%		Private enterprises
0.2%	5 399.4	0.2%	5 517.6	0.2%	5 837.3	0.2%		Subsidies on products and production
0.3%	8 604.4	0.3%	8 290.6	0.3%	8 360.2	0.3%		Other transfers
1.7%	41 715.3	1.7%	44 759.0	1.7%	47 496.8	1.8%		Non-profit institutions
16.8%	412 679.8	16.8%	428 743.4	16.7%	441 515.0	16.4%		Households
15.3%	377 201.9	15.3%	397 303.5	15.4%	408 699.3	15.2%		Social benefits
1.5%	35 477.9	1.4%	31 439.9	1.2%	32 815.8	1.2%		Other transfers to households
2.5%	**57 866.6**	**2.3%**	**56 061.9**	**2.2%**	**57 921.8**	**2.2%**		**Payments for capital assets**
1.8%	44 907.9	1.8%	43 207.3	1.7%	44 359.8	1.7%		Buildings and other fixed structures
1.1%	27 589.0	1.1%	26 064.0	1.0%	26 461.8	1.0%		Buildings
0.8%	17 318.9	0.7%	17 143.3	0.7%	17 898.0	0.7%		Other fixed structures
0.6%	11 490.4	0.5%	11 873.6	0.5%	12 494.2	0.5%		Machinery and equipment
0.2%	3 910.9	0.2%	4 018.3	0.2%	4 114.5	0.2%		Transport equipment
0.4%	7 579.5	0.3%	7 855.2	0.3%	8 379.7	0.3%		Other machinery and equipment
0.0%	443.4	0.0%	513.2	0.0%	575.2	0.0%		Land and sub-soil assets
0.0%	508.6	0.0%	398.0	0.0%	410.9	0.0%		Software and other intangible assets
0.0%	516.2	0.0%	69.8	0.0%	81.7	0.0%	3)	Other assets
0.4%	**9 793.9**	**0.4%**	**5 575.0**	**0.2%**	**4 291.8**	**0.2%**	4)	**Payments for financial assets**
100.0%	**2 454 859.2**	**99.7%**	**2 562 041.5**	**99.6%**	**2 671 712.5**	**99.4%**		**Subtotal: votes and direct charges**
								Plus:
–	8 000.0	0.3%	10 000.5	0.4%	14 999.6	0.6%		Contingency reserve
100.0%	**2 462 859.2**	**100.0%**	**2 572 041.9**	**100.0%**	**2 686 712.1**	**100.0%**		**Total consolidated expenditure**

3) Includes biological, heritage and specialised military assets.
4) Includes National Revenue Fund payments previously accounted for separately.

Table 6
Consolidated national, provincial and social security funds expenditure: functional classification *1)*

R million		2021/22 Estimated outcome	2021/22 % of total	2022/23 Estimated outcome	2022/23 % of total	2023/24 Estimated outcome	2023/24 % of total	2024/25 Revised estimate
General public services	2)	**400 294.6**	**20.1%**	**415 960.7**	**19.8%**	**465 493.1**	**21.5%**	**498 360.6**
of which: debt-service costs		*268 071.6*	*13.4%*	*308 459.1*	*14.7%*	*356 109.9*	*16.5%*	*389 560.8*
Defence		**51 515.8**	**2.6%**	**57 926.2**	**2.8%**	**55 454.2**	**2.6%**	**55 367.2**
Public order and safety		**155 239.6**	**7.8%**	**163 111.2**	**7.8%**	**169 930.9**	**7.9%**	**179 989.4**
Police services		104 848.3	5.3%	110 553.9	5.3%	115 999.9	5.4%	124 478.1
Law courts		24 697.6	1.2%	26 128.1	1.2%	26 745.8	1.2%	27 752.4
Prisons		25 693.6	1.3%	26 429.2	1.3%	27 185.2	1.3%	27 758.9
Economic affairs		**210 034.9**	**10.5%**	**243 430.1**	**11.6%**	**192 908.9**	**8.9%**	**196 429.7**
General economic, commercial and labour affairs		30 354.3	1.5%	30 166.4	1.4%	30 099.2	1.4%	28 322.1
Agriculture, forestry, fishing and hunting		23 790.1	1.2%	24 755.8	1.2%	24 501.8	1.1%	24 520.1
Fuel and energy		38 881.6	1.9%	29 918.4	1.4%	7 590.9	0.4%	6 017.5
Mining, manufacturing and construction		2 429.4	0.1%	2 590.2	0.1%	2 743.1	0.1%	3 326.5
Transport		97 279.5	4.9%	133 752.0	6.4%	108 051.5	5.0%	114 610.7
Communication		3 036.7	0.2%	5 849.6	0.3%	3 996.2	0.2%	4 693.8
Other industries		3 594.2	0.2%	5 642.8	0.3%	3 732.4	0.2%	3 805.7
Economic affairs not elsewhere classified		10 669.1	0.5%	10 754.9	0.5%	12 193.7	0.6%	11 133.3
Environmental protection		**9 217.0**	**0.5%**	**10 491.2**	**0.5%**	**12 004.6**	**0.6%**	**10 990.9**
Housing and community amenities		**148 928.0**	**7.5%**	**159 725.1**	**7.6%**	**174 018.2**	**8.1%**	**187 011.4**
Housing development		34 313.1	1.7%	33 977.6	1.6%	35 331.2	1.6%	38 739.6
Community development		99 411.4	5.0%	108 054.1	5.1%	117 355.4	5.4%	124 924.9
Water supply		15 203.5	0.8%	17 693.4	0.8%	21 331.6	1.0%	23 346.8
Health		**251 721.9**	**12.6%**	**251 123.8**	**12.0%**	**260 281.2**	**12.0%**	**271 598.2**
Recreation and culture		**13 376.8**	**0.7%**	**12 111.5**	**0.6%**	**13 935.2**	**0.6%**	**13 627.3**
Education		**407 270.8**	**20.4%**	**436 196.7**	**20.8%**	**452 574.3**	**20.9%**	**467 923.0**
Social protection		**347 452.6**	**17.4%**	**349 063.6**	**16.6%**	**364 804.3**	**16.9%**	**403 432.4**
Subtotal: votes and direct charges		**1 995 051.9**	**100.0%**	**2 099 140.1**	**100.0%**	**2 161 404.9**	**100.0%**	**2 284 730.1**
Plus:								
Contingency reserve		–	–	–	–	–	–	–
Total		**1 995 051.9**	**100.0%**	**2 099 140.1**	**100.0%**	**2 161 404.9**	**100.0%**	**2 284 730.1**

1) These figures were estimated by the National Treasury and may differ from data published by Statistics South Africa. The numbers in this table are not strictly comparable to those published in previous years due to the allocation of some of the unallocable expenditure for previous years. Data for the previous years has been adjusted accordingly.

