

2026 Budget

WINDS OF CHANGE

FROM HEADWINDS TO TAILWINDS

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JOINT PARLIAMENTARY FINANCE COMMITTEE PUBLIC HEARINGS
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POINTS FOR CONSIDERATION

Welcome Proposals

Fiscal Governance & Budget Process

Macro Economic Landscape

Fiscal Strategy

WELCOME PROPOSALS

Changes appreciated



Welcome proposals

Changes appreciated

- ✓ Extended time to comment on Fiscal Framework 2026
- ✓ Continued emphasis on fiscal discipline
- ✓ Enhanced credibility of Budget estimates and assumptions (GDP growth, etc.)
- ✓ Personal Income Tax relief – tax bracket adjustments
- ✓ 20% increased allocation for water infrastructure over MTEF(vs Budget 2025)
- ✓ Use of s216 to withhold grants from municipalities that fail to pay water boards
- ✓ Proposed reform for funding of the skills development system.
- ✓ Verification of ghost workers and SASSA grant recipients

FISCAL GOVERNANCE & BUDGET PROCESS

Applying the principles



Fiscal Governance & Budget Process

Expediency can circumvent governance

- We welcome efforts to enforce governance and accountability in finance of local government
- Concern over multiple “expediency” structures operating in parallel to implementing structures created by governance and law
 - Chief Procurement Office, Operation Vulindlela, Dept of Planning, Monitoring and Evaluation
- Risks as to creating duplication and confusion
- Impedes accountability for delivery

Fiscal Governance & Budget Process

Expediency can circumvent governance

RECOMMENDATION

Outstanding and new governance matters:

1. Financial enforcement measures proposed for local government should also apply to Provincial and National Departments
2. More enforcement of 30- day payment rule to reduce debt levels
3. Implementation of “Professionalisation of the Public Sector” framework
4. Improved consequence management
5. Structural reform of intergovernmental debt
6. Confirm and clarify whether all interventions will retain accountability

Fiscal Governance & Budget Process

Budget Process

- ❑ Welcome extended commentary period and hope it becomes a permanent feature of Parliament
- ❑ Tax Bills 2025 remain unenacted after Budget 2026 – What now?
- ❑ Minister has “enacted by announcement” 2025 and 2026 tax rate amendments with no Parliamentary input

Fiscal Governance & Budget process

Budget Process

RECOMMENDATION

- Adopt extended public consultation period for Budget in alignment with Parliamentary Public Participation Framework of at least 2 weeks
- Release all 5 “Budget Bills” on Budget Day to assist Parliament to process bills faster and meet Parliament’s primary legislative mandate
- Clarity practical implementation of unenacted & retroactive 2025 Tax Bill proposals

MACRO-ECONOMIC LANDSCAPE

Things have changed



Macro Economic Landscape

Global conflicts

- ❑ We need to learn from 2022 – war in Ukraine
 - Fuel price increase and ZAR depreciation
- ❑ Minister of Finance and National Treasury have done well getting us here, we should not drop the ball by not incorporating this update
- ❑ **Impact:** May be lower risk for tax revenue **BUT** high risk for economy overall (incl. private sector capital investment)



