Thursday, 19 March 2026]

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OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 19 MARCH 2026

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ANNOUNCEMENTS

National Assembly

The Speaker

1. Appointment of members as Chairpersons to assist with presiding over all mini-plenary sessions for 2026 annual session

(1) The following members are appointed in terms of Rule 54 as Chairpersons to assist with presiding over all mini-plenary sessions for the 2026 annual session:

Mr MG Mahlaule
Ms LS Makhubela
Mr WM Douglas
Ms C Labuschagne.

2. Referral to Committees of papers tabled

(1) The following paper is referred to the **Joint Standing Committee on Financial Management of Parliament** for consideration:

(a) Monthly Financial Statements of Parliament – February 2026, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009).

(2) The following paper is referred to the **Standing Committee on Finance** for consideration and report:

(a) Draft Amendment to Schedule 2 for approval, submitted in terms of section 10(1)*(b)* of the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022).

(3) The following paper is referred to the **Portfolio Committee on Public Works and Infrastructure** for consideration and report:

(a) Revised Annual Performance Plan of the Independent Development Trust (IDT) for 2025/26.

National Council of Provinces

The Chairperson

1. Membership of Committees

(1) The following changes were made to the membership of the below Select Committees of the National Council of Provinces and the Joint Standing Committee on Defence:

(a) **Select Committee on Education, Sciences and Creative Industries**
(Basic Education, Higher Education, Science, Technology and Innovation, Sports, Arts and Culture)

Appointed: Honourable S Masumpa (Western Cape – ANC)

(b) **Select Committee on Social Services**
(Health, Social Development, Women, Youth Development and Persons with Disabilities)

Appointed: Honourable S Masumpa (Western Cape – ANC)

(c) **Joint Standing Committee on Defence**

Appointed: Honourable S Masumpa (Western Cape – ANC)
Resigned: Honourable Ms TI Legwase (North West – ANC)

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE 2026 FISCAL FRAMEWORK AND REVENUE PROPOSALS, DATED 18 MARCH 2026

1. INTRODUCTION AND BACKGROUND

The Minister of Finance (Minister) Mr Enoch Godongwana, tabled the 2026 National Budget before Parliament on 25 February 2026 in terms of Section 27 of the Public Finance Management Act, Act No. 1 of 1999 (PFMA) and Section 7 (1) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (Money Bills Act).

The Minister, the National Treasury (NT) Team and the South African Revenue Service (SARS) Commissioner briefed the Finance Committees on 27 February 2026. The Committees received input on the 2026 fiscal framework and revenue proposals from the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC) on 03 March 2026.

The Committees held public hearings on 10 March 2026 and received a total of 32 submissions, seven written and 25 oral. NT and SARS responded to the issues raised during the public participation process and engaged with the Committees and stakeholders on 13 March 2026.

2. THE MINISTER'S POLITICAL OVERVIEW OF THE 2026 NATIONAL BUDGET

The Minister emphasised that the government has reached a turning point in the management of public finances compared to five years ago, highlighting South Africa's removal from the FATF grey list, the credit rating upgrade in 16 years, and easing borrowing costs.

The Minister outlined the government's medium-term economic growth strategy, which focuses on maintaining macroeconomic stability, implementing structural reforms, building state capability, and supporting growth-enhancing public infrastructure investment.

The Minister mentioned that the government is already reaping the fruits of the fiscal strategy, which aims to stabilise the debt-to-GDP ratio in the current year and reduce it through the rest of the decade by growing the primary budget surplus.

The DG's presentation highlighted that the economic outlook has improved moderately, while inflation declined to 3.2 per cent in 2025. It was reported that growth-enhancing reforms have progressed in energy, transport, telecommunications and visa provision. The DG said that overcoming obstacles to implementation, higher investment and improvements in basic services remain critical to creating jobs and reducing poverty.

The presentation also indicated that the budget reforms are underway to make the government more efficient and cut wasteful programmes and activities.