Source: National Treasury

Table 6
Consolidated national, provincial and social security funds expenditure: functional classification *1)*

2024/25	2025/26		2026/27		2027/28		
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total	R million
21.8%	**535 346.4**	**21.8%**	**565 747.4**	**22.1%**	**597 821.7**	**22.4%**	*2)* **General public services**
17.1%	*424 158.7*	*17.3%*	*448 572.1*	*17.5%*	*477 213.4*	*17.9%*	*of which: debt-service costs*
2.4%	**58 107.0**	**2.4%**	**60 294.6**	**2.4%**	**62 425.3**	**2.3%**	**Defence**
7.9%	**193 587.7**	**7.9%**	**201 746.1**	**7.9%**	**210 203.6**	**7.9%**	**Public order and safety**
5.4%	134 003.6	5.5%	139 971.7	5.5%	145 640.3	5.5%	Police services
1.2%	29 522.0	1.2%	30 329.1	1.2%	31 695.7	1.2%	Law courts
1.2%	30 062.1	1.2%	31 445.3	1.2%	32 867.7	1.2%	Prisons
8.6%	**217 220.7**	**8.8%**	**219 746.0**	**8.6%**	**225 831.9**	**8.5%**	**Economic affairs**
1.2%	31 036.4	1.3%	31 726.7	1.2%	32 702.3	1.2%	General economic, commercial and labour affairs
1.1%	25 348.2	1.0%	26 599.1	1.0%	27 715.7	1.0%	Agriculture, forestry, fishing and hunting
0.3%	6 686.3	0.3%	6 896.1	0.3%	7 160.0	0.3%	Fuel and energy
0.1%	3 295.4	0.1%	3 322.4	0.1%	3 473.1	0.1%	Mining, manufacturing and construction
5.0%	132 663.0	5.4%	132 405.8	5.2%	135 154.1	5.1%	Transport
0.2%	3 342.9	0.1%	3 333.7	0.1%	3 487.1	0.1%	Communication
0.2%	3 939.7	0.2%	4 098.2	0.2%	4 266.0	0.2%	Other industries
0.5%	10 908.9	0.4%	11 363.9	0.4%	11 873.6	0.4%	Economic affairs not elsewhere classified
0.5%	**11 465.0**	**0.5%**	**11 929.6**	**0.5%**	**12 439.4**	**0.5%**	**Environmental protection**
8.2%	**198 445.6**	**8.1%**	**201 847.3**	**7.9%**	**209 381.4**	**7.8%**	**Housing and community amenities**
1.7%	38 005.0	1.5%	37 399.3	1.5%	38 111.3	1.4%	Housing development
5.5%	133 761.9	5.4%	139 448.4	5.4%	147 582.3	5.5%	Community development
1.0%	26 678.7	1.1%	24 999.6	1.0%	23 687.8	0.9%	Water supply
11.9%	**291 803.8**	**11.9%**	**305 670.7**	**11.9%**	**319 548.1**	**12.0%**	**Health**
0.6%	**14 041.8**	**0.6%**	**14 679.1**	**0.6%**	**15 241.0**	**0.6%**	**Recreation and culture**
20.5%	**498 708.0**	**20.3%**	**526 191.9**	**20.5%**	**551 345.8**	**20.6%**	**Education**
17.7%	**436 133.1**	**17.8%**	**454 188.7**	**17.7%**	**467 474.3**	**17.5%**	**Social protection**
100.0%	**2 454 859.2**	**99.7%**	**2 562 041.5**	**99.6%**	**2 671 712.5**	**99.4%**	**Subtotal: votes and direct charges**
							Plus:
–	8 000.0	0.3%	10 000.5	0.4%	14 999.6	0.6%	Contingency reserve
100.0%	**2 462 859.2**	**100.0%**	**2 572 041.9**	**100.0%**	**2 686 712.1**	**100.0%**	**Total**

2) Mainly general administration, cost of raising loans and unallocable capital expenditure, as well as National Revenue Fund payments previously accounted for separately.

Table 7
Consolidated government revenue and expenditure: economic classification *1)*

R million		2021/22		2022/23		2023/24		2024/25
		Outcome	% of total	Outcome	% of total	Outcome	% of total	Revised estimate
Revenue								
Current revenue		1 754 452.0	100.0%	1 900 050.3	100.0%	1 947 307.2	100.0%	2 026 360.0
Tax revenue (net of SACU)		*1 609 872.1*	*91.7%*	*1 742 270.0*	*91.7%*	*1 763 821.0*	*90.5%*	*1 859 059.8*
Non-tax revenue	*2)*	*144 579.9*	*8.2%*	*157 780.3*	*8.3%*	*183 486.2*	*9.4%*	*167 300.3*
Sales of capital assets		313.8	0.0%	740.4	0.0%	669.6	0.0%	283.4
Total revenue		**1 754 765.8**	**100.0%**	**1 900 790.7**	**100.0%**	**1 947 976.8**	**100.0%**	**2 026 643.4**
Expenditure								
Economic classification								
Current payments		**1 213 110.5**	**59.3%**	**1 296 713.7**	**60.4%**	**1 402 703.8**	**62.1%**	**1 487 470.5**
Compensation of employees		666 261.4	32.5%	689 347.9	32.1%	723 623.7	32.0%	763 081.6
Goods and services		270 844.5	13.2%	291 592.8	13.6%	315 514.2	14.0%	326 485.9
Interest and rent on land		276 004.5	13.5%	315 772.9	14.7%	363 565.9	16.1%	397 903.0
Transfers and subsidies		**684 358.6**	**33.4%**	**712 074.2**	**33.2%**	**746 761.4**	**33.0%**	**789 808.5**
Municipalities		146 799.1	7.2%	162 775.7	7.6%	169 720.3	7.5%	179 967.8
Departmental agencies and accounts		27 720.2	1.4%	26 976.9	1.3%	33 442.9	1.5%	30 077.6
Higher education institutions		50 290.9	2.5%	53 031.8	2.5%	50 992.5	2.3%	54 565.1
Foreign governments and international organisations		3 141.3	0.2%	3 397.3	0.2%	3 016.4	0.1%	3 213.2
Public corporations and private enterprises		36 724.6	1.8%	39 171.3	1.8%	40 170.8	1.8%	41 803.2
Non-profit institutions		41 127.4	2.0%	40 606.6	1.9%	42 077.2	1.9%	39 827.9
Households		378 555.1	18.5%	386 114.7	18.0%	407 341.2	18.0%	440 353.8
Payments for capital assets		**73 248.9**	**3.6%**	**89 833.7**	**4.2%**	**103 843.2**	**4.6%**	**116 465.6**
Buildings and other fixed structures		48 594.4	2.4%	60 026.6	2.8%	72 971.8	3.2%	81 563.0
Machinery and equipment		20 801.8	1.0%	25 186.2	1.2%	27 400.3	1.2%	30 354.5
Land and sub-soil assets		2 236.1	0.1%	2 437.3	0.1%	1 174.1	0.1%	1 572.2
Software and other intangible assets		1 454.9	0.1%	1 786.0	0.1%	2 004.3	0.1%	2 107.6
Other assets	*3)*	161.6	0.0%	397.7	0.0%	292.7	0.0%	868.3
Payments for financial assets	*4)*	**76 621.8**	**3.7%**	**46 803.1**	**2.2%**	**6 239.0**	**0.3%**	**10 213.2**
Subtotal: economic classification		**2 047 339.7**	**100%**	**2 145 424.8**	**100.0%**	**2 259 547.4**	**100.0%**	**2 403 957.8**
Contingency reserve		–		–		–		–
Total consolidated expenditure		**2 047 339.7**		**2 145 424.8**		**2 259 547.4**		**2 403 957.8**
Budget balance		**-292 574.0**		**-244 634.1**		**-311 570.5**		**-377 314.4**
Percentage of GDP		*-4.6%*		*-3.6%*		*-4.4%*		*-5.0%*
Redemptions		**-65 292.2**		**-90 324.0**		**-144 394.8**		**-98 801.8**
Domestic long-term loans		*-61 373.4*		*-74 562.4*		*-97 250.1*		*-61 537.9*
Foreign loans		*-3 918.8*		*-15 761.6*		*-47 144.7*		*-37 263.8*
Eskom debt-relief arrangement		**–**		**–**		**-76 000.0**		**-64 154.0**
GFECRA settlement		**–**		**–**		**–**		**100 000.0**
Gross borrowing requirement		**-357 866.2**		**-334 958.1**		**-531 965.3**		**-440 270.1**
Financing								
Change in loan liabilities		**326 145.7**		**378 700.1**		**491 385.0**		**444 505.1**
Domestic short- and long-term loans		*294 740.8*		*314 199.2*		*445 690.9*		*377 396.8*
Foreign loans		*31 404.8*		*64 500.9*		*45 694.1*		*67 108.3*
Change in cash and other balances (- increase)		**31 720.5**		**-43 742.0**		**40 580.3**		**-4 235.0**
Total financing		**357 866.2**		**334 958.1**		**531 965.3**		**440 270.1**
GDP		*6 325 590.0*		*6 763 456.0*		*7 094 782.0*		*7 477 856.4*

