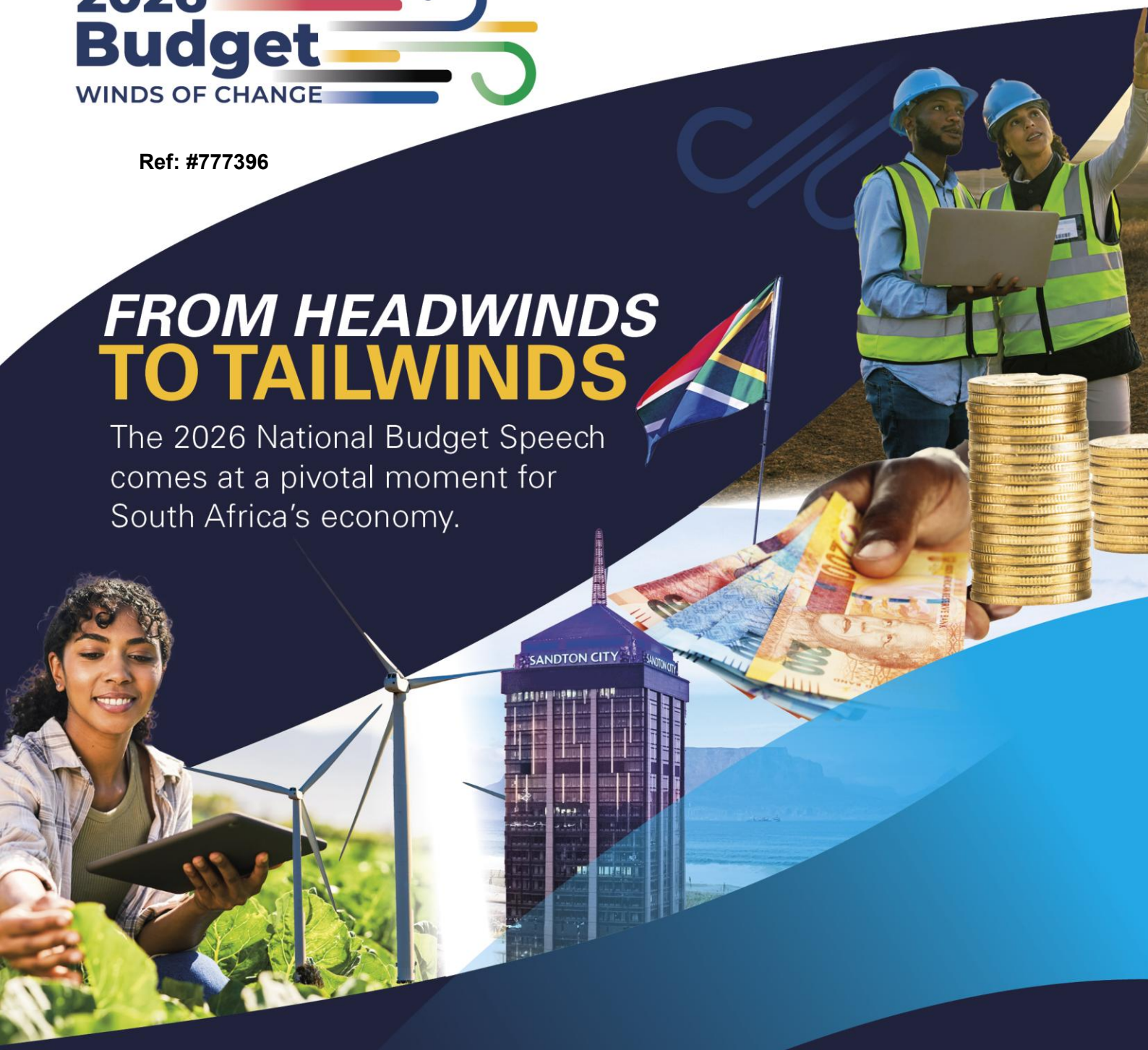
2026 Budget
WINDS OF CHANGE

Ref: #777396

FROM HEADWINDS TO TAILWINDS

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DIFFERENCE MAKERS™

26 October 2026

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Dear Madam and Sirs

COMMENTS ON THE 2026 MEDIUM-TERM BUDGET POLICY STATEMENT (MTBPS)

We present our comments and submissions on behalf of the South African Institute of Chartered Accountants (SAICA) on the Medium-Term Budget Policy Statement (MTBPS) released by Minister Enoch Godongwana on 22 October 2026.

We once again thank the Standing Committee on Finance (SCoF) and the Select Committee on Finance (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.

Prof Dr Muneer Hassan
DEPUTY CHAIRPERSON: NATIONAL TAX COMMITTEE

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INTRODUCTION

1. The 2026 Medium-Term Budget Policy Statement (MTBPS) provides a mid-year assessment of the objectives and estimates set out in the 2026 Budget Review.

2. The fiscal strategy seeks to restore confidence in South Africa's public finances and preserve the state's capacity to respond to economic and developmental priorities. The consolidation programme initiated in 2020 has subsequently placed increasing emphasis on maintaining a primary budget surplus.

3. The intended outcome is to stabilise the debt-to-GDP ratio, improve South Africa's credit standing and reduce debt-service costs, thereby creating fiscal space for public services and infrastructure-led economic growth.

4. As the Minister of Finance observed in the Budget Speech delivered on 21 May 2025:

   "A national budget is not merely an accounting exercise measuring what we earn, what we spend and what we borrow as a nation. It is a reflection of the difficult trade-offs needed to balance fiscal sustainability while addressing our developmental goals."

5. These trade-offs remain difficult, particularly where fiscal adjustments affect vulnerable households.

6. Fiscal sustainability must therefore be assessed together with the composition of expenditure, the quality of implementation and the distributional consequences of policy choices.

7. SAICA's comments seek to strengthen both the fiscal choices made by government and the processes through which those choices are considered and implemented.

8. We acknowledge the progress in restoring fiscal discipline. However, this remains a fragile stabilisation, rather than evidence of a comprehensive structural recovery.

9. Domestic infrastructure constraints and external economic and geopolitical risks continue to threaten the outlook. Reducing risks within government's control is therefore essential to rebuilding fiscal buffers. Consistent with our previous submissions, the analysis below considers progress against earlier recommendations and identifies the further measures and disclosures required.

MEANINGFUL PUBLIC PARTICIPATION

10. SAICA remains concerned about whether Parliament's public participation process affords citizens a meaningful opportunity to contribute to fiscal decisions that affect their daily lives.

11. Public participation is a constitutional requirement and complements representative democracy by enabling ongoing engagement between elections. Informed public contributions should guide the formulation and implementation of legislation, rather than leaving these matters solely to elected representatives.

12. The courts have developed this constitutional obligation over time.

13. The principal themes reflected in the cases below are the constitutional duty to facilitate participation, the requirement that participation be meaningful and the distinction between being heard and having a right to determine the outcome.

Case	Main principle
Doctors for Life (2006)	Public participation is constitutionally required
Merafong (2008)	Participation is not a veto
LAMOSA (2016)	Participation must be meaningful
Mogale (2023)	Reaffirmed meaningful participation
Premier of the Western Cape / City of Cape Town (2026)	Material amendments may require renewed public consultation

14. Meaningful public participation serves four important purposes[1]:

- It improves the quality of legislation by identifying unintended consequences, drafting errors, administrative burdens and economic effects before enactment. Those responsible for implementation can contribute practical information that may not be available to Parliament or the Executive during policy development.

- It strengthens legitimacy by enabling citizens to participate in decisions affecting them and to understand the trade-offs underlying those decisions.

- It enhances accountability by requiring Parliament and the Executive to explain the rationale for legislative choices and engage with their effects on the public.

- It enables Parliament and the Executive to obtain relevant information and assess alternative approaches that may not have been apparent during the preparatory phase.

15. The public must therefore be afforded a reasonable opportunity to scrutinise proposals.

16. What is reasonable depends on the nature, complexity and importance of the subject matter.

17. Parliament's *Public Participation Framework*[2] provides an important benchmark; departures should be rationally justified and explained. Irrespective of the notice period, the underlying documents must be available sufficiently early to permit informed engagement. The Framework requires 5-6 weeks' notice of the hearing and 1 week before for the pre-education workshop.