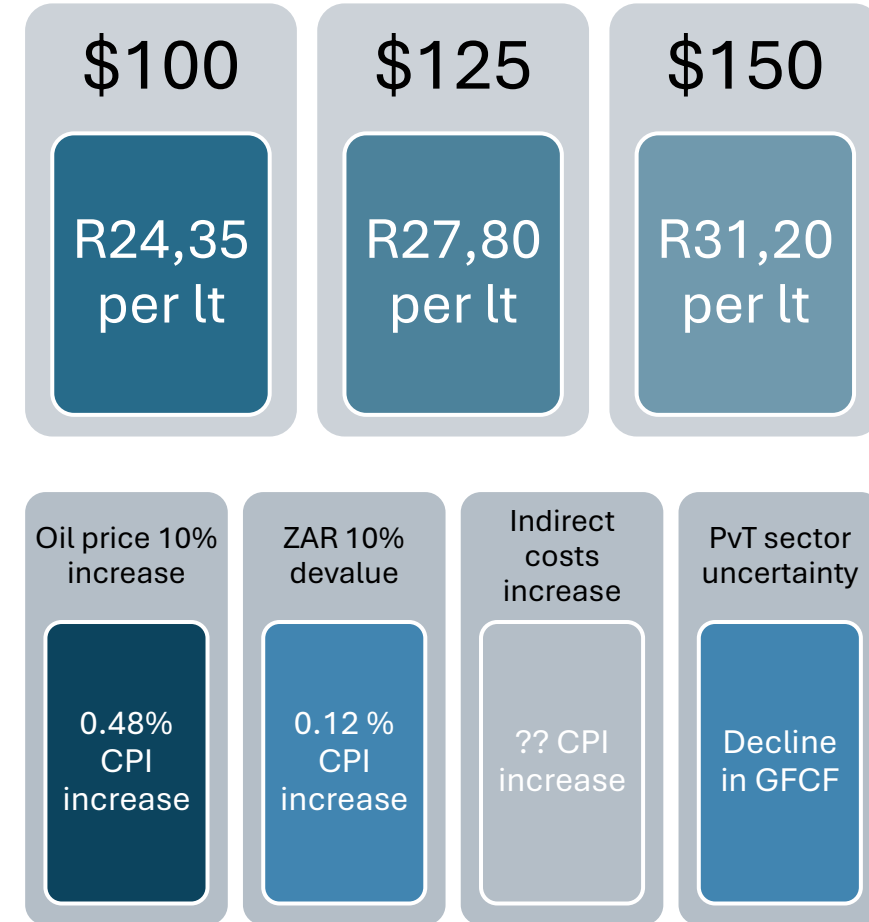
Macro Economic Landscape

Global conflicts

RECOMMENDATION

Revise Fiscal Framework assumptions to properly inform Parliament of the impact on the economy and current projections

- i. The impact may be revenue low-risk, but economic and GFCF high-risk and impact the medium term
- ii. Will directly impact private sector infrastructure investment appetite and confidence
- iii. Parliament should seek clarity on risks to strategic oil and fuel stock levels

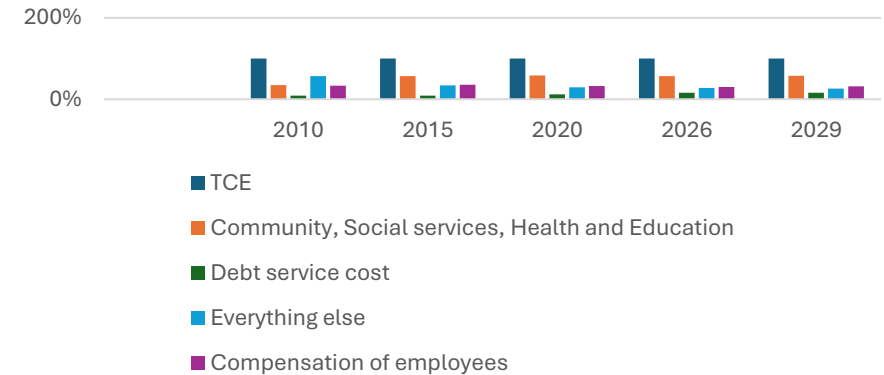


Macro Economic Landscape

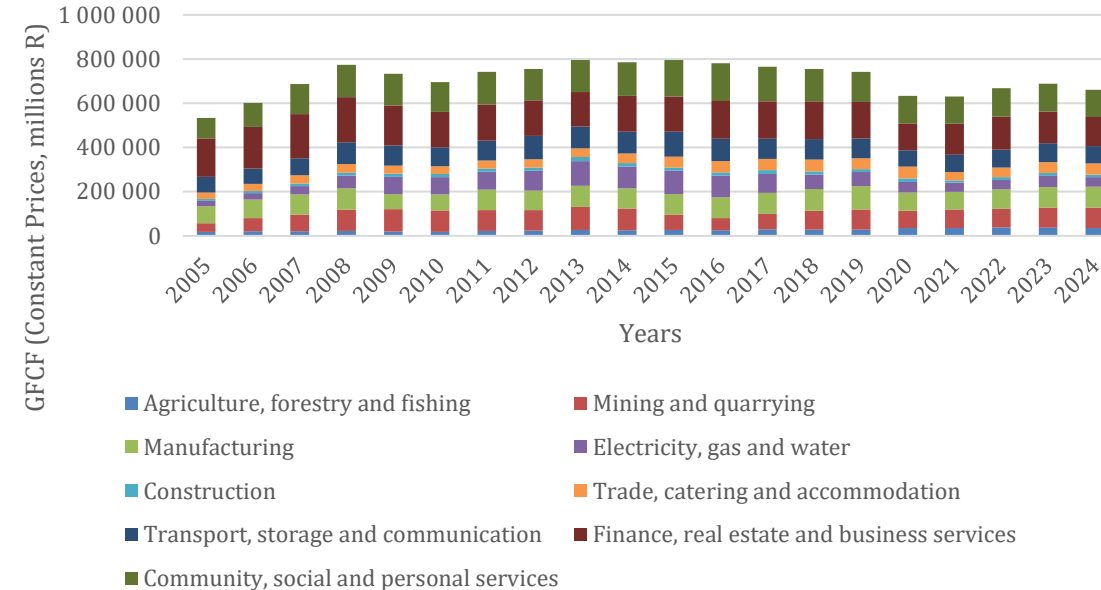
Structural challenges in Budget & Economy

