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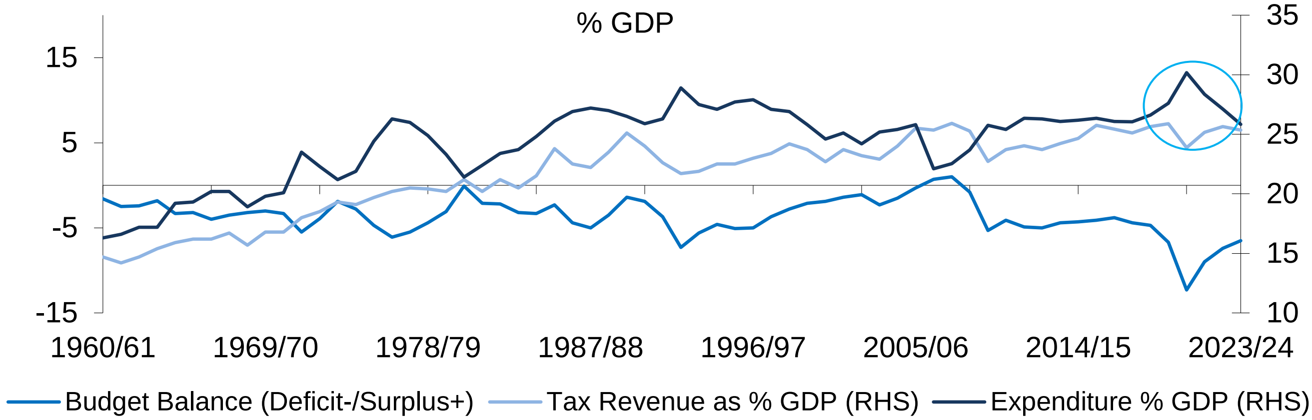
MTBPS Preview: 11th November expected to show lower debt and fiscal ratios (on GDP revisions) but increased expenditure pressures

Wednesday 27 October 2021

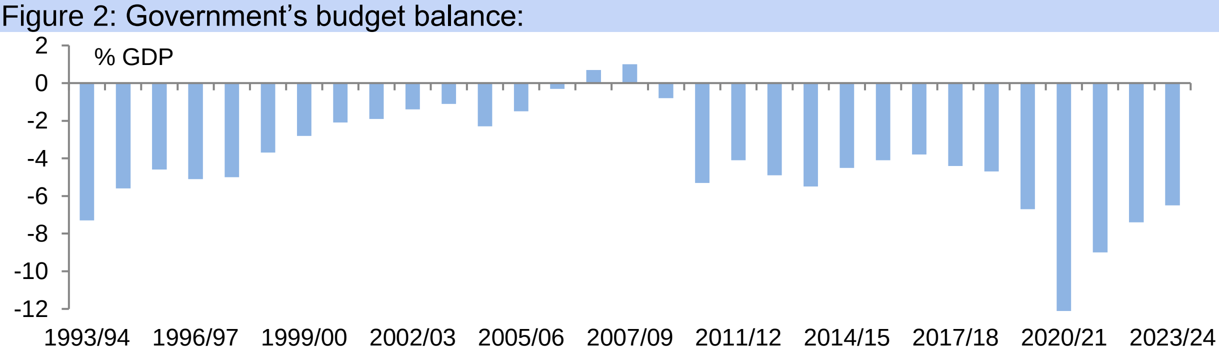
Figure 1: Expenditure continues to outpace revenue



Sources: SARB

- While the Medium-term Budget Policy Statement (MTBPS) is under new management this year with Finance Minister Godongwana, he is expected to stick to the fiscal consolidation and growth stimulatory aims of his predecessor, with a move away from accelerating current expenditure. Market and credit rating focus will also be on the fiscal metrics to see if the rand value of borrowings and/or deficits rise.
- We expect gross loan debt will come out at 70.0% of GDP for 2020/21, versus the 80.3% of GDP projection in February 2021 Budget (BR) before the GDP revisions, with the declining ratio not due to any major drop in borrowings, but instead the revisions to GDP and strong performance of Q1.21. 2019/20 is expected to be revised to 57.3% from 63.3% of GDP, as GDP was also revised historically.
- For the current fiscal year of 2021/22 we expect a projection of 69.8% of GDP (2021 Budget prediction was 81.9%) both on the substantial growth and upwards revision in nominal GDP, with the upwards revision to the size of the economy itself creating a larger base to grow off.
- The following three medium-term years, of 2022/23 to 2024/25, we forecast now at 73.0%, 74.5% and 75.7% of GDP, versus the original National Treasury projections of 85.1%, 87.3% and 88.5% of GDP.
- It may be enough to avoid sovereign credit rating downgrades from Fitch and S&P in November, who have SA on BB- currently, but Fitch continues to have a negative outlook, as does Moody's at one notch up. Key also will be projected expenditure increases, with a form of basic income grant likely.
- The budget deficit for 2021/22 is expected to be projected near -7.9% of GDP (versus National Treasury's BR projection of -9.3%) after 2020/21's -11.7% (BR -14.0%), and thereafter to drop to a projection of -5.9% of GDP for 2022/23 (BR -7.3%) and -4.5% in 2023/24 (BR –6.3%).

Figure 2: Government's budget balance:



Source: Budget Review 2021

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Figure 3: General Government Debt, 2016-26

						Projections					
Gross Debt	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
World	**83.2**	**82.0**	**82.3**	**83.6**	**98.6**	**97.8**	**96.9**	**97.0**	**96.9**	**96.8**	**96.5**
	…	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	…	…
Advanced Economies	**105.6**	**103.2**	**102.7**	**103.8**	**122.7**	**121.6**	**119.3**	**119.3**	**119.1**	**118.8**	**118.6**
Canada[1]	91.7	88.8	88.8	86.8	117.5	109.9	103.9	100.2	96.9	93.4	89.7
Euro Area	90.1	87.7	85.7	83.7	97.5	98.9	96.3	95.4	94.5	93.4	92.2
France	98.0	98.3	98.0	97.6	115.1	115.8	113.5	114.6	115.4	116.2	116.9
Germany	69.3	65.0	61.6	59.2	69.1	72.5	69.8	68.0	65.9	63.4	60.9
Italy	134.8	134.1	134.4	134.6	155.8	154.8	150.4	149.4	148.6	147.5	146.5
Spain	99.2	98.6	97.5	95.5	119.9	120.2	116.4	116.2	116.3	116.8	117.5
Japan	232.5	231.4	232.5	235.4	254.1	256.9	252.3	250.8	251.0	251.3	251.9
United Kingdom	86.8	86.3	85.8	85.2	104.5	108.5	107.1	109.4	110.5	111.2	111.6
United States[1]	106.9	106.0	107.1	108.5	133.9	133.3	130.7	131.1	131.7	132.5	133.5
Emerging Market Economies	**48.4**	**50.5**	**52.4**	**54.7**	**64.0**	**64.3**	**65.8**	**67.1**	**68.2**	**69.0**	**69.8**
Excluding MENA Oil Producers	50.1	52.2	54.2	56.2	65.9	66.8	68.3	69.6	70.6	71.4	72.0
Asia	50.0	52.8	54.5	57.3	67.3	70.1	72.4	74.2	75.7	77.0	78.1
China	48.2	51.7	53.8	57.1	66.3	68.9	72.1	74.5	76.6	78.5	80.1
India	68.9	69.7	70.4	74.1	89.6	90.6	88.8	88.1	87.3	86.3	85.2
Europe	31.9	30.1	29.7	29.2	38.0	36.6	36.7	36.8	37.1	37.2	37.4
Russian Federation	14.8	14.3	13.6	13.8	19.3	17.9	17.9	17.7	17.8	17.5	17.5
Latin America	56.4	61.1	67.4	68.3	78.1	73.0	73.6	74.2	74.2	73.8	73.2
Brazil[2]	78.3	83.6	85.6	87.7	98.9	90.6	90.2	91.7	92.4	92.6	92.4
Mexico	56.7	54.0	53.6	53.3	61.0	59.8	60.1	60.5	60.9	61.2	61.5
MENA	42.5	41.9	41.1	45.7	52.6	48.4	47.1	47.5	47.9	48.2	48.3
Saudi Arabia	13.1	17.2	19.0	22.8	32.5	29.7	30.8	30.4	29.5	28.4	27.2
South Africa	47.1	48.6	51.6	56.3	69.4	68.8	72.3	74.9	77.4	80.2	83.0
Low-Income Developing Countries	**39.5**	**42.1**	**42.7**	**44.2**	**49.9**	**50.2**	**49.8**	**49.0**	**48.5**	**48.0**	**47.3**
Kenya	46.7	54.8	57.3	59.0	67.6	69.7	70.2	69.6	68.3	70.9	69.6
Nigeria	23.4	25.3	27.7	29.2	35.0	35.7	36.9	37.7	39.1	40.6	42.0
Vietnam	47.6	46.3	43.7	43.6	46.3	47.9	47.8	47.8	47.0	46.1	45.3
Oil Producers	**41.4**	**41.8**	**44.0**	**45.5**	**58.0**	**54.1**	**52.9**	**52.2**	**51.7**	**51.1**	**50.4**