[1] Doctors for Life International v Speaker of the National Assembly and Others (CCT12/05) [2006] ZACC 11; 2006 (12) BCLR 1399 (CC); 2006 (6) SA 416 (CC) (17 August 2006); Mogale and Others v Speaker of the National Assembly and Others (CCT 73/22) [2023] ZACC 14; 2023 (9) BCLR 1099 (CC); 2023 (6) SA 58 (CC) (30 May 2023); Speaker of the National Assembly and Another v Land Access Movement of South Africa and Others CCT40/15A; Premier of the Western Cape Government and Another v Speaker of the National Assembly and Others; City of Cape Town and Others v Speaker of the National Assembly and Others (CCT 103/25; CCT 144/25) [2026] ZACC 37 (17 September 2026)

[2] SALS_Public_Participation_Framework.pdf

18. The framework does not prescribe when the actual documents that form the basis of the hearing should be issued, but the courts seem to indicate (Premier of Western Cape case) that it is also subject to the same reasonableness test.

19. The Budget and MTBPS are inherently complex.

20. They comprise extensive narrative, forecasts and financial information concerning expenditure priorities, revenue collection, debt sustainability and accountability. The 2026 process also requires stakeholders to consider the associated money and tax bills, the Adjusted Estimates of National Expenditure and proposed fiscal-governance amendments.

21. The purpose of consultation is to inform the trade-offs most likely to advance South Africa's fiscal and developmental objectives.

22. The time afforded to the public should, it is submitted, be proportionate to this task, particularly where the Executive is likely to have had several months to prepare its proposals. "Fiscal exceptionalism"[3] should be cautioned against, especially as this is an annual process that both Parliament and the Executive are aware of and can plan for.

23. The call for submissions on the 2026 MTBPS was issued on **1 October 2026**[4], with written submissions due at **12:00 on 26 October 2026** and public hearings scheduled for **28 October 2026**. The underlying documents, however, were released at **14:00 on 21 October 2026**.

24. Stakeholders therefore had fewer than three working days to analyse the package and prepare submissions.

25. An invitation issued before publication does not itself provide an opportunity to assess the proposals. The effective comment period should be measured from publication of the complete package of documents.

26. The two-day interval between the submission deadline and the hearings also limits Parliamentary members' opportunity to study written submissions. This falls short of SAICA's March 2026 recommendation that at **least seven days** be allowed between those stages.

27. Submission: SAICA recommends that Parliament obtain advice from its Legal Services on the reasonableness of the Budget and MTBPS consultation timelines, compliance with the applicable public participation framework and the basis on which any departure may be justified. This is of particular importance following the most recent clarification by the Constitutional Court of its obligations. The outcome should inform a transparent and predictable annual timetable.

28. We further recommend that the framework prescribe minimum periods for making the underlying documents available. SAICA proposes publication with the notice at least

[3] **Fiscal exceptionalism** is the belief that matters relating to the budget, taxation, public debt, or fiscal policy are so important or unique that ordinary democratic, legal, procedural, or institutional requirements may be relaxed or set aside. It is most prominently seen in the form of Tax Exceptionalism, that is the notion that tax law is fundamentally different from other areas of law and therefore should not necessarily be governed by the same interpretive principles that apply generally.

[4] 2026 Revised Fiscal Framework and Revenue Proposals | PMG

30 days before the hearing, subject to consideration of the statutory money-bill timetable. Where that timetable constrains consultation, supplementary written submissions should be permitted.

29. Hearings should ordinarily take place at **least seven days** after the submission deadline. Parliament and National Treasury should also revisit the sequencing of the five annual money and tax bills, with a view to timely enactment and greater legal certainty before the following Budget.

MACROECONOMIC ENVIRONMENT

30. The table below summarises selected macroeconomic and fiscal indicators. Budget forecasts, quarterly outcomes, and medium-term estimates should be distinguished when assessing progress; the reference periods are not uniform across all indicators.

Description	Budget 2026	MTBPS 2026 or Q2	Status
CPI (3%+1 target)	3.5%	4.5%	
GDP growth	1,6%	1,2%	
Debt to GDP	77,3% (R6.1trn/R7,89trn)	78,4%	
Household debt to disposable income	62,1% (Q1 2026)	61,3% (Q2 2026)	
Debt borrowing requirement	R380bn	R434,2bn	
Debt service costs	R432.4bn	R441.5bn	
Private sector Gross fixed capital formation	R648m (Q1 2026)	R646,6m (Q2 2026)	
Primary budget surplus	R31bn	R77bn	
Unemployment rate	32,7% (43,7%)	33,6% (43,8%)	
Main Budget expenditure (incl. contingency reserve)	R2,383trn	R2,438trn	

31. Submission: The Minister and National Treasury have maintained the primary budget surplus well, but other key metrics on debt and main budget expenditure have declined It illustrates the precariousness of the stabilisation strategy and explains why South Africa remains unstable and not yet in a secure position amidst a deteriorating global context. This may require further fiscal measures to ensure improvements and weather against global declines and impacts realising.

GROWTH OUTLOOK

32. The 2026 MTBPS forecasts real GDP growth of 1.2% in 2026, compared with the 1.6% projected in the February Budget.

33. Growth is expected to increase to 1.6% in 2027, 1.8% in 2028 and 2.0% in 2029.

34. In our November 2025 submission, SAICA presented a more conservative growth range of 1.2%–1.4% for 2026 and cautioned that stronger growth depended on investment interventions becoming operational. The current 1.2% estimate falls within that earlier range.

35. In March 2026, SAICA further cautioned that water and wastewater failures, deteriorating logistics networks and uncertainty about private investment could undermine the growth assumptions.

36. The water-project pipeline exceeding R60 billion and the proposed bulk-water and sanitation investments are welcomed. However, projects at the financing or appraisal stage do not yet provide operational capacity.

37. These constraints remain material to the projected acceleration in growth.

Real GDP Growth Forecast: 2026 Budget vs 2026 MTBPS

Calendar Year	2026 Budget	2026 MTBPS	Revision
2026	1.6%	1.2%	-0.4 pp
2027	1.8%	1.6%	-0.2 pp
2028	2.0%	1.8%	-0.2 pp

Source: Budget Review Table 1.2 and MTBPS Table 1.1.

38. While SAICA welcomes the recognition of a weaker near-term growth outlook given the prevailing risks, it should be noted that these forecasts are still optimistic when compared to the IMF[5] and World Bank[6].

Forecaster	2026	2027	2028
South African National Treasury	1.2%	1.6%	1.8%
International Monetary Fund (IMF)	1.0%	1.3%	1.7%
World Bank	1.0%	1.5%	1.7%

39. Local-government service failures remain a significant constraint on economic activity.

[5] https://data.imf.org/en/datasets/IMF.RES:WEO
[6] https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-zaf.pdf

40. Furthermore, improved national electricity availability does not necessarily ensure reliable distribution at municipal level. Johannesburg is South Africa's economic hub yet has faced 2860 electricity outages in 2026:

Month 2026	Recorded outages
April	306
May	551
June	489
July	520
August	485
September	507

41. In addition, 40% of Johannesburg residents experienced water interruptions exceeding two days during 2026, with more than 140 leaks reported daily over the preceding 12 months.

42. Rand Water's proposed restriction to 1,528 million litres a day compares with reported usage of 1,724 million litres.

43. Reported losses are approximately 45%, or 775 million litres a day.

44. These pressures precede the anticipated 2026/27 El Niño risk. MTBPS 2026 does not indicate how the proposed interventions or revised budgets will address this impact other than the additional R5bn allocation to the contingency reserve.

45. Submission: Local government electrical supply, water supply and wastewater management has become a national fiscal crisis and a significant risk to growth. The Minister's proposals to tighten fiscal accountability at local government is welcomed but should, it is submitted, be extended to Provincial and National government. Furthermore, the fiscal provisions for water should drought materialise appear inadequate, with deferral to Budget 2027 placing higher risk of other fiscal trade-offs for 2027/2028.

Consumption, investment and exports

46. Household consumption growth is expected to moderate from 2.3% in 2026 to 1.7% in 2027 before recovering to 2.1% in 2028 and 2029.

47. The forecast therefore entails slower growth in consumption, not an outright decline in its level.

48. Gross fixed capital formation ('GFCF') is projected to grow by 0.7% in 2026, 2.4% in 2027, 3.5% in 2028 and 3.8% in 2029.

