

2026 Budget

WINDS OF CHANGE

Ref: #777004

FROM HEADWINDS TO TAILWINDS

The 2026 National Budget Speech comes at a pivotal moment for South Africa's economy.



SAICA COMMENTS FOR JOINT PARLIAMENTARY PUBLIC HEARING ON 2026 FISCAL FRAMEWORK AND REVENUE PROPOSALS



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DIFFERENCE MAKERS™

9 March 2026

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Dear Madam and Sirs

JOINT PARLIAMENTARY PUBLIC HEARINGS - 2026 FISCAL FRAMEWORK AND REVENUE PROPOSALS

The South African Institute of Chartered Accountants (SAICA) herewith presents its comments and submissions on the 2026 Fiscal Framework and Revenue proposals announced by Minister Godongwana on 25 February 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.

Yours sincerely

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FINANCIAL GOVERNANCE

Expediency should not circumvent governance

1. The slow pace of implementation, the lack of efficiency in implementation, inadequate skilled and competent human resources and the lack of accountability and consequence management are some of the many challenges facing the economy and fiscal policy.
2. To enhance efficiency, government has responded through structural reforms that either proposed or created various engagement platforms or parallel structures e.g. Chief Procurement Office, Operation Vulindlela, Department of Planning, Monitoring and Evaluation etc. that seek to control, supervise or make more effective a function performed by other parts of the state.
3. Many of the new structures are usually a centralisation of functions that the other organs of the state should be accountable for. In addition, the expansion and ongoing changes to Ministries and portfolios creates uncertainty, may slow progress and portfolio overlap with inadequate reorganisation of pre-existing structures. The best example of this is the Ministry for Electricity, which was created to expedite changes in the energy sector, but created structural overlaps with the now discontinued department of Public Enterprises and the department of Minerals and Energy.
4. In some areas these parallel efficiency structures have worked and in others less so.
5. However, there does not seem to be any structural enhancements or progression in accountability at the implementing organ of state. For example, the state of local government and South African Police Service ('SAPS') procurement has not improved and the lack of financial competence continues.
6. A similar approach seems to be proposed for local government through various interventions. In this regard we submit that these programs should form part of the broader interventions previously undertaken by government and to apply it to the whole of government including:
 - Stricter enforcement of the 30-day payment rule¹ to reduce mainly total debt owed to suppliers, not just unpaid invoice numbers.
 - Structural reduction and management of all intergovernmental debt
 - Accountability and consequence management enforcement for lack of financial management and control
 - Implementation of the *Professionalisation of the Public Sector* proposals
 - Human Capital needs analysis with capacitation and competence reviews

- | |
|--|
| 7. <u>Submission</u> : We agree with and commend the Minister for the targeted interventions and agree that the state of local government requires urgent intervention. However, we submit |
|--|

¹ [Non-compliance with payments of invoices within 30 days - Q3 - 2025-26.pdf](#)

that caution should be exercised in creating a structural dependency on the National Treasury or shifting the function, as the interventions should specifically seek to create structural competence and enforce accountability and consequence management on local government officials and political leadership, for performance of functions and delivery of services to their communities as required by the current laws and regulations and governance policies.

PARLIAMENTARY BUDGET PROCESS

Extended time to comment

8. We welcome the extended time to comment on the Budget and Fiscal Framework 2026.
9. This enables us to consider better the proposals made and where possible, make alternative proposals based on the impact of the relevant budget trade-offs.
10. The current process, however, gives Parliament less than 24 hours to consider written comments made by the public before the hearings.
11. Though these comments can be considered after the oral hearings, it creates a missed opportunity for Members of Parliament to engage better with the public, after members have had the opportunity to study and consider the public comments in more detail. This would align to the *2013 Parliamentary Public Participation Model* as well, which recommends 7 days between receiving petitions and the hearings² by committees.
12. Submission: We submit that this change in timeline for the public to comment on the Fiscal Framework is most welcome and recommend that it be made a permanent feature of the Parliamentary process. Notwithstanding the annual urgency, we also recommend that this period be aligned with other Parliamentary periods for public comment and to the principle of reasonableness, given the volume and complexity of the subject matter.
13. Furthermore, we recommend that Parliament schedule the public hearings on the fiscal framework 7 days after the public comment submission date.

Legislative process: 2025 Tax Bills and beyond

14. The Fiscal Framework and Revenue proposals consists of both revenue and appropriations. The fiscal framework is implemented via legislation in the form of 5 annual Acts. The Minister habitually introduces the Appropriations Bill, Division of Revenue and Rates Bill with the Budget Speech in February each year.
15. However, the Taxation Laws Amendment Bill and the Tax Administration Laws Amendment Bill are usually only introduced in September each year, notwithstanding that they relate to the same fiscal framework and revenue proposals.

² [2013 Public Participation Model](#); [2024 Public Involvement in Committees workshop](#); [5th Parliament Public Participation Model Draft 2](#)

16. This timing has a direct impact on public consultation and the parliamentary legislative process. Furthermore, it means that Parliament adopts the appropriations side of the fiscal framework with the benefit of the detailed draft legislation; but without the revenue side of the legislation.
17. This late introduction is also creating timing anomalies which raise various legal and governance questions. The 2025 tax and rates bills have been the first to our knowledge, that have remained unenacted before the following year's Budget Speech. However, it would not be the first year that it was only enacted in the new calendar year after some of the stated effective dates should come into effect.
18. The first concern is the legal uncertainty that this has created for taxpayers and SARS, with many changes to the law in the 2025 tax bills having an effective date of "1 January 2026" and some, especially employees' tax, with an effective date of "1 March 2026". Where a rate change falls outside the announcement proviso, those rates only become law once enacted and the effective date has come to pass.
19. Furthermore, the law as it currently stands, allows the Minister to "enact" certain tax rates changes by means of the budget announcement itself.
20. This remains in effect for the earlier of 12 months or until Parliament ratifies these changes through the legislation that is to be enacted. As the current 2025 tax bills have not been enacted (they are awaiting Presidential signature), and following Parliament only finalising its process on 27 February 2026, the Minister's new announcement on 25 February 2026 will be law again, i.e. the Minister has amended his own 2025 legislative announcement with his 2026 announcement.
21. This applies notwithstanding that Parliament has never enacted or ratified the previous rates announcement. We have therefore amended rates for two tax years with no legal parliamentary ratification.
22. The current status quo is legally untenable for various reasons, many which have been raised before.
23. Submission: Clarity is sought on the legal status of the 2025 tax rate changes as announced by the Minister vis-a-vis the 2026 announcement and how taxpayers should comply with obligations that will be retroactive once the tax and rates bills are officially enacted. This challenge is created by the Minister's powers to set law by announcement, which cannot in practice be undone after the fact. We note the recent Western Cape High Court judgement³ on this matter and subject to the Constitutional Courts confirmation, Parliament will rectify this matter.
24. We furthermore recommend that Parliament, in collaboration with the Minister, review the tax legislative process, including giving consideration that all 5 bills are tabled on Budget Day, enabling Parliament and Treasury more time for public consultation and to ensure the tax and rates bills are passed and enacted timeously.

