PEOPLE'S GUIDE

#RSABUDGET2025

A joint publication between National Treasury and South African Revenue Service

#RSA Budget | #RSABudget2025

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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 indicating budget information requirements are issued
2. Departments prioritise their programmes and compile spending plans and service delivery commitments
3. Budget proposals are submitted to the 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. Budget is sent to the President for signing into law

PAVING THE WAY TO INCLUSIVE GROWTH AND ECONOMIC STABILITY

MR. ENOCH GODONGWANA
MINISTER OF FINANCE

To address its biggest social challenges and improve the quality of life in the country, South Africa needs faster economic growth and more jobs to be created. This in turn requires stable prices and public finances, more electricity and faster movement of goods, reliable government services and stronger investment in infrastructure projects.

The 2025 Budget makes strategic investments to achieve faster economic growth, focusing on electricity, rail, water and transportation infrastructure projects.

Although economic performance was not strong in 2024, the outlook appears to be better from 2025 onwards. Over the next three years, the economy is projected to grow by 1.8 per cent annually, and successful implementation of reforms could lead to higher growth. The electricity and transport sectors are making progress, while new reforms target the stabilisation and improvement of water supply. An estimated R1.03 trillion will be spent over the next three years on various infrastructure projects.

> "An estimated R1.03 trillion will be spent over the next three years on various infrastructure projects"

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 the value-added tax (VAT) rate by 2 percentage points, to 17 per cent. Government will maintain support to the poor and vulnerable with large allocations to education, healthcare and social development. The temporary *COVID-19 social relief of distress* will be extended until March 2026, with provisional allocations in 2026/27 and 2027/28. Government has also set aside resources over the medium term for disaster management and infrastructure projects.

Reducing the debt burden will also eventually reduce the amount that government spends on servicing that debt. Over time this reduction in interest payments will help government manage the public finances better and help the economy grow. As the interest paid on debt decreases, more revenue will become available for government to spend on areas such as education, healthcare and infrastructure.

Since 1 December 2024, South Africa has held the presidency of the G20. South Africa's one-year presidency will focus on promoting inclusive and sustainable economic growth and tackling poverty. The presidency is expected to boost economic activity, especially in sectors such as tourism and hospitality.

INFRASTRUCTURE INVESTMENT TO SUPPORT GROWTH

Over the next three years, both public- and private-sector investment will increase as a percentage of GDP, marking a step forward in the country's efforts to boost economic growth.

However, faster growth is needed to address persistent challenges of low growth, high unemployment and poverty.

Government is implementing reforms to increase infrastructure investment and encourage private sector participation. These reforms include making it easier for a private company to partner with a government agency to deliver projects, improving how government plans for infrastructure and enhancing the accountability of departments and institutions of the state. Collectively, the proposed infrastructure reforms will improve the planning, funding and execution of infrastructure projects, ensuring quicker delivery of infrastructure that supports economic growth, expands access to basic services and creates jobs.

> “...quicker delivery of infrastructure will boost growth, and create jobs”

The public sector will spend R1.03 trillion on infrastructure over the next three years. Investment in economic infrastructure, mainly by state-owned companies, accounts for 81.5 per cent of the medium-term estimate. These funds will be used to expand power-generation capacity, upgrade and expand the transport network, and improve sanitation and water services. Social services infrastructure, including healthcare and education, accounts for 15.5 per cent of total spending. Some of these projects will require additional funding from private investors, while others will be executed jointly by private companies and government institutions.

2025 BUDGET HIGHLIGHTS

1. The social wage – including community development, employment programmes, health, education and social protection – will make up an average of 61 per cent of non-interest spending over the medium term.
2. Permanent social grants will increase above inflation and the *COVID-19 social relief of distress* will continue until 31 March 2026.
3. Economic development is the fastest growing function at an annual average of 8.1 per cent, driven by higher infrastructure allocations.
4. The main tax proposals include raising the VAT rate by 2 percentage points to 17 per cent and adding more food items to the list of zero-rated items, while the fuel levy remains unchanged.
5. In 2025/26, government debt will stabilise at 76.1 per cent of GDP.
6. Real economic growth is forecast to rise to 1.9 per cent in 2025, up from an estimated 0.8 per cent in 2024.
7. The early retirement initiative is allocated R11 billion in 2025/26 and 2026/27 to manage the size of staff in national and provincial departments.