Source: IMF, Fiscal Monitor October 2021

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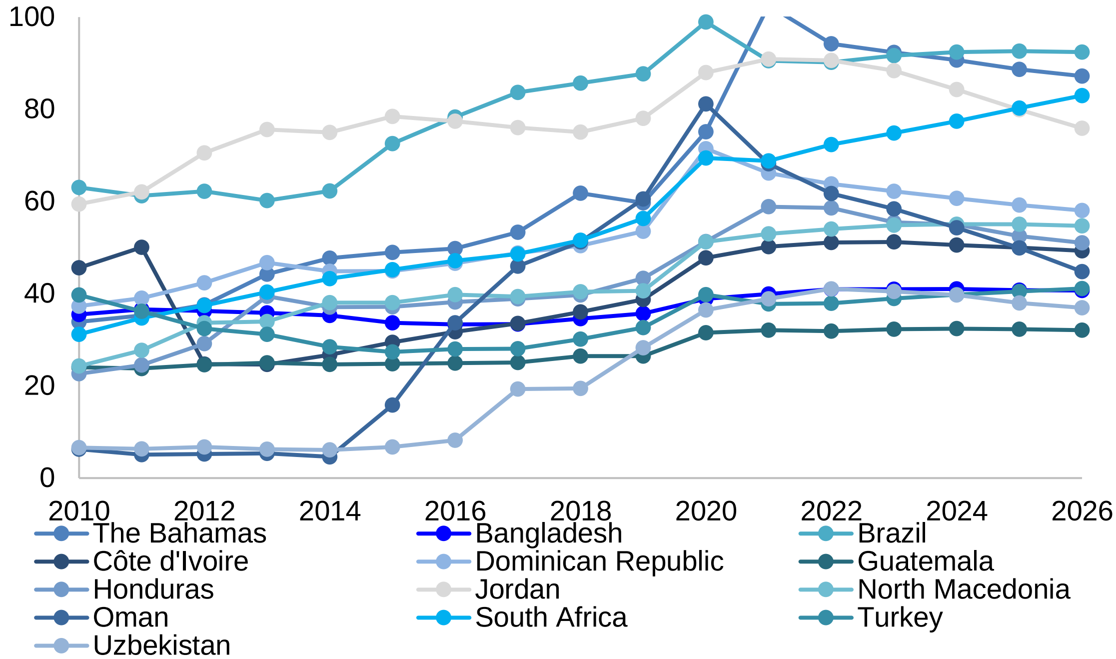
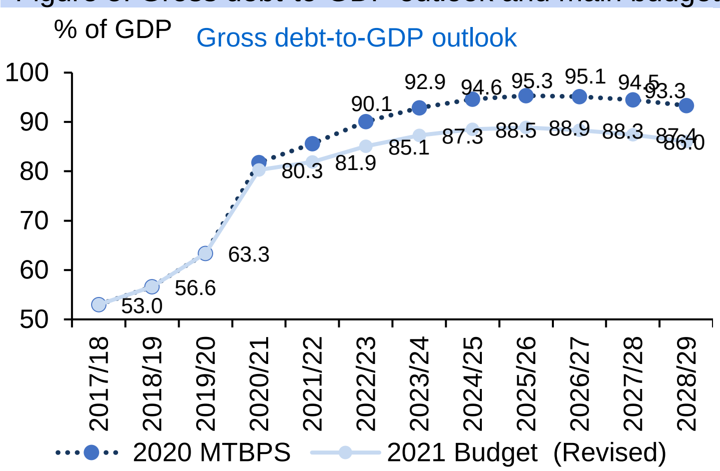
Figure 4: Government gross debt %GDP – SA's BB- Fitch rated peers

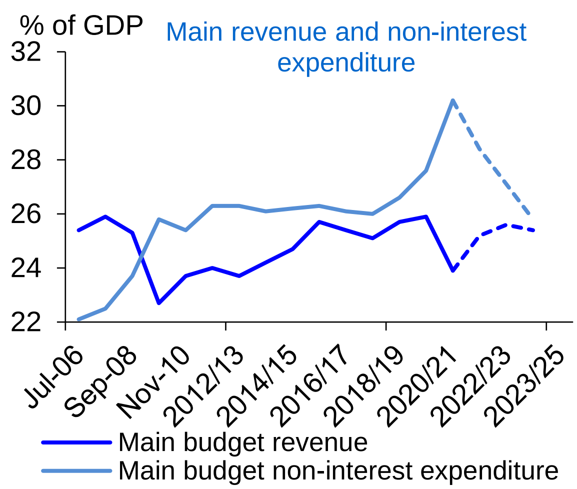


Source: IMF

The IMF and the World Bank have revised up their growth forecast materially for South Africa this year, along with the economic consensus, predicting that the economy will grow by around 5.0% versus National Treasury's prior expectation of 3.3% y/y (see figure 29). We also expect growth of 2.5% in 2023, versus the prior national treasury's prior forecast of 1.6% y/y, and accelerating GDP growth thereafter. The higher economic growth outcomes and outlook suggest that revenue collection will be higher than previously expected, which has also aided our reduction of the likely deficit projections on page 1. Underlying debt sustainability will see some benefit from a larger economy and

Figure 5: Gross debt-to-GDP outlook and main budget revenue and expenditure*





Source: National Treasury

Figure 6: Main Budget Framework

R billion/percentage of GDP	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		Outcome		Revised		Medium-term estimates	
Revenue							
Gross tax revenue after proposals	1,216.5	1,287.7	1,355.8	1,212.2	1,365.1	1,457.7	1,548.5
Non-tax revenue	19.2	23.9	27.6	26.4	27.7	28.6	30.4
SACU[1]	-56.0	-48.3	-50.3	-63.4	-46.0	-33.4	-58.0
National Revenue Fund receipts	16.6	12.0	12.8	25.6	4.9	0.8	1.1
Main budget revenue	**1,196.4**	**1,275.3**	**1,345.9**	**1,200.8**	**1,351.7**	**1,453.7**	**1,522.0**
	25.5%	*25.9%*	*26.1%*	*24.4%*	*25.3%*	*25.7%*	*25.4%*
Expenditure							
National departments	592.6	634.3	749.7	804.5	763.3	736.3	739.0
Provinces	538.6	572.0	613.5	628.3	639.5	643.3	646.8
Local government	111.1	118.5	123.0	138.5	138.1	146.1	148.4
Contingency reserve	–	–	–	–	12.0	5.0	5.0
Provisional allocation not assigned to votes	–	–	–	–	11.6	32.1	33.2
Non-interest expenditure	**1,242.3**	**1,324.8**	**1,486.2**	**1,571.3**	**1,564.5**	**1,562.8**	**1,572.5**
Debt-service costs	162.6	181.8	204.8	232.9	269.7	308.0	338.6
Main budget expenditure	**1,404.9**	**1,506.6**	**1,690.9**	**1,804.2**	**1,834.3**	**1,870.8**	**1,911.0**
	29.9%	*30.6%*	*32.8%*	*36.7%*	*34.3%*	*33.0%*	*31.9%*
Main budget balance	**-208.6**	**-231.3**	**-345.1**	**-603.4**	**-482.6**	**-417.2**	**-389.0**
	-4.4%	*-4.7%*	*-6.7%*	*-12.3%*	*-9.0%*	*-7.4%*	*-6.5%*
Primary balance	**-45.9**	**-49.5**	**-140.3**	**-370.5**	**-212.8**	**-109.2**	**-50.4**
	-1.0%	*-1.0%*	*-2.7%*	*-7.5%*	*-4.0%*	*-1.9%*	*-0.8%*

Source: National Treasury and MTBPS 2020

1. Southern African Customs Union. Amounts made up of payments and other adjustments. The estimates for the outer two year include projected forecast error adjustments for 2020/21 and 2021/22, respectively

