ENGLISH

People's Guide

#RSABUDGET2022

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ISSUED BY

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INFO

WHAT IS THE BUDGET?

In February each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

HOW IS THE BUDGET PUT TOGETHER?

1. Departmental guidelines are issued indicating budget information required
2. Departments prioritise their programmes and compile spending plans and service delivery commitments
3. Budget proposals are submitted to National Treasury and deliberated on
4. Allocation proposals are considered by interdepartmental committees of Directors-General
5. Budget recommendations are made to Ministers' Committee
6. Medium Term Budget Policy Statement signals the upcoming Budget
7. Final allocations are decided in Cabinet
8. Budget documents are prepared
9. Main Budget is tabled
10. Parliament deliberates and adopts a Budget
11. Sent to the President for signing into law

A BALANCED APPROACH TOWARDS ECONOMIC RECOVERY

Government has rapidly increased spending on social needs in the last two budgets to protect South Africans – particularly poor households. Spending on health, education, housing, social grants, transport, employment programmes and municipal services has risen from 58.2 per cent to 59.5 per cent of the budget between 2019/20 and 2021/22.

Almost half of all South Africans now receive at least one social grant from the state. At the same time, the economy is not growing quickly enough for most people to find jobs, which worsens inequality and poverty.

The budget tries to balance revenue and spending. Government has been spending more than it receives in revenue and this has caused the public finances to weaken. This imbalance must be corrected. Failure to do so will lead to government borrowing more to finance its spending. Public debt has now risen to R4.35 trillion. Of every rand collected in tax revenue, 17 cents is used to pay off interest on this debt – money that would be better spent on creating jobs, improving teaching and building hospitals. If this debt is not reduced, it may lead to a bigger economic and fiscal crisis.

For almost two years, South Africa has been struggling with the COVID-19 pandemic and an economic recession. Government prioritised saving lives and livelihoods, and supporting the poorest South Africans, while stabilising the public finances during the worst economic downturn in decades. Because tax collection has been better than expected this year, government is able to finance more urgent programmes. But most of the tax improvement is expected to be temporary. If our economy grows faster, revenue will improve. That would allow government to close the gap between its revenue and spending, and stabilise its debt.

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The Budget provides temporary additional spending, mainly for more social grant support, job creation and the health sector to continue fighting COVID-19. At the same time, government will continue its medium-term strategy of reducing the budget deficit and stopping the growth in debt. The 2022 Budget extends the R350-per-month special COVID-19 social relief of distress grant for 12 months. But extending the grant beyond March 2023 will need to be matched with a permanent funding source, which would mean tax increases or reductions in other public spending. Government is working on the rules and value of a permanent grant, and the funding options to ensure it is affordable. Further announcements will be made in the 2022 Medium Term Budget Policy Statement (MTBPS).

MESSAGE FROM THE MINISTER

Fiscal policy – which is part of the responsibilities of National Treasury – is one of the critical instruments available to us to respond to the challenges of poverty, unemployment and inequality exacerbated by the COVID-19 crisis.

The 2022 Budget is about fiscal sustainability and social protection for the poor, who are the hardest hit by the effects of the pandemic, and igniting growth.

The fiscal path we have chosen involves stabilising our debt levels while narrowing the budget deficit. We have also committed ourselves to finding ways and means to maintain short-term financial support to shield the most vulnerable amongst us from the worst elements of the pandemic.

Additionally, we are implementing measures and policies aimed at securing long-term economic growth by creating the conditions necessary to attract investment, enhancing the capacity of the state to stimulate economic activity, and ensuring that public money is spent in a productive and responsible manner.

This is not an easy task. It requires that we make strategic trade-offs and difficult decisions. This entails making some short-term sacrifices, including restraining expenditure, so that we can build the fiscal space needed to invest in the economy and restore a high standard of service delivery.

It also demands that we draw on our inherent strength and resilience as a people that have always risen against all odds.

Over the past two years, since the pandemic struck in early 2020, we have tailored our response to match or even surpass the challenges we face. Gradually, step by step, we are succeeding in rebuilding our economy.