³ [Democratic Alliance v Minister of Finance and Others \(2025/045530\) \[2026\] ZAWCHC 102 \(5 March 2026\)](#)

MACRO ECONOMIC LANDSCAPE

Impact of Global Conflict on South Africa's Economic Outlook

25. Similar to 2022, the outbreak of a major conflict after preparation of the Budget has had a significant impact on the economic assumptions.
26. On the revenue side, the budget had the benefit of a gold price in 2022 that stayed in the \$1800 band, but in 2025/2026 from \$2640 to \$5385 i.e. more than 200%. If the war continues for a longer period, there is no guarantee that the current trend in commodity prices will persist, nor is it clear what effect this may have on longer fiscal revenue given the impact on households and business that will suffer financial strain..
27. However, in 2022 we did see a fuel price shock, with a 40% year-on-year price increase, and inflation peaking at 7,8%, with fuel adding 3% of that.
28. Similarly in 2026, we see fuel rising sharply by 10% as early as April 2026. With crude oil at over \$118, having risen from \$56, the following are price estimates for 93 octane if the currency remains stable and the crude oil price continues to increase to the following:
 - a. \$100 – R24,35 per lt
 - b. \$125 – R27,80 per lt
 - c. \$150 – R31,20 per lt
29. In addition, after appreciating for the last 12 months, the ZAR has sharply depreciated from R15,72 on 29 January 2026 to R16,81 by 8 March 2026 (i.e. 6,93%).
30. It is estimated that a 10% depreciation in the ZAR adds 0,12% to CPI⁴ due to the fact it has an upside and downside in the economy.
31. A 10% increase in the fuel price has a direct 0,482% increase in the Consumer Price Index ('CPI'). This would be in addition to the indirect increase through supply chains of goods and services.
32. Another factor as seen in the Ukraine war is the cost of global logistics and the impact on integrated logistics.
33. Should the Iran war only last for a part of 2026, it would already significantly alter the macro-economic assumptions as to GDP and CPI for 2026.
34. The Minister and National Treasury have noted they are confident we can weather the "war storm" due to the upside in fiscal revenue⁵ that results from particularly high commodity prices.
35. However, this seems to exclude the real impact on the private sector and households that will not benefit from a depreciating ZAR and higher commodity prices, which will further degrade the structure of the economy and its fiscal revenue capacity once those stabilise to lower levels.

⁴ [Codera-FX-Passthrough.pdf](#)

⁵ [National Treasury says it can weather shocks like Iran war - Moneyweb](#)

36. In addition, it will also reduce the appetite of the private sector to invest in large capital projects, whether State-backed or not, thus diminishing one of the fundamentals of the economic assumptions; namely, Government's ability to attract private sector Gross Fixed Capital Formation ('GFCF') without having to further direct fiscal resources to GFCF.

37. Submission: The Minister and National Treasury have done well to steer South Africa closer to debt and spending stabilisation. We caution against this good work being undone by not adjusting the economic assumptions and fiscal framework to incorporate these developments.

38. We therefore recommend that the fiscal framework be adjusted to incorporate the deterioration of various factors impacting the economic assumptions. We maintain that a cautious approach is necessary in such uncertain times. We also note that the SARB Governor has taken a similar approach and will be redrafting the monetary policy scenarios⁶.

Structural challenges in economy

39. We acknowledge the stabilisation reflected in selected macro-economic indicators and welcome efforts to restore fiscal credibility.

40. However, we remain concerned that recent outcomes reflect a pause in economic deterioration rather than the onset of a sustained recovery, and that the underlying structure of the economy continues to constrain growth.

41. While current indicators may suggest that the economy has "turned the corner", the evidence indicates that South Africa has largely stagnated at a low level of economic performance. Growth remains weak, volatile, and insufficient to meaningfully address unemployment, poverty, or fiscal sustainability. The current fiscal framework appears focused on risk containment rather than on unlocking materially higher growth.

42. We are particularly concerned that persistent and growing infrastructure failures and impact thereof on budget allocation are not adequately reflected in medium-term spending plan and growth assumptions.

43. Widespread water and wastewater system failures and the deterioration of transport and logistics networks remain binding constraints on economic activity. These failures directly affect mining, manufacturing, agriculture, and export-oriented sectors, and undermine private sector investment and productivity. Without credible resolution of these constraints, projected growth outcomes risk being systematically optimistic.

44. The reality is that if infrastructure replacement does not occur at a rate faster than infrastructure deterioration, we will not "turn the corner". In fact, to turn the corner South Africa needs net infrastructure growth with the population growth and need is not stagnant.

⁶ [South Africa central bank to redraft risk scenarios as Iran war boosts oil price | Reuters](#)

45. We further note that the structure of the South African economy has continued to shift away from productive, goods-producing sectors toward social services and financial services. This makes the economy vulnerable to confidence and mobility risks.
 46. Productive sectors such as manufacturing, mining, and agriculture are capital intensive and location specific, and are therefore highly sensitive to infrastructure reliability and policy certainty.
 47. By contrast, service-based and financial activities are more mobile and may relocate rapidly in response to deteriorating conditions. This asymmetry increases the risk of a gradual erosion of the productive base if structural constraints persist.
 48. While these sectors play an important role, they are not typically associated with largescale employment creation or export-led growth. Public expenditure patterns that continue to prioritise consumption over productive investment, risks entrenching this structural imbalance and limiting long-term growth potential.
 49. In this context, we emphasise that fiscal policy must demonstrably support economic policy objectives. The National Development Plan ('NDP') remains the stated framework for long-term economic development, including its emphasis on infrastructure-led growth, productive investment, and structural transformation.
 50. Where fiscal outcomes diverge from these objectives, such divergence should be clearly acknowledged and explained, together with a transparent articulation of how economic policy goals will nonetheless be achieved.
 51. The Minister in collaboration with the SARB Governor has sought to curtail inflation, interest rates and the consequential cost of debt. However, we also note the impact of rising electricity tariffs, municipal charges, and other administered prices on production costs and household expenses which are in many instances 2-3 times the official inflation rate⁷. While headline inflation may remain within target ranges for now, the effective cost pressures faced by businesses and households are significantly higher.
52. Submission: We therefore submit that the current economic trajectory is reflecting stabilisation without structural transformation. Without decisive intervention to resolve infrastructure bottlenecks, realign expenditure toward productive investment, and ensure coherence between fiscal and economic policy, the economy is unlikely to achieve higher, more inclusive, and more sustainable growth.
 53. We request clarity on how current fiscal choices are expected to translate into improved economic outcomes, how infrastructure-related growth risks are incorporated into medium-term projections, and how fiscal policy is being aligned to support the objectives of the NDP.

⁷ [Eskom's secret 28% electricity price increase – MyBroadband](#); [2025 26-City-of-Tshwane-Promulgated-Tariffs.pdf](#); [Ports Regulator trims NPA tariff hike to 7.57% for 2026/27 financial year](#)

Labour skills required for a high-growth economy

54. Submission: We echo the concerns raised by the Minister in his speech regarding the effectiveness of SETAs and the National Skills Fund in producing the skills required for the economy, and welcome further action necessary to reform funding of the skills development system. We submit that the review of monies allocated to SETAs could also ensure that advisory structures such as the Human Resource Development Council of South Africa (HRDC-SA) are adequately resourced and empowered to fulfil their mandate.

Infrastructure to drive the economy

55. We welcome the continued policy emphasis on infrastructure as a critical enabler of economic growth and acknowledge the stated intention to increase investment through a combination of public expenditure, state-owned entities (SOEs), and private sector participation.
56. However, we remain concerned that the current approach does not adequately address the structural scale of South Africa's infrastructure deficit.
57. While NT is to be commended for increasing the allocations for water infrastructure over the medium term by over 20%, compared to Budget 2025 estimates, this increase comes at the cost of decreases to what was initially allocated towards transport/logistics and energy in 2025 as the trade-off.
58. Total infrastructure investment remains materially below the benchmarks set out in the NDP, which envisages infrastructure spending of approximately 30 per cent of GDP, with government contributing around 10 per cent and the private sector the balance (20%).
59. However, current government infrastructure expenditure appears to remain closer to 3–3.5 per cent of GDP vs. 10.8% (2024) of GDP from the private sector. This persistent shortfall reflects a structural constraint rather than a temporary deviation and raises concerns about the credibility of long-term infrastructure delivery targets.

Public vs private infrastructure – classification

60. We also highlight the need for greater clarity in the classification of infrastructure expenditure by the Public Sector.
61. Budget 2026 notes that a significant portion (54%) of reported R1 trillion infrastructure investment over the medium term is undertaken by SOEs, particularly in energy, transport, and logistics (i.e. Transnet and Eskom).
62. While these investments are important, it seems that they are largely funded through user charges, borrowing, and private capital rather than direct fiscal transfers. Presenting SOE capital expenditure as government investment, risks overstating the state's direct contribution and obscuring the true extent of public underinvestment.