Figure 7: Budget Balances

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Budget 2015	-2.6%	-2.5%						
MTBPS	-3.3%	-3.2%	-3.0%					
Budget 2016	-3.2%	-2.8%	-2.4%					
MTBPS	-3.4%	-3.1%	-2.7%	-2.5%				
Budget 2017	-3.4%	-3.1%	-2.8%	-2.6%				
MTBPS	-3.3%	-4.3%	-3.9%	-39%	-3.9%			
Budget 2018	-3.5%	-4.3%	-3.6%	-3.6%	-3.5%			
MTBPS	-3.5%	-4.0%	-4.0%	-4.2%	-4.2%	-4.0%		
Budget 2019	-3.6%	-4.0%	-4.2%	-4.5%	-4.3%	-4.0%		
MTBPS	-3.6%	-4.0%	-4.2%	-5.9%	-6.5%	-6.2%	-5.9%	
Budget 2020	-3.6%	-4.1%	-4.0%	-6.3%	-6.8%	-6.2%	-5.7%	
MTBPS	-3.6%	-4.1%	-4.0%	-6.4%	-15.7%	-10.1%	-8.6%	-7.3%
Budget 2021	-3.6%	-4.1%	-4.0%	-5.7%	-14.0%	-9.3%	-7.3%	-6.3%

Source: National Treasury

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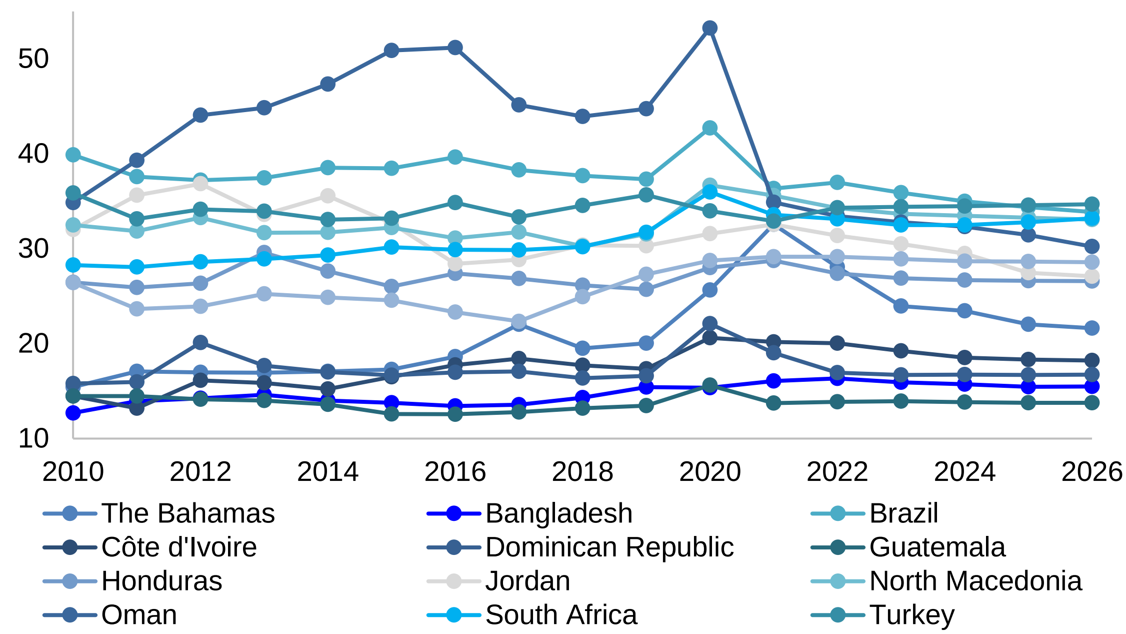
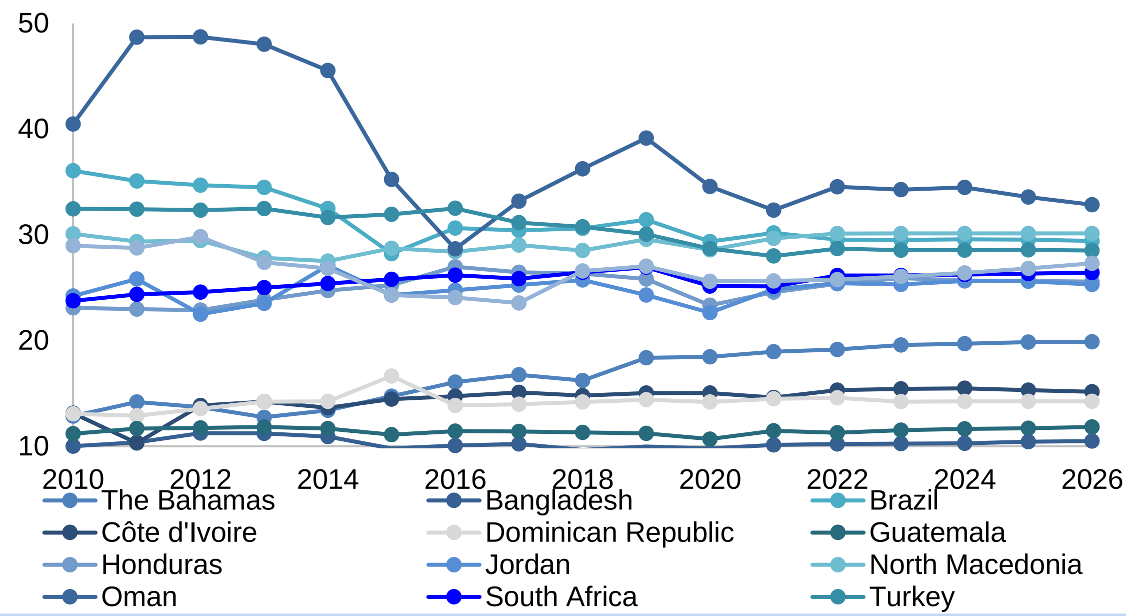
Figure 8: Government total expenditure % GDP– SA's BB- Fitch rated peers



Source: IMF

a faster growing economy, but can quickly be eroded by rising expenditure. Expenditure pressures have risen materially this year on the additional social welfare support after the riots and the Sasria shortfall government is compensating for. In the longer-term a form of basic income grant (BIG) is likely for the high degree of jobless adults in SA, although this could be tied to a need for active job seeking.