49. However, as indicated by SARB bulletin[7], though GFCF is up 0.8% year-on-year, Q2 2026 decreased further from Q1 2026 due to "*lower capital expenditure by public*

[7] Quarterly Bulletin – September 2026

corporations and private business enterprises outweighed the increase in capital outlays by general government".

50. The MTBPS reports that private-sector investment fell by 1.1% in the first half of 2026 compared with the same period in 2025, while public investment, including government and state-owned entities, rose by 5.2%.

51. This supports SAICA's previous caution that anticipated private investment should not be treated as an achieved outcome.

52. The distinction between budgeted capital expenditure and actual capital formation remains important.

53. Reported figures indicate a 2.2% contraction in investment in 2025, compared with the 1.0% contraction previously forecast, and a reduction in the 2026 growth estimate from 2.6% to 0.7%.

54. This affirms the downside risk identified that budgeted capital spend and actual capital formation by SOEs "on the ground" remain a risk. It also indicates that the economic environment may not yet be conducive for the private sector to engage in capital formation, notwithstanding the Minister's ambition/forecast that national government public sector capital projects will increase such confidence in the medium term.

55. The Minister does, however, acknowledge that estimates will be lower over the medium term.

Indicator	Budget 2026	MTBPS 2026	Change
GDP Growth 2026	1.6%	1.2%	-0.4 pp
Gross Fixed Capital Formation 2026	2.4%	0.7%	-1.7 pp
Gross Fixed Capital Formation 2027	3.3%	2.4%	-0.9 pp
Gross Fixed Capital Formation 2028	3.9%	3.5%	-0.4 pp

56. Exports are projected to recover from a contraction of 0.1% in 2026 to growth of 2.4% in 2027, 2.9% in 2028 and 3.0% in 2029.

57. The credibility of the growth recovery consequently depends materially on investment and export improvements being realised while consumption growth moderates. However as global growth, especially in developed countries, stagnates over the medium term and exports challenges persist in EU and USA, it is unclear how this is realised without significant alternative markets.

58. In this regard, the temporary zero tariff scheme with China running from 1 May 2026 to 30 April 2028 may provide some welcome relief.

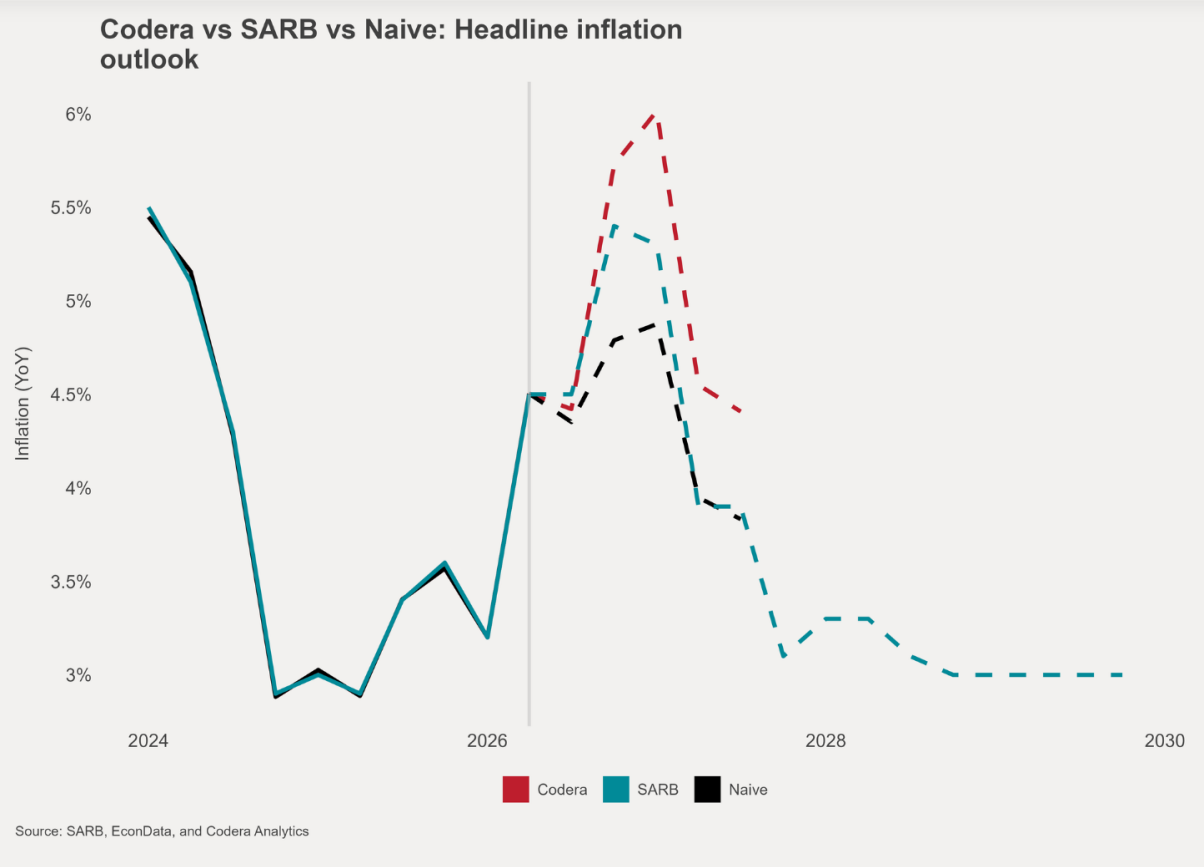
Inflation and the external environment

59. Inflation is projected at 4.4% in 2026, moderating to 3.8% in 2027, 3.2% in 2028 and 3.1% in 2029.

60. This represents slower price increases, not a decline in the general price level.

61. Global inflation has also continued to increase, with the Minister noting the IMF estimate increasing from 3.8% in January 2026 to 4.7% currently. The 2027 anticipated inflation rate also remains higher at 4.1% vs 3.4% previous estimate.

62. Codera Analytics indicates a higher inflation peak than the projections of the Reserve Bank and National Treasury. This is consistent with the inflation risk highlighted in SAICA's 2026 Budget submission.



63. The growth outlook remains exposed to higher energy prices, disruption to trade and tighter global financial conditions.

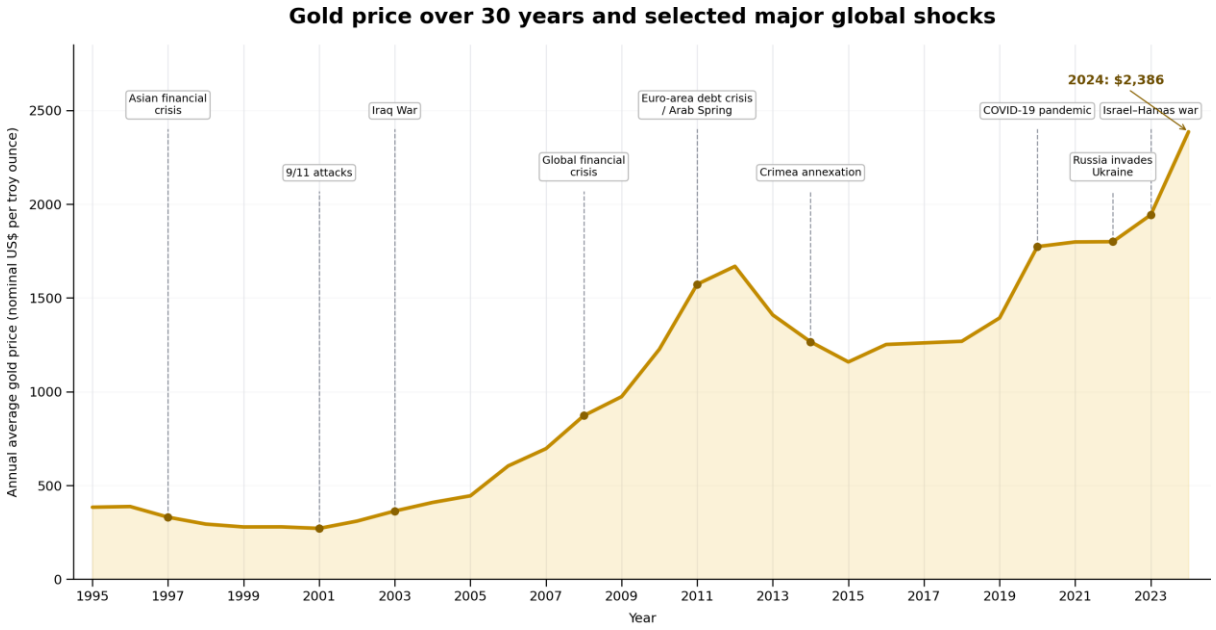
64. The MTBPS itself recognises risks arising from continued conflict in the Middle East and a possible reassessment of AI-related investment. These risks should be considered alongside domestic infrastructure constraints and weak confidence when evaluating the baseline forecast.