Reliance on the private sector

63. We further note the growing reliance on risk mitigation instruments, guarantees, blended finance facilities, and public-private partnerships (PPPs) to crowd in private sector capital.
64. While such instruments may have a role to play, they do not constitute direct capital investment and primarily seek to reallocate risk rather than increase the overall volume of funding. Previous experience suggests that risk mitigation mechanisms alone are insufficient where underlying project economics remain weak or where systemwide failures persist⁸.
65. An example of this is the COVID-19 SME loan guarantee scheme, where a government guarantee (initially R100 billion) was meant to encourage commercial banks to lend to distressed businesses they might otherwise consider too risky. Unfortunately, the 'take-up' from the private sector was less than 20%⁹ as banks did not lend at the levels envisaged by NT (despite the government guarantees), because residual risk remained commercially unattractive. Long term capital projects have a significant residual risk and where risks are reduced by the fiscus rather than improving the business proposition, it can become costly to the fiscus.
66. In addition, we caution against overestimating the scale and speed at which private sector investment can realistically be mobilised. The magnitude of funding required to meet infrastructure targets is substantial, and incremental private sector commitments are unlikely to close the gap where total annual requirements run into the trillions of rands. The risk is that modest inflows are interpreted as validation of an approach that remains structurally inadequate.
67. We also highlight the need for greater clarity in the classification of infrastructure expenditure.
68. Budget 2026 notes that a significant portion of reported infrastructure investment is undertaken by SOEs, particularly in energy, transport, and logistics (i.e. Transnet and Eskom).
69. While these investments are important, clarity is sought if this will be largely funded through user charges, borrowing, and private capital rather than direct fiscal transfers e.g. as noted by Eskom in investing R383 billion in Flue Gas Scrubbers which it will seek to get from users.
70. We are further concerned about the long-term implications of relying on PPP-driven infrastructure delivery for essential network services. Such arrangements, whilst they may enable accelerated infrastructure development, typically lock in contractual and fiscal commitments for decades. In the absence of clear policy alignment and fiscal capacity, this approach may constrain future policy choices while failing to resolve urgent infrastructure backlogs.
71. Finally, we emphasise that infrastructure failure is no longer a future risk but a present constraint on economic performance. Persistent electricity insecurity, deteriorating

⁸ This is a confirmed historical risk appetite phenomenon. *"In the wake of the 2009 recession, the private sector has been reluctant to invest its healthy levels of retained earnings in productive capacity."*

[NDPBook FrontCover3.CDR](#)

⁹ [Wits University \(WIReDSpace\): "Assessing South Africa's Loan Guarantee Scheme"](#)

transport corridors, and widespread municipal water and wastewater failures continue to undermine productivity, investment, and growth. We are concerned that current growth projections may not fully reflect the economic costs of ongoing infrastructure decay.

72. Submission: We therefore request clarity on how the current infrastructure funding mix will be scaled to meet NDP targets, the extent to which government intends to increase direct public investment, how risks associated with long-term private sector lock-in will be managed and whether the policy reforms will allow partial privatisation of state assets.

FISCAL FRAMEWORK

Credibility of the Budget

73. SAICA has over many years raised concerns over the credibility of the Budget as relates to whether that which is shown as budgeted for, is credible as to quantum, based on the stated assumptions, without even having to consider the credibility of budget structure and mix.

74. For example, are credible assumptions made as to Revenue estimates, Expenditure and Debt based on historical data and facts, given the year-on-year failure to meet these estimates which seemed to be based on unrealistic assumptions to start with?

75. These have historically included such matters as under-budgeting on the public sector employees' compensation budget where it had not yet been negotiated with labour¹⁰ and has previously habitually exceeded the previous budgeted amounts. Other examples also include historical overestimating of economic growth over the past 15 years, or not budgeting for SoE bail-outs when the latter was government policy.

76. In this regard the Minister and National Treasury must be commended on a lot of the hard work that has slowly enhanced this aspect of credibility of the budget estimates and assumptions. We also commend the Minister for now expanding this credibility exercise to local government. For example, per the Auditor General, 68% of municipalities' budgeted revenue is overestimated, based on unrealistic recovery assumptions which then leads to overspending and deficits funded by debt. Furthermore, 113 municipalities have unfunded budgets¹¹ and more than 60% have pre-spent more than 10% of the next year's budget.

77. Submission: We commend the Minister and National Treasury for improving the credibility of the budget and recommend that they continue and maintain this process, which enables transparency for better public engagement on the actual structure and composition of the budget in achieving outcomes.

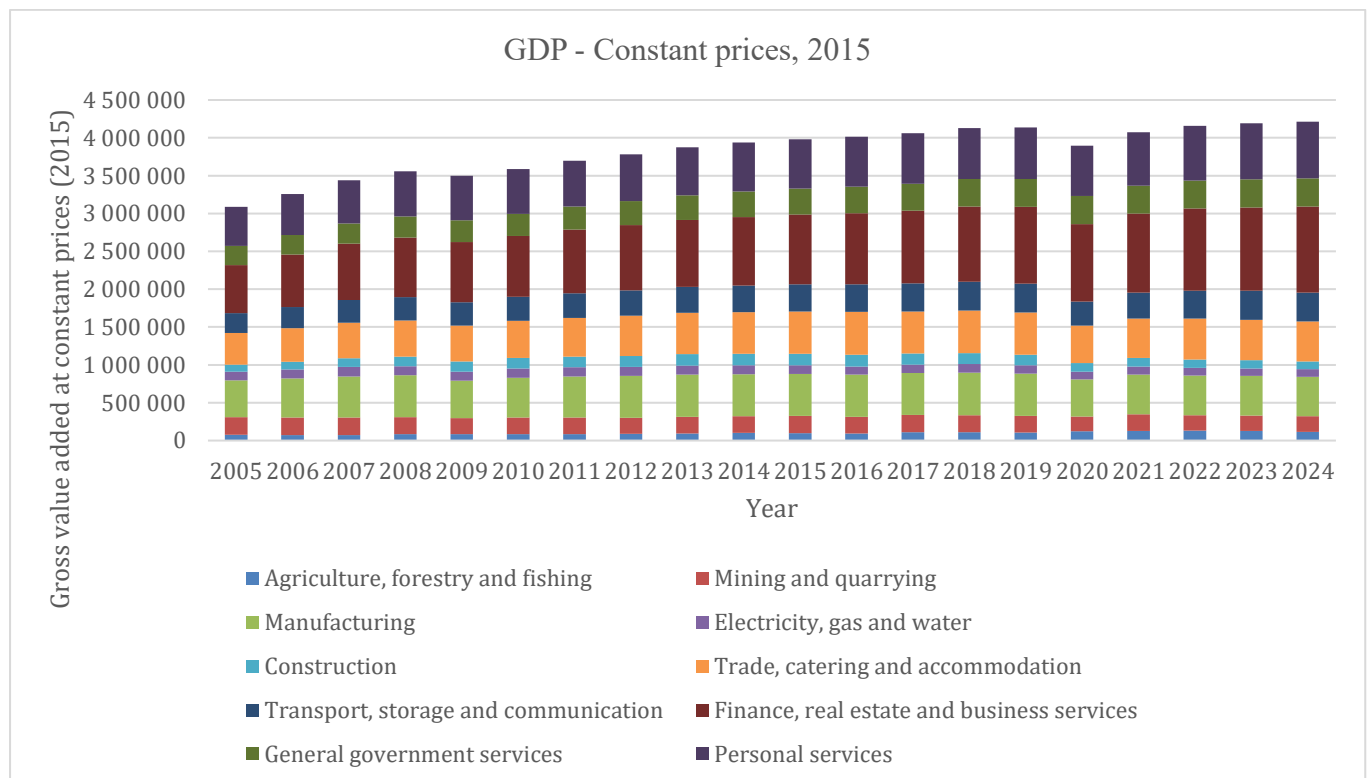
78. The next aspect of credibility of the budget is that of its structure and mix i.e. can the budget as presented realistically achieve the outcome it sets?