On the tax proposals, the DG mentioned the withdrawal of the R20 billion tax increase previously budgeted for 2026, and that after two years without inflationary relief, the 2026 Budget fully adjusts personal income tax brackets and medical tax credits for inflation. Moreover, tax thresholds and limits are adjusted for the impact of inflation to assist small businesses and encourage savings.

3. OVERVIEW OF THE 2026 NATIONAL BUDGET

3.1. Economic performance and outlook

Global GDP growth is estimated to have averaged 3.3 per cent in 2025 and projected to remain at 3.3 per cent in 2026 and decrease slightly to 3.2 per cent in 2027. In Sub-Saharan Africa, economic growth is expected to hover between 4.1 per cent and 4.6 per cent between 2025 and 2027, supported by macroeconomic stabilisation and reform efforts in key economies. In January 2026, the International Monetary Fund (IMF) estimated the South African economy to have grown by 1.3 per cent in 2025 and projected GDP growth of 1.4 per cent in 2026 and 1.5 per cent in 2027.

Domestic real GDP expanded by 1.1 per cent in 2025, mainly driven by household consumption, while investment contracted for the second year. According to Statistics South Africa (StatsSA), by the end of 2025, the economy had expanded for the fifth consecutive quarter, marking the longest unbroken growth phase since 2018. South Africa, however, remains in a low-growth trap, with real GDP projected to grow by 1.6 per cent in 2026, 1.8 per cent in 2027, reaching 2.0 per cent in 2028. NT assumes that growth will be supported by continued momentum in the implementation of structural reforms, improved confidence, lower interest rates and higher investment. At these levels, however, the economy remains unable to absorb new entrants into the labour market.

Table 1: Macroeconomic performance and projections

Percentage change	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
	Actual		**Estimate**	**Forecast**		
Final household consumption	0,7	1,0	3,1	1,8	2,0	2,2
Final government consumption	1,9	-0,1	0,3	2,4	0,0	0,3
Gross fixed-capital formation	3,9	-3,9	-2,0	2,4	3,3	3,9
Gross domestic expenditure	0,8	-0,6	2,2	2,0	1,9	2,1
Exports	3,7	-2,8	-2,0	1,6	2,4	2,9
Imports	3,9	-6,4	1,0	3,0	2,9	3,1
Real GDP growth	**0,7**	**0,5**	**1,4**	**1,6**	**1,8**	**2,0**
CPI inflation	6,0	4,4	3,2	3,4	3,3	3,2

Source: National Treasury, South African Reserve Bank and Statistics SA

At the provincial level, economic activity remains highly concentrated in three provinces, Gauteng, Western Cape and KwaZulu-Natal, which collectively account for almost two-thirds of the total provincial GDP.

For the seventh consecutive quarter, household consumption, a significant contributor to GDP, increased by 1.2 per cent in the fourth quarter of 2025, contributing 0.8 percentage points to total GDP. NT expects household consumption to drive domestic demand over the medium term, averaging 2 per cent, supported by rising wages, lower inflation and improved sentiment.

Gross Fixed Capital Formation (GFCF) contracted by 3.9 per cent and 2.2 per cent in 2024 and 2025, respectively. This weak investment activity weighed on the economy, reducing the country's annual GDP growth by 0.3 percentage points. At a projected 2.4 per cent in 2026, GFCF remains significantly weaker than the May 2025 Budget projection of 4.2 per cent. NT assumes resilient global demand, easing borrowing costs, strengthening housing demand, and improved business confidence would support real growth in fixed investment in 2026.

The government's public-sector infrastructure investment will amount to R1.07 trillion over the medium term, of which state-owned companies and public entities will spend 54.1 per cent, or R577.4 billion.

According to StatsSA's quarterly Labour Force Survey (LFS), there were 17.1 million employed people in the fourth quarter of 2025, while the number of unemployed people declined to 7.8 million. The official rate of unemployment decreased from 31.9 per cent in the third quarter of 2025 to 31.4 per cent in the fourth quarter of 2025, while the expanded unemployment rate, measured at 42.1 per cent, translates into 13.3 million unemployed people.