1) Consisting of national and provincial government, social security funds and public entities. Refer to Annexure W2 for a detailed list of entities included. In some cases figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank.
2) Includes National Revenue Fund receipts previously accounted for separately.
Source: National Treasury

Table 7
Consolidated government revenue and expenditure: economic classification 1)

2024/25	2025/26		2026/27		2027/28			
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total		R million
								Revenue
100.0%	2 247 407.4	100.0%	2 389 635.5	100.0%	2 533 945.1	100.0%		Current revenue
91.7%	*2 067 599.2*	*92.0%*	*2 210 725.3*	*92.5%*	*2 343 752.8*	*92.5%*		*Tax revenue (net of SACU)*
8.3%	*179 808.2*	*8.0%*	*178 910.2*	*7.5%*	*190 192.3*	*7.5%*	2)	*Non-tax revenue*
0.0%	320.7	0.0%	225.8	0.0%	235.3	0.0%		Sales of capital assets
100.0%	**2 247 728.1**	**100.0%**	**2 389 861.3**	**100.0%**	**2 534 180.4**	**100.0%**		**Total revenue**
								Expenditure
								Economic classification
61.9%	**1 609 083.7**	**62.1%**	**1 686 079.0**	**62.4%**	**1 771 130.6**	**62.6%**		**Current payments**
31.7%	824 313.3	31.8%	863 543.4	31.9%	901 783.0	31.9%		Compensation of employees
13.6%	352 070.8	13.6%	364 773.2	13.5%	382 078.2	13.5%		Goods and services
16.6%	432 699.6	16.7%	457 762.4	16.9%	487 269.3	17.2%		Interest and rent on land
32.9%	**837 095.3**	**32.3%**	**874 239.1**	**32.3%**	**905 562.6**	**32.0%**		**Transfers and subsidies**
7.5%	192 891.3	7.4%	201 464.2	7.5%	209 669.6	7.4%		Municipalities
1.3%	27 807.9	1.1%	28 949.5	1.1%	29 458.1	1.0%		Departmental agencies and accounts
2.3%	55 675.4	2.1%	58 499.1	2.2%	61 766.4	2.2%		Higher education institutions
0.1%	3 767.0	0.1%	3 897.3	0.1%	4 030.4	0.1%		Foreign governments and international organisations
1.7%	42 850.7	1.7%	45 683.8	1.7%	45 235.6	1.6%		Public corporations and private enterprises
1.7%	42 856.6	1.7%	45 903.6	1.7%	49 263.6	1.7%		Non-profit institutions
18.3%	471 246.3	18.2%	489 841.6	18.1%	506 139.0	17.9%		Households
4.8%	**135 215.4**	**5.2%**	**135 692.4**	**5.0%**	**147 130.3**	**5.2%**		**Payments for capital assets**
3.4%	99 788.0	3.8%	100 530.6	3.7%	109 240.5	3.9%		Buildings and other fixed structures
1.3%	31 953.0	1.2%	32 515.9	1.2%	35 186.7	1.2%		Machinery and equipment
0.1%	904.9	0.0%	975.2	0.0%	1 029.6	0.0%		Land and sub-soil assets
0.1%	1 921.1	0.1%	1 460.5	0.1%	1 442.4	0.1%		Software and other intangible assets
0.0%	648.4	0.0%	210.2	0.0%	231.0	0.0%	3)	Other assets
0.4%	**11 416.0**	**0.4%**	**7 210.8**	**0.3%**	**5 902.7**	**0.2%**	4)	**Payments for financial assets**
100.0%	**2 592 810.4**	**100.0%**	**2 703 221.3**	**100.0%**	**2 829 726.1**	**100.0%**		**Subtotal: economic classification**
	8 000.0		10 000.5		14 999.6			Contingency reserve
	2 600 810.4		**2 713 221.7**		**2 844 725.7**			**Total consolidated expenditure**
	-353 082.3		**-323 360.5**		**-310 545.3**			**Budget balance**
	-4.4%		*-3.8%*		*-3.4%*			*Percentage of GDP*
	-172 646.7		**-152 881.2**		**-303 908.0**			**Redemptions**
	-112 494.9		*-112 494.9*		*-277 620.7*			*Domestic long-term loans*
	-60 151.8		*-40 386.3*		*-26 287.4*			*Foreign loans*
	-80 223.0		**–**		**–**			**Eskom debt-relief arrangement**
	25 000.0		**25 000.0**		**–**			**GFECRA settlement**
	-580 952.0		**-451 241.7**		**-614 453.3**			**Gross borrowing requirement**
								Financing
	481 467.4		**432 772.4**		**566 303.8**			**Change in loan liabilities**
	382 768.1		*351 267.4*		*470 356.9*			*Domestic short- and long-term loans*
	98 699.3		*81 505.0*		*95 946.9*			*Foreign loans*
	99 484.6		**18 469.4**		**48 149.5**			**Change in cash and other balances (- increase)**
	580 952.0		**451 241.7**		**614 453.3**			**Total financing**
	8 003 790.1		*8 520 447.3*		*9 083 227.3*			*GDP*

3) Includes biological, heritage and specialised military assets.
4) Includes extraordinary payments previously accounted for separately.