¹⁰ [6hoa.pdf](#)

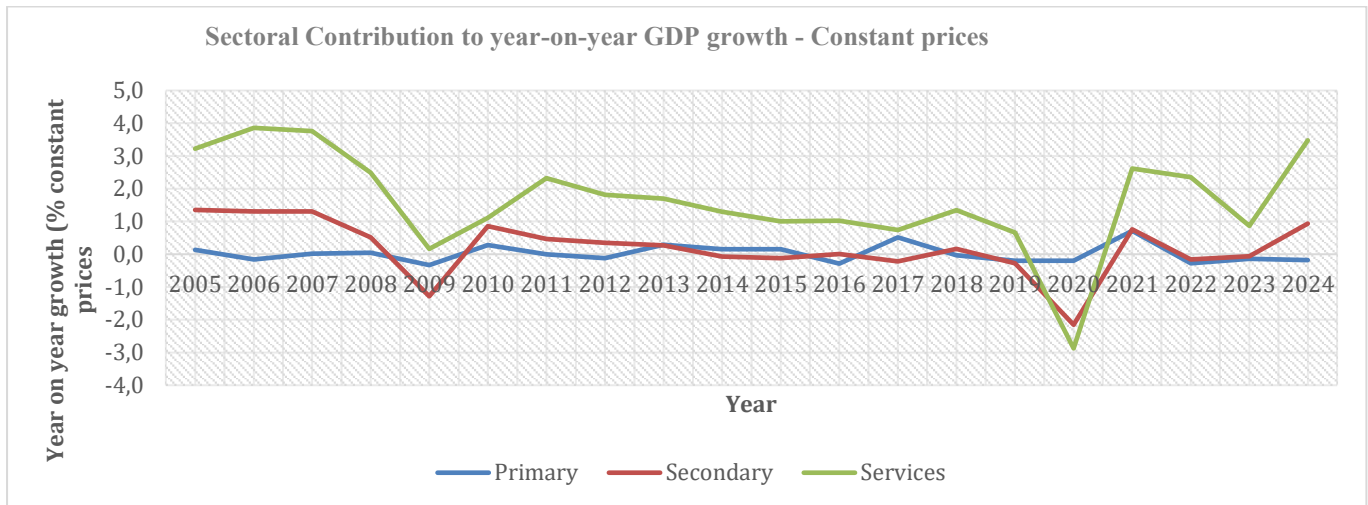
¹¹ [MFMA Report 2023-24 interactive \(updated August 2025\).pdf](#)

Budget Structure: What type of economy do we want?

79. To evaluate this second “credibility” criteria of the Budget we need to look at what type of economy the Budget is trying to achieve.
80. The NDP sets the macro-economic policy key proposals and roadmap to which fiscal policy and the budget should align.
81. Key proposals were:
- Raising exports while taking steps to prevent excessive overvaluation of the currency
 - Improving skills development
 - Breaking the disincentive to hire young, unskilled work seekers by incentivising the employment of young, unskilled work seekers
 - Using fiscal policy to raise savings and investment and to reduce consumption
 - Taking measures to increase competition in regulated sectors or broadening price regulation in sectors that are natural monopolies
 - Lowering the costs of transport and logistics and investing in remedies to address spatial divides
 - Strengthening the social wage to raise living standards of those out of work or in low paying jobs.
82. Where there are mismatches or deviations from the NDP proposals, it would be expected that these are specifically noted and explained by the Minister.
83. The SA economy has seen a structural shift from 20 years ago.



*Latest data from STATSSA up to 2024. Compiled by AML Research Solutions



84. Personal services, finance & business services sectors have been growing while mining and manufacturing has declined. Gas/electricity, construction and agriculture have been stagnating.
85. This has an impact on which skills the economy will require and produce. The declining and stagnant industries in the economy are mainly larger employers and producers of artisan skills. Enrolments in TVET colleges have been declining, peaking in 2015. The DHET 2025-2030 strategy notes there are currently 481 513 TVET enrolments and targets 600000 enrolments by 2030 i.e. less than 2012¹² of 657 690. Whether there will be jobs for these students will depend on the type of economy we are building in the next 5 years.

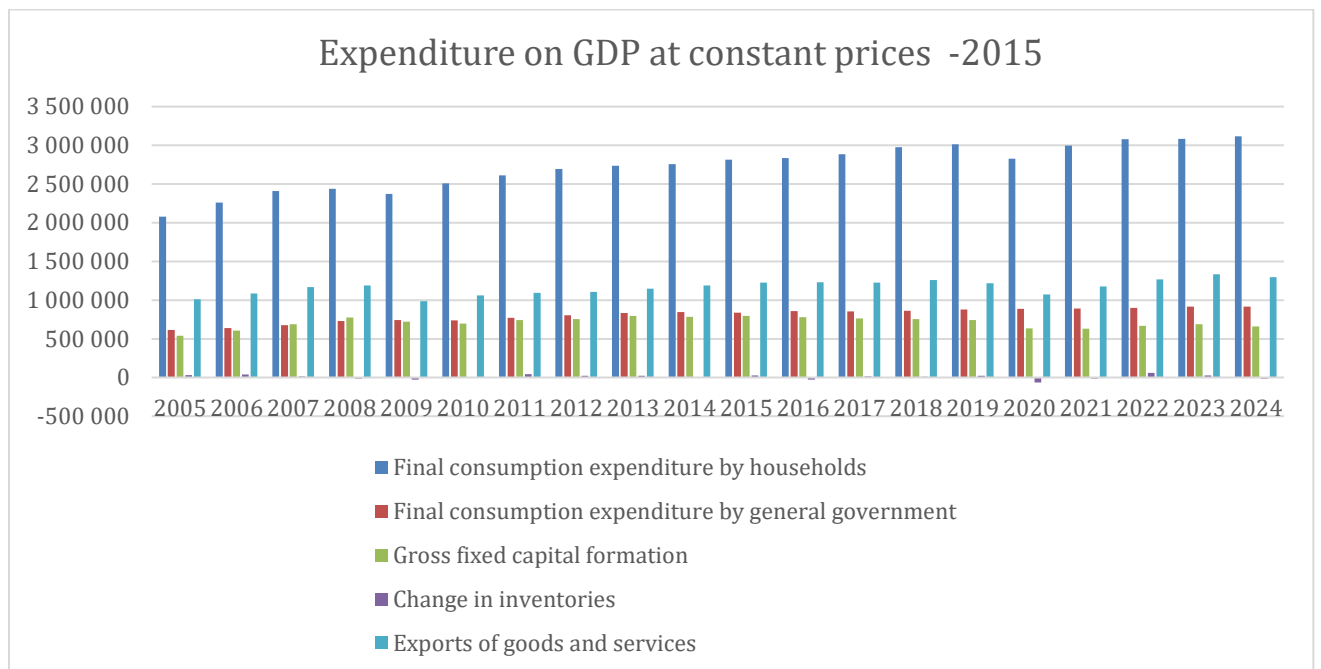
¹² <https://www.dhet.gov.za/Strategic%20Plans/Strategic%20Plans/DHET%20TABLED%20REVISED%202025-2030%20STRATEGIC%20PLAN.pdf>