The official unemployment rate decreased in six of the nine provinces in the fourth quarter of 2025. However, the Eastern Cape (42.5 per cent), Free State (37.2 per cent), and North-West (35.1 per cent) provinces recorded the highest rates of unemployment. This shows that the national figure masks striking disparities at the provincial level.

3.2. The 2026 fiscal framework and revenue proposals

The 2026 Budget highlighted that the tax-to-GDP ratio averaged 25.9 per cent in 2025/26 and is expected to reach 26.2 per cent by 2028/29, despite challenging economic conditions. Gross tax revenue for 2025/26 has been revised up by R21.3 billion relative to the 2025 Budget. Higher-than-expected net Value Added Tax (VAT), Corporate Income Tax (CIT) and dividends tax collections improved the in-year outlook. Personal Income Tax (PIT) and excise duty collections are expected to fall short of 2025 Budget projections, reflecting subdued private sector wage growth and a contraction of cigarette and petroleum receipts in the first 10 months of 2025/26, respectively.

The 2026 medium-term gross tax revenue has been revised down by R57.2 billion relative to the 2025 MTBPS, due to the withdrawal of the R20 billion tax increase which was budgeted for 2026/27.

According to the 2026 Budget, the South African Customs Union (SACU) payments remain largely unchanged compared to the 2025 MTBPS estimates. Over the medium term, SACU payments amount to R252.3 billion or R78.4 billion in 2026/27.

Table 2 below shows that the consolidated revenue is expected to increase from R2.2 trillion in 2025/26 to R2.6 trillion by 2028/29. NT expects that sustained investment and economic growth, and further improvements in tax administration, will support higher revenue collection.

Total consolidated government spending is expected to increase from R2.58 trillion in 2025/26 to 2.89 trillion in 2028/29 (Table 2), growing by 3.9 per cent over the medium term. Consolidated non-interest expenditure, however, decreases by a net R19.4 billion in 2026/27 and 2027/28 compared with the 2025 Budget, due to rebasing the baseline allocations to align with a lower medium-term inflation outlook. The social wage accounts for 60.2 per cent of total non-interest spending in 2026/27.

Table 2: 2026 Consolidated fiscal framework

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 902,4**	**1 950,2**	**2 053,8**	**2 231,7**	**2 345,4**	**2 467,3**	**2 612,7**
	28,1%	*27,4%*	*27,8%*	*28,8%*	*28,6%*	*28,6%*	*28,8%*
Expenditure	**2 146,6**	**2 256,7**	**2 389,8**	**2 578,9**	**2 669,7**	**2 768,1**	**2 893,4**
	31,7%	*31,7%*	*32,3%*	*33,2%*	*32,6%*	*32,1%*	*31,9%*
Budget balance	**-244,2**	**-306,5**	**-336,0**	**-347,2**	**-324,3**	**-300,8**	**-280,7**
	-3,6%	*-4,3%*	*-4,5%*	*-4,5%*	*-4,0%*	*-3,5%*	*-3,1%*
Gross loan debt	**4 765,4**	**5 259,4**	**5 693,7**	**6 118,7**	**6 326,4**	**6 636,4**	**6 944,1**
	70,5%	*74,1%*	*77,0*	*78,9*	*77,3*	*77,0*	*76,5*
Debt service costs	**308,5**	**356,1**	**385,8**	**420,6**	**432,4**	**451,4**	**469,3**
	4,6%	*5,0%*	*5,2*	*5,4*	*5,3*	*5,2*	*5,2*

Source: National Treasury

While compensation of employees remains the largest share of expenditure by economic classification at 32.1 per cent, capital spending is the fastest-growing item of expenditure over the medium term. In terms of savings, Targeted and Responsible Savings (TARS) has identified R12 billion in ineffective programmes and R5.5 billion from the implementation of the early retirement programme over the medium term. The ghost worker audit flagged 4 323 high risk cases.

The consolidated budget deficit has narrowed from 4.8 per cent of GDP estimated in the 2025 Budget to 4.5 per cent in 2025/26 and is projected to narrow further to 3.1 per cent in 2028/29, driven mainly by capital financing requirements and the strength of in-year revenue collections.

