

Debt, diesel, and digitisation: What might the 2024 Budget Speech deliver?

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Finance Minister Enoch Godongwana's budget speeches garner enormous attention, as his choices impact the average South African individual and business more than most other events. What can we anticipate from the 2024 Budget Speech?



Source: Supplied. Ania Strydom, compliance research manager at PaySpace.

Debt remains the leading concern. State debt has been rising consistently for over a decade, then ramped up considerably in 2020, crossing the 70% of GDP threshold in 2021.

Despite a brief dip in 2022, the debt surged again and is now consistently above that mark. In real terms, the minister will need to raise an additional R15bn for the 2024/2025 fiscal year and faces a significant revenue shortfall totalling around R111bn.

Where will that money come from? The State has three options: raise taxes, cut spending, and borrow more. Judging by previous comments by Minister Godongwana, all three options are on the table. But they are not ideal choices.

Increased taxes will put more pressure on South Africans, reduced spending doesn't encourage growth, and more borrowing adds to the debt mountain that channels considerable amounts of revenue to interest payments.

But the budget shouldn't be all doom and gloom. The pressure on the economy and citizenry is expanding collaboration between the state and business sectors, which can lead to more investment and growth.

There is also room to modernise tax systems, further leverage artificial intelligence, and promote digitisation. If executed well, these changes can boost revenue without resorting to tax hikes.

Several issues will hold our attention during the 2024 Budget Speech:

- **The energy crisis:** The push for private energy investment is gathering pace, and there is hope for assistance to households and businesses to adopt renewable energy. Investment and assistance look very likely, and a diesel rebate might also be on the cards.
- **Personal income tax:** Building on last year's speech, there might be respite for taxpayers by adjusting tax brackets to align with inflation, ensuring people don't get pushed into higher tax brackets without cause. There will likely be no changes to personal income tax rates, keeping the highest marginal rate at 45%.
- **Corporate income tax:** Two years ago, the Corporate Income Tax rate was reduced to 27% during the budget speech, encouraging more corporate investment in SA. It's unlikely that the rate will change this year, even though a reduction would make SA more globally competitive.
- **Medical credits:** The National Health Scheme was recently approved, but the extent of adjustments to medical credits remains uncertain. Changes to the credits could impact the medical industry as well as disposable incomes.
- **Levies and fuel tax:** Despite rising fuel prices, the Government has kept the fuel levy stable for the past year, offering support to South Africans. Yet, adjustments may be necessary in the 2024 budget to keep pace with inflation.
- **VAT:** VAT is a touchy subject. It's a tax that affects everyone in the country. On the other hand, a mere 1% raise could yield approximately R24bn in additional revenue, especially given that SA's current VAT rate is comparatively lower than that of other countries.
- **Carbon taxes:** Keeping up with global sentiment around green transitions and addressing environmental problems, carbon-tax increases are on the horizon, with higher rates anticipated to commence in the future.
- **Retirement funds:** After many years of planning and haggling, the two-pot retirement system is being implemented and set for September 2024. It's doubtful the minister will rock this particular boat with surprise announcements.

Finance Minister Godongwana has to balance the State's growing debt and the rising financial pressure on South Africa's people. Ultimately, an expanding economy is the key, leading to one last point: what are the plans around Eskom and Transnet, two crises that have substantially dampened GDP growth?

This point leaves us on a positive note. There is considerably more co-operation between the public and private sectors, such as through the National Energy Crisis Committee and the National Logistics Crisis Committee.

The best and brightest have channels to tackle issues that can return substantial GDP growth. Hopefully, the 2024 Budget Speech will reinforce and further energise these projects, helping open the growth taps.

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