Table 5.1: Enrolment in TVET colleges, 2010–2023

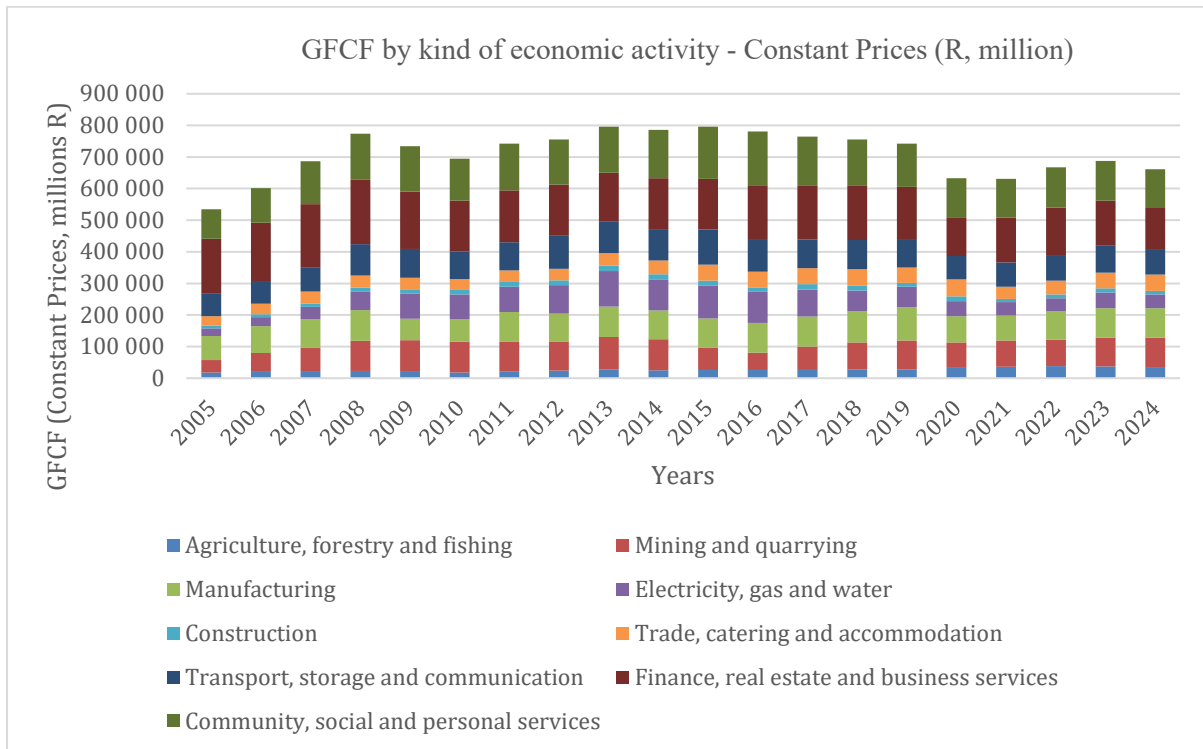
Year	Qualification Category						Total
	NC(V)	Report 191 (N1–N6)	Occupational Qualifications	Other/skills programmes	PLP	Level 5 and Level 6 Qualifications	
2010	130 039	169 774	23 160	35 420	n.a	n.a	358 393
2011	124 658	222 754	20 799	32 062	n.a	n.a	400 273
2012	140 575	359 624	62 359	95 132	n.a	n.a	657 690
2013	154 960	442 287	19 000	23 371	n.a	n.a	639 618
2014	166 433	486 933	19 825	29 192	n.a	n.a	702 383
2015	165 459	519 464	20 533	32 424	n.a	n.a	737 880
2016	177 261	492 026	13 642	22 468	n.a	n.a	705 397
2017	142 373	510 153	10 969	24 533	n.a	n.a	688 028
2018	131 212	482 175	20 106	23 355	285	n.a	657 133
2019	138 912	494 070	22 886	14 025	3 597	n.a	673 490
2020	146 637	274 907	20 130	3 888	5 250	1 465	452 277
2021	141 768	416 949	18 277	6 653	4 581	855	589 083
2022	135 727	356 575	15 837	4 505	4 420	1 520	518 584
2023	134 005	402 653	15 474	6 997	4 323	637	564 089

Source: 2023 TVET College Enrolment_Final_02 April 2025.

86. Real GDP total growth over 9 years is approximately 5.4%, with an average annual growth of less than 0.6% per year. Real investment in 2024 is lower than it was in 2005 when adjusted for the base year, showing a significant decline in the volume of capital formation. It is also 17% lower than the 2008 peak.



87. These declining industries are also capital intensive.



88. The constant price data reveals that the apparent growth in nominal GFCF was essentially caused by inflation.

89. The reality is that South Africa's real fixed investment has been stagnant or declining for over a decade. Total real GFCF in 2024 (R661.1 billion) is virtually similar to what it was in 2006 (R603.8 billion) and is 22% lower than the 2008 peak (R775.0 billion).

90. This is particularly in the primary industries and manufacturing and construction.

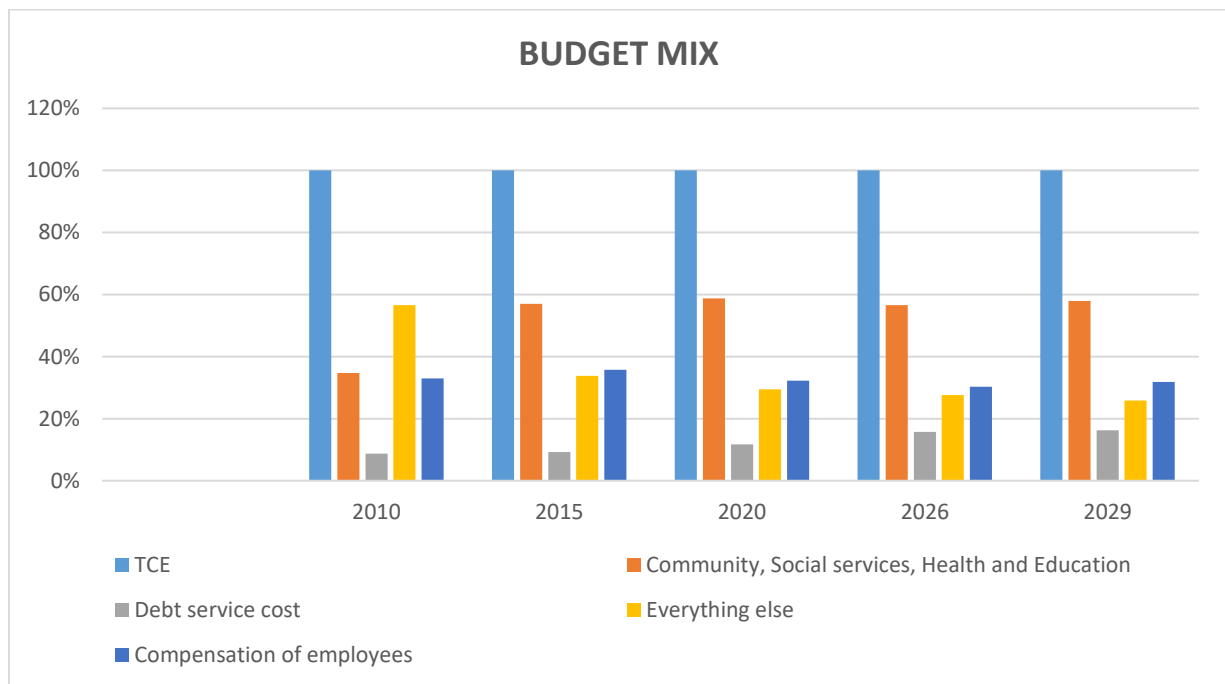
91. The issue of decline or stagnation in other sectors such as agriculture has been exacerbated by the impact of geopolitical landscape and tariffs imposed on South Africa

92. Submission: The Budget correctly proposes growing the economy by starting with capital infrastructure. However, clarity and strategic prioritisation is required on which economy will we focus on in the next 5 years and what infrastructure will drive such economy e.g. water, electricity and logistics? The Minister is correct that we have many trade-offs, but it is not clear which trade-offs we will be making, especially in incentivising private sector capital.

93. SAICA supports the supply chain approach that will leverage on regional trade opportunities under the African Continental Free Trade Agreement (AfCTA) and the scaling of the Public-Private Partnerships (PPP). However, the related implementation frameworks and structures need to be strengthened.

Structure of the Budget

94. The last 3 decades the budget structure has changed, though with Budget 2026 seemingly following the same structure as the last decade.