The 2026 Budget emphasises that the government will achieve a debt-stabilising main budget primary surplus of 0.9 per cent of GDP or R71.7 billion this year. Growing the surplus underpins the government's debt stabilisation objective. The main budget primary surplus is expected to increase from 1.6 per cent of GDP (R131.2 billion) in 2026/27 to 2.3 per cent of GDP (166.9 billion) in 2028/29, or R507 billion over the medium term.

NT now expects gross loan debt to stabilise at 78.9 per cent in 2025/26, compared to an estimated 77.4 per cent in the May 2025 Budget, and decline to 77.3 per cent in 2026/27. NT explained that a relatively higher debt peak reflects weaker nominal GDP growth and its decision to take advantage of strong investor demand in domestic and global markets by increasing issuance in 2025/26.

Gross debt stock is expected to increase from R6.1 trillion in 2025/26 to R6.9 trillion in 2028/29, an increase of R825.4 billion over the medium term. Between 2024/25 and 2025/26, gross debt stock increased by R425 billion. Over the next three years, the government will spend R1.35 trillion servicing debt, R432.4 billion in 2026/27. Debt-service costs are revised down by R10.6 billion over the medium term, driven by improved bond yields, an appreciating rand, and lower inflation and interest rates.

The gross borrowing requirement totalled R563.4 billion in 2025/26, expected to decline from R433.3 billion at the time of the 2025 Budget to R380 billion in 2026/27, including the net effect of R56 billion from Gold and Foreign Exchange Contingency Reserve Account (GFECRA), before increasing to R568.7 billion in 2027/28. NT highlighted that South Africa received its first sovereign credit rating upgrade in 16 years, and for the first time since March 2018. Additionally, in January 2026, yields on the 10-year government bond fell below 9 per cent. According to NT, these debt portfolio developments reflect rising investor confidence and lower borrowing costs in response to fiscal consolidation and lower inflation.

Contingent liabilities include guarantees to State Owned Entities (SOEs), Independent Power Producers (IPPs) and Public Private Partnerships (PPPs), and constitute a significant risk to the fiscus. Contingent liabilities are projected to increase from R1.197 trillion in 2025/26 to R1.250 trillion in 2028/29. Eskom (R280.9 billion), IPPs (R230 billion), and the Road Accident Fund (RAF) (R381 billion) account for the bulk of these liabilities in 2026/27. The 2026 Budget reported that in the past five years, SOEs collectively incurred losses of R172 billion, with many relying on the government for financial support. Eskom, however, posted its first profit in 2024/25 following almost a decade of sustained losses.

Risks to the 2026 fiscal outlook include weaker-than-expected global and domestic economic growth, commodity price volatility, the financial health of SOEs and higher borrowing costs due to geopolitical risks.

The 2026 Budget proposes to withdraw the R20 billion tax increase previously budgeted for. NT reported that SARS had targeted to increase the collection of tax debt from R95 billion to at least R120 billion in 2025/26. By 31 January 2026, SARS had collected R79.4 billion, falling R15 billion short of the target for the period. The 2026 Budget tax proposals raise no additional revenue over the medium term.

The 2026 tax proposals include, (1) adjustment of PIT brackets and medical tax credits for inflation to provide relief to taxpayers, (2) adjustment of tax thresholds and limits for inflation to assist small businesses and encourage savings, (3) increase excise duties on alcoholic beverages and tobacco products in line with inflation, and (4) increase fuel levy, RAF levy and carbon fuel levy.

The 2026 Budget 2026 increases the compulsory VAT registration threshold to R2.3 million, adjusts the turnover tax regime for microbusinesses for inflation, with the restriction on tax year-end dates removed, and increases the Tax-Free investment Accounts (TFSA) annual limit from R36 000 to R46 000, effective from 1 April 2026.

Risks to the fiscal outlook include lower economic growth, the poor financial condition of subnational governments and SOEs, and macro-fiscal shocks due to heightened geopolitical tensions. However, determined implementation of the economic and fiscal strategies and a firm stance on SOE bailout requests will mitigate these risks (2026 Budget Review).