Table 8
Consolidated government expenditure: functional classification *1)*

R million		2021/22 Outcome	2021/22 % of total	2022/23 Outcome	2022/23 % of total	2023/24 Outcome	2023/24 % of total	2024/25 Revised estimate
General public services	*2)*	**410 300.6**	**20.0%**	**423 707.2**	**19.7%**	**476 819.7**	**21.1%**	**511 343.8**
of which: debt-service costs		*268 071.6*	*13.1%*	*308 459.1*	*14.4%*	*356 109.9*	*15.8%*	*389 560.8*
Defence		**51 420.6**	**2.5%**	**58 079.9**	**2.7%**	**56 025.6**	**2.5%**	**56 231.2**
Public order and safety		**157 250.5**	**7.7%**	**165 702.6**	**7.7%**	**173 787.9**	**7.7%**	**182 986.8**
Police services		106 673.7	5.2%	112 793.6	5.3%	118 825.2	5.3%	126 898.8
Law courts		24 883.2	1.2%	26 479.7	1.2%	27 777.4	1.2%	28 329.2
Prisons		25 693.6	1.3%	26 429.2	1.2%	27 185.2	1.2%	27 758.9
Economic affairs		**220 578.1**	**10.8%**	**242 735.3**	**11.3%**	**227 856.6**	**10.1%**	**242 646.3**
General economic, commercial and labour affairs		37 562.6	1.8%	37 553.2	1.8%	36 997.9	1.6%	38 180.9
Agriculture, forestry, fishing and hunting		23 626.9	1.2%	24 966.5	1.2%	24 611.4	1.1%	24 733.9
Fuel and energy		40 637.5	2.0%	32 077.6	1.5%	10 096.4	0.4%	9 104.6
Mining, manufacturing and construction		4 076.1	0.2%	4 214.9	0.2%	3 624.0	0.2%	4 632.0
Transport		94 919.9	4.6%	118 680.2	5.5%	128 624.4	5.7%	142 191.1
Communication		4 877.7	0.2%	7 420.9	0.3%	6 349.6	0.3%	7 052.8
Other industries		3 153.8	0.2%	5 979.1	0.3%	3 794.1	0.2%	4 008.6
Economic affairs not elsewhere classified		11 723.7	0.6%	11 842.9	0.6%	13 758.7	0.6%	12 742.4
Environmental protection		**11 929.1**	**0.6%**	**13 237.8**	**0.6%**	**15 002.8**	**0.7%**	**15 152.9**
Housing and community amenities		**172 534.2**	**8.4%**	**193 656.7**	**9.0%**	**209 580.5**	**9.3%**	**226 579.8**
Housing development		37 297.5	1.8%	36 455.2	1.7%	38 725.2	1.7%	41 619.1
Community development		99 992.1	4.9%	109 063.6	5.1%	118 441.2	5.2%	126 422.8
Water supply		35 244.6	1.7%	48 137.8	2.2%	52 414.1	2.3%	58 537.9
Health		**252 508.2**	**12.3%**	**250 241.6**	**11.7%**	**261 322.5**	**11.6%**	**272 980.4**
Recreation and culture		**13 806.5**	**0.7%**	**12 411.4**	**0.6%**	**14 582.0**	**0.6%**	**14 342.2**
Education		**408 689.3**	**20.0%**	**435 241.7**	**20.3%**	**458 083.1**	**20.3%**	**475 924.8**
Social protection		**348 322.7**	**17.0%**	**350 410.7**	**16.3%**	**366 486.7**	**16.2%**	**405 769.5**
Subtotal: functional classification		**2 047 339.7**	**100%**	**2 145 424.8**	**100%**	**2 259 547.4**	**100%**	**2 403 957.8**
Plus:								
Contingency reserve		–		–		–		–
Total consolidated expenditure		**2 047 339.7**		**2 145 424.8**		**2 259 547.4**		**2 403 957.8**

1) Consisting of national and provincial government, social security funds and public entities. Refer to Annexure W2 for a detailed list of entities included. In some cases figures were estimated by the National Treasury and may differ from data published by Statistics South Africa and the Reserve Bank.
Source: National Treasury

Table 8
Consolidated government expenditure: functional classification *1)*

2024/25	2025/26		2026/27		2027/28		
% of total	Budget estimate	% of total	Budget estimate	% of total	Budget estimate	% of total	R million
21.3%	**547 961.4**	**21.1%**	**578 248.0**	**21.4%**	**608 826.0**	**21.5%**	*2)* **General public services**
16.2%	*424 158.7*	*16.4%*	*448 572.1*	*16.6%*	*477 213.4*	*16.9%*	*of which: debt-service costs*
2.3%	**59 452.1**	**2.3%**	**61 660.0**	**2.3%**	**63 787.0**	**2.3%**	**Defence**
7.6%	**196 026.3**	**7.6%**	**204 789.7**	**7.6%**	**213 883.8**	**7.6%**	**Public order and safety**
5.3%	136 061.5	5.2%	142 601.3	5.3%	148 731.7	5.3%	Police services
1.2%	29 902.7	1.2%	30 743.1	1.1%	32 284.4	1.1%	Law courts
1.2%	30 062.1	1.2%	31 445.3	1.2%	32 867.7	1.2%	Prisons
10.1%	**271 241.4**	**10.5%**	**278 789.5**	**10.3%**	**294 898.2**	**10.4%**	**Economic affairs**
1.6%	37 608.4	1.5%	38 597.1	1.4%	40 735.7	1.4%	General economic, commercial and labour affairs
1.0%	25 546.3	1.0%	26 698.2	1.0%	27 855.4	1.0%	Agriculture, forestry, fishing and hunting
0.4%	9 936.2	0.4%	10 074.4	0.4%	10 424.1	0.4%	Fuel and energy
0.2%	4 550.4	0.2%	4 625.7	0.2%	4 829.2	0.2%	Mining, manufacturing and construction
5.9%	170 005.9	6.6%	176 226.6	6.5%	187 409.9	6.6%	Transport
0.3%	6 651.0	0.3%	4 830.5	0.2%	5 107.4	0.2%	Communication
0.2%	4 155.6	0.2%	4 382.3	0.2%	4 588.4	0.2%	Other industries
0.5%	12 787.7	0.5%	13 354.6	0.5%	13 948.0	0.5%	Economic affairs not elsewhere classified
0.6%	**16 506.4**	**0.6%**	**16 677.4**	**0.6%**	**17 446.4**	**0.6%**	**Environmental protection**
9.4%	**251 834.2**	**9.7%**	**252 291.6**	**9.3%**	**265 318.2**	**9.4%**	**Housing and community amenities**
1.7%	41 757.4	1.6%	41 472.4	1.5%	42 264.8	1.5%	Housing development
5.3%	135 377.3	5.2%	141 110.2	5.2%	149 301.3	5.3%	Community development
2.4%	74 699.4	2.9%	69 709.1	2.6%	73 752.1	2.6%	Water supply
11.4%	**293 858.1**	**11.3%**	**308 475.3**	**11.4%**	**323 399.8**	**11.4%**	**Health**
0.6%	**14 488.8**	**0.6%**	**14 904.0**	**0.6%**	**15 464.2**	**0.5%**	**Recreation and culture**
19.8%	**502 786.7**	**19.4%**	**530 481.3**	**19.6%**	**556 369.0**	**19.7%**	**Education**
16.9%	**438 655.1**	**16.9%**	**456 904.4**	**16.9%**	**470 333.4**	**16.6%**	**Social protection**
100%	**2 592 810.4**	**100%**	**2 703 221.3**	**100%**	**2 829 726.1**	**100%**	**Subtotal: functional classification**
							Plus:
	8 000.0		10 000.5		14 999.6		Contingency reserve
	2 600 810.4		**2 713 221.7**		**2 844 725.7**		**Total consolidated expenditure**

2) Mainly general administration, cost of raising loans and unallocable capital expenditure, as well as National Revenue Fund payments previously accounted for separately.