ENSURING A DURABLE AND RESILIENT ECONOMY

The pandemic badly affected the job market, with 2.1 million jobs lost since the first quarter of 2020. There is a real risk that these lost jobs will not come back.

The outbreak of public violence in July 2021 in KwaZulu-Natal and parts of Gauteng also harmed our economy and eliminated jobs. Government's recovery plans focus on job creation and income support. This includes providing public employment programmes and tax incentives. At the same time, government is making structural reforms to bring more skills into the economy and make it easier to do business. Higher employment, and an expansion of the middle class, will raise incomes and consumption spending over time.

Government has made progress with structural reforms described in

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the 2021 MTBPS. For example, the Department of Agriculture, Land Reform and Rural Development has leased 200 000 hectares of land to prioritised groups, supporting job creation and small enterprises. Fifty-five important infrastructure projects, valued at R595 billion, have been prioritised in areas like energy and water to improve the economy's ability to grow quickly.

The National Treasury projects that the economy will grow by 2.1 per cent in 2022, which is faster than we initially expected. However, the full effects of the pandemic are still unclear, especially in job losses and delayed investment. Government's planned reforms are important to renew investment, growth and employment.

INFRASTRUCTURE SPENDING TO PROMOTE INVESTMENT AND GROWTH IN SOUTH AFRICA

The right infrastructure projects can support long-term economic growth, create jobs and reduce poverty. Government is pooling resources with businesses and other institutions to fund these capital investments.

Public-sector infrastructure spending over the next three years is estimated at R812.5 billion. Provinces and municipalities are expected to spend R185.5 billion and R194.4 billion on infrastructure over the same period, respectively. Public housing built through the human settlements development grant in provinces is expected to total

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R44.3 billion. These housing assets will be transferred to homeowners. Over the next three years, government will expand electricity-generation capacity, upgrade and expand the transport network, and improve sanitation and water services. It will also continue to maintain and improve health and education infrastructure.

SPENDING ON HEALTH TO FIGHT COVID-19

South Africa has experienced four significant waves of COVID-19 infections, with 3.6 million confirmed cases and 95 000 confirmed deaths by the end of January 2022.

The rollout of the COVID-19 vaccine is crucial to containing the spread of the virus and limiting the severity of infections. An amount of R2.3 billion is allocated to continue buying additional doses and administering the vaccines from April 2022 to March 2023. Provinces will receive additional allocations of R15.6 billion over the next three years to fight COVID-19 and meet shortfalls in essential supplies.

CREATING JOBS THROUGH THE PRESIDENTIAL EMPLOYMENT INITIATIVE

The presidential employment initiative was launched in October 2020 as part of government's response to the COVID-19 pandemic.

To date, the initiative has provided support to over 840 000 people through a combination of job creation, job retention and livelihood support interventions. Over the next two years, R18.4 billion is allocated for the initiative to provide targeted support to 500 000 people. It focuses on providing meaningful work and livelihood opportunities, particularly for unemployed young people.

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BUDGET REFORM AGENDA

Launched in 2018, Vulekamali is an award-winning, user-friendly online portal providing budget-related documents and guidance material.

To date, this data has been used by citizens, academic institutions, journalists and civil society organisations. The portal fosters public education and interaction around the Budget. Vulekamali was undergoing maintenance until recently – the National Treasury is happy to announce its return and further development beginning later this year.

The National Treasury, in partnership with civil society coalition IMALI YETHU, will continue to provide new information through the portal.

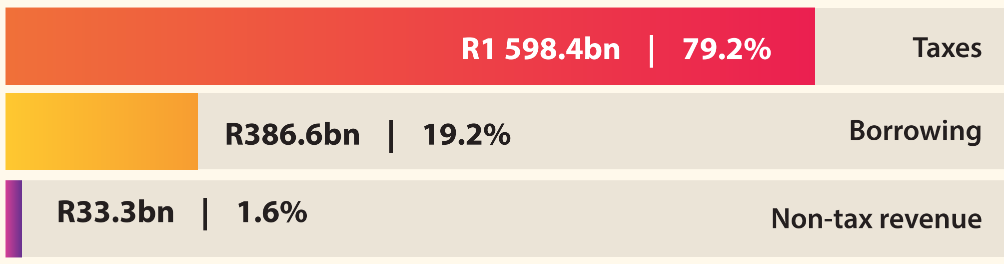
SOCIAL GRANTS

Social grants will support 18.6 million people between April 2022 and March 2023. The special COVID-19 social relief of distress grant is allocated R44 billion to provide beneficiaries with R350 per month. The Budget will increase the values of permanent grants in line with inflation.