65. National Treasury's assumption that precious-metal prices will remain elevated over the medium term should be considered alongside these downside risks.

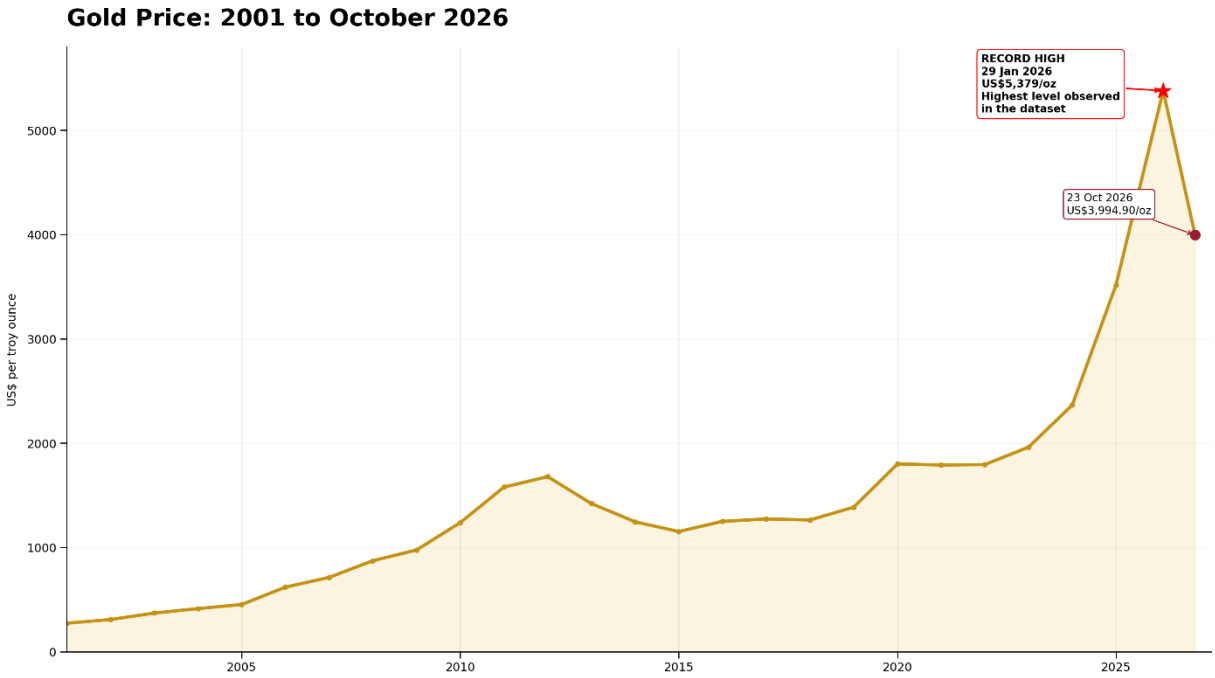
Table 2.3 Assumptions informing the macroeconomic forecast

Percentage change	2024	2025	2026	2027	2028	2029
	Actual		Estimate	Forecast		
Global demand[1]	**2.6**	**3.0**	**3.3**	**3.1**	**3.2**	**3.2**
International commodity prices[2]						
Brent crude oil (US$ per barrel)	79.9	68.3	91.3	83.5	75.3	72.2
Gold (US$ per ounce)	2 387	3 440	4 529	4 584	4 807	5 039
Platinum (US$ per ounce)	955	1 280	1 921	1 870	1 915	1 952
Coal (US$ per ton)	105	89	112	121	113	113
Iron ore (US$ per ton)	111	104	105	105	103	101
Palladium (US$ per ounce)	983	1 150	1 442	1 377	1 441	1 505

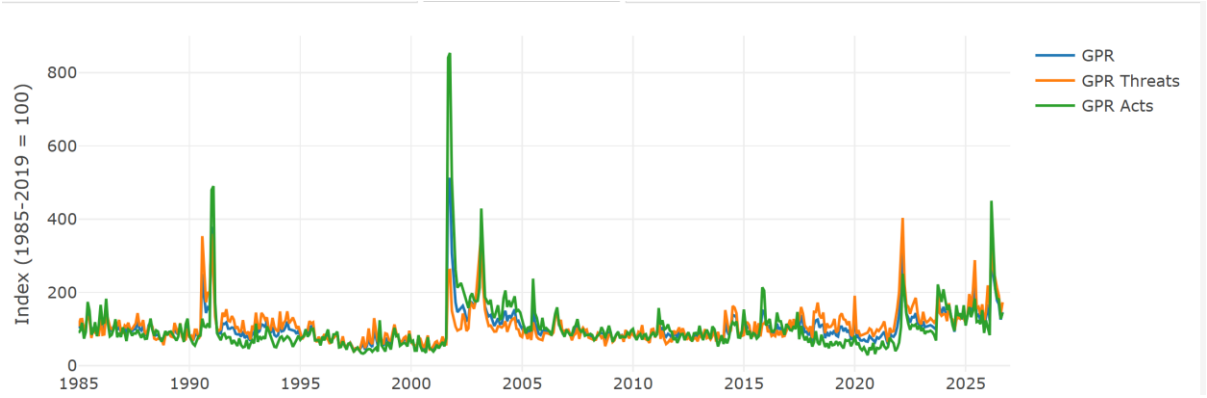
66. The gold-price trend provides additional context for assessing the effect of global uncertainty on commodity-related revenue.



67. The impact of the last 2 years, which significantly impacted logistics and supply, can be clearly seen how much more significant it has been.

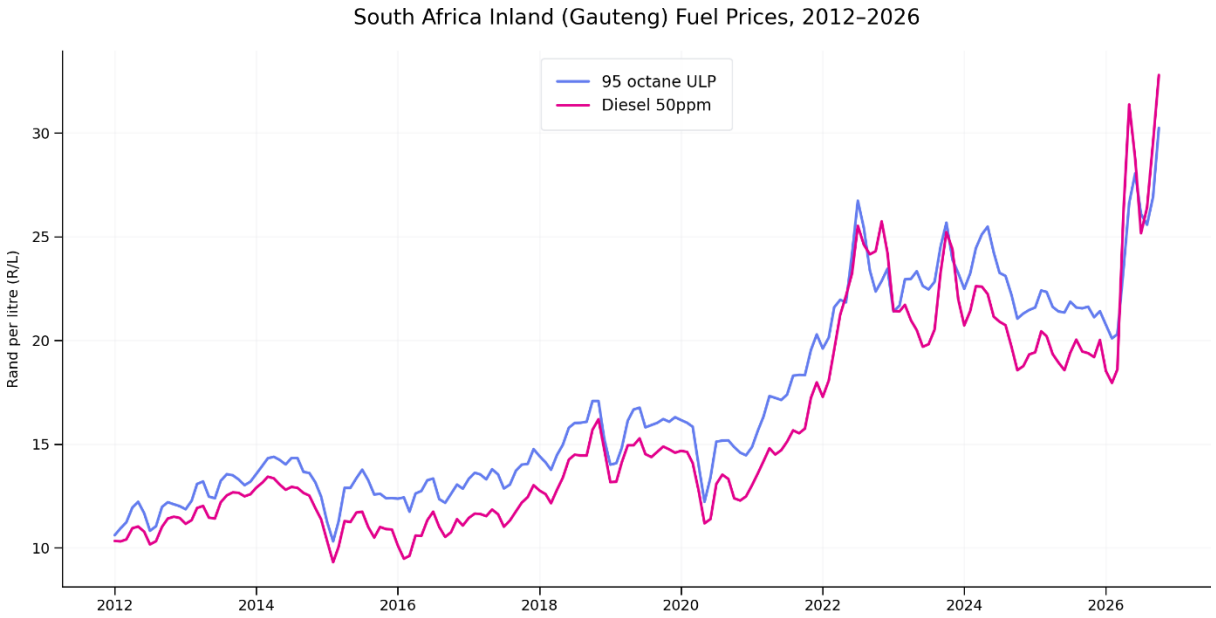


68. The Geopolitical Risk Index similarly indicates a broader upward trend since 2014, following a comparatively stable preceding decade.