Figure 9: Government revenue % GDP– SA's BB- Fitch rated peers



Source: IMF

Figure 10: Fiscal Balances, 20016-26 Overall Balance (Percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
						Projections					
World	**-3.5**	**-3.0**	**-3.0**	**-3.6**	**-10.2**	**-7.9**	**-5.2**	**-4.2**	**-3.8**	**-3.6**	**-3.5**
Advanced Economies	**-2.7**	**-2.4**	**-2.5**	**-3.0**	**-10.8**	**-8.8**	**-4.8**	**-3.6**	**-3.2**	**-3.1**	**-3.0**
Canada	-0.5	-0.1	0.3	0.5	-10.9	-7.5	-2.2	-0.5	-0.1	0.2	0.4
Euro Area	-1.5	-0.9	-0.5	-0.6	-7.2	-7.7	-3.4	-2.4	-2.0	-1.7	-1.6
France	-3.6	-3.0	-2.3	-3.1	-9.2	-8.9	-4.7	-3.9	-3.6	-3.4	-3.4
Germany	1.2	1.3	1.9	1.5	-4.3	-6.8	-1.8	-0.4	0.0	0.5	0.5
Italy	-2.4	-2.4	-2.2	-1.6	-9.5	-10.2	-4.7	-3.5	-2.9	-2.6	-2.4
Spain[1]	-4.3	-3.0	-2.5	-2.9	-11.0	-8.6	-5.0	-4.4	-4.2	-4.2	-4.3
Japan	-3.8	-3.3	-2.7	-3.1	-10.3	-9.0	-3.9	-2.1	-2.1	-2.1	-2.2
United Kingdom	-3.3	-2.4	-2.2	-2.3	-12.5	-11.9	-5.6	-3.6	-3.2	-3.1	-2.9
United States[2]	-4.3	-4.6	-5.4	-5.7	-14.9	-10.8	-6.9	-5.7	-5.2	-5.3	-5.3
Others	0.5	1.2	1.2	-0.2	-5.2	-4.2	-2.3	-1.4	-1.0	-0.7	-0.6
Emerging Market Economies	**-4.8**	**-4.1**	**-3.7**	**-4.7**	**-9.6**	**-6.6**	**-5.8**	**-5.2**	**-4.8**	**-4.4**	**-4.1**
Excluding MENA Oil Producers	-4.4	-4.0	-3.9	-4.9	-9.7	-6.9	-6.0	-5.3	-4.9	-4.5	-4.2
Asia	-4.0	-4.0	-4.5	-5.9	-10.8	-7.9	-7.0	-6.2	-5.7	-5.2	-4.8
China	-3.7	-3.8	-4.7	-6.3	-11.2	-7.5	-6.8	-6.2	-5.6	-5.0	-4.5
India	-7.1	-6.2	-6.4	-7.4	-12.8	-11.3	-9.7	-8.8	-8.3	-8.1	-7.8
Europe	-2.8	-1.8	0.3	-0.7	-5.6	-3.2	-2.4	-2.1	-2.2	-2.3	-2.5
Russian Federation	-3.7	-1.5	2.9	1.9	-4.0	-0.6	0.0	0.2	0.1	-0.2	-0.5
Latin America	-6.0	-5.4	-5.0	-4.1	-8.8	-5.7	-4.9	-4.2	-3.5	-3.1	-2.9
Brazil	-9.0	-7.9	-7.1	-5.9	-13.4	-6.2	-7.4	-6.4	-5.4	-4.8	-4.4
Mexico	-2.8	-1.1	-2.2	-2.3	-4.5	-4.2	-3.5	-3.2	-2.9	-2.8	-2.8
MENA	-10.1	-5.3	-1.8	-2.9	-8.2	-4.3	-3.7	-3.7	-3.7	-3.7	-3.4
Saudi Arabia	-17.2	-9.2	-5.9	-4.5	-11.3	-3.1	-1.8	-1.4	-1.1	-0.6	0.1
South Africa	-3.7	-4.0	-3.7	-4.8	-10.8	-8.4	-7.0	-6.4	-6.2	-6.5	-6.8
Low-Income Developing Countries	**-3.8**	**-3.6**	**-3.4**	**-3.9**	**-5.2**	**-5.4**	**-5.0**	**-4.5**	**-4.3**	**-4.1**	**-3.9**
Kenya	-7.8	-7.5	-7.0	-7.3	-8.1	-8.0	-6.7	-4.9	-4.0	-3.2	-2.5
Nigeria	-4.6	-5.4	-4.3	-4.7	-5.8	-6.1	-6.0	-5.5	-5.6	-5.9	-6.1
Vietnam	-3.2	-2.0	-1.0	-3.3	-3.9	-4.7	-4.7	-4.5	-4.2	-3.9	-3.6
Oil Producers	**-5.2**	**-2.8**	**0.4**	**-0.2**	**-7.5**	**-4.2**	**-2.2**	**-1.6**	**-1.6**	**-1.6**	**-1.6**
Memorandum											
World Output (percent)	**3.3**	**3.8**	**3.6**	**2.8**	**-3.1**	**5.9**	**4.9**	**3.6**	**3.4**	**3.3**	**3.3**

Source: IMF, Fiscal Monitor October 2021

Note: All fiscal data country averages are weighted by nominal GDP converted to US dollars at average market exchange rates in the years indicted and based on data availability. Projections are based on IMF staff assessments of current policies. In many countries, 2021 data are still preliminary.

1. Including financial sector support
2. For cross-economy comparability, expenditure and fiscal balances of the United States are adjusted to exclude the imputed interest on unfunded pension liabilities and the imputed compensation of employees, which are counted as expenditures under the 2008 System of National Accounts (2008 SNA) adopted by the United States but not in countries that have not yet adopted the 2008 SNA. Data for the United States in this table may thus differ from data published by the US Bureau of Economic Analysis.

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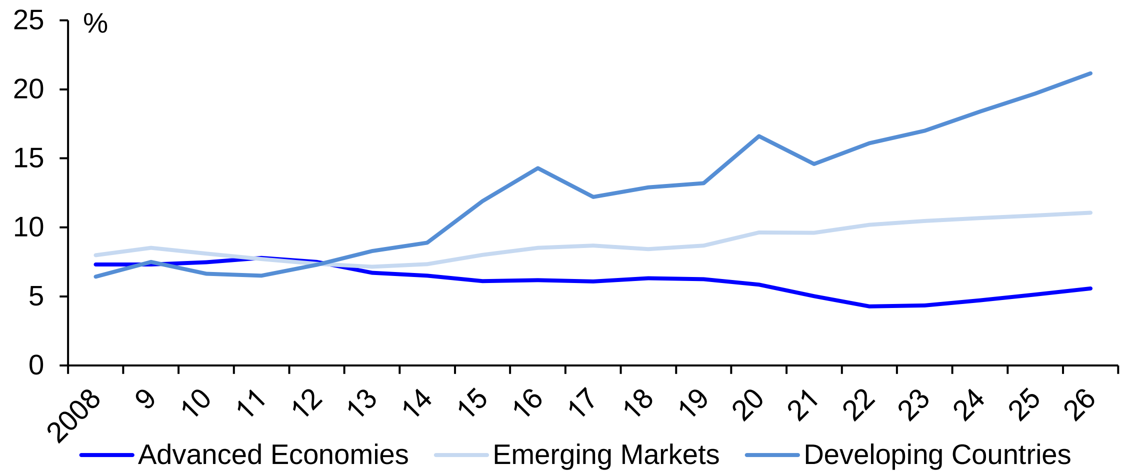
Figure 11: Interest payments to revenues

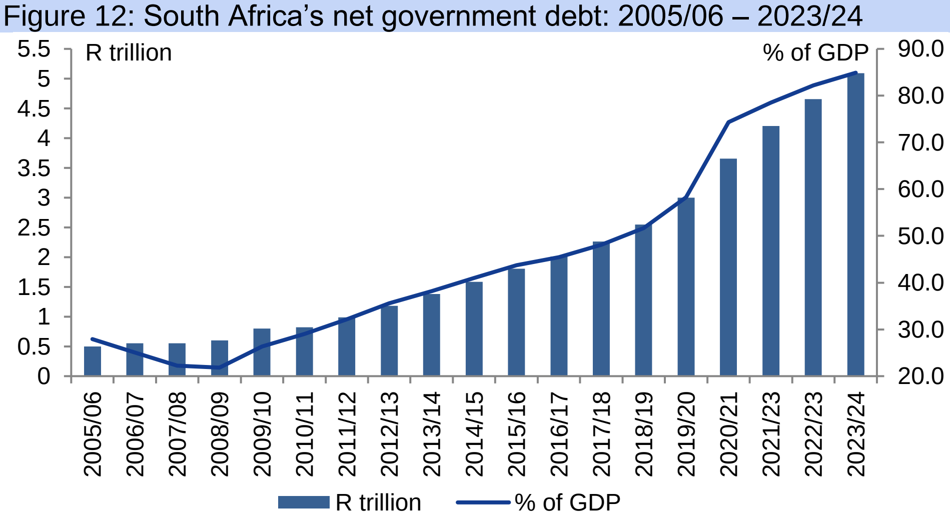


Source: IMF, WEO October 2021

The social distress grant, reinstituted after July's riots, is not expected to be permanent, and is expected to be replaced by a form of basic income grant (BIG) as mentioned above. There are 7.8million unemployed and 3.3million discouraged job seekers, bringing the cost of a R350 BIG potentially to R46.8bn a year, or R32.9bn a year without including the discouraged job seekers, and both without any additional administrative costs. There could also be some overhaul of the structure of the welfare system in SA itself, but a quickening of economic growth remains paramount for faster revenue growth, while higher taxation is likely to cause declining real growth in the tax take. As figure 20 shows, the tax base is tiny compared to the size of the 60million population, although substantial gains are expected to be made by the repair of SARS, which was negatively impacted by state capture, and this has been built into our view of somewhat improved revenues.