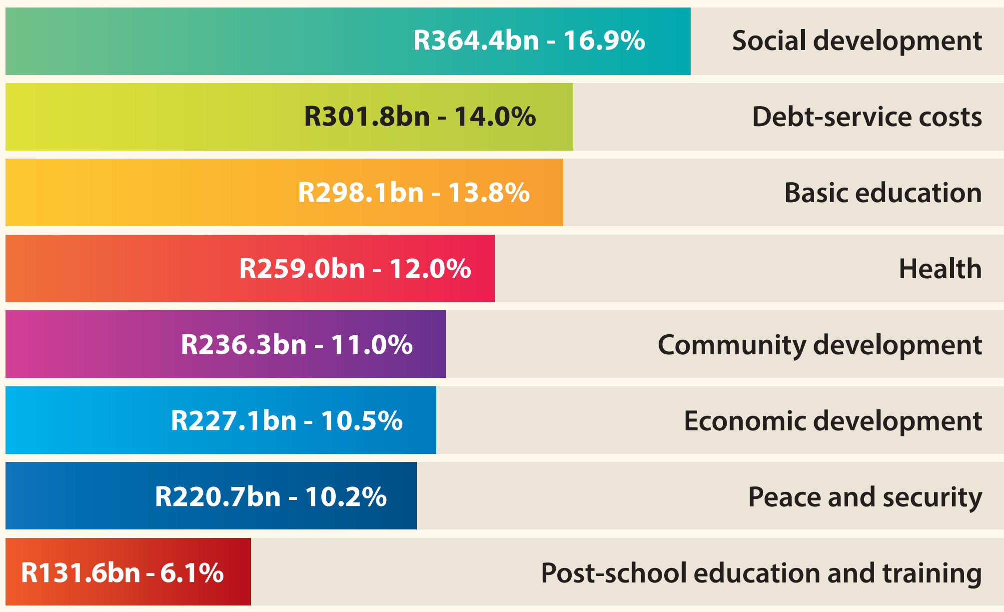
SOCIAL GRANTS	2021/22	2022/23
STATE OLD AGE GRANT	R1 890	R1 985
STATE OLD AGE GRANT, OVER 75	R1 910	R2 005
WAR VETERANS GRANT	R1 910	R2 005
DISABILITY GRANT	R1 890	R1 985
FOSTER CARE GRANT	R1 050	R1 070
CARE DEPENDENCY GRANT	R1 890	R1 985
CHILD SUPPORT GRANT	R460	R480

WHERE IS THE MONEY COMING FROM AND HOW WILL IT BE SPENT IN 2022/23?

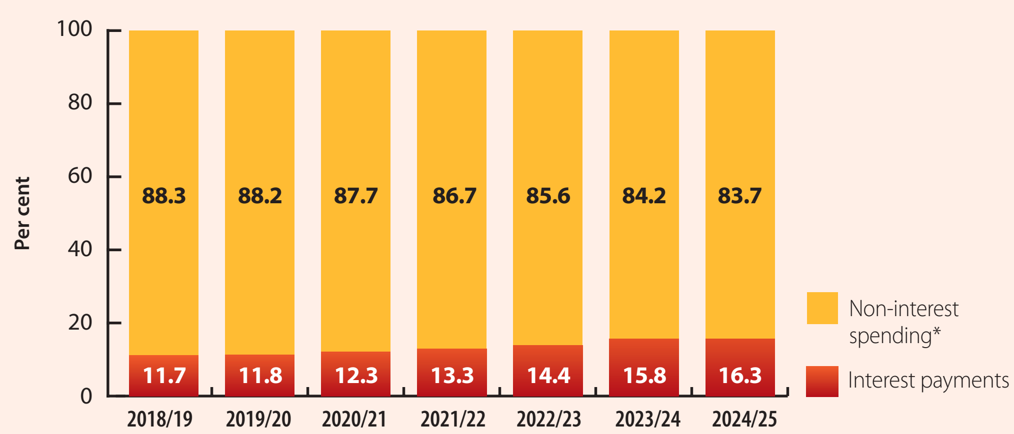
GOVERNMENT SOURCES OF INCOME IN 2022/23



GOVERNMENT SPENDING IN 2022/23



GOVERNMENT NON-INTEREST AND INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE



* Non-interest expenditure is total spending by government excluding interest paid on debt.