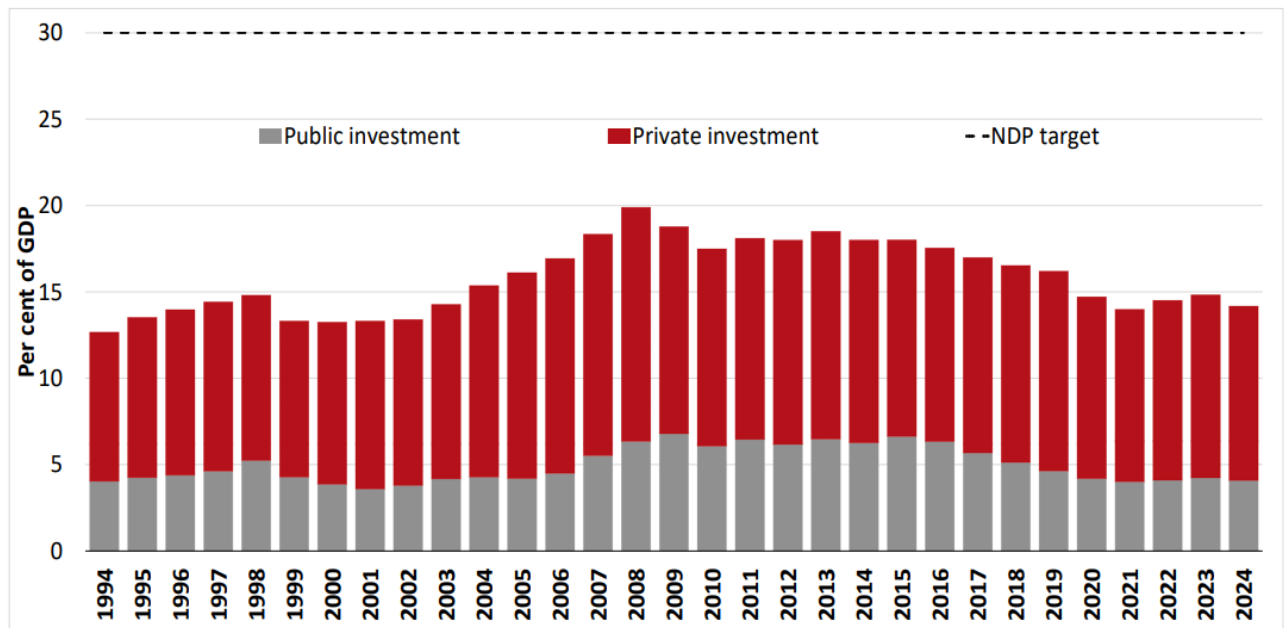


95. In 2010, as a percentage of the Total Consolidated Expenditure ('TCE'), debt service costs were a lot less and the "rest of the budget" (excl. Health, Education, Community and Social) made up the majority of the budget. The "rest of the budget" has for the last decade, and will into 2029 medium term, constitute a smaller minority of expenditure. The question, therefore, is whether the Budget really changed structurally to drive the growth narrative.

96. GFCF is noted in Budget 2026 as the fastest growing item, but it comes from a very low base therefore using a nominal amount growth is a better reflection than percentage of budget growth.

97. In respect of the growth in GFCF by the public sector and the R1 trillion over the medium term, 54% is at SoE's and it seems will be financed from charges to the private sector, and not appropriations from government i.e. its private sector contribution. Notably the private sector has also been disinvesting from GFCF though that also tracks the change in the structure of the economy to services and finance which is less capital intensive.

Figure D.1 Public- and private-sector capital investment as a share of GDP, 1994–2024



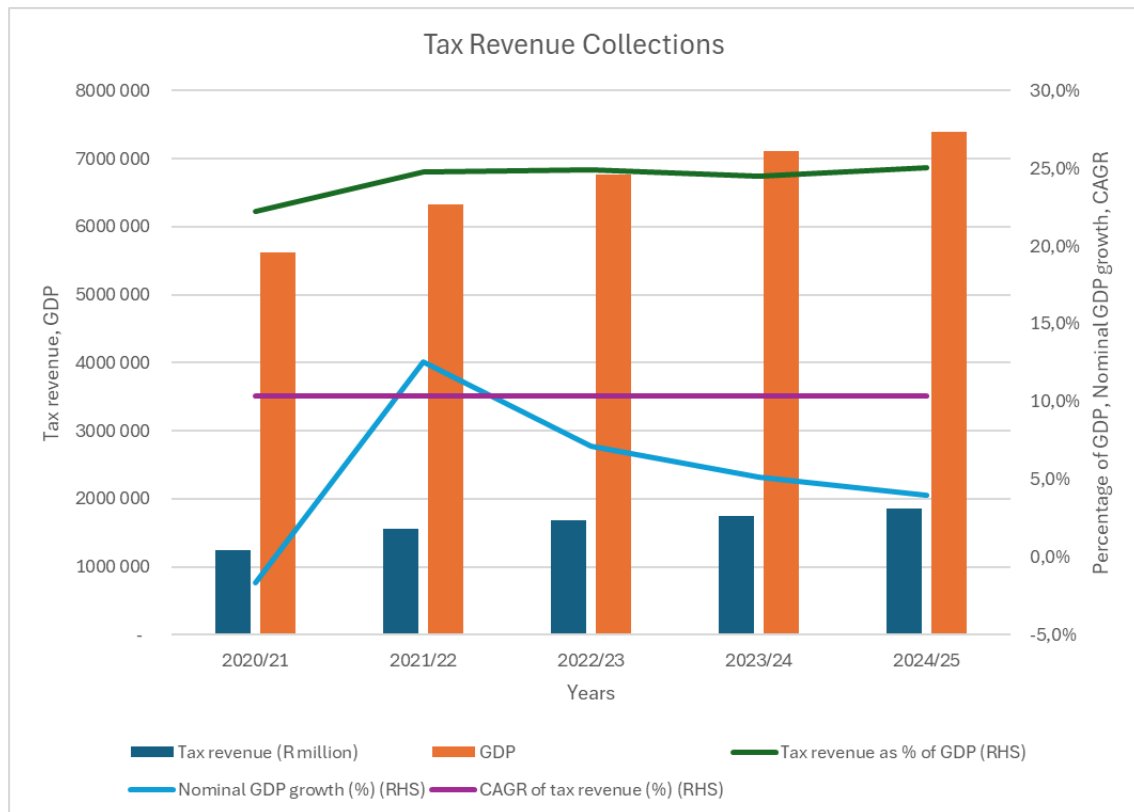
Source: South African Reserve Bank

98. Therefore, excluding SoE's, it will hover at just over 5% of the TCE without really growing in the medium term unless we make trade-offs and change the structure of the budget to achieve the outcomes we seek. There is also a material risk in the policy and the relevant proposals to seek the GFCF funding shortfall from the private sector as discussed below.

REVENUE

Structural revenue

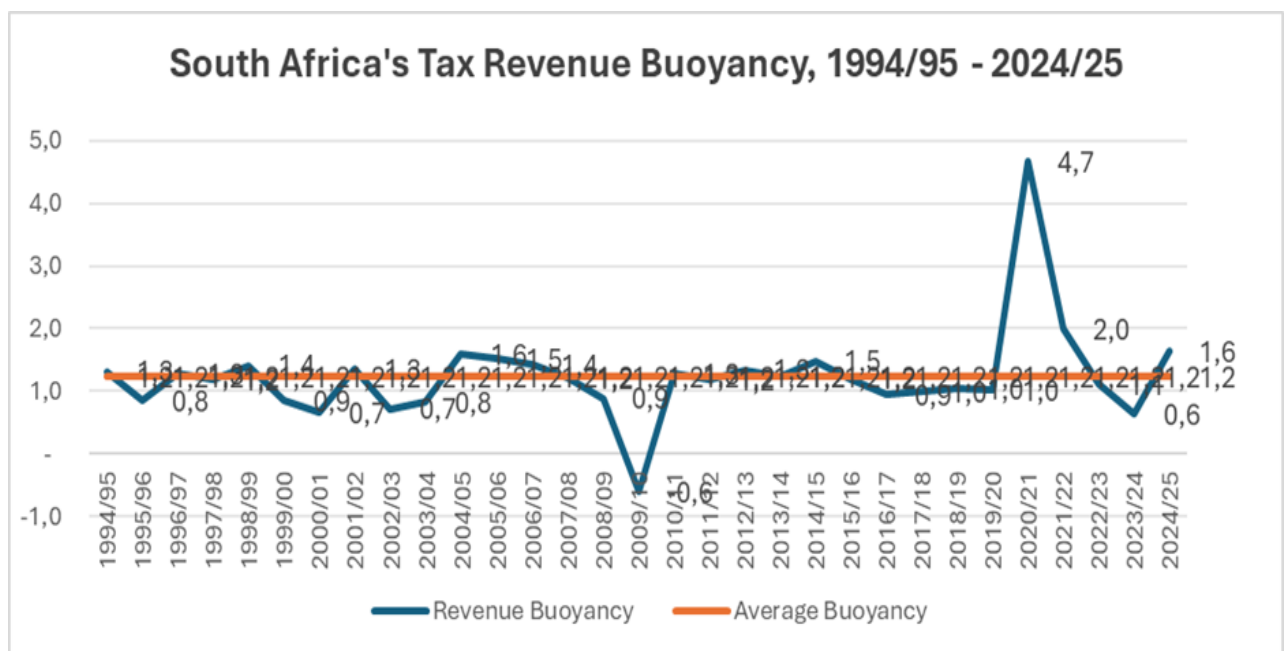
99. Over the last decade the budget has stated that it will focus on expanding the tax base i.e. structural include new taxpayers and transactions, with the former being the main focus .