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BOOSTING GROWTH THROUGH STRUCTURAL REFORMS

South Africa's economy faces challenges such as electricity cuts, a weak transport system and high levels of crime and corruption, which have eroded confidence in the economy and caused declines in productivity.

The first phase of Operation Vulindlela aimed to reduce power cuts, fix the transport system, lower data costs, increase water supply, attract skills and support tourism. Upcoming reforms will focus on making it easier to find work and hire people – particularly by addressing spatial inequalities, using cities to drive economic activity and improving municipal service delivery.

PUBLIC EMPLOYMENT PROGRAMMES GET A BOOST

Although the number of people employed increased to 16.9 million in the third quarter of 2024, South Africa's unemployment rate remained very high at 32.1 per cent.

Public employment programmes (PEPs) are crucial to address persistently high unemployment.

PEPs will receive additional funding of R8.8 billion in 2025/26. Key beneficiaries include:

- **Department of Basic Education:** R5.8 billion for the basic education schools employment initiative.
- **Department of Sport, Arts and Culture:** R0.35 billion for the creative industry stimulus.
- **Department of Trade, Industry and Competition:** R1.3 billion for the Social Employment Fund.
- **National Treasury:** R0.45 billion for the Cities Employment Programme.
- **National Youth Development Agency:** R0.55 billion for the National Youth Service.
- **Department of Employment and Labour:** R0.35 billion for initiatives such as the National Pathway Management Network, Innovation Fund and internships.

In addition, the National Treasury and the Presidency, working with other state institutions, have begun a comprehensive review of active labour market programmes, PEPs and the social support system to improve efficiency and effectiveness.

With these efforts, government hopes to make significant strides in reducing unemployment.

1 SOURCES OF GOVERNMENT INCOME IN 2025/26

R 2 067.6bn	79.5%	TAXES
R 353.1bn	13.6%	BORROWING
R 180.1bn	6.9%	NON-TAX REVENUE

2 GOVERNMENT SPENDING IN 2025/26

R 427.0bn	16.4%	SOCIAL DEVELOPMENT
R 424.2bn	16.3%	DEBT-SERVICE COSTS
R 349.6bn	13.4%	BASIC EDUCATION
R 298.9bn	11.5%	HEALTH
R 289.8bn	11.1%	ECONOMIC DEVELOPMENT
R 286.6bn	11.0%	COMMUNITY DEVELOPMENT
R 267.6bn	10.3%	PEACE & SECURITY
R 146.6bn	5.6%	POST-SCHOOL EDUCATION & TRAINING

3 SOCIAL GRANTS

	2024/25	2025/26
OLD AGE GRANT	R2 185	R2 335
WAR VETERANS GRANT	R2 205	R2 355
DISABILITY GRANT	R2 185	R2 335
FOSTER CARE GRANT	R1 180	R1 260
CARE DEPENDENCY GRANT	R2 185	R2 335
CHILD SUPPORT GRANT	R530	R580
GRANT-IN-AID	R530	R580

19.3 million

people to receive social grants by **March 2028**

The Budget will increase the values of permanent grants above inflation.

4 THE BUDGET SUPPORTS ECONOMIC GROWTH, JOB CREATION AND SOCIAL DEVELOPMENT

1.9 per cent

real GDP growth is expected in 2025

61 per cent

of government expenditure goes to **community development, jobs, health, education and social protection** over the next 3 years

R35.2 billion

additional funding is allocated to extend the ***COVID-19 social relief of distress*** until March 2026

R885.7 billion

is allocated for **basic services, housing and public transport, and spatial transformation and urban development** over the next three years

R905.9 billion

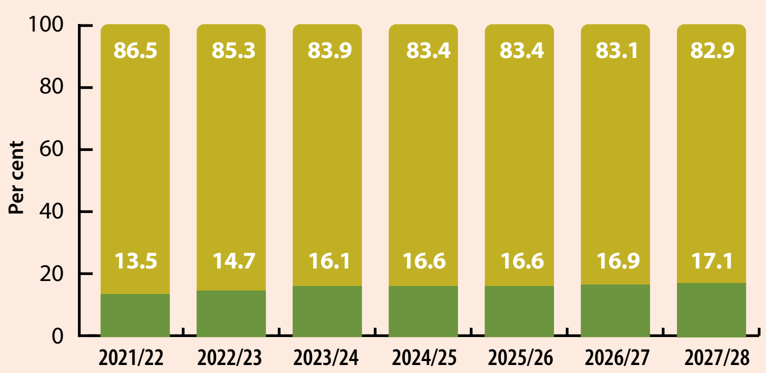
for **manufacturing, small enterprises and public employment** programmes over the next three years to stimulate economic growth and employment