Fuel and energy prices

69. Rising fuel prices and security of supply remain material risks to household purchasing power, operating costs and the inflation outlook.

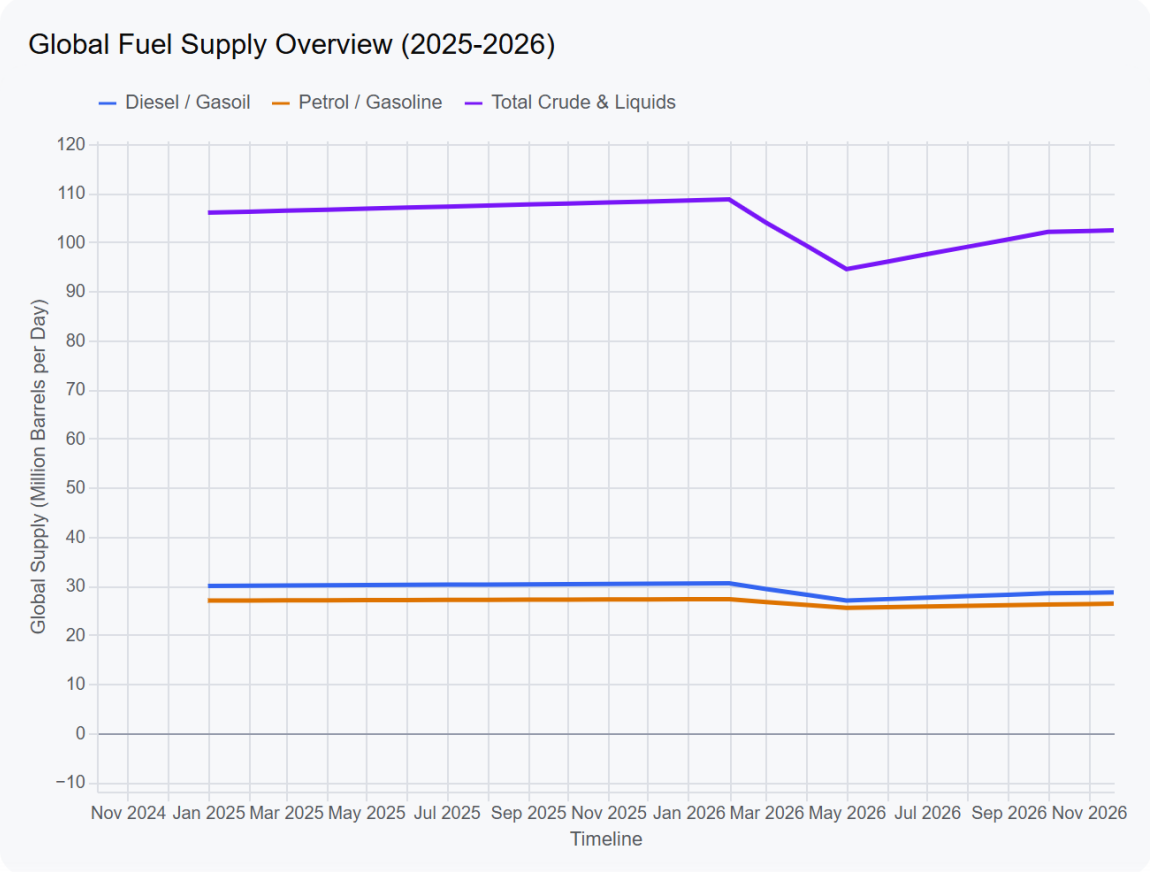


70. The outlook depends materially on the course of international conflicts and their effect on supplies of crude oil and refined products.

71. Persistent disruption would affect both inflation and economic growth, even where commodity-export receipts provide a temporary fiscal benefit.

72. SAICA welcomes temporary fuel-levy relief as immediate support for households and businesses.

73. However, temporary relief does not constitute a structural reduction in fuel-price pressures; its inflation effect reverses when the relief expires. Changes in South Africa's dependence on imported refined fuel also warrant attention.

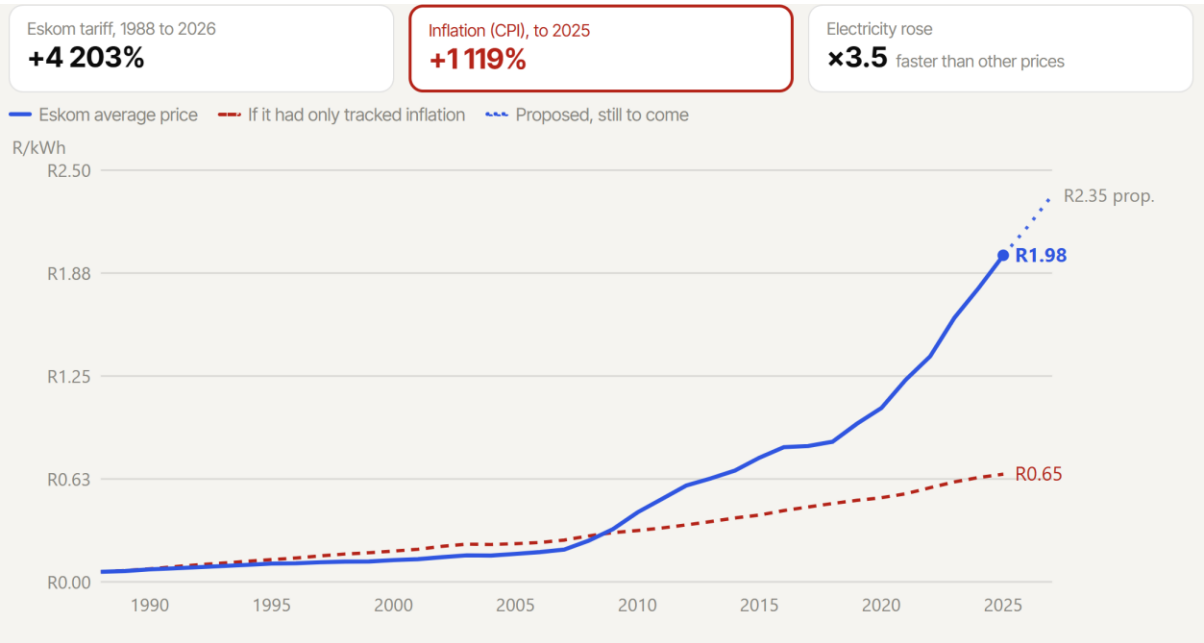


74. Electricity affordability remains a separate concern as indicated below:

Domestic assumptions[3]						
Food inflation	4.5	4.1	2.6	4.5	3.5	3.2
Electricity inflation	13.3	9.9	8.3	8.2	8.8	7.3
Sovereign risk premium	3.0	2.8	2.1	1.8	1.7	1.7

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2026)
2. Bloomberg futures prices as at 23 September 2026
3. Assumptions presented above are as of 18 and 23 September 2026
Source: National Treasury

75. The restructuring of Eskom and the electricity sector should therefore be assessed against both supply reliability and the objective of more affordable electricity.



76. SAICA acknowledges Eskom's operational and financial recovery, including the near-elimination of load-shedding. However, the sustainability of the recovery requires scrutiny.

77. Reported figures indicate profit after tax of R30.3 billion, a 12.7% average tariff increase and a 6.2% decline in electricity sales to 178 TWh in 2025/26.

78. Lower use of diesel generation and taxpayer-funded debt relief also affect the result. Falling sales reflect several factors, including self-generation, efficiency gains and weaker industrial demand.

79. Reliance on above-inflation tariffs while volumes decline may weaken affordability and encourage further migration from the grid.