4. SUMMARY OF THE INPUT RECEIVED FROM STATUTORY INSTITUTIONS

4.1. Financial and Fiscal Commission

The FFC submits that despite emerging optimism, structural constraints continue to limit the country's economic growth potential and investment. Contrary to NT's real GDP growth estimates, the Commission expects a downward trend over the medium term. According to the Commission, reversing this trend and maintaining macroeconomic stability will require fast-tracking structural reforms, eliminating redundancies in functions and fiscal spending, and reallocations to productive investments in a strategic manner.

The Commission recommends that, despite a relatively more favourable macroeconomic environment, the domestic growth outlook should be met with caution, given that real growth and production in the economy remain subdued.

The Commission's stance is that structural inefficiencies in the economy need to be addressed faster to address South Africa's low growth challenge. In addition to highly unequal domestic socio-economic conditions undermining inclusive growth, NT recommends that special attention should be placed on maintaining neglected infrastructure and realigning spending priorities to improve real productivity in the economy.

Servicing public debt obligations, for the Commission, remains a significant challenge to restoring fiscal sustainability. The Commission observed that total maturing debt amounts to R131.4 billion in 2026/27 and is expected to increase to R274.2 billion in 2027/28. Maturing debt is a first charge on the

National Revenue Fund, which directly impacts the fiscal envelope, and this requires that the government take proactive steps to renegotiate debt terms to lower servicing costs.

In summary, the Commission recommends as follows:

4.1.1. The government must use the opportunity created by the current relative economic stability to improve fiscal and debt management and restore fiscal discipline by committing to a fiscal consolidation path.

4.1.2. Fiscal expenditure should be aligned with actual inflation and revenue trends, alongside targeted institutional realignments to improve public sector productivity.

4.1.3. Wasteful and unproductive expenditure and duplicative functions should be eliminated. The TARS initiative must be fast-tracked and monitored to ensure effective implementation.

4.1.4. Policy must be refocused towards strengthening long-term industrial development for employment creation.

4.2. Parliamentary Budget Office

The PBO projects real GDP growth of 1.7 per cent over the medium term, which is considered significantly below the National Development Plan (NDP) target of 5.4 per cent and the Medium-Term Development Plan (MTDP) target of growth above 3 per cent. According to the PBO, inclusive economic growth requires shifting away from fiscal consolidation towards targeted investments in infrastructure, public services, skills, and industrial policy.

The PBO's projections for Unemployment, Poverty and Inequality (UPI) over the medium term show marginal progress, suggesting that the government is likely to fall far short of achieving the key MTDP and NDP targets.

The PBO cautions that while public debt is projected to stabilise over the medium term, debt-service costs remain high and continue to absorb a growing share of revenue, thereby limiting fiscal space for developmental spending. PBO further warns that fiscal projections remain highly dependent on economic growth and that weaker growth outcomes could significantly affect revenue performance and debt stabilisation. The PBO notes that revenue growth assumptions remain closely tied to macroeconomic performance, and any shortfall in growth would directly affect fiscal projections. In summary, the PBO submits that:

4.2.1. UPIs are key macroeconomic variables, and their extreme levels indicate crisis-level instability.

4.2.2. Under the 2026 Budget framework, South Africa is unlikely to achieve the MTDP and NDP economic growth targets.

4.2.3. Progress in reducing UPIs is likely to remain marginal because the fiscal framework does not support the scale of economic expansion required.

4.2.4. By compressing expenditure in a low-growth environment, the framework risks reinforcing stagnation rather than reversing it.

4.2.5. A developmental fiscal framework should assess debt sustainability in relation to its social and economic returns, rather than relying solely on headline aggregates.

4.2.6. The inflationary adjustments to PIT are a positive development; however, the current tax proposals disproportionately benefit those with higher incomes.

4.2.7. Budget 2026 allocations over the medium term are unlikely to address the significant cumulative backlogs in the provision of public services.

4.2.8. The ultimate benchmark for fiscal policy should not only be debt stabilisation, but whether it advances inclusive growth, strengthens state capacity, and reduces poverty and inequality.