- Economy has grown by inflationary price increases, not production output.
- Structure of economy has migrated to financial services and social services
- Structure of Budget Expenditure Mix has stayed the same in the last decade
- Artisanal skills are declining, is that the economy we want?
- Tax base expanded by inflation and enforced compliance, not structural expansion

BUDGET MIX



GFCF by kind of economic activity - Constant Prices (R, million)



Macro Economic Landscape

Structural challenges in Budget & Economy

RECOMMENDATION

- Determine which economy we want to create and incentivise
- Determine if Budget aligns to and can deliver Macro Economic Policy prerogatives

FISCAL STRATEGY

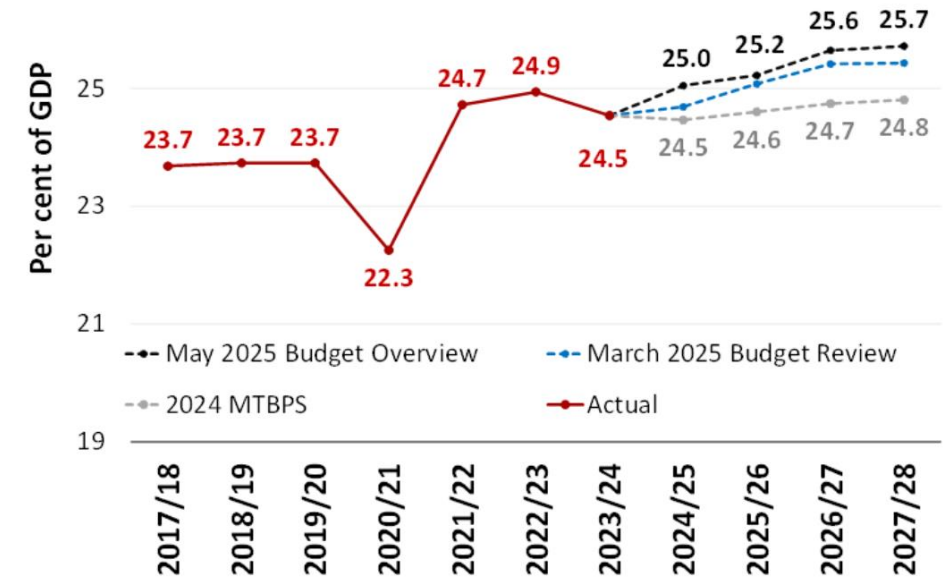
Financing change



Fiscal Strategy

Revenue

- ❑ Notwithstanding tax relief, tax-to-gdp exceeded Budget 2025 estimate [25,2%] & continues to grow to 26,1%
- ❑ Inflationary PIT relief for those below R350K
- ❑ Over-reliance on concentrated Personal Income Tax base is becoming a risk
- ❑ Revenue is following unplanned upsides in economic activity, not structural expansion of the tax base



Tax Bracket ^a	Income Tax Before relief (R-billion) ^a	Income Tax Relief (R-billion) ^a	Relief-% ^a
R99-R150k ^a	15,7 ^a	-1,1 ^a	7% ^a
R150-R250k ^a	22,1 ^a	-0,9 ^a	4,07% ^a
R250-R350k ^a	45,1 ^a	-1,5 ^a	3,32% ^a
R350-R500k ^a	99,1 ^a	-2,4 ^a	2,4% ^a
R500-R750k ^a	152,3 ^a	-3,2 ^a	2,1% ^a
R750-R1m ^a	99,4 ^a	-1,6 ^a	1,61% ^a
R1-R1.5m ^a	140,8 ^a	-1,5 ^a	1,07% ^a
R1.5m-+ ^a	284,1 ^a	-1,5 ^a	0,53% ^a