Table 9
Consolidated government revenue, expenditure and financing

R million	2021/22 Outcome	2022/23 Outcome	2023/24 Outcome	2024/25 Revised estimate
Operating account				
Current receipts	**1 738 287.3**	**1 879 640.1**	**1 913 388.7**	**2 002 085.9**
Tax receipts (net of SACU transfers)	*1 609 872.1*	*1 742 270.0*	*1 763 821.0*	*1 859 059.8*
Non-tax receipts (including departmental receipts)	*122 175.2*	*130 289.6*	*142 036.8*	*134 383.1*
Transfers received	*6 240.1*	*7 080.5*	*7 530.8*	*8 643.1*
Current payments	**1 827 281.1**	**1 949 243.1**	**2 087 019.7**	**2 201 349.4**
Compensation of employees	*666 261.4*	*689 347.9*	*723 623.7*	*763 081.6*
Goods and services	*270 844.5*	*291 592.8*	*315 514.2*	*326 485.9*
Interest and rent on land	*276 004.5*	*315 772.9*	*363 565.9*	*397 903.0*
Transfers and subsidies	*614 170.6*	*652 529.4*	*684 316.0*	*713 878.8*
Current balance	**-88 993.8**	**-69 603.0**	**-173 631.0**	**-199 263.5**
Percentage of GDP	*-1.4%*	*-1.0%*	*-2.4%*	*-2.7%*
Capital account				
Capital receipts	*313.8*	*740.4*	*669.6*	*283.4*
Transfers and subsidies	*70 188.0*	*59 544.9*	*62 445.5*	*75 929.6*
Payments for capital assets	*73 248.9*	*89 833.7*	*103 843.2*	*116 465.6*
Capital financing requirement	**-143 123.1**	**-148 638.2**	**-165 619.1**	**-192 111.8**
Percentage of GDP	*-2.3%*	*-2.2%*	*-2.3%*	*-2.6%*
Transactions in financial assets and liabilities	**-60 457.1**	**-26 393.0**	**27 679.6**	**14 060.9**
Contingency reserve	–	–	–	–
Budget balance	**-292 574.0**	**-244 634.1**	**-311 570.5**	**-377 314.4**
Percentage of GDP	*-4.6%*	*-3.6%*	*-4.4%*	*-5.0%*
Primary balance	**-16 569.4**	**71 138.8**	**51 995.3**	**20 588.6**
Percentage of GDP	*-0.3%*	*1.1%*	*0.7%*	*0.3%*
Redemptions	**-65 292.2**	**-90 324.0**	**-144 394.8**	**-98 801.8**
Domestic long-term loans	*-61 373.4*	*-74 562.4*	*-97 250.1*	*-61 537.9*
Foreign loans	*-3 918.8*	*-15 761.6*	*-47 144.7*	*-37 263.8*
Eskom debt-relief arrangement	–	–	**-76 000.0**	**-64 154.0**
GFECRA settlement	–	–	–	**100 000.0**
Gross borrowing requirement	**-357 866.2**	**-334 958.1**	**-531 965.3**	**-440 270.1**
Financing				
Change in loan liabilities	**326 145.7**	**378 700.1**	**491 385.0**	**444 505.1**
Domestic short- and long-term loans	*294 740.8*	*314 199.2*	*445 690.9*	*377 396.8*
Foreign loans	*31 404.8*	*64 500.9*	*45 694.1*	*67 108.3*
Change in cash and other balances (- increase)	**31 720.5**	**-43 742.0**	**40 580.3**	**-4 235.0**
Total financing	**357 866.2**	**334 958.1**	**531 965.3**	**440 270.1**
GDP	*6 325 590.0*	*6 763 456.0*	*7 094 782.0*	*7 477 856.4*

Source: National Treasury

Table 9
Consolidated government revenue, expenditure and financing

2025/26	2026/27	2027/28	
Budget estimate	Budget estimate	Budget estimate	R million
			Operating account
2 222 074.8	**2 372 522.7**	**2 518 305.2**	**Current receipts**
2 067 599.2	*2 210 725.3*	*2 343 752.8*	*Tax receipts (net of SACU transfers)*
145 169.6	*152 248.2*	*165 256.2*	*Non-tax receipts (including departmental receipts)*
9 306.1	*9 549.1*	*9 296.2*	*Transfers received*
2 364 282.4	**2 475 232.9**	**2 590 820.1**	**Current payments**
824 313.3	*863 543.4*	*901 783.0*	*Compensation of employees*
352 070.8	*364 773.2*	*382 078.2*	*Goods and services*
432 699.6	*457 762.4*	*487 269.3*	*Interest and rent on land*
755 198.7	*789 153.9*	*819 689.5*	*Transfers and subsidies*
-142 207.6	**-102 710.2**	**-72 514.9**	**Current balance**
-1.8%	*-1.2%*	*-0.8%*	*Percentage of GDP*
			Capital account
320.7	*225.8*	*235.3*	*Capital receipts*
81 896.6	*85 085.2*	*85 873.1*	*Transfers and subsidies*
135 215.4	*135 692.4*	*147 130.3*	*Payments for capital assets*
-216 791.3	**-220 551.8**	**-232 768.1**	**Capital financing requirement**
-2.7%	*-2.6%*	*-2.6%*	*Percentage of GDP*
13 916.6	**9 902.0**	**9 737.3**	**Transactions in financial assets and liabilities**
8 000.0	**10 000.5**	**14 999.6**	**Contingency reserve**
-353 082.3	**-323 360.5**	**-310 545.3**	**Budget balance**
-4.4%	*-3.8%*	*-3.4%*	*Percentage of GDP*
79 617.3	**134 401.9**	**176 724.0**	**Primary balance**
1.0%	*1.6%*	*1.9%*	*Percentage of GDP*
-172 646.7	**-152 881.2**	**-303 908.0**	**Redemptions**
-112 494.9	*-112 494.9*	*-277 620.7*	*Domestic long-term loans*
-60 151.8	*-40 386.3*	*-26 287.4*	*Foreign loans*
-80 223.0	**–**	**–**	**Eskom debt-relief arrangement**
25 000.0	**25 000.0**	**–**	**GFECRA settlement**
-580 952.0	**-451 241.7**	**-614 453.3**	**Gross borrowing requirement**
			Financing
481 467.4	**432 772.4**	**566 303.8**	**Change in loan liabilities**
382 768.1	*351 267.4*	*470 356.9*	*Domestic short- and long-term loans*
98 699.3	*81 505.0*	*95 946.9*	*Foreign loans*
99 484.6	**18 469.4**	**48 149.5**	**Change in cash and other balances (- increase)**
580 952.0	**451 241.7**	**614 453.3**	**Total financing**
8 003 790.1	*8 520 447.3*	*9 083 227.3*	*GDP*

Table 10
Total debt of government *1)*

R million		2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Domestic debt								
Marketable		365 231	349 415	350 870	388 300	428 593	457 780	467 864
Government bonds		*339 731*	*331 505*	*328 820*	*359 700*	*394 143*	*417 380*	*422 064*
Treasury bills		*25 500*	*17 910*	*22 050*	*28 600*	*34 450*	*40 400*	*45 800*
Bridging bonds		–	–	–	–	–	–	–
Non-marketable	*3)*	2 382	2 030	1 910	1 999	3 498	3 699	3 238
Gross loan debt		367 613	351 445	352 780	390 299	432 091	461 479	471 102
Cash balances	*4)*	-2 650	-6 549	-9 730	-12 669	-30 870	-58 187	-75 315
Net loan debt		364 963	344 896	343 050	377 630	401 221	403 292	395 787
Foreign debt								
Gross loan debt	*5)*	31 938	82 009	74 286	64 670	69 405	66 846	82 581
Cash balances	*4)*	–	–	–	–	–	–	–
Net loan debt		31 938	82 009	74 286	64 670	69 405	66 846	82 581
Gross loan debt		**399 551**	**433 454**	**427 066**	**454 969**	**501 496**	**528 325**	**553 683**
Net loan debt		**396 901**	**426 905**	**417 336**	**442 300**	**470 626**	**470 138**	**478 368**
Gold and Foreign Exchange Contingency Reserve Account	*6)*	18 170	28 024	36 577	18 036	5 292	-1 751	-28 514
Composition of gross debt (excluding deduction of cash balances)								
Marketable domestic debt		91.4%	80.6%	82.2%	85.3%	85.5%	86.6%	84.5%
Government bonds		*85.0%*	*76.5%*	*77.0%*	*79.1%*	*78.6%*	*79.0%*	*76.2%*
Treasury bills		*6.4%*	*4.1%*	*5.2%*	*6.3%*	*6.9%*	*7.6%*	*8.3%*
Bridging bonds		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-marketable domestic debt	*3)*	0.6%	0.5%	0.4%	0.4%	0.7%	0.7%	0.6%
Domestic debt		92.0%	81.1%	82.6%	85.8%	86.2%	87.3%	85.1%
Foreign debt	*5)*	8.0%	18.9%	17.4%	14.2%	13.8%	12.7%	14.9%
Total as percentage of GDP								
Gross domestic debt		33.8%	29.2%	25.2%	25.6%	25.5%	24.5%	22.1%
Net domestic debt		33.6%	28.6%	24.5%	24.8%	23.7%	21.4%	18.5%
Gross foreign debt		2.9%	6.8%	5.3%	4.2%	4.1%	3.5%	3.9%
Net foreign debt		2.9%	6.8%	5.3%	4.2%	4.1%	3.5%	3.9%
Gross loan debt		36.7%	36.0%	30.5%	29.8%	29.7%	28.0%	25.9%
Net loan debt		36.5%	35.4%	29.8%	29.0%	27.8%	24.9%	22.4%