The consolidated fiscal framework showed projections in February of expenditure of R2trillion for

Figure 12: South Africa's net government debt: 2005/06 – 2023/24



Source: National Treasury

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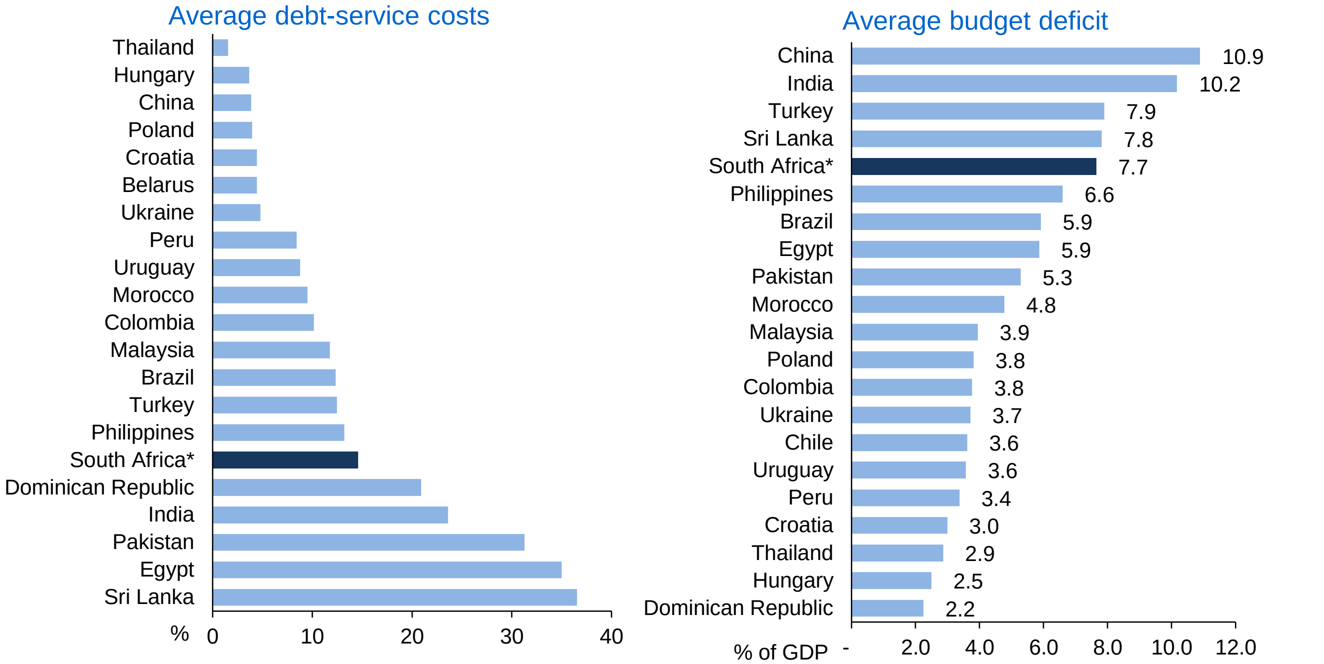
Figure 13: Average debt-service costs as a share of revenue and average budget deficit, 2021-2023



Source: National Treasury

Figure 14: Total government debt, 2019/20-2023/24

As at 31 March	2019/20	2020/21	2021/22	2022/23	2023/24
R billion	Outcome	Revised	Medium-term estimates		
MTBPS 2020					
Gross loan debt	**3 261.3**	**3 974.1**	**4 551.8**	**5 071.3**	**5 536.3**
Net loan debt	**2 997.7**	**3 769.5**	**4 368.3**	**4 903.2**	**5 388.66**
As percentage of GDP:					
Total gross loan debt	63.3%	81.8%	85.6%	90.1%	92.9%
Total net loan debt	58.2%	77.6%	82.2%	87.1%	90.4%
Budget 2021					
Gross loan debt	3 261.3	3 949.7	4 283.7	4 819.9	5 234.4
Net loan debt	**2 997.7**	**3 657.7**	**4 202.4**	**4 657.8**	**5 091.6**
As percentage of GDP:					
Total gross loan debt	63.3%	80.3%	81.9%	85.1%	87.3%
Total net loan debt	58.2%	74.3%	78.5%	82.2%	84.9%
As percentage of gross loan debt:					
Foreign gross loan debt	7.5%	8.5%	8.7%	8.8%	8.8%
Net foreign loan debt	4.6%	6.2%	6.5%	68%	7.2%

Source: National Treasury

1. Forward estimates are based on National Treasury's projections of exchange and inflation rates.

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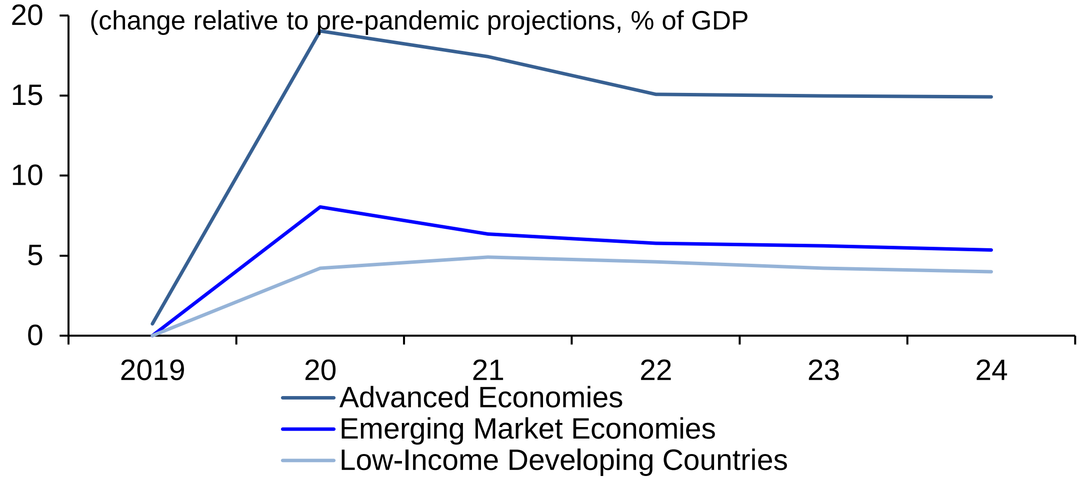
Figure 15: The effect of the Covid-19 pandemic on General Government Gross Debt, 2019-24

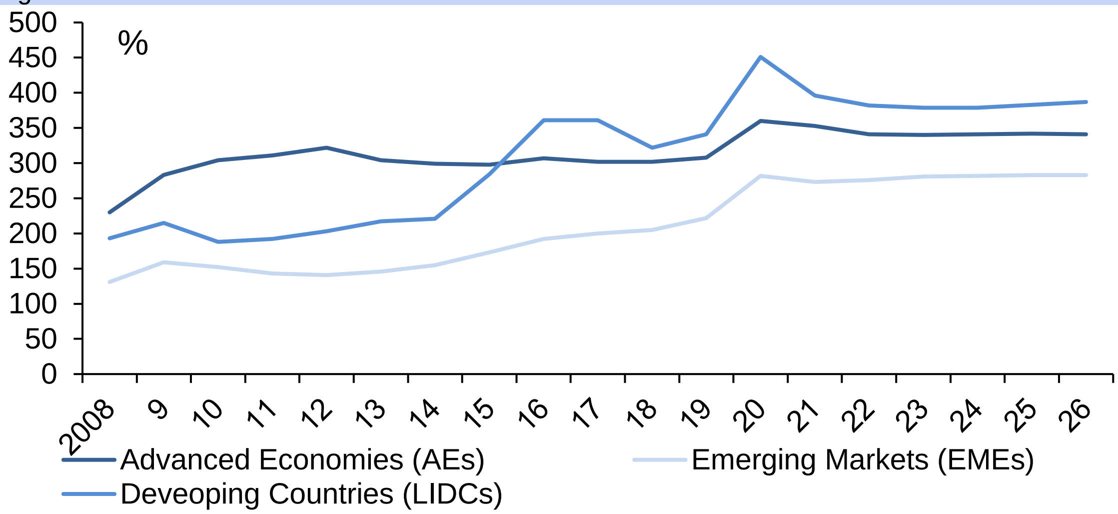


Source: IMF, WEO October 2021

2021/22 and 2022/23, and R2.1trillion for 2023/24. Without an additional rise in revenue (over and above those we have already incorporated from a faster, larger economy) to cover the additional expenditure the budget deficit would then widen from our projections on page 1 (in the last bullet). In contrast, the February projections of National Treasury in figure 1, show government expenditure as a % of GDP was projected to be scaled back in line with government revenue as a % of GDP, narrowing the jaws.

