

South Africa Budget

Summary

The South African Minister of Finance, Enoch Godongwana, delivered South Africa's National Budget on Wednesday, 12 March 2025, after postponement on 19 February. The postponement came after the Government of National Unity (GNU) cabinet could not reach an agreement on the initial Budget proposed by the Minister, particularly around the proposed increase in the VAT rate by two percentage points to 17%.

Over the past nine months, South Africa has experienced a boost in investor confidence at the establishment of the "Government of National Unity" and the temporary stabilization of electricity grid. However, the sentiment must be converted into concrete actions and tangible outcomes, particularly through stronger economic growth and enhanced living standards.

The 2025 Budget outlined investments aimed at accelerating economic growth, prioritizing electricity, rail, water, and transportation infrastructure projects. Over the upcoming medium-term expenditure framework (MTEF) period, no additional spending cuts are planned. Consolidated expenditure, excluding interest payments, is set to increase by an average of 0.8 percent per year in real terms, with 61 percent allocated to the social wage, covering health, education, social protection, community development, and employment programs.

The four pillars:

- Maintaining macroeconomic stability,
- Implementing structural reforms,
- Improving state capability, and
- Accelerating infrastructure investment.

Budget Framework

- Over the medium term, government policy will focus on investing in strategic infrastructure, supporting job creation, and maintaining a fiscal approach that fosters growth.
- The fiscal strategy remains on track, balancing essential spending on services and infrastructure with revenue increases.
- The consolidated budget deficit is projected to decline from 5 percent of GDP in 2024/25 to 3.5 percent of GDP by 2027/28.
- Next year, the government is set to achieve a key milestone in stabilizing debt by strengthening the primary surplus.
- Debt-service costs, which account for 22 cents of every rand in revenue, are expected to stabilize this year.

Tax Proposals

- Tax policy proposals aim to generate an additional R28 billion in revenue for 2025/26 and R14.5 billion for 2026/27.
- The government plans to raise the value-added tax (VAT) rate by 0.5 percentage points in both 2025/26 and 2026/27, while personal income tax brackets and rebates will not be adjusted for inflation in 2025/26.

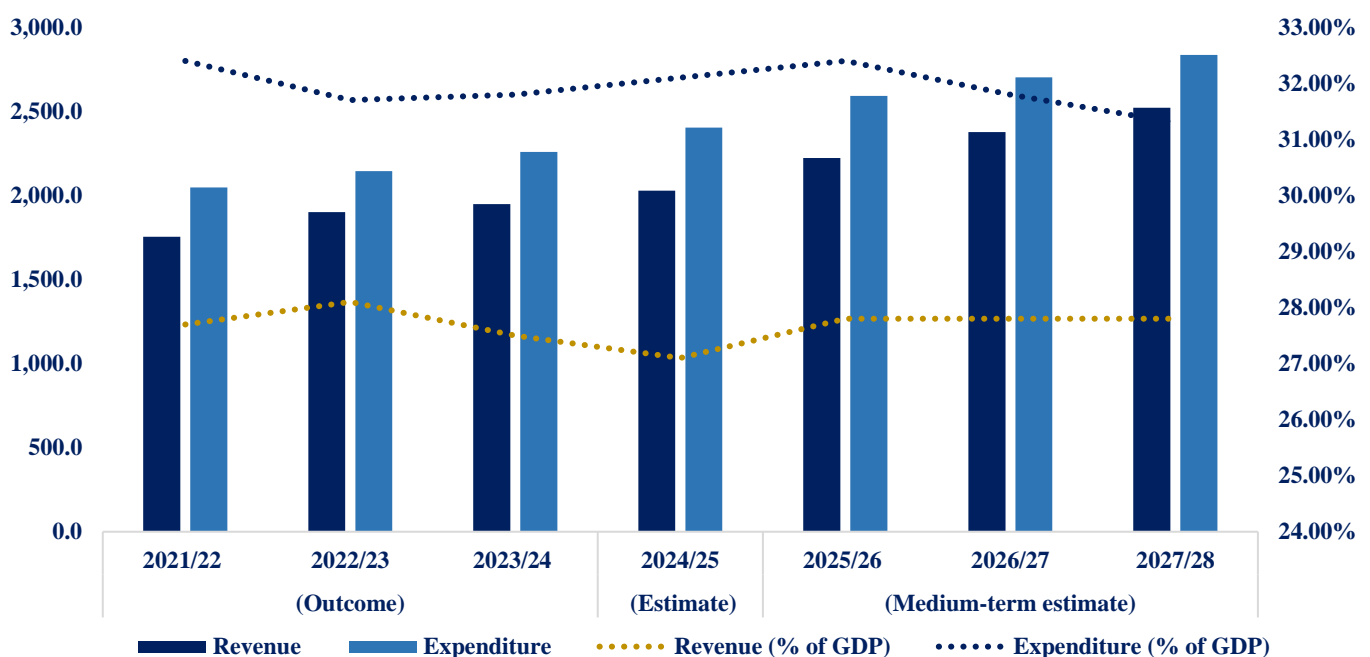
- To support lower-income households, the government proposes adding more essential food items to the VAT zero-rated list and maintaining the current fuel levy.

Spending Plans

- Consolidated government spending is set to grow at an annual average rate of 5.6 percent, rising from R2.4 trillion in 2024/25 to R2.83 trillion in 2027/28.
- Economic development will be the fastest-growing expenditure category over the medium term, increasing at an average annual rate of 8.1 percent, mainly due to higher allocations for infrastructure projects.
- Spending remains highly redistributive, with 61 percent of total consolidated non-interest expenditure allocated to the social wage over the next three years.
- The 2025 Budget accommodates spending pressures of R232.6 billion over the medium-term expenditure framework (MTEF) period, including R70.7 billion in provisional allocations for frontline service delivery departments.
- An additional R46.7 billion is allocated for infrastructure investments, while R23.4 billion is set aside for the 2025 public-service wage agreement, ensuring greater budget planning stability over the next three years.

Revenue and Expenditure

Revenue and Expenditure Budget 2025/26



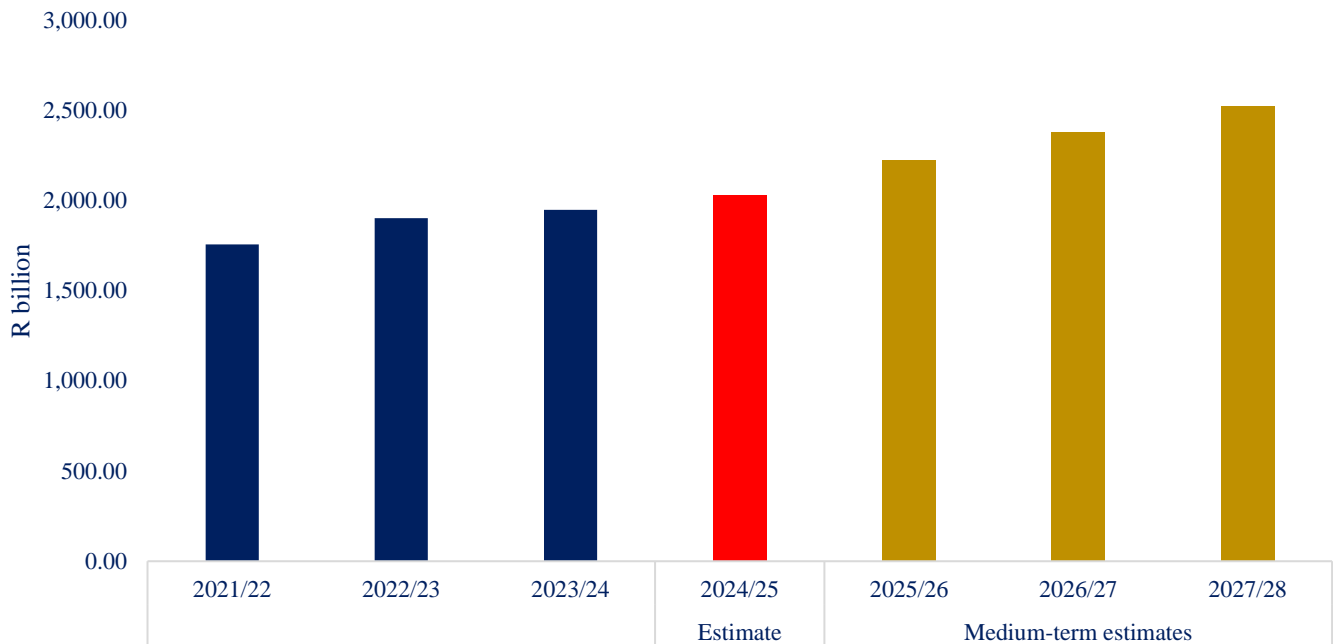
- Debt servicing is a major fiscal challenge, consuming the largest portion of the budget (R424.9 billion).
- Social sectors (education, health, and social protection) receive the majority of funding (R971.4 billion), reflecting a welfare-oriented approach.
- Infrastructure and economic development receive a lower share (R175.7 billion), which may limit long-term growth.
- Security spending is substantial, with more focus on policing (R133.4 billion) than defence (R60.8 billion).
- While community development (R286.6 billion) receives a large allocation, post-school education and training (R146.6 billion) remains underfunded relative to basic education.

- Among the top 10 sectors with the highest budget allocations, only Defense and State Security experienced a significant reduction, with their 2024 budget decreasing by nearly half (43.1%). Refer to Table 1

Table 1: Top 10 Consolidated Spending by Functional and Economic Classification

	2024/25	2025/26	Change Variation (%)
Category	Total (R billion)	Total (R billion)	
Debt-service costs	382.2	424.9	11.2%
Basic education	324.5	349.6	7.7%
Social protection	298.3	322.9	8.2%
Health	271.9	298.9	9.9%
Community development	265.3	286.6	8.0%
Economic regulation and infrastructure	146.1	175.7	20.3%
Post-school education and training	144	146.6	1.8%
Police services	125	133.4	6.7%
Social security funds	89	99.5	11.8%
Defence and state security	106.9	60.8	-43.1%

Revenue Time Series trend, 2019/20 to 2025/26



Revenue Budget, 2025/26