*Compilation using SARS Tax Statistics database: AML Training and Research Solutions

100. Trends in South Africa's tax revenue, nominal GDP, tax revenue as a percentage of GDP, nominal GDP growth, and the compound annual growth rate (CAGR) of tax revenue over the period 2020/21 to 2024/25. show how tax collection performance has evolved relative to overall economic activity and growth dynamics.
101. The above figure shows that the contraction in nominal GDP in 2020/21 coincided with a decline in the tax-to-GDP ratio to 22.3%, illustrating the sensitivity of revenue to economic slumps.
102. The strong economic rebound in 2021/22, with nominal GDP growth of 12.6%, was accompanied by a sharp recovery in tax collections and an increase in the tax-to-GDP ratio to nearly 25%, reflecting post-COVID recovery effects, favourable commodity prices and strengthened compliance. (Treasury, 2025)

- 103. As economic growth moderates thereafter, the tax-to-GDP ratio stabilises within a narrow band of about 24–25%, while tax revenue maintains a steady CAGR of 10.4% (OECD, n.d.)
- 104. This pattern suggests that recent revenue gains are largely cyclical and consistent with macroeconomic recovery rather than driven by a deep structural expansion of the tax base, strengthening the assumption of more moderate, GDP-aligned revenue growth in forthcoming projections.



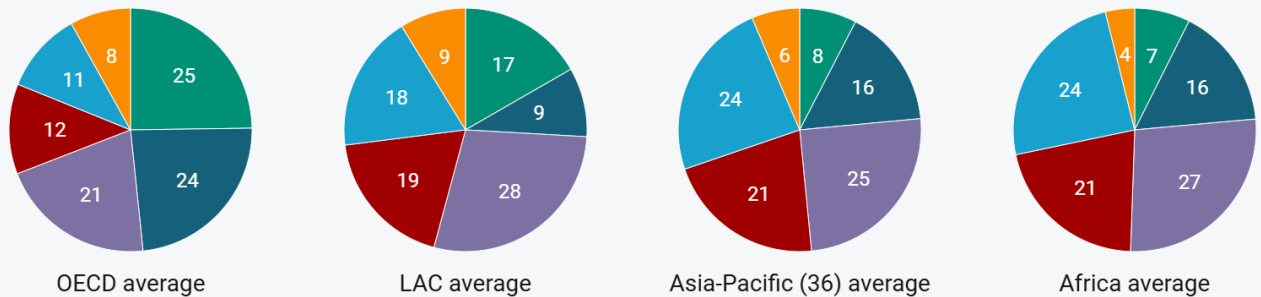
- 105. The key message is that the average revenue buoyancy of about 1.2 indicates that, over the long run, tax revenue has tended to grow slightly faster than GDP. (Revenue Statistics in Africa 2024, n.d.) This is important because it establishes a credible historical benchmark for forecasting and evaluating future revenue projections.
- 106. However, the annual values exhibit strong cyclical volatility, underscoring the importance of distinguishing cyclical from structural buoyancy.
- 107. During periods of strong economic expansion and commodity booms (early to mid-2000s and the post-COVID rebound in 2020/21 to 2021/22), overall buoyancy rises above 1, indicating rapid revenue gains closely linked to short-term commodity-driven activity and strong economic cycles, rather than to fundamental improvements in the tax system.
- 108. By contrast, crisis periods such as the 2009 global financial crisis (-0.6) and recent weaker growth years (2023/24 at 0.6) show buoyancy falling below 1, showing the susceptibility of revenues to macroeconomic shocks.

109. Another concern is the structural and growing over-reliance on Personal Income Taxes ('PIT'), which is now 40% of the Budgeted Revenue and remaining such in the medium term. Compared to the rest of the world, South Africa's tax mix is overly reliant on PIT, as indicated by the below OECD average at 24%.¹³
110. This creates a risk where the progressiveness of the PIT and its large contribution to the tax mix requires only a very small loss of taxpayers in higher bands to have a material impact.¹⁴

Tax structures for the OECD and regional averages in 2022 (% of total taxation)

Tax structures for the OECD, LAC, Asia-Pacific (36) and Africa averages and for selected economies in 2022. Economies in Africa, Latin America and the Caribbean and Asia and the Pacific rely more on taxes from goods and services and corporate income taxes, whereas OECD countries rely more on revenue from social security contributions and personal income taxes.

■ Social security contributions
 ■ Personal income tax
 ■ Value added taxes
 ■ Corporate income tax
 ■ Other taxes on goods and services
 ■ Other taxes



Notes: The Asia-Pacific average represents 36 economies included in Revenue Statistics in Asia and the Pacific 2024. The Africa average represents 36 economies included in Revenue Statistics in Africa 2024.

Source: OECD 2024 • Get the data • Created with Datawrapper

111. The extraction of tax from the economy also continues to grow notwithstanding the Minister's tax relief measures in 2026. Tax-to-GDP for 2026 exceeded the Budget 2025 estimates and will grow to over 26%.

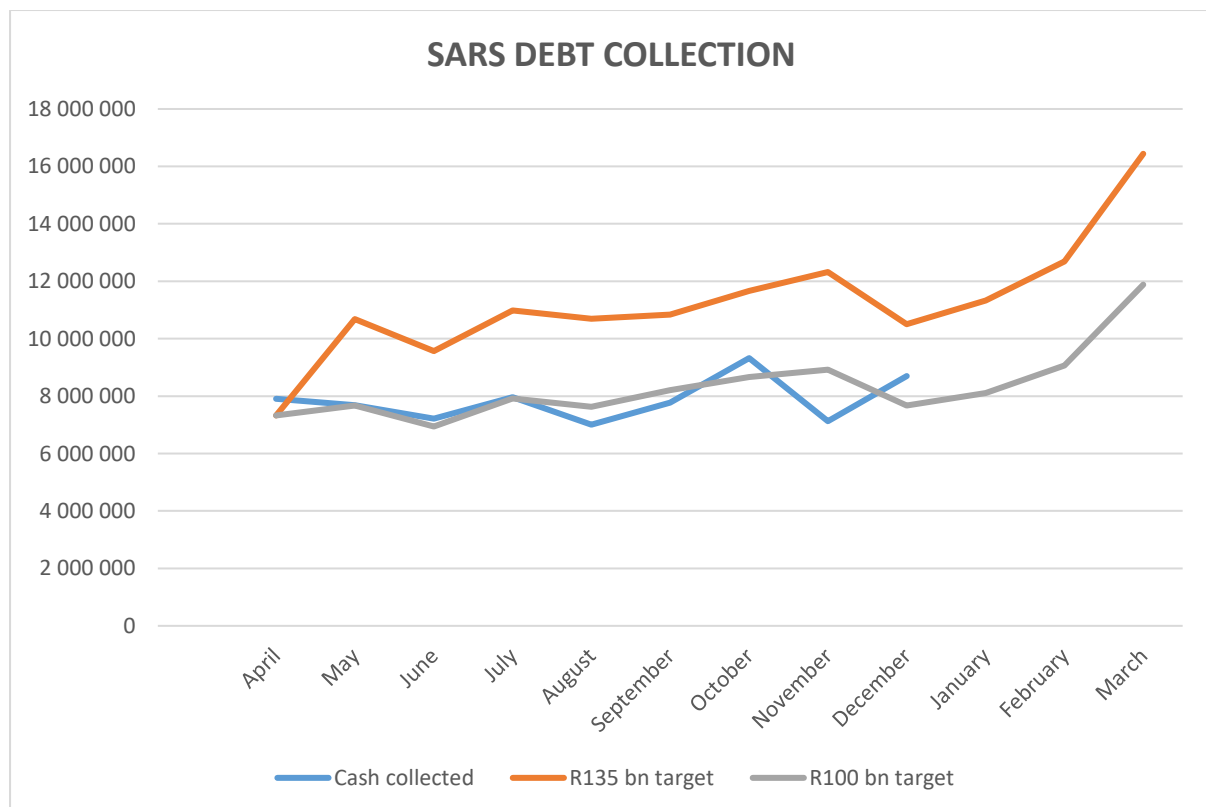
112. Submission: More clarity should be sought on the expansion of the tax base and what metrics are being monitored and reported to Parliament to measure progress. The upward increase without real expansion of the tax base is noted, thus it is submitted that it is not sustainable but has become structurally embedded.