However, social welfare support for the jobless not only aids eventual incorporation into employment, along with other support measures, but also improves the ability to better their quality of life and that of their family. In an economy with an extreme unemployment rate, and policies focused more often on bettering the renumeration, and profit of the employed as opposed to the unemployed, SA has to compensate for those left out, given the low labour market participation rate. Already a third of South

Figure 16: Public Debt to Revenue



Source: IMF, WEO October 2021

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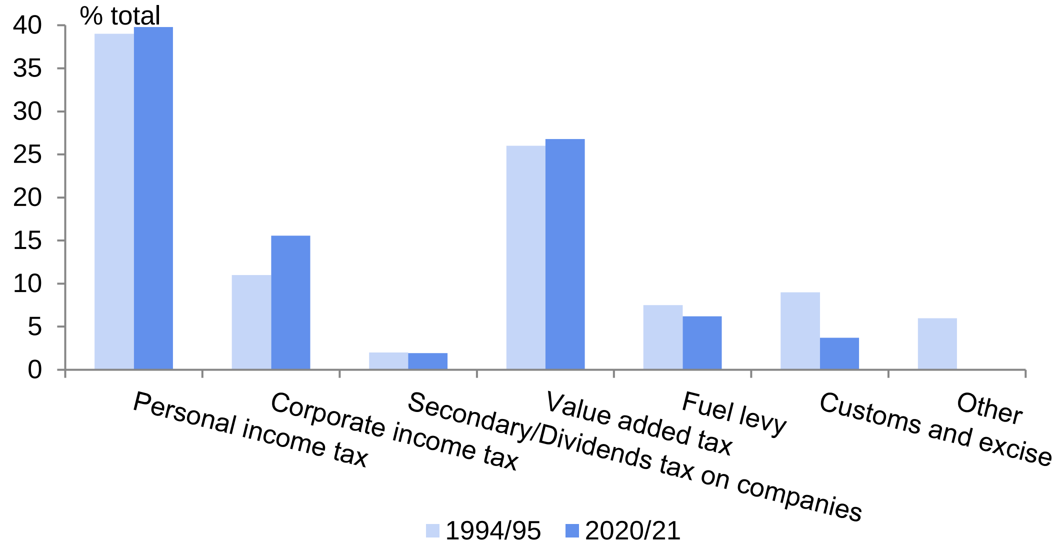
Figure 17: Tax revenue by main source, 1994/95 and 2020/21



Sources: National Treasury

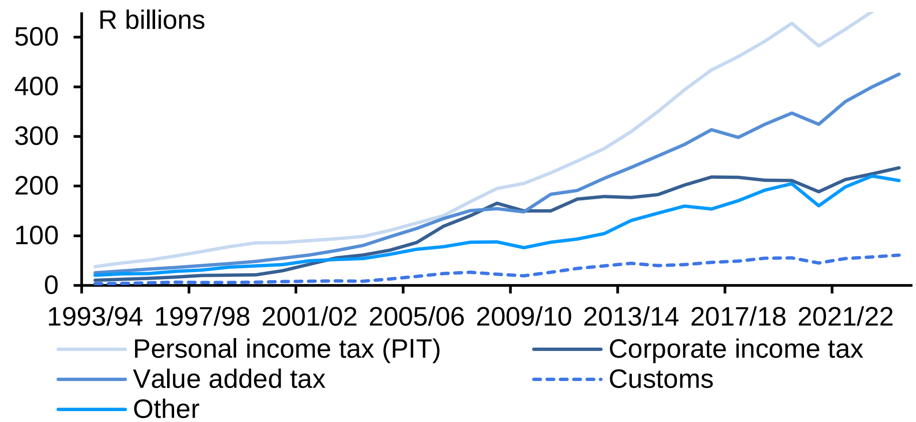
Figure 18: Corporate taxable income and tax assessed by sector and economic activity, 2019 (actual numbers)

Economic activity[1]	Number of taxpayers	Taxable income Rm	Tax assessed Rm
Primary sector	25 095	-53 629	10 285
Agriculture, forestry and fishing	22 277	-27 429	3 435
Mining and quarrying	2 818	-26 200	6 850
Secondary sector	95 523	-205 991	21 444
Manufacturing[2]	46 510	-11 331	16 360
Electricity, gas and water	2 566	-169 778	1 537
Construction	46 447	-24 882	3 547
Tertiary sector	270 378	-12 102	90 593
Wholesale and retail trade, catering and accommodation[3]	67 112	10 960	21 657
Transport, storage and communications	13 850	-65 831	12 469
Financial intermediation, insurance, real estate and business services[4]	149 214	42 564	51 792
Community, social and personal services[5]	40 202	205	4 675
Other[6]	**137 491**	**-72**	**31**
Total	**525 487**	**-72**	**122 353**

Source: SARS, Tax Statistics 2020

1. SARS source of income code is used to classify according to the Standard Classification (SIC) system. SARS source of income code is not fully aligned with the SIC system that Statistics South Africa uses.
2. Includes the following SARS sectors, Bricks, ceramic, glass, cement and similar products; Chemicals and chemical, rubber and plastic product; Clothing and footwear; Coal and petroleum products; Food, drink and tobacco; Leather, leather goods and fur (excl. footwear & clothing); Machinery and related items; Metal (including metal products); Other manufacturing industries; Paper, printing and publishing; Scientific, optical and similar equipment; Textiles; Transport equipment, and Wood, wood products and furniture.
3. Includes the following SARS sectors – Catering and accommodation; Retail trade; Specialised repair services; Vehicles, parts and accessories; and Wholesale trade.
4. Includes the following SARS sectors – Agencies and other services; Financing, insurance, real estate and business services; Long term insurance; and Research and scientific institutes.
5. Includes the following SARS sectors – Educational services; Medical, dental and other health and veterinary services; Personal and household services; Recreation and cultural services; and Social and related community services.
6. Includes where the source of income was indicated as Other (as per SARS source code) or where the source of income was left blank on the return.

Figure 19: Tax Revenue by source



Source: National Treasury

Africans are beneficiaries of a social grant directly, which rises to close to two thirds when those who benefit indirectly are included as per World Bank calculations. The World Bank adds, "(h)igh coverage rates are primarily the consequence of the size of the programme of child support grants: children receiving a child support grant represent almost one-quarter of all South Africans according to the Living Conditions Survey (LCS) of 2014/15". Although "the evidence suggests that the efficiency of the system has been improving. The average cost to pay out a grant has decreased in real terms from around R57 in March 2020 prices during the 2005/06-2009/10 period, to R36.70 in the 2019/20 financial year. Similarly, the proportion of the budgeted social assistance transfers that is allocated to administration has fallen from 7.8 percent in 2008/09 to 4.4 percent in 2019/20."

In South Africa healthcare, education and social welfare account for about half of consolidated expenditure each year. The World bank recommends improvement in the administration of the social welfare system, particularly "coordination and integration, starting with the interoperability of databases across government department as well as last-mile payment services", avoiding "duplication of work, of processes, and of function, … which drive up the cost of the system. This type of fragmentation and duplication is not unique to SASSA and the DSD but is widespread across government ... while … beneficiaries still struggle to access funds queuing at retailers and other pay-points month-after-month." However, in particular, the World Bank recommends "more effectively link(ing) social assistance beneficiaries to the labour market."

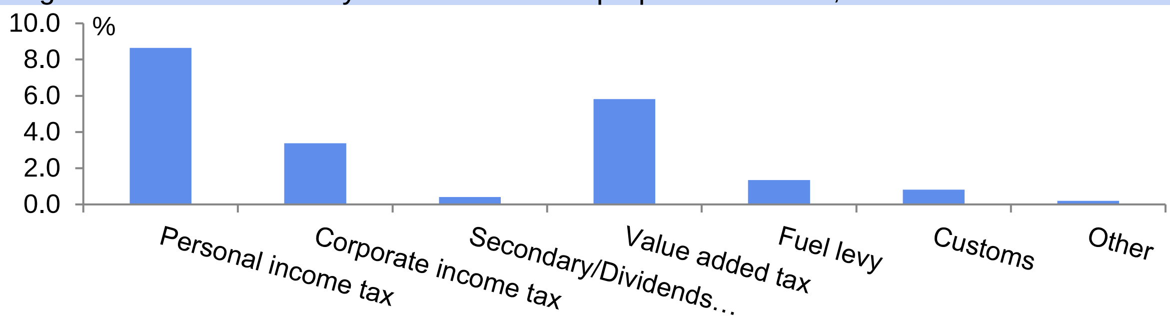
Figure 20: Number of companies, taxable income and tax assessed, 2018

Taxable income	Number of taxpayers	Taxable income (R million)	Assessed tax (R million)	Effective rate[1]
Loss	219 730	-1 090 915	599	n/a
R nil	363 794	-	154	n/a
R1-R1 million	160 488	32 159	6 563	20.4%
R1 million-R100 million	35 685	241404	67 433	27.9%
R100 million+	763	481 698	132 255	27.5%
Total	780 460	755 261	207 005	27.4%

