

NATIONAL TREASURY PUBLIC PARTICIPATION:  
FISCAL FRAMEWORK MTEF 2026

SAICA NATIONAL TAX COMMITTEE:  
COMMENTS ON THE MACRO / FISCAL DILEMMAS AND TRADE-OFF'S

2 SEPTEMBER 2025

FISCAL  
FRAMEWORK  
REVIEW 2025

**REBUILDING  
TOGETHER**



# MACRO FISCAL FRAMEWORK ANALYSIS

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## COMMENTS ON THE MACRO FISCAL ANALYSIS

The South African Institute of Chartered Accountants (SAICA) welcomes the positive initiative and herewith presents its comments and submissions on the 2026 MTEF Budget Fiscal Framework as announced by Minister Godongwana. **We have limited our response to the 3 core questions** posed in the invitation though we accept these may not be the only matters to address. We have also attempted to simplify our submission rather than provide expanded comments and have limited it to 3 summarised pages as requested. We look forward to the continuance and refinement of this public participation process to reform the Fiscal Framework and enable trade-offs that achieve better outcomes for the people of South Africa.

We once again thank the SCoF and the Select Committee for the ongoing opportunity to provide constructive comments in this regard. SAICA continues to believe that a collaborative approach is best suited in seeking solutions to complex challenges.

Yours sincerely

Tarryn Atkinson  
Chairperson: National Tax Committee

Dr Muneer Hassan  
Deputy Chairperson: National Tax Committee

Pieter Faber  
SAICA Head: Tax

## 1. HOW TO MANAGE TRADE-OFFS WITH GOVERNMENTS BUDGET CONSTRAINTS?

### BUDGET CONSTRAINT VS BUDGET INEFFICIENCY

Objectively the current budget is in quantum the highest SA has ever had the privilege to have with one of the highest economic tax extraction rates in the world and in our democratic history. Without acknowledging, quantifying and addressing budget inefficiency, focus will always be misplaced as only budget constraints. Trade offs will always exist, however the misleading narrative of the level of budget constraint creates false narratives as to which binary trade offs must be made, misdirecting resources and creating policy misalignments. For example, South Africa spends nearly 20% of the Budget on Education, one of the highest in the world, yet produces some of the world's worst education outcomes and maintains many infrastructure backlogs/inequalities.

### FOCUS AND ALIGNMENT

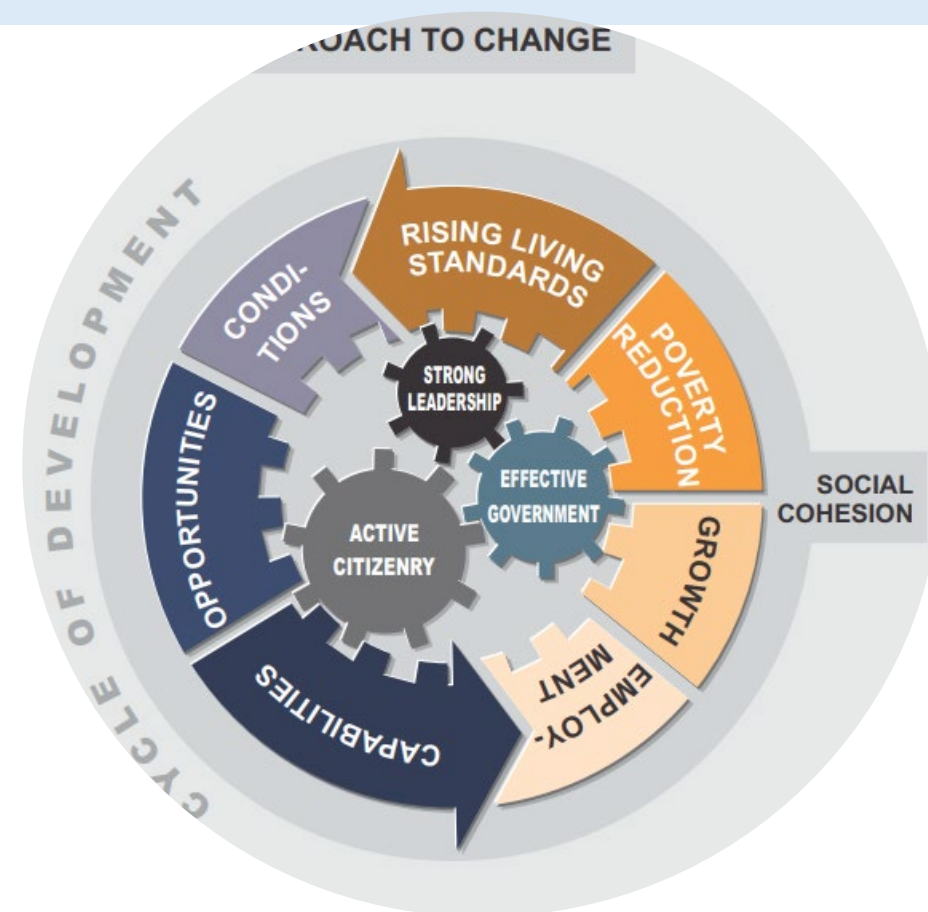
Fiscal policy and its medium-term trade-offs should be strictly aligned to achieving the long-term goals of macroeconomic and monetary policy. Deviations should be subject to explanation and realignment planning to ensure focus and prioritization. In essence, the choice of fiscal policy trade-off is a matter of determining which option will expedite the process of achieving these long-term policy objectives with the least amount of damage.