1) Debt of the national government, excluding extra-budgetary institutions and social security funds.
2) As projected at the end of January 2025.
3) Includes non-marketable Treasury bills, retail bonds, loan levies, former regional authorities and Namibian loans.
4) Bank balances of the National Revenue Fund (balances of government's accounts with the Reserve Bank and commercial banks).
Bank balances in foreign currencies are revaluated using forward estimates of exchange rates.
Source: National Treasury and Reserve Bank

Table 10
Total debt of government *1)*

2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14		R million
								Domestic debt
478 265	527 751	700 532	869 588	1 045 415	1 210 834	1 409 718		Marketable
426 415	*462 751*	*585 992*	*733 438*	*890 256*	*1 038 849*	*1 217 512*		*Government bonds*
51 850	*65 000*	*114 540*	*136 150*	*155 159*	*171 985*	*192 206*		*Treasury bills*
–	–	–	–	–	–	–		*Bridging bonds*
2 555	1 956	4 943	23 133	25 524	30 300	31 381	*3)*	Non-marketable
480 821	529 707	705 475	892 721	1 070 939	1 241 134	1 441 099		Gross loan debt
-93 809	-101 349	-106 550	-111 413	-130 450	-103 774	-120 807	*4)*	Cash balances
387 012	428 358	598 925	781 308	940 489	1 137 360	1 320 292		Net loan debt
								Foreign debt
96 218	97 268	99 454	97 851	116 851	124 555	143 659	*5)*	Gross loan debt
–	–	-25 339	-58 750	-67 609	-80 308	-84 497	*4)*	Cash balances
96 218	97 268	74 115	39 101	49 242	44 247	59 162		Net loan debt
577 039	**626 975**	**804 929**	**990 572**	**1 187 790**	**1 365 689**	**1 584 758**		**Gross loan debt**
483 230	**525 626**	**673 040**	**820 409**	**989 731**	**1 181 607**	**1 379 454**		**Net loan debt**
-72 189	-101 585	-35 618	-28 283	-67 655	-125 552	-177 913	*6)*	Gold and Foreign Exchange Contingency Reserve Account
								Composition of gross debt (excluding deduction of cash balances)
82.9%	84.2%	87.0%	87.8%	88.0%	88.7%	89.0%		Marketable domestic debt
73.9%	*73.8%*	*72.8%*	*74.0%*	*75.0%*	*76.1%*	*76.8%*		*Government bonds*
9.0%	*10.4%*	*14.2%*	*13.7%*	*13.1%*	*12.6%*	*12.1%*		*Treasury bills*
0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*		*Bridging bonds*
0.4%	0.3%	0.6%	2.3%	2.1%	2.2%	2.0%	*3)*	Non-marketable domestic debt
83.3%	84.5%	87.6%	90.1%	90.2%	90.9%	90.9%		Domestic debt
16.7%	15.5%	12.4%	9.9%	9.8%	9.1%	9.1%	*5)*	Foreign debt
								Total as percentage of GDP
20.0%	19.9%	24.8%	28.6%	31.6%	34.2%	36.5%		Gross domestic debt
16.1%	16.1%	21.1%	25.0%	27.7%	31.3%	33.5%		Net domestic debt
4.0%	3.7%	3.5%	3.1%	3.4%	3.4%	3.6%		Gross foreign debt
4.0%	3.7%	2.6%	1.3%	1.5%	1.2%	1.5%		Net foreign debt
24.0%	23.6%	28.3%	31.7%	35.0%	37.6%	40.2%		Gross loan debt
20.1%	19.8%	23.7%	26.3%	29.2%	32.5%	35.0%		Net loan debt

5) Valued at appropriate foreign exchange rates up to 31 March 2024 as at the end of each period. Forward estimates are based on exchange rates prevailing at 31 January 2025, projected to depreciate in line with inflation differentials.

6) The balance on the Gold and Foreign Exchange Contingency Reserve Account on 31 March 2025 represents an estimated balance on the account. The balances over the medium term are reduced in line with the new GFECRA settlement agreement. A negative balance indicates a profit and a positive balance a loss.

Table 10
Total debt of government *1)*

R million		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Domestic debt								
Marketable		1 601 499	1 782 042	1 981 627	2 242 894	2 467 758	2 834 638	3 526 897
Government bonds		*1 399 282*	*1 572 574*	*1 731 657*	*1 949 573*	*2 160 398*	*2 501 278*	*3 070 926*
Treasury bills		*202 217*	*209 468*	*249 970*	*293 321*	*307 360*	*333 360*	*455 971*
Bridging bonds		–	–	–	–	–	–	–
Non-marketable	*3)*	30 586	37 322	38 508	29 013	29 228	39 479	16 369
Gross loan debt		1 632 085	1 819 364	2 020 135	2 271 907	2 496 986	2 874 117	3 543 266
Cash balances	*4)*	-120 304	-112 250	-110 262	-123 241	-120 575	-111 693	-239 711
Net loan debt		1 511 781	1 707 114	1 909 873	2 148 666	2 376 411	2 762 424	3 303 555
Foreign debt								
Gross loan debt	*5)*	166 830	199 607	212 754	217 811	291 314	387 225	392 434
Cash balances	*4)*	-94 404	-102 083	-114 353	-106 110	-122 542	-151 879	-94 218
Net loan debt		72 426	97 524	98 401	111 701	168 772	235 346	298 216
Gross loan debt		**1 798 915**	**2 018 971**	**2 232 889**	**2 489 718**	**2 788 300**	**3 261 342**	**3 935 700**
Net loan debt		**1 584 207**	**1 804 638**	**2 008 274**	**2 260 367**	**2 545 183**	**2 997 770**	**3 601 771**
Gold and Foreign Exchange Contingency Reserve Account	*6)*	-203 396	-304 653	-231 158	-193 917	-285 829	-436 062	-315 584
Composition of gross debt (excluding deduction of cash balances)								
Marketable domestic debt		89.0%	88.3%	88.7%	90.1%	88.5%	86.9%	89.6%
Government bonds		*77.8%*	*77.9%*	*77.6%*	*78.3%*	*77.5%*	*76.7%*	*78.0%*
Treasury bills		*11.2%*	*10.4%*	*11.2%*	*11.8%*	*11.0%*	*10.2%*	*11.6%*
Bridging bonds		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-marketable domestic debt	*3)*	1.7%	1.8%	1.7%	1.2%	1.0%	1.2%	0.4%
Domestic debt		90.7%	90.1%	90.5%	91.3%	89.6%	88.1%	90.0%
Foreign debt	*5)*	9.3%	9.9%	9.5%	8.7%	10.4%	11.9%	10.0%
Total as percentage of GDP								
Gross domestic debt		38.9%	40.4%	41.8%	44.2%	46.0%	50.3%	63.1%
Net domestic debt		36.0%	37.9%	39.5%	41.8%	43.8%	48.4%	58.8%
Gross foreign debt		4.0%	4.4%	4.4%	4.2%	5.4%	6.8%	7.0%
Net foreign debt		1.7%	2.2%	2.0%	2.2%	3.1%	4.1%	5.3%
Gross loan debt		42.8%	44.9%	46.2%	48.5%	51.4%	57.1%	70.1%
Net loan debt		37.7%	40.1%	41.6%	44.0%	46.9%	52.5%	64.1%