Source: SARS, Tax Statistics 2020

1. The Effective rate is calculated as Tax assessed divided by Taxable income

Figure 21: Tax revenue by main source as a proportion of GDP, 2020/21



Source: National Treasury

Figure 22: Tax register, 31 March 2016-31 March 2020

Number as at	Individuals[1,2]	Companies (CIT)[1,3]	Trusts[1]	Employers[1] (PAYE)	VAT Vendors[1]	Importers	Exporters
31 Mar 2016	19 075 270	3 278 708	340 000	458 048	706 874	289 922	262 162
31 Mar 2017	19 980 110	3 732 416	345 048	489 445	742 388	301 746	272 951
31 Mar 2018[4]	21 104 375	3 202 007	351 564	520 918	773 783	312 241	282 243
31 Mar 2019	22 170 513	2 020 759	357 859	552 611	802 957	319 949	288 604
31 Mar 2020	22 919 701	2 548 975	363 860	582 289	831 821	329 820	297 448
Percentage year-on-year growth							
31 Mar 2016	4.9%	11.7%	2.5%	6.6%	4.1%	3.2%	3.2%
31 Mar 2017	4.7%	13.8%	1.5%	6.9%	5.0%	4.1%	4.1%
31 Mar 2018	5.6%	-14.2%	1.9%	6.4%	4.2%	3.5%	3.4%
31 Mar 2019	5.1%	-36.9%	1.8%	6.1%	3.8%	2.5%	2.3%
31 Mar 2020	3.4%	26.1%	1.7%	5.4%	3.6%	3.1%	3.1%

Source: Tax Statistics 2020

1. Excludes cases where status is in suspense, estate and address unknown.
2. The tax year for individuals starts on 1 March and ends at the end of February the following year. T
3. The tax year for companies is normally the financial year of the company for financial reporting purposes.
4. Different from Annual Report due to timing difference

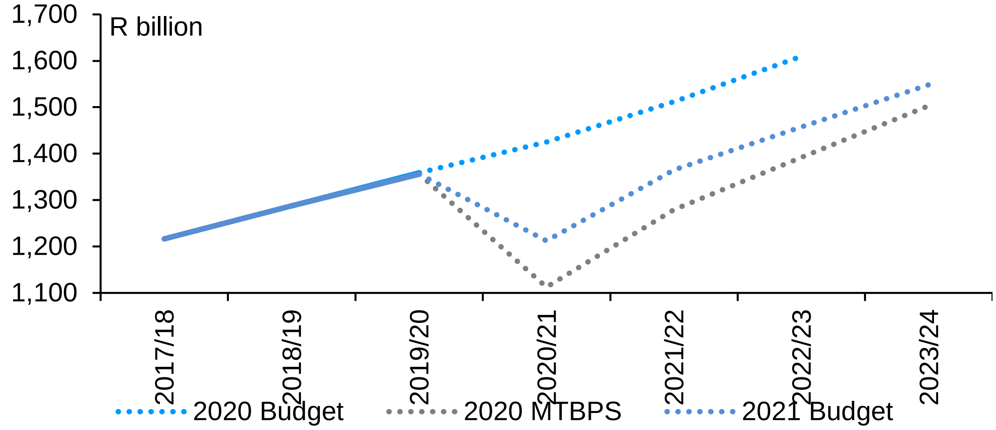
Figure 23: Estimates of individuals and taxable income, 2021/22

Taxable bracket R thousand	Registered individuals		Taxable income		Income tax payable before relief		Income tax relief after proposals		Income tax payable after proposals	
	Number	%	R bn	%	R bn	%	Rbn	%	R bn	%
0 – R80[1]	7 183 913	-	256.2	-	-	-	-	-	-	-
R80 – R150	1 855 292	26.7	211.1	8.6	15.7	3.0	-1.3	9.4	14.5	2.8
R150 – R250	1 691 889	24.3	329.3	13.4	29.5	5.6	-1.8	13.4	27.7	5.4
R250 – R350	1 283 954	18.4	378.4	15.4	54.5	10.3	-2.3	16.8	52.2	10.1
R350 – R500	981 993	14.1	409.1	16.6	76.6	14.5	-2.6	19.5	74.0	14.3
R500 – R750	612 177	8.8	369.1	15.0	88.4	16.7	-2.4	18.1	86.0	16.7
R750 – R1 000	262 643	3.8	226.2	9.2	65.1	12.3	-1.3	10.0	63.8	12.4
R1 000 – R1 500	159 127	2.3	191.1	7.8	61.9	11.7	-0.8	6.1	61.0	11.8
R1 500+	113 192	1.6	346.3	14.1	137.7	26.0	-0.9	6.6	136.8	26.5
Total	**6 960 267**	**100.0**	**2 460.7**	**100.0**	**529.4**	**100.0**	**-13.4**	**100.0**	**516.0**	**100.0**
Grand total	**14 144 180**		**2 716.8**		**529.4**		**-13.4**		**516.0**	

Source: National Treasury

1. Registered individuals with taxable income below the income-tax threshold

Figure 24: Tax Revenue: Forecast tax revenue collections



Source: National Treasury

This in particular focusses on unemployed working age adults. With a large portion parents, and wishing to work to seek a better life for their family, providing better targeted support, which includes a living basic income grant, would provide valuable aid in aiming for their inclusion in the labour market, and so then in turn reducing pressure on the current largest social welfare transfer, the child support grant for children in poverty. However, finally improving and reaping SA's education system too is vital which includes the critical need for further teacher upskilling and training, along with requiring continuous and in-depth school inspections by qualified school inspectors to continuously assess the quality of education. The World Bank recommends the basic income grant take the form of a "jobseekers' grant, targeted at the unemployed. The implementation of such a grant may provide opportunities to link jobseekers into other programmes, such as the Department of Employment and Labour's Employment Services of South Africa (ESSA), which may constitute a package of support for the unemployed. Indeed, such integration with other services may be important in terms of ensuring that only active jobseekers are eligible for the grant, thereby containing costs to some extent."

Bond yields have been weakening recently in SA, approaching 10%, well up from closer to 9.0% in early September, as the Budget approaches and markets worry over escalating expenditure pressures at the

Figure 25: Total budget revenue and consolidated revenue, 2015/16-2019/20

R million	Tax revenue	% of budget revenue	% of consolidated revenue	Non-tax revenue[1]	Total tax and non-tax revenue	Less SACU payments	Budget revenue	Other[2]	Consolidated revenue[3]
2014/15	986 295	102.2%	90.0%	30 900	1 017 195	-51 738	965 457	129 865	1 095 322
2015/16	1 069 983	99.4%	88.0%	57 274	1 127 256	-51 022	1 076 234	139 035	1 215 270
2016/17	1 144 081	100.5%	89.0%	33 264	1 177 345	-39 448	1 137 896	147 700	1 285 690
2017/18	1 216 464	101.7%	90.0%	35 886	1 252 350	-55 951	1 196 399	155 015	1 351 415
2018/19	1 287 690	101.0%	89.1%	35 869	1 323 559	-48 289	1 275 270	170 154	1 445 424
2019/20	1 355 766	100.0%	89.3%	39 834	1 395 601	-50 280	1 345 320	172 192	1 517 512

Source: Tax Statistics 2020

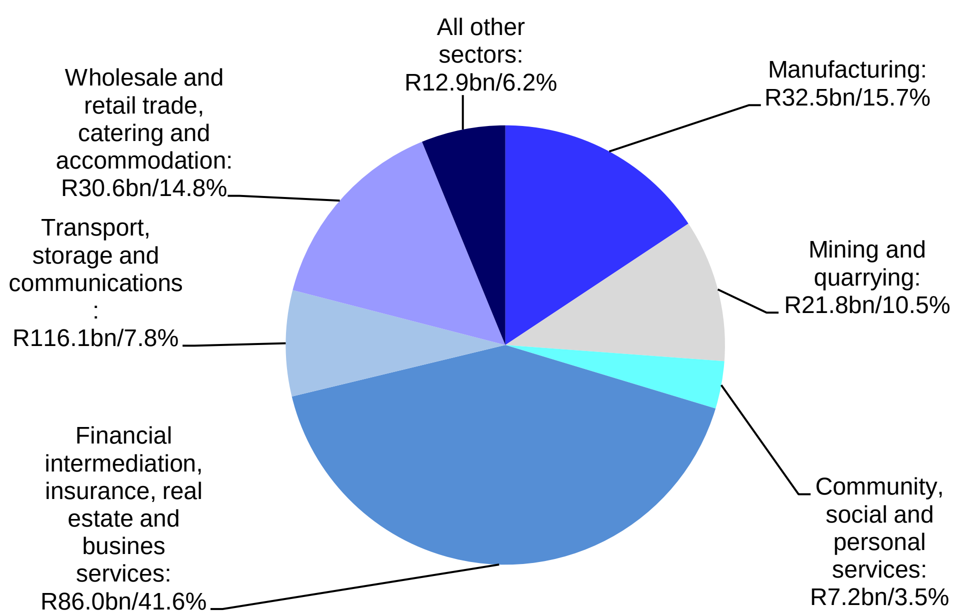
1. Includes interest, dividends, rent on land, sales of goods and services, fines and penalties, sales of capital assets, financial transactions in assets and liabilities, MPRR as well as extraordinary receipts.
2. Includes provinces, social security and selected public entities.