2022 TAX PROPOSALS

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PERSONAL INCOME TAX

HOW DO THE PERSONAL INCOME TAX CHANGES AFFECT YOU?

The 2022 Budget provides tax relief by announcing an adjustment of personal income tax brackets and rebates in line with the expected inflation rate of 4.5 per cent. The amount an individual can earn before being required to pay tax for the tax year from 1 March 2022 to 28 February 2023 is adjusted as follows:

TAX THRESHOLDS	TAX YEAR: 2021/22	TAX YEAR: 2022/23
Below age 65	R87 300	R91 250
Age 65 to 74	R135 150	R141 250
Age 75 and over	R151 100	R157 900

The new tax rebates for individual taxpayers are as follows:

TAX REBATES	TAX YEAR: 2021/22	TAX YEAR: 2022/23
Primary (all individuals)	R15 714	R16 425
Secondary (age 65 and over)	R8 613	R9 000
Tertiary (age 75 and over)	R2 871	R2 997

SIN TAXES

INCREASES IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages and tobacco products will increase by between 4.5 and 6.5 per cent.

	INCREASES BY:
Malt beer	11c per 340ml can
Unfortified wine	17c per 750ml bottle
Fortified wine	33c per 750ml bottle
Sparkling wine	76c per 750ml bottle
Ciders and alcoholic fruit beverages	11c per 340ml can
Spirits	R4.83 per 750ml bottle
Cigarettes	R1.03 per packet of 20
Heated tobacco product sticks	78c per packet of 20
Cigarette tobacco	R1.16 per 50g
Pipe tobacco	37c per 25g
Cigars	R6.77 per 23g

TAX RATES

TAX: INDIVIDUALS AND TRUSTS

Tax payable by individuals for the tax year ending between 1 March 2022 and 28 February 2023

Taxable income (R)	Rate of tax (R)
0 to 226 000	18% of taxable income
226 001 to 353 100	40 680 + 26% of taxable income above 226 000
353 101 to 488 700	73 726 + 31% of taxable income above 353 100
488 701 to 641 400	115 762 + 36% of taxable income above 488 700
641 401 to 817 600	170 734 + 39% of taxable income above 641 400
817 601 to 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600
Trusts other than special trusts	45%

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2022 and 31 March 2023

Type	Rate of tax
Companies	28% of taxable income (until 30 March) 27% of taxable income (from 31 March)

INCOME TAX: SMALL BUSINESSES CORPORATIONS

Financial years ending on any date between 1 April 2022 and 31 March 2023

Taxable income (R)	Rate of tax (R)
0 to 91 250	0% of taxable income
91 251 to 365 000	7% of taxable income above 91 250
365 001 to 550 000	19 163 + 21% of taxable income above 365 000
550 001 and above	58 013 + 28% of the taxable income above 550 000 (until 30 March) 58 013 + 27% of the taxable income above 550 000 (from 31 March)

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 March 2022 and 28 February 2023

Taxable turnover (R)	Rate of tax (R)
0 to 335 000	0% of taxable turnover
335 001 to 500 000	1% of taxable turnover above 335 000
500 001 to 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

LEVIES AND TAX ON FUEL

There is no increase in the general fuel levy and the Road Accident Fund levy. Currently:

- The general fuel levy is R3.85 per litre of petrol and R3.70 per litre of diesel
- The Road Accident Fund levy is R2.18 per litre for both petrol and diesel.

The carbon tax on fuel will increase by 1 cent per litre with effect from 6 April 2022. This will increase the tax to 9c per litre of petrol and to 10c per litre of diesel.