80. In addition, our electricity pricing compares unfavourably when compared to other developing countries.

Comparison group	Country/tariff	Approx. ZAR/kWh
OECD highest	Ireland	**R7.44**
OECD highest	Italy	**R6.85**
OECD highest	Germany	**R6.71**
South Africa	Johannesburg Block 3, incl. VAT	**R4.37**
Economic peer	Brazil	**R2.65**
OECD lowest	Canada	**R1.98**

Comparison group	Country/tariff	Approx. ZAR/kWh
OECD lowest/economic peer	Mexico	**R1.82**
OECD lowest	Hungary	**R1.82**
Economic peer	Indonesia	**R1.49**
Economic peer	India	**R1.32**
Economic peer	Türkiye	**R1.16**

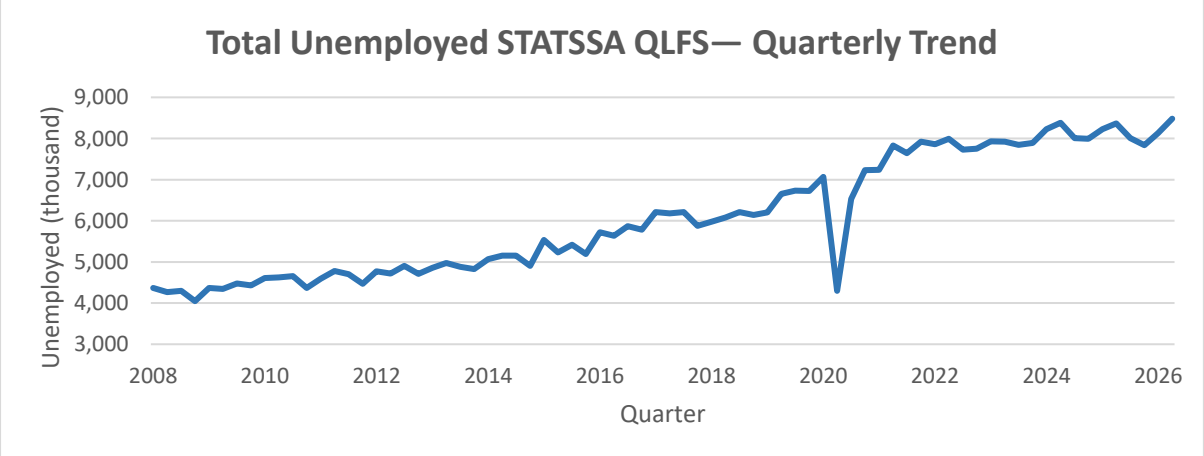
81. Submission: It is therefore submitted that the electricity-sector turnaround should deliver reliable and competitively priced supply, rather than financial recovery dependent principally on increasing charges to a declining customer base. National Treasury should, additionally, assess the implications of projected tariff increases for households, industry and investment and to the fiscal framework.

Employment

82. The second-quarter 2026 labour-market figures record 16.7 million employed persons and 8.5 million unemployed persons.

83. Employment declined by 16,000, while unemployment increased by 345,000. While the official unemployment rate rose to 33.6%; the unemployment and potential labour-force measure (LU3) was 43.8%.

84. The 10.2 percentage-point gap illustrates the importance of considering labour underutilisation alongside the official rate. Weak employment growth constrains the tax base and increases pressure on social support.

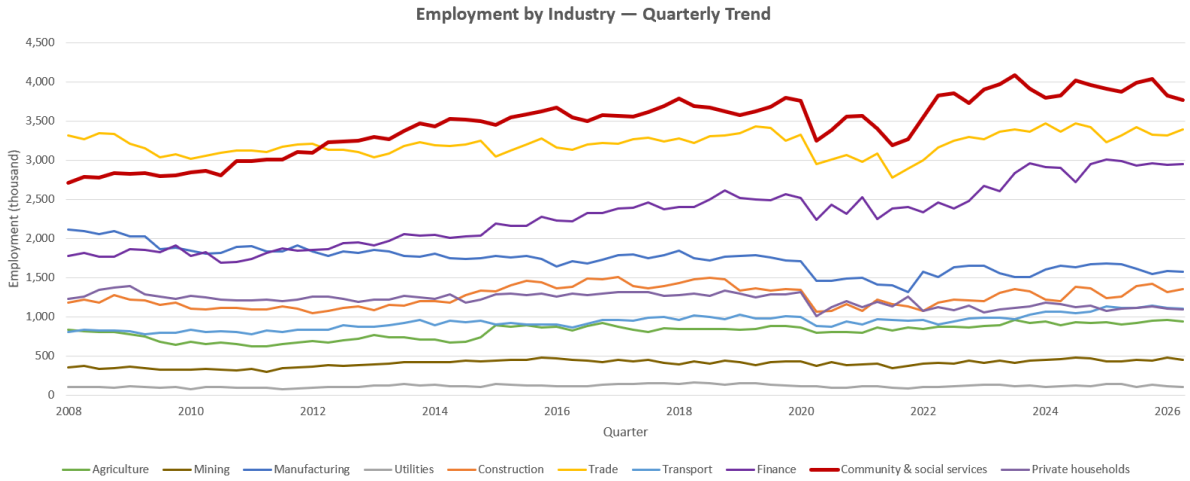


85. Submission: SAICA recommends that National Treasury explain the approximately R3 billion downward adjustment to Social Relief of Distress (SRD) grant expenditure.

86. Furthermore, no provision has been made for the estimated R36-76 bn additional contingent liability for the SRD grant should government lose its appeal in the Supreme

Court of Appeal as heard in August 2026[8]. This could create a significant budget difficulty in 2027.

87. As SAICA noted in the 2026 Budget submission, the sectoral composition of employment is also relevant to assessing the economy's capacity to generate sustainable growth.



88. Employment growth has been concentrated in community and social services, finance and trade, while several primary and secondary industries have remained stagnant or contracted.

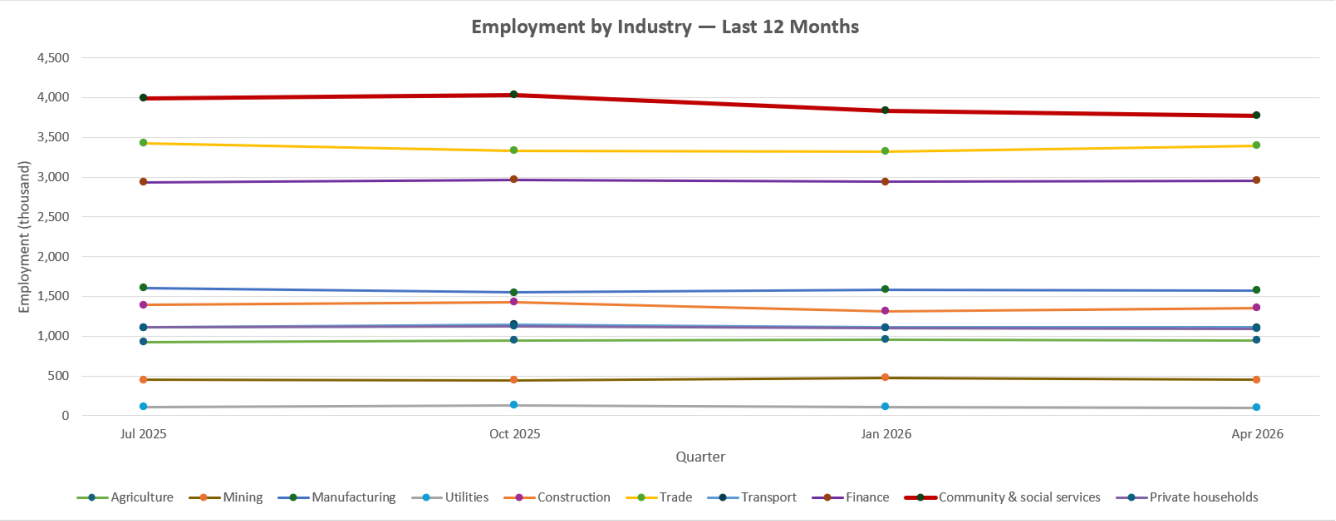
89. This limits the breadth of the recovery and reinforces the need to align infrastructure and skills investment with the sectors expected to generate employment.

90. Submission: It is therefore submitted that fiscal reporting should include LU3[9] alongside official unemployment and disclose the employment and remuneration assumptions underpinning personal income tax projections.

91. SAICA also recommends that National Treasury report on labour underutilisation, tax-base expansion and payroll-verification outcomes through consistent, measurable indicators. In addition, for each action, the responsible institution, implementation date and reporting mechanism should be disclosed.