### FISCAL DISCIPLINE ENFORCEMENT

It appears that we are unable to accurately determine the specific purpose of our expenditures, ensure that they are in accordance with fiscal and economic policy, and determine whether they will be worth the investment. Additionally, no actual post-evaluation was conducted to determine whether the expenditure ever achieved the desired outcome, and no enforcement was implemented to ensure that fiscal plans, budgets, and processes are modified to prevent the recurrence of similar negative outcomes every year.

### PRIMARY VS SECONDARY SPENDING TRADE-OFFS

The Budget should clearly separate primary spending obligations/initiatives (i.e. what we legally must spend) from secondary spending initiatives (i.e. what we are choosing to spend) as not all spending programs can have equal priority. This will better enable comparatives of trade offs and selection of spending priorities and should be aligned to priorities as set out in macroeconomic policy.



## 2. HOW SHOULD WE EXECUTE POLICY AMBITION WITH REALITY OF LOW ECONOMIC GROWTH AND HIGH DEBT?

### ALIGNMENT OF FISCAL POLICY TO MACROECONOMIC POLICY

Economic growth is universally agreed to be the most impactful instrument to achieve policy ambition, and it can only occur through alignment and buy-in. There should be more clarity and transparency as to the alignment of fiscal policy (i.e. fiscal reality) to macroeconomic goals (i.e., policy ambition) and where it diverges, reasons why. This acknowledgement will better inform whether its political ambition rather than growth/debt that needs to change to move the needle. Similarly, the overlap and alignment with monetary policy and industrial policy (supply side) should be transparent and documented.

### PRIORITISE REALITY OVER POLITICAL AMBITION

Political ambition has become a luxury we cannot afford anymore and has become increasingly irrelevant as our people's primary needs are not met. The fiscal space for growing political ambition should be earned and the price paid, something that aligns with how fiscal policy was done in the 1990's where we faced similar challenges. Political ambitions and ideology space was deferred/ to be earned through first addressing primary needs in achieving macroeconomic outcomes. As a diverse country, there may be some different policy ambitions that need to be addressed; however, these are not as diverse or problematic as policy implementation differences, as the latter has become a larger stumbling block in prioritising our collective reality.