1) Debt of the national government, excluding extra-budgetary institutions and social security funds.
2) As projected at the end of January 2025.
3) Includes non-marketable Treasury bills, retail bonds, loan levies, former regional authorities and Namibian loans.
4) Bank balances of the National Revenue Fund (balances of government's accounts with the Reserve Bank and commercial banks).
Bank balances in foreign currencies are revaluated using forward estimates of exchange rates.
Source: National Treasury and Reserve Bank

Table 10
Total debt of government *1)*

2021/22	2022/23	2023/24	2024/25 *2)*	2025/26	2026/27	2027/28		R million
								Domestic debt
3 846 429	4 185 103	4 639 876	5 057 110	5 411 222	5 720 202	5 979 134		Marketable
3 398 465	*3 762 487*	*4 128 672*	*4 507 623*	*4 822 935*	*5 096 616*	*5 308 847*		*Government bonds*
447 964	*422 616*	*511 204*	*549 487*	*588 287*	*623 587*	*670 287*		*Treasury bills*
–	–	–	–	–	–	–		*Bridging bonds*
18 930	24 669	27 900	29 693	29 693	29 693	29 693	*3)*	Non-marketable
3 865 359	4 209 771	4 667 776	5 086 803	5 440 915	5 749 895	6 008 827		Gross loan debt
-169 853	-120 501	-92 320	-130 466	-71 403	-87 195	-50 000	*4)*	Cash balances
3 695 506	4 089 271	4 575 456	4 956 337	5 369 512	5 662 700	5 958 827		Net loan debt
								Foreign debt
412 104	555 657	591 623	597 183	649 278	703 228	782 137	*5)*	Gross loan debt
-96 507	-128 668	-103 359	-84 075	-70 756	-55 476	-63 302	*4)*	Cash balances
315 597	426 989	488 264	513 107	578 522	647 752	718 834		Net loan debt
4 277 463	**4 765 428**	**5 259 400**	**5 683 986**	**6 090 193**	**6 453 123**	**6 790 963**		**Gross loan debt**
4 011 103	**4 516 260**	**5 063 720**	**5 469 444**	**5 948 034**	**6 310 452**	**6 677 661**		**Net loan debt**
-314 283	-458 715	-531 989	-343 739	-318 739	-293 739	-293 739	*6)*	Gold and Foreign Exchange Contingency Reserve Account
								Composition of gross debt (excluding deduction of cash balances)
89.9%	87.8%	88.2%	89.0%	88.9%	88.6%	88.0%		Marketable domestic debt
79.5%	*79.0%*	*78.5%*	*79.3%*	*79.2%*	*79.0%*	*78.2%*		*Government bonds*
10.5%	*8.9%*	*9.7%*	*9.7%*	*9.7%*	*9.7%*	*9.9%*		*Treasury bills*
0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*		*Bridging bonds*
0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	*3)*	Non-marketable domestic debt
90.4%	88.3%	88.8%	89.5%	89.3%	89.1%	88.5%		Domestic debt
9.6%	11.7%	11.2%	10.5%	10.7%	10.9%	11.5%	*5)*	Foreign debt
								Total as percentage of GDP
61.1%	62.2%	65.8%	68.0%	68.0%	67.5%	66.2%		Gross domestic debt
58.4%	60.5%	64.5%	66.3%	67.1%	66.5%	65.6%		Net domestic debt
6.5%	8.2%	8.3%	8.0%	8.1%	8.3%	8.6%		Gross foreign debt
5.0%	6.3%	6.9%	6.9%	7.2%	7.6%	7.9%		Net foreign debt
67.6%	70.5%	74.1%	76.0%	76.1%	75.7%	74.8%		Gross loan debt
63.4%	66.8%	71.4%	73.1%	74.3%	74.1%	73.5%		Net loan debt

5) Valued at appropriate foreign exchange rates up to 31 March 2024 as at the end of each period. Forward estimates are based on exchange rates prevailing at 31 January 2025, projected to depreciate in line with inflation differentials.

6) The balance on the Gold and Foreign Exchange Contingency Reserve Account on 31 March 2025 represents an estimated balance on the account. The balances over the medium term are reduced in line with the new GFECRA settlement agreement. A negative balance indicates a profit and a positive balance a loss.

Table 11
Net loan debt, provisions and contingent liabilities *1)*

R million		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Net loan debt	2)	**1 584 207**	**1 804 638**	**2 008 274**	**2 260 367**	**2 545 183**	**2 997 770**	**3 601 771**
Provisions	3)	**160 383**	**217 960**	**210 974**	**211 480**	**260 682**	**341 883**	**371 037**
African Development Bank		43 811	54 766	49 344	44 119	53 855	66 509	55 009
Development Bank of Southern Africa		20 000	20 000	20 000	20 000	20 000	20 000	20 000
Government employee leave credits		13 030	13 454	14 137	13 606	13 474	14 137	16 092
International Bank for Reconstruction and Development		23 579	29 028	26 527	23 993	29 287	36 169	30 317
International Monetary Fund		59 786	91 658	79 535	76 358	85 908	111 774	151 740
Multilateral Investment Guarantee Agency		177	215	193	173	211	261	216
New Development Bank		–	8 839	21 238	33 231	57 947	93 033	97 663
Contingent liabilities		**575 317**	**601 380**	**664 197**	**723 400**	**828 703**	**1 056 174**	**1 067 418**
Guarantees	4)	327 169	380 136	426 234	459 107	525 568	583 808	569 452
Agricultural cooperatives		*93*	*93*	*93*	*93*	*93*	*93*	*93*
Central Energy Fund		–	–	–	–	–	–	–
Denel		*1 850*	*1 850*	*1 850*	*2 430*	*3 430*	*4 430*	*3 430*
Development Bank of Southern Africa		*4 030*	*4 258*	*3 993*	*3 975*	*4 256*	*4 653*	*4 854*
Eskom		*149 944*	*174 586*	*202 825*	*250 648*	*285 587*	*326 868*	*298 289*
Former regional authorities		*105*	*98*	*93*	*84*	*77*	*75*	*74*
Guarantee scheme for housing loans to employees		*13*	*10*	*8*	*6*	*6*	*6*	*5*
Guarantee scheme for motor vehicles – senior officials		*1*	*1*	–	–	–	–	–
Industrial Development Corporation of South Africa		*344*	*243*	*138*	*137*	*147*	*170*	*145*
Independent power producers		*96 159*	*113 971*	*125 766*	*122 188*	*146 892*	*161 427*	*176 684*
Irrigation boards		*44*	*39*	*38*	*37*	*36*	*36*	*35*
Kalahari East Water Board		–	–	–	–	–	–	–
Komati Basin Water Authority		*986*	*889*	*785*	*619*	*518*	*400*	*367*
Land Bank		*2 005*	*5 211*	*3 712*	*3 813*	*965*	*2 484*	*2 446*
Lesotho Highlands Development Authority		*82*	*62*	*30*	*3*	–	–	–
Nuclear Energy Corporation of South Africa		*20*	*20*	*20*	*20*	*20*	*20*	*20*
Passenger Rail Agency of South Africa		*48*	*2*	–	–	–	–	–
Public-private partnerships		*10 107*	*10 337*	*10 049*	*9 580*	*10 464*	*8 654*	*8 001*
South African Airways		*8 419*	*14 394*	*17 819*	*11 059*	*15 269*	*17 867*	*6 749*
South African Broadcasting Corporation		–	–	–	–	–	–	–
South African Express		*539*	*539*	*827*	*867*	*163*	*163*	*20*
South African National Roads Agency Limited		*27 445*	*27 204*	*29 458*	*30 368*	*39 462*	*38 998*	*37 378*
South African Post Office		*270*	*1 270*	*3 979*	*400*	–	–	–
Reserve Bank		–	–	–	–	–	–	*13 726*
Telkom South Africa		*100*	*128*	*108*	*111*	*124*	*149*	*132*
Trans-Caledon Tunnel Authority		*20 807*	*21 173*	*20 886*	*18 912*	*14 302*	*13 558*	*13 247*
Transnet		*3 757*	*3 757*	*3 757*	*3 757*	*3 757*	*3 757*	*3 757*
Universities and technikons		*1*	*1*	–	–	–	–	–
Other contingent liabilities	5)	248 148	221 244	237 963	264 293	303 135	472 366	497 966
Claims against government departments		*48 726*	*30 601*	*29 481*	*31 807*	*32 945*	*41 374*	*44 764*
Export Credit Insurance Corporation of SA Limited		*15 308*	*16 395*	*14 015*	*18 192*	*20 454*	*20 451*	*16 337*
Government Employees Pension Fund		–	–	–	–	–	–	–
Post-retirement medical assistance		*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*
Road Accident Fund		*109 298*	*99 152*	*119 830*	*139 204*	*173 559*	*332 242*	*361 750*
Other		*4 878*	*5 158*	*4 699*	*5 152*	*6 239*	*8 361*	*5 177*