5 PUBLIC EMPLOYMENT PROGRAMMES

R8.8 billion

has been allocated for the public employment programmes in 2025/26 **to support livelihoods, drive structural reforms and enable job creation.**

6 GOVERNMENT NON-INTEREST & INTEREST PAYMENTS AS A SHARE OF TOTAL EXPENDITURE



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

2025 TAX PROPOSALS

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PERSONAL INCOME TAX

HOW DO THE PERSONAL INCOME TAX RATES AFFECT YOU?

The 2025 Budget adjusts personal income tax brackets and rebates to partially compensate for the effects of inflation. The amount an individual can earn before being required to pay tax for the tax year from 1 March 2025 to 28 February 2026 is as follows:

TAX THRESHOLDS	TAX YEAR: 2024/25	TAX YEAR: 2025/26
Below age 65	R95 750	R100 350
Age 65 to 74	R148 217	R155 350
Age 75 and over	R165 689	R173 650

The tax rebates for individual taxpayers are as follows:

TAX REBATES	TAX YEAR: 2024/25	TAX YEAR: 2025/26
Primary (all individuals)	R17 235	R18 063
Secondary (age 65 and over)	R9 444	R9 900
Tertiary (age 75 and over)	R3 145	R3 294

SIN TAXES

INCREASES IN ALCOHOL AND TOBACCO DUTIES

Specific excise duties on alcoholic beverages increase by 6.83 per cent and tobacco products will increase by between 4.83 per cent and 6.83 per cent, with effect from 19 February 2025.

	INCREASES BY:
Malt beer	16c per 340ml can
Unfortified wine	28.5c per 750ml bottle
Fortified wine	48c per 750ml bottle
Sparkling wine	91.5c per 750ml bottle
Ciders and alcoholic fruit beverages	16c per 340ml can
Spirits	R6.04 per 750ml bottle
Cigarettes	R1.05 per packet of 20
Heated tobacco product sticks	79c per packet of 20
Cigarette tobacco	R1.18 per 50g
Pipe tobacco	51c per 25g
Cigars	R8.60 per 23g
Nicotine and non-nicotine solution for electronic delivery systems	14c per ml

TAX RATES

INCOME TAX: INDIVIDUALS

Tax payable by individuals for the tax year ending between 1 March 2025 and 28 February 2026.

Taxable Income (R)	Rate of Tax (R)
R0 to R248 600	18% of taxable income
R248 601 to R388 400	R44 748 + 26% of taxable income above R248 600
R388 401 to R529 200	R81 096 + 31% of taxable income above R388 400
R529 201 to R694 500	R124 744 + 36% of taxable income above R529 200
R694 501 to R885 400	R184 252 + 39% of taxable income above R694 500
R885 401 to R1 875 100	R258 703 + 41% of taxable income above R885 400
R1 875 101 and above	R664 480 + 45% of taxable income above R1 875 100

Source: National Treasury

VALUE-ADDED TAX

The VAT rate is increased from 15% to 17% with effect from 1 April 2025.

TRANSFER DUTIES

The duty rate table is adjusted with effect from 1 March 2025. The first R1 210 000 of the value of property acquired is free from transfer duty. The new rate table is as follows:

Value of Property	Rate of Duty
R0 to R1 210 000	0% of property value
R1 210 001 to R1 663 800	3% of property value above R1 210 000
R1 663 801 to R2 329 300	R13 614 + 6% of property value above R1 663 800
R2 329 301 to R2 994 800	R53 544 + 8% of property value above R2 329 300
R2 994 801 to R13 310 000	R106 784 + 11% of property value above R2 994 800
R13 310 001 and above	R1 241 456 + 13% of property value above R13 310 000

Source: National Treasury

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YOUR OPINION MATTERS

DID YOU FIND THIS PEOPLE'S GUIDE TO THE BUDGET USEFUL?

We are constantly looking for new ways to improve this guide and would appreciate it if you could send your **feedback and suggestions** to Media@treasury.gov.za