### FOCUS ON FUNDAMENTALS

Low economic growth and high debt are not just a consequence of uncontrollable developments such as the 2007 financial crisis, COVID or the current global political/trade discourse but rather because of fiscal policy choices that did not align to macro economic realities (see NDP 9 primary challenges) and did not align to policy, the latter also noted in the June 2011 *NPC Diagnostic Report*. Per the NDP: *The plan focuses on the critical capabilities needed to transform the economy and society. Achieving these capabilities is not automatic, nor will they emerge if the country continues on its present trajectory.* The unfortunate reality was that the trajectory was actually maintained, and policy ambition was contingent upon the economy "lifting itself up" if we waited for an extended period. Our reality is that our planning space for policy ambition has been stifled by our historical fiscal decisions. The SAICA 7 growth fundamentals that were presented to Treasury and Parliament nearly a decade ago are still relevant today.

### AGREEMENT ON FISCAL FUNDAMENTALS

We cannot achieve clarity on the proposed trade-off if we don't agree on the fiscal fundamentals. We need agreement and implement objective metrics on when high tax is becoming damaging tax, high debt is becoming reckless debt and spending mix is misaligned between primary obligations that we don't have a choice to pay (compensation, debt cost, social welfare etc.) and secondary obligations where we have a choice but that enable economic growth (infrastructure, education, health, security, economic development etc.)

### 3. HOW CAN WE CREATE COLLECTIVE OWNERSHIP OF SUSTAINABLE PUBLIC FINANCES AND HIGH QUALITY SERVICES

#### IMPLEMENTATION FAILURE: ACCOUNTABILITY AND CONSEQUENCE MANAGEMENT

What we have learned from the COVID pandemic is that there is much appetite for collective problem solving and solution implementation, as seen by the many collective workgroups and economic plans devised jointly by government, private sector, labour and civil society. However, the failure to implement the agreed initiatives by the government or to collaborate has undermined the sense of collective accountability. The circumvention of platforms like NEDLAC and its own dysfunction in ensuring it meets its legally mandated objective of participative and collective ownership should be reconsidered. There has been no accountability or consequence management for these failures, which undermine collective ownership.

#### SIMPLICITY AND MAKING THINGS MANAGEABLE

Collective ownership starts with collective decision-making and buy-in. However, many of the implementation and decision-making phases in government are overly complex with convoluted institutions and entities that have ambiguous mandates. When civil society and the private sector are conjoined in this process, it makes things overly bureaucratic and unmanageable. Simplifying the structure and operation of government will assist in better collective ownership rollout, where communities can participate in their own destiny.

#### REALISE FUNDAMENTALS OF PARTICIPATIVE DEMOCRACY

SA is a participative democracy that requires government not just to listen but actually hear the people and demonstrate that it, in fact, heard and did not just listen. The Budget 2025 process demonstrated this and has resulted in the current process, which seeks to achieve exactly this outcome. However, only once implementation starts will the people of South Africa really see if the government heard them or just gave them a platform to speak, and whether this will create real collective ownership of our fiscal policy? To take the country into the government's trust so that we travel the difficult road together will require the government to include the public in sensitive discussions, such as major fiscal change proposals. This would be similar to how Canada achieved success in such a difficult path in the 1990s by moving from where the Minister prepared his speech alone the night before and in absolute secrecy to where a pre-consultation of the speech is done. The Budget is so much broader and more important than a few tax changes, and we believe the upside of transparency and collective buy-in will far exceed any "evasive tax planning" which has historically, in any event, been mitigated through retroactive or retrospective amendments.

#### PROFESSIONALISE THE PUBLIC SERVICE

The engagement of professionals creates a sense of pride and confidence in both sides of collective ownership. A professional public service will also hold itself accountable to a higher standard and not only enable sustainable public finance and high-quality services but also be empowered to resist and act when private sector actors seek to exploit the state and the fiscus. The provision of professional-level service by the public service to the people will also more likely entice civil society to participate in collective ownership initiatives, including in communities, etc.



# THANK YOU

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## CONNECT WITH US

17 Fricker Rd, Illovo, Sandton, Johannesburg,  
2196 Private Bag X32, Northlands, 2116

### Head Office

T: +27 (0) 86 107 2422

### SAICA International

T: +27 (0) 86 107 2422

**For more information**  
visit [www.saica.org.za](http://www.saica.org.za)



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