Fiscal Strategy

Revenue

RECOMMENDATION

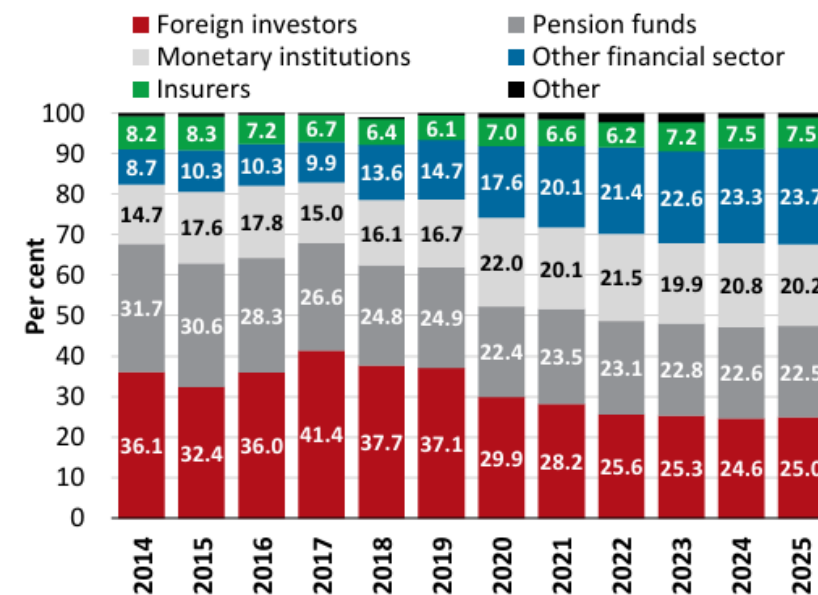
- ❑ Determine metrics and reporting for structural expansion of the tax base and reduction of the tax gap
- ❑ Clarify which measures National Treasury used to determine when tax-to-gdp level will be hurting economy
- ❑ Request a SARS Debt book age analysis and reasons for the significant growth of both undisputed and disputed tax book in last 5 years

Fiscal Strategy

Debt

- ❑ Debt ratio target for 2025/2026 was missed. Debt still increasing by R1trn over medium term.
- ❑ Debt ratio stabilisation dependent on now uncertain increased GDP growth, proper use of commodities fiscal upside, continued spending control and CPI not increasing drastically
- ❑ Debt only reduced when redemptions exceed borrowings
- ❑ Strategy for debt switches to longer terms unclear, given the apparent reduction in terms of fixed rate bond terms

Figure 7.4 Ownership of domestic bonds



Source: National Treasury

Fiscal Strategy

Debt

RECOMMENDATION

- Confirm estimated timelines on outcomes of Fiscal Anchor discussion document
- Confirm the additional cost over full period, if any, of switching shorter term bonds to longer terms
- Confirm if just SoE contingent liabilities but also local government fiscal implosion presents risk to financing strategy

Fiscal Strategy

Expenditure

- ❑ Welcome the achievement on improving of the primary balance
- ❑ Structure of expenditure mix remains the same in medium term as last decade
- ❑ R1trn allocation to capital infrastructure over medium term, 54% is by SoEs. If this is funded by charges to private sector and not allocations, it represents private sector contribution
- ❑ Transnet and SANDF additional allocations for specific projects, concern over if additional checks will apply given their challenges to manage procurement and budgets
- ❑ Legal claims against Dept of Health and Dept of Police at R176bn, continue to grow but contingency provision reduced and the same for the whole medium term. Actual payments of claims by State are however very low.

Fiscal Strategy

Expenditure

RECOMMENDATION

- ❑ Clarity on whether current expenditure mix will achieve the different fiscal and economic outcomes sought
- ❑ Clarity on requirements to be imposed on Transnet and SANDF given appropriations are for specific projects
- ❑ Clarity why contingent liability provision remains the same over medium term and why actual payment (i.e. realisation) is so low compared to contingent provision?

2026 Budget

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TO TAILWINDS*



THANK YOU

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