Figure 26: Indirect taxes: domestic taxes on goods and services, 2015/16-2019/20

R million	VAT	Fuel levy	Customs duties	Specific excise duties	Other
2015/16	281 111	55 607	46 250	35 077	27 779
2016/17	289 167	62 779	45 579	35 774	29 042
2017/18	297 998	70 949	49 152	37 356	30 271
2018/19	324 766	75 372	37 902	40 830	51 043
2019/20	346 761	80 175	55 428	55 428	26 802
Percentage of total					
2015/16	26.3%	5.2%	4.3%	3.%	2.6%
2016/17	25.3%	5.5%	4.0$	3.1%	2.5%
2017/18	24.5%	5.8%	4.0%	3.1%	2.5%
2018/19	25.2%	5.9%	2.9%	3.2%	4.0%
2019/20	25.6%	5.9%	4.1%	4.1%	2.0%
Proportion of GDP					
2015/16	6.8%	1.3%	1.1%	0.9%	0.7%
2016/17	6.5%	1.4%	1.0%	0.8%	0.7%
2017/18	6.3%	1.5%	1.0%	0.8%	0.6%
2018/19	6.6%	1.5%	0.8%	0.8%	1.0%
2019/20	6.7%	1.6%	1.1%	1.1%	0.5%

Source: Tax Statistics 2020

Figure 27: Corporate tax assessed by economic activity, 2018



Source: Tax Statistics 2020

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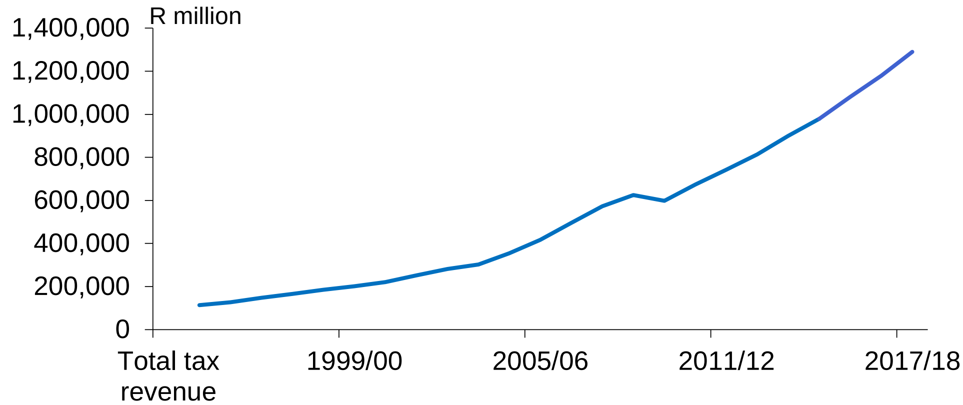
Figure 28: Tax Revenue: the trend of a steepening gradient of collection



Source: National Treasury, Budget 2015

same time as revenue growth drops off from the commodity fuelled acceleration experienced in Q2.21. South Africa is in the run up to its municipal elections on 1st November, sparking risk-off for domestic indicators afflicted by the electioneering of left-wing politics promising further, extreme pressure on government expenditure in order to gain votes, while no real focus on strengthening economic growth, reducing the onerous state of the regulatory burden and expanding the size of the private business sector in order to boost tax revenues, employment and business confidence occurs. Higher taxes are not expected in the MTBPS as such announcements typically occur in the Budget Review in February, with the MTBPS instead typically used for changes, if any, in offshore allowances, the inflation targeting framework and indications of future potential policies, tax changes and updates on the fiscal metric projections. We are not anticipating any substantial signalled tax changes, but the MTBPS could yield information on the lowering of the inflation target, and specifically target point, which has been discussed by the SARB. There is likely to be some further adjustment in offshore allowances, although it has mainly been focused on investment into Africa in recent years. Key will be the debt projections however, and the assessment of debt sustainability. We do not think there will be substantial deterioration and so SA should avoid credit rating downgrades later in November this year.

Figure 29: Macro-economic forecasts, Treasury vs. Investec

	2021	2022	2023
Final household consumption	2.9	2.4	2.0
Investec	5.6	2.1	2.3
Final government consumption	-0.1	-1.6	-1.7
Investec	-0.5	0.4	-1.9
Gross fixed capital formation	-2.4	3.9	3.9
Investec	-0.4	2.6	4.4
Gross domestic expenditure	3.5	2.7	1.6
Investec	4.5	2.3	2.3
Exports	5.7	3.0	3.8
Investec	9.9	3.4	4.2
Imports	6.3	4.6	2.5
Investec	7.8	3.5	4.4
Real GDP	**3.3**	**2.2**	**1.6**
Investec	**5.0**	**2.0**	**2.3**
CPI Inflation	3.9	4.2	4.4
Investec	4.5	4.9	4.7

Source: National Treasury, Investec

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Figure 30: Individual taxable income and tax assessed, 2016-2019

Tax year	Number of taxpayers assessed	Taxable income Rbn	Average taxable income R	Tax assessed Rbn	Average tax assessed R	Tax assessed as a proportion of taxable income
2016	5 857 738	1 650 199	281 713	336 950	57 522	20.4%
2017	5 746248	1 724 781	300 158	356 805	62 094	20.7%
2018	5 372 211	1 750 496	325 843	377 463	70 262	21.6%
2019	4 337 923	1 598 811	368 566	360 024	82 994	22.5%

Source: SARS, Tax Statistics 2020

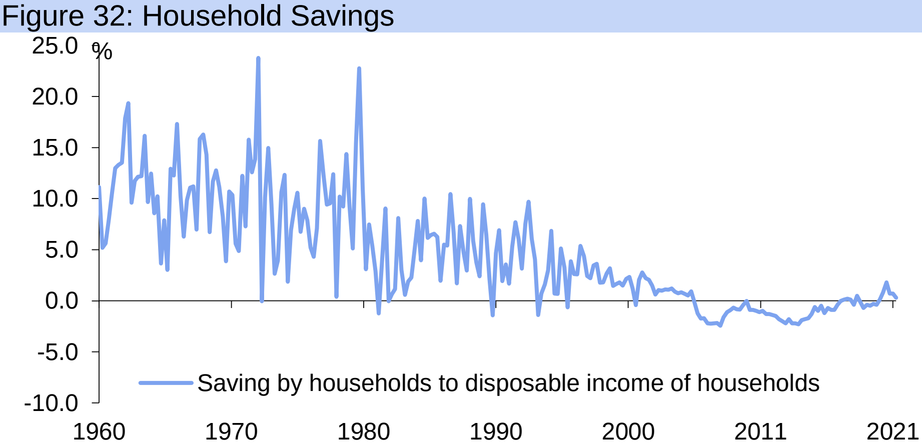
Figure 31: Maximum marginal tax rates, 2015/16-2019/20

Percentage	PIT[1]	CIT	DT[2]	VAT[3]	Transfer Duty[4]
01 Apr 2015 – 28 Feb 2016	41.0%	28.0%	15.0%	14.0%	11.0%
01 Mar 2016 – 21 Feb 2017	41.0%	28.0%	15.0%	14.0%	13.0%
22 Feb 2017 – 28 Feb 2017	41.0%	28.0%	20.0%	14.0%	13.0%
01 Mar 2017 – 31 Mar 2017	45.0%	28.0%	20.0%	14.0%	13.0%
01 Apr 2017 – 31 Mar 2018	45.0%	28.0%	20.0%	14.0%	13.0%
01 Apr 2018 – 31 Mar 2019	45.0%	28.0%	20.0%	15.0%	13.0%
01 Apr 2019 – 31 Mar 2020	45.0%	28.0%	20.0%	15.0%	13.0%

Source: Tax Statistics 2020

1. An individual's tax year starts on 1 March and ends at the end of February the following year. The marginal rate for individuals increased from 40% to 41% with effect from 1 March 2015 and from 41% to 45% on 01 March 2017.
2. The rate of DT has increased on 22 February 2017 to 20%
3. VAT rate increased from 14% to 15% as from 01 April 2018.
4. Transfer Duty highest rate increased from 8% to 11% with effect from 01 March 2015 and from 11% to 13% with effect from 01 March 2016.

Figure 32: Household Savings



Source: National Treasury, SARB

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