1) Medium-term forecasts of some figures are not available and are kept constant.

2) Debt of the national government, excluding extra-budgetary institutions and socal security funds.

3) Provisions are liabilities for which the payment date or amount is uncertain. The provisions for multilateral institutions are the unpaid portion of government's subscription to these institutions, payable on request.

Source: National Treasury

Table 11
Net loan debt, provisions and contingent liabilities *1)*

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	R million
4 011 103	**4 516 260**	**5 063 720**	**5 469 444**	**5 948 034**	**6 310 452**	**6 677 661**	*2)* **Net loan debt**
508 720	**612 645**	**626 475**	**569 809**	**581 981**	**591 764**	**598 774**	*3)* **Provisions**
122 745	149 663	160 273	153 228	156 680	159 458	161 479	African Development Bank
20 000	20 000	20 000	20 000	20 000	20 000	20 000	Development Bank of Southern Africa
13 974	13 974	12 558	12 558	12 558	12 558	12 558	Government employee leave credits
30 382	40 115	44 324	42 365	43 327	44 099	44 650	International Bank for Reconstruction and Development
204 772	246 422	236 749	195 831	200 278	203 850	206 394	International Monetary Fund
212	259	277	265	271	276	279	Multilateral Investment Guarantee Agency
116 635	142 212	152 294	145 562	148 867	151 523	153 414	New Development Bank
1 058 249	**1 104 340**	**1 095 818**	**1 135 190**	**1 131 939**	**1 037 109**	**1 025 382**	**Contingent liabilities**
568 928	627 059	626 091	650 494	625 479	547 403	497 796	*4)* Guarantees
–	–	–	–	–	–	–	*Agricultural cooperatives*
–	–	–	–	–	–	–	*Central Energy Fund*
3 538	*3 446*	–	–	–	–	–	*Denel*
5 156	*5 724*	*6 131*	*6 455*	*6 466*	*6 488*	*6 502*	*Development Bank of Southern Africa*
313 020	*362 289*	*356 925*	*357 587*	*350 595*	*300 915*	*277 778*	*Eskom*
74	*74*	*74*	*74*	*74*	*74*	*74*	*Former regional authorities*
3	*2*	*2*	*2*	*2*	*2*	*2*	*Guarantee scheme for housing loans to employees*
–	–	–	–	–	–	–	*Guarantee scheme for motor vehicles – senior officials*
130	*148*	*151*	*140*	*144*	*151*	*156*	*Industrial Development Corporation of South Africa*
165 695	*187 064*	*207 101*	*229 489*	*212 907*	*190 644*	*166 384*	*Independent power producers*
35	*36*	*35*	*35*	*33*	*31*	*29*	*Irrigation boards*
–	–	–	–	–	–	–	*Kalahari East Water Board*
368	*371*	*372*	*373*	*373*	*373*	*373*	*Komati Basin Water Authority*
1 899	*551*	–	–	–	–	–	*Land Bank*
–	–	–	–	–	–	–	*Lesotho Highlands Development Authority*
20	*20*	*20*	*20*	*20*	*20*	*20*	*Nuclear Energy Corporation of South Africa*
–	–	–	–	–	–	–	*Passenger Rail Agency of South Africa*
7 900	*7 105*	*6 826*	*6 206*	*4 325*	*2 910*	*2 413*	*Public-private partnerships*
2 761	*157*	*110*	–	–	–	–	*South African Airways*
–	–	–	–	–	–	–	*South African Broadcasting Corporation*
20	–	–	–	–	–	–	*South African Express*
42 023	*38 174*	*28 942*	*22 643*	*18 545*	*18 483*	*18 416*	*South African National Roads Agency Limited*
–	–	–	–	–	–	–	*South African Post Office*
12 821	*9 295*	*7 750*	*4 329*	*1 522*	*691*	*365*	*Reserve Bank*
123	*99*	–	–	–	–	–	*Telkom South Africa*
9 585	*8 747*	*7 894*	*10 274*	*17 606*	*13 754*	*12 416*	*Trans-Caledon Tunnel Authority*
3 757	*3 757*	*3 758*	*12 867*	*12 867*	*12 867*	*12 867*	*Transnet*
–	–	–	–	–	–	–	*Universities and technikons*
489 321	477 281	469 728	484 696	506 460	489 706	527 586	*5)* Other contingent liabilities
45 576	*38 021*	*37 871*	*37 871*	*37 871*	*37 871*	*37 871*	*Claims against government departments*
10 623	*5 470*	*1 278*	*777*	*5 797*	*11 546*	*19 687*	*Export Credit Insurance Corporation of SA Limited*
–	–	–	–	–	–	–	*Government Employees Pension Fund*
69 938	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*69 938*	*Post-retirement medical assistance*
356 550	*354 970*	*352 721*	*368 190*	*384 934*	*362 431*	*392 170*	*Road Accident Fund*
6 634	*8 882*	*7 920*	*7 920*	*7 920*	*7 920*	*7 920*	*Other*

4) Amounts drawn against financial guarantees, inclusive of revaluation adjustments on inflation-linked bonds and accrued interest. Numbers prior to 2018/19 exclude revaluation adjustment on inflation-linked bonds.

5) Other contingent liabilities as disclosed in the consolidated financial statements of departments published annually by the National Treasury.

2025 Budget

Budget Review

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