[8] Billions saved as grant fraud is reduced - Moneyweb

[9] **LU3 is an expanded underutilization metric** (defined by the International Labour Organization) that includes both the officially unemployed *plus* those in the potential labor force (such as discouraged job seekers who want to work but have given up looking)



DEBT AND BORROWING

Debt stabilisation and the nominal debt burden

92. The 2007 Budget Speech linked to important concepts:

    "Sound management of public finances ... provides us with the resources to invest in our public services, renew our infrastructure..."[10]

93. Public debt also has an intergenerational dimension.

94. Borrowing undertaken today creates future obligations and should therefore support expenditure that preserves or improves the capacity of future generations to prosper. The following historical observation by Thomas Jefferson in his letter to Antoine Louis Claude Destutt de Tracy on December 26, 1820, illustrates this principle:

    "It is incumbent on every generation to pay its own debts as it goes. A principle which if acted on would save one-half the wars of the world."

95. The IMF definition cited describes sustainability as a debt position for which the primary balance required to stabilise debt under baseline and realistic shock scenarios is economically and politically feasible, with acceptably low rollover risk and preservation of potential growth.

96. Sustainability therefore requires more than a declining debt ratio in the baseline forecast.

97. Government must be able to sustain the necessary fiscal balances under plausible shocks without unacceptable economic or social costs. South Africa's capacity to absorb shocks has weakened since the period preceding the global financial crisis. The pandemic and subsequent international conflicts have exposed the difficult trade-offs between debt control, growth and essential public expenditure.

98. The revisions in the 2026 MTBPS and the limited scope for fuel-price relief illustrate the constraints imposed by the debt burden.

[10] https://www.gov.za/news/budget-speech-2007-minister-finance-trevor-manuel-mp-21-feb-2007-0

99. Rebuilding fiscal space requires a durable reduction in the cost of servicing debt, not only maintenance of a primary surplus.

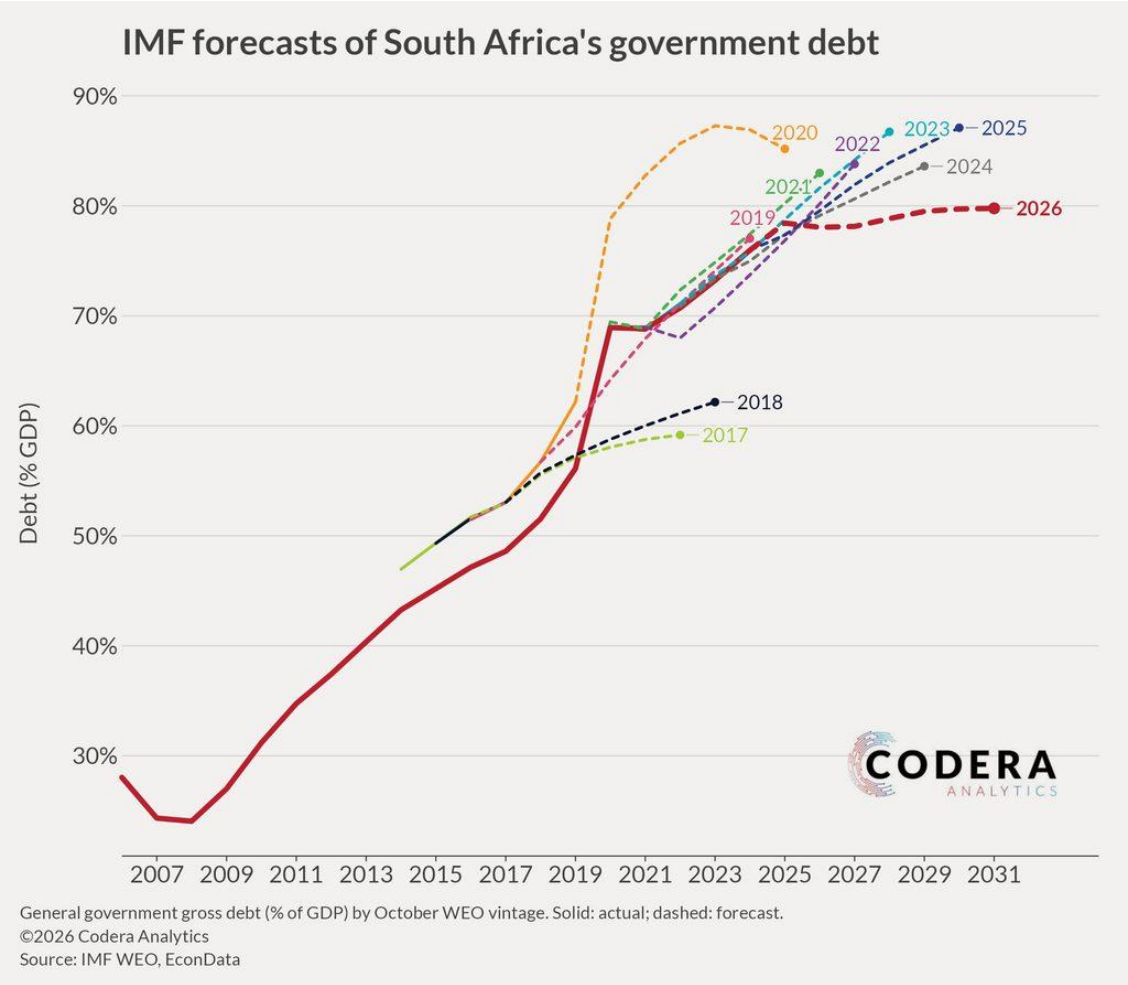
100. National Treasury reports that gross debt stabilised at 78.4% of GDP in 2025/26, compared with 78.9% projected in February.

101. The ratio is forecast at 78.2% in 2026/27, 77.9% in 2027/28, 77.5% in 2028/29 and 76.6% in 2029/30.

102. SAICA welcomes this improvement but distinguishes stabilisation of the ratio from a reduction in nominal debt or an established conclusion on sustainability.

103. Reported figures indicate nominal gross debt rising from R6,104.4 billion in 2025/26 to R7,238.5 billion in 2029/30, an increase of approximately R1.13 trillion. The projected ratio remains sensitive to fiscal performance and nominal GDP.

104. The IMF assessment anticipates later stabilisation than National Treasury. The difference reinforces the need to disclose the assumptions and shock scenarios underlying alternative debt paths.