4.2.9. Credit ratings agencies, while voicing approval of increased fiscal discipline, have commented about the negative impact of extreme UPIs on growth and have regularly questioned the government's ability to maintain tight fiscal conditions in the face of these crises.

5. KEY ISSUES RAISED DURING THE PUBLIC PARTICIPATION PROCESS

From the submissions received, most stakeholders generally welcome continued emphasis on fiscal discipline, PIT and VAT tax adjustments, which support households, individuals and small businesses, the proposed measures to encourage savings, and the withdrawal of the R20 billion tax increase, previously proposed in 2026/27. The Budget Justice Coalition (BJC), Alternative Information and Development Centre (AIDC), Dr Muller and Institute for Economic Justice (IEJ), however, raised concerns that tax adjustments primarily benefit higher-income households while fiscal pressures remain acute, and must be reconsidered and redirected to social infrastructure spending.

The section below summarises the key themes that emerged from the submissions and discussions in the public hearings, organised in terms of the economic outlook, fiscal policy and fiscal framework, tax proposals and other budget-related issues raised. The Annexure attached to this report contains the detailed summaries of submissions received from the stakeholders and the NT and SARS' responses to public submissions. This Annexure should be read with the report.

5.1. Economic outlook

On the macroeconomy, the South African Institute of Chartered Accountants (SAICA) raised a concern that the fiscal framework relies heavily on the accuracy of GDP growth estimates, but the actual 2025 GDP growth averaged 1.1 per cent, below the initial 1.9 per cent and 1.4 per cent revised estimates. SAICA considers the projected 2 per cent growth rate unrealistic based on the past trends and the potential impact of global conflicts on the economy. SAICA recommends a revision of the fiscal framework assumptions to better inform Parliament about the impact on the economy.

IEJ submits that even at a projected 2 per cent in 2028, GDP growth remains insufficient to make a meaningful reduction in unemployment and recommends that the government increase public investment by R800 billion per year over the medium term, increase social spending in line with inflation and population growth, and use monetary policy to direct cheap credit towards strategic industries.

Public Economic Project (PEP) notes that the fiscal framework assumes a recovery in investment, supported by improved sentiment and policy reforms; however, it remains uncertain whether this reflects a sustained domestic recovery or a temporary response to favourable global financial conditions.

Congress of South African Trade Unions (COSATU) is concerned about the absence of a bold economic stimulus package for Small, Micro and Medium Enterprises (SMMEs), industrial and export sectors and recommends that fragile economic sectors exposed to high electricity prices and trade turmoil should be supported and cushioned.

On investment in infrastructure, SAICA welcomes the R1 trillion allocation to capital infrastructure over the medium term, noting that 54 per cent will be spent by SOEs. Amandla.mobi submits that proper, functioning and well-maintained infrastructure is key to sustainable development and recommends that the R1.07 trillion allocation should be accompanied by clear plans and adequate metrics to measure return on investment. COSATU recommends tighter parliamentary oversight over infrastructure programme rollout, more active law enforcement to eliminate the construction mafia and leverage the Development Finance Institutions to boost economic infrastructure investments.

On the persistently high unemployment rate, BJC submits that the budget contains limited measures capable of generating jobs at the scale required and recommends that Parliament and NT must adopt an employment-centred fiscal framework that prioritises job creation and labour-absorbing investment, expand Public Employment Programmes (PEPs) and hire in essential public services.

COSATU expresses its disappointment that the PEP was cut by half from R8.8 billion to R4.5 billion and recommends engagements with, (1) the Public Investment Corporation (PIC) and the Sector Education and Training Authorities (SETAs) to take over the share of PEPs, (2) Nedlac on ramped up programmes, and (3) NT on the next phase of "two pot" pension reforms for implementation in 2027.

5.2. Fiscal policy and fiscal framework

5.2.1. Fiscal strategy

PEP notes that after more than a decade of fiscal consolidation, the 2026 Budget introduces a new fiscal objective of reducing the debt-to-GDP ratio, implying consolidation will continue. PEP is concerned that the projected decline in debt is historically ambitious and cautions that if growth remains modest and revenue increases remain limited, the burden of adjustment will fall largