

South Africa Budget 2009/10

- **Budget provides for increased government spending to support economic growth**
- **Lower current account deficit forecast reduces rand vulnerability and provides space for further interest rate cuts**
- **R787bn to be spent on infrastructure over next three years**

In October 2008 Finance Minister Trevor Manuel said: Liduduma lidlule! The thunder will pass. In February 2009 he said the storm has broken, but that this time of crisis provides a window of opportunity.

Overview

Minister Manuel delivered his **13th** Budget on 11 February. He projected that government spending will increase by 16.5% to R738.6bn in the 2009/10 fiscal year, but revenue growth was projected at only 5.2% to R643bn compared with a revised estimate for last fiscal year of 9.2% growth and actual revenue growth of 16.3% in the 2007/8 fiscal year. The fiscal deficit therefore jumps to R95.6bn or 3.9% of expected GDP from only R22.8bn for the 2008/9 fiscal year, which is a deficit to GDP ratio of 1%. The Treasury has lowered its forecast of the current account deficit to GDP ratio from an expected 8.1% last year to 6.3% this year. The global economic slowdown means that the Treasury has reduced the expected economic growth rates for this year to 1.2% from the 3.0% forecast in last year's Budget. The International Monetary Fund has lowered its 2009 global growth forecast five times over the past ten months and it now expects only a 0.5% increase from a 3.8% rise in its April 2008 forecast. The UK, US and Europe are all expected to suffer contractions this year of 2.8%, 1.6% and 2.0% respectively.

The Budget provided more relief for the poor in terms of the social security net and food programmes such as school feeding with **R13bn** in tax relief and an additional **R13.2bn** over three years in social security funds, which will now help **13.4 million** individuals this year from 2.4 million in 1996.

Spending Proposals

The Education Department receives the single largest departmental allocation at R140.4bn. This will allow the department to expand the coverage of no fee schools from 40% to 60%. The public sector including parastatals such as Eskom and Transnet will be spending R787bn on fixed investment over three years compared with R190.6bn this year and R284.5bn in the three prior years. The increase in government spending will result in a larger public sector workforce with the number of police rising to 204 000 in 2011 from 183 000 currently.

Low income housing will receive an additional R3.7bn over three years with the Housing Department now getting R13.6bn this fiscal year. Helping municipalities to improve service and address infrastructure backlogs means that the Budget provided an additional R4.3bn over the three years with R11.1bn to be spent on municipal infrastructure this year. The Budget Review said legislation will be tabled that will extend the payment of unemployment benefits beyond the current 35 weeks. In the US, most unemployment benefits expire after 26 weeks, although there too legislators are working on extending that period as well. The Budget provides for an additional R749m over the next three years for the expanded public works programme and Minister Manuel said for those programmes that provide jobs more money will be made available. The Budget provides for an additional R932m for HIV prevention and cure with the number of people receiving anti-retroviral therapy increasing to 560 000 last year from only 15 311 in 2004. Various monitoring units will be set up to ensure efficiency of increased government spending, which is R57bn more than expected in last year's Budget.

The impact on you

The tax threshold for individuals younger than 65 will be R54 200 and for individuals 65 or older it will be R84 200. The annual exemption on interest earned for individuals younger than 65 years is raised to R21 000 from R19 000. The exemption for individuals older than 65 years increases to R30 000 from R27 500. Sin taxes are increased by an average 13%, while on 1 April the fuel levy on petrol increases by 23 c/l and the Road Accident Fund levy by 17.5 c/l, so the combined increase is 40.5 c/l

Annual Salary	Tax Saving per annum
R60,000	R1,476
R200,000	R2,426
R750,000	R5,526