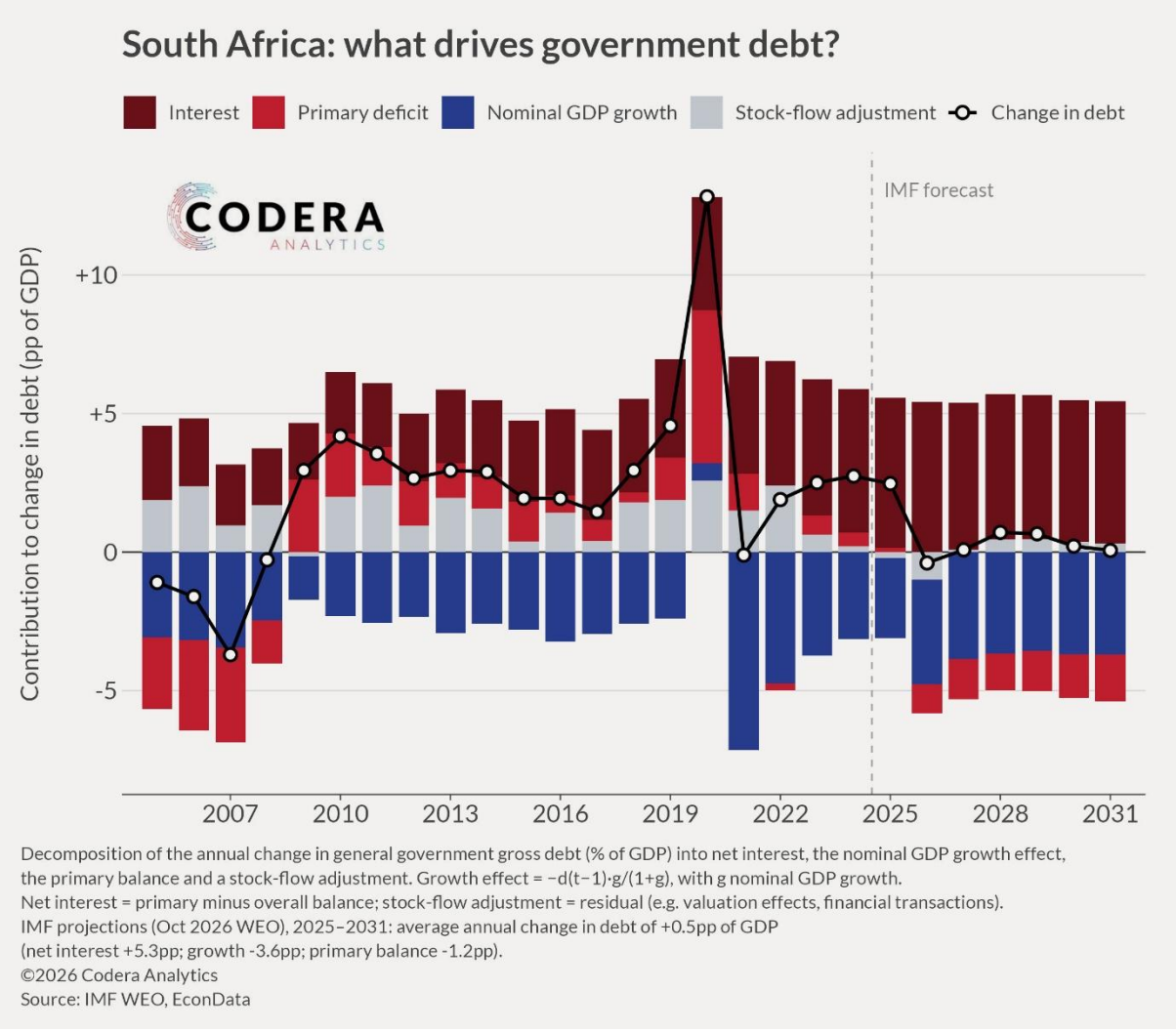


105. The Adjusted Estimates of National Expenditure revise gross annual borrowing for 2026/27 from R380 billion to R434.2 billion, an increase of R54.2 billion.

106. The explanation includes debt portfolio restructuring, the domestic bond buyback programme and reduced proceeds from the Gold and Foreign Exchange Contingency Reserve Account.

107. Debt-service costs are excluded from the primary balance, although they materially affect the overall deficit and debt trajectory.

108. Significant changes to the cost of debt will therefore significantly change the debt trajectory.



109. Debt-service costs for 2026/27 are revised upwards from R432.4 billion in the February Budget to R441.5 billion.

110. They are projected to reach R509.3 billion in 2029/30. These obligations continue to constrain the resources available for public services and productive investment.

111. Submission: SAICA welcomes progress in stabilising the debt-to-GDP ratio. The proposed fiscal anchor is also welcomed but should set practical measures and a numerical “north star” to work towards, similar to the CPI target, to ensure sustainable debt that survives global shocks.

REVENUE OUTLOOK

Revised revenue performance

112. The MTBPS revises the full-year gross tax revenue estimate for 2026/27 upwards by R17.1 billion to approximately R2.144 trillion.

113. It should be noted that this is a revised full-year estimate; not an amount already collected.

114. SAICA noted in its 2026 Budget Submission that additional tax revenue and royalties result from global conflicts and the increase was anticipated. However, we cautioned of the risk that the impact on private industry and future revenues may result in a structural decline to this temporary commodities upside.

Tax burden and expansion of the tax base

115. The tax-to-GDP ratio is projected to increase from 26.4% in 2026/27 to 26.8% in 2029/30.

116. Overall tax buoyancy is estimated at 1.53 in 2026/27, indicating that tax revenue is expected to grow faster than nominal GDP.

117. These projections reinforce the concern raised in SAICA's March 2026 submission about reliance on existing taxpayers and the need to demonstrate genuine expansion of the tax base.

118. Submission: It is submitted that National Treasury and SARS should provide a concise reconciliation of the principal revenue revisions, distinguishing recurring collections, temporary windfalls, debt recoveries and non-tax receipts.

119. Progress in broadening the tax base, it is proposed, can be reported through measurable indicators.

Personal income tax and two-pot retirement withdrawals

120. The two-pot retirement system commenced on 1 September 2024. Savings-component withdrawals are included in taxable income and taxed at the member's marginal rate; outstanding tax debt may also be deducted from the payout.

121. The 2025 Tax Statistics identify withdrawals as one contributor to personal income tax growth.

122. The data published by the major retirement fund administrators on 4 October 2026 indicates sustained use of the two-pot savings component[11]:

- Old Mutual Corporate – 79% of eligible members had accessed their savings pots
- Momentum Corporate – 52% of qualifying members made withdrawals
- Discovery – 58% of members earning below R125,000 per annum had withdrawn at least once.

123. The data from Alexander Forbes is also relevant:

[11] https://www.news24.com/business/money/two-years-of-two-pot-80-have-cashed-out-20261003-0861

- 67% of members who claimed in the 2025 tax year submitted another claim in 2026,
- 38% of members who claimed in 2026 submitted another claim in the first month of the 2027 tax year, and
- 31% of members who claimed in the 2025 tax year made withdrawals in all 3 tax years (i.e., 2025, 2026 and 2027).

124. Submission: It is submitted that 2-pot withdrawal-related tax receipts should be distinguished from ordinary payroll tax and from employment-led expansion of the tax base. The sustainability of 2-pot tax receipts is also uncertain and repeat withdrawals by taxpayers may indicate financial pressure and reduce retirement provision, potentially increasing future demands on social support.

STRUCTURAL REFORM AND INFRASTRUCTURE

Investment outcomes

125. SAICA welcomes the focus on infrastructure and private participation.

126. However, the decline of 1.1% in private-sector investment during the first half of 2026 demonstrates that announced reforms have not as yet translated into a broad-based private investment recovery.

127. The simultaneous increase of 5.2% in public investment is positive but includes government and state-owned entities. It should not be interpreted as an equivalent increase in direct fiscally funded infrastructure expenditure.

128. SAICA's March 2026 submission sought greater clarity on the classification of infrastructure financed through fiscal transfers, user charges, borrowing and private capital.

129. That distinction remains important in assessing both the state's contribution and the economic burden on households and businesses.

Infrastructure approvals versus delivery

130. The MTBPS reports that the Budget Facility for Infrastructure has approved 41 projects since 2021, with R96.1 billion in direct fiscal allocations.

131. These are approvals and allocations, not a measure of expenditure incurred or completed infrastructure.

132. Of 17 projects accepted into the BFI pipeline during the first two submission windows of 2026/27, two were approved for funding, three were returned for further development and 12 remained under consideration. This provides evidence of project appraisal activity, but not completion of the pipeline.

133. National Treasury also states that much of the productivity and growth benefit from these projects will materialise after 2029/30.

Transnet: underlying recovery and logistics capacity

134. Transnet's reported 2025/26 results record revenue of R88.6 billion and profit of R4.6 billion, including a R12.5 billion disposal gain.

135. Rail volumes increased to 167.9 million tonnes but remained below the 180 million-tonne target; capital expenditure of R23.3 billion was below the R25 billion target.

136. SAICA welcomes the improvement, but the disposal gain should be separated from recurring operating performance.

137. Operating expenses reportedly rose faster than revenue and the EBITDA margin narrowed, limiting the conclusions that can be drawn from headline profit.

Eskom: municipal debt and infrastructure funding

138. In addition to the abovementioned affordability concerns, municipal non-payment remains a material threat to Eskom's recovery.

139. Arrear municipal debt was R111.6 billion at March 2026 and R122 billion at August 2026.

140. Eskom's planned R343 billion capital programme over five years is funded largely from its cash flows. Where investment is financed through regulated charges, the immediate economic burden falls on customers rather than through direct fiscal appropriations.

FISCAL GOVERNANCE AND MUNICIPAL INTERVENTION

Appropriate intervention and payment discipline

141. SAICA supports appropriate action to enforce municipal fiscal discipline and address the cascading effects of non-payment on water boards, electricity suppliers and service delivery.

142. National Treasury reports that July 2026 transfers were withheld from 69 municipalities.

143. Public bodies reportedly owe municipalities R27.6 billion, including almost R15 billion owed by provincial departments. Reported figures indicate municipal creditor balances of R185.2 billion and consumer debt of R484.5 billion at June 2026. These chains of non-payment transmit financial distress between municipalities, bulk suppliers and other organs of state.

144. Submission: SAICA recommends that payment discipline must be addressed across all levels of government, including national and provincial debts to municipalities. It is therefore submitted that National Treasury establish an intergovernmental debt-reconciliation and settlement mechanism covering national, provincial and municipal obligations.

Fiscal control and payroll verification

145. SAICA welcomes the payroll-verification initiatives.

146. The material identifies 4,323 high-risk cases and records an online verification process from 15 June to 15 August 2026, with consolidated findings expected in the 2027 Budget.

END.