¹³ [Global tax revenues | OECD](#)

¹⁴ [Global tax revenues | OECD](#)

Tax Debt Management

- 113. Tax debt collection formed a key part of Budgeted Revenue for 2025, though seemingly less so for 2026.
- 114. Budget 2025 focused on recapacitating SARS with extra resources whilst seeking to contain an ever-growing debt book that now sits at R650 billion in 2026.
- 115. SARS' debt collection for 2025/2026 tracked the revised budget but not the extended target.



- 116. However, as no age analysis is provided and new debt is added, it was unclear how much of the collection came from which historical periods vs recent debt.
- 117. The undisputed debt book has now grown from R253 billion (2022) to R650 billion (2026) without explanation and how this reflects on the quality of debt book (i.e. how much of the tax debt is irrecoverable). We welcome the same observations by Deputy SARS Commissioner Makhubu and look forward to the further details¹⁵.

¹⁵ [Kieswetter's 5 fixes for the illicit economy | News24](#)

118. Also worrying is that the disputed tax debt book has grown from R47 billion (2022) to R127 billion (2025), again without explanation. Without explanation, it also raises questions as to quality of tax assessments.

119. Submission: SARS debt book requires more disclosure of age analysis and reasons for the significant growth of both the undisputed and disputed debt books. Clarity is also required as to how much the medium-term budget revenue is reliant on historical debt collections.

Tax proposals

120. We commend National Treasury's adjustments of various tax thresholds, rebates and limits¹⁶ after repeated requests over the years. The adjustment of the VAT threshold from R1 million to R2.3 million is particularly noteworthy, and will assist in reducing the compliance burden on small business.

121. We appreciate the adjustment of personal income tax brackets and rebates partially for inflation, to ease the financial burden on households, though the inflationary tax burden continues to increase for those over R350 000 income bracket

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

¹⁶ Table 4.6 of the 2026 Budget Review

EXPENDITURE

122. We seek clarity on several expenditure-related policy inconsistencies.
123. In particular:
- No funding is allocated for the restructuring of Eskom, despite stated policy commitments and Eskom's own estimates of required funding; and
 - No provision is made for entities such as SAA and the SA Post Office restructuring, despite ongoing policy ambiguity.
 - No further provision/contingency reserve is made for contingent liabilities for medico legal claims (R120bn¹⁷) and claims against the police (R56 billion¹⁸). This is set at R39 billion for the whole of the medium term (lower than 2021). Clarity is sought on whether this is realistic.
124. Where government has determined not to fund these restructuring initiatives, this position should be explicitly framed as a policy choice, rather than a fiscal omission.
125. We note the allocation, mentioned by the Minister in his speech, of R5.8 billion for rolling stock to the Passenger Rail Agency of South Africa (PRASA), but remain concerned about the entity's historical inability to safeguard and effectively deploy capital assets, given recent evidence of significant rolling-stock losses¹⁹ and prior large-scale procurement failures²⁰.
126. In this context, we request clarity on the governance safeguards, oversight mechanisms, and accountability measures that will ensure that the current allocation is used for its intended purpose and does not repeat past patterns of wastage and misappropriation.
127. With regards to the South African National Defence Force (SANDF), the fact that its personnel costs absorb a substantial share (i.e. more than 60%) of the budget continues to constrain spending on maintenance and operational readiness, raising concerns about whether current allocations will achieve their stated objectives.
128. Long-standing structural reforms to its cost composition have not been implemented since 1998, particularly the recommended shift toward a 40-40-20²¹ split between personnel, operations, and capital expenditure, as identified in earlier defence reviews.

¹⁷ [Re-engineering medico-legal litigation: Eliminating behavioural dysfunction to achieve efficiency and justice in Limpopo's medico-legal claims - De Rebus](#)

¹⁸ [SAPS crisis: R56bn bill for unlawful arrests and detentions](#)

¹⁹ [PRASA blocks DA oversight as shocking images expose R7.5 billion train scandal](#)

²⁰ [Transnet arrests 7 years after the crime: Better late than never | OUTA](#)

²¹ [Defence Review 2015 print.pdf, page 1-342 @ Normalize](#)

129. Submission: We therefore request clarity on how current and future allocations will be conditioned on measurable progress in implementing cost-structure and procurement efficiency reforms, and how government will ensure that expenditure translates into improved operational capability and service delivery rather than reinforcing existing inefficiencies.

DEBT SUSTAINABILITY – RATIOS AND REFINANCING

130. We note the improvement in headline debt-to-GDP projections over the medium term and welcome the emphasis on fiscal discipline.
131. However, we remain concerned that the apparent stabilisation of debt ratios is driven primarily by upward revisions to GDP assumptions rather than by a reduction in the absolute level of government debt. In 2025/2026 the target was missed by a full 1% of GDP.
132. In nominal terms, government debt continues to increase over the medium term by R1trillion. This indicates that the underlying debt burden is still growing, even as debt-to-GDP ratios appear to improve.
133. We are particularly concerned about the reliance on the primary surplus as a key indicator of fiscal consolidation. While a primary surplus is an important signal, it excludes debt service costs, which remain the largest and a fast-growing component of expenditure. Achieving a primary surplus does not, in itself, imply that debt is stabilising or declining, particularly where nominal debt and interest costs continue to rise.
134. Debt will only stabilise if SA redeems debt at a faster pace than it is borrowing and the ratio stabilises only if debt grows at the same rate as GDP, the latter which we do not believe should be the benchmark.
135. We also note the increased use of debt refinancing and maturity extension to manage cashflow pressures.
136. Government seems to be increasingly refinancing short-term debt into longer maturities to reduce immediate cash-flow pressure. While this lowers short-term debt servicing costs, it extends repayment obligations and is being used to create space for additional borrowing, rather than accelerating debt reduction. It is submitted that this approach postpones, rather than resolves, fiscal risk.
137. Debt sustainability is further exposed to downside risks in growth performance. Should economic growth underperform current projections, the debt-to-GDP ratio could deteriorate rapidly, reversing recent gains and increasing vulnerability to higher borrowing costs and adverse credit rating outcomes. This concern was raised by one of the credit ratings agencies.

138. Submission: We therefore seek clarity on the government's long-term debt strategy beyond headline ratios, including the role of debt refinancing, the treatment of debt service costs in fiscal targets, and the assumptions underpinning growth driven improvements in debt metrics. Furthermore, it may be prudent to set the targeted debt

tax to GDP (e.g. 25%) and debt service cost to GDP (e.g. 3,5%) so that structurally the budget can work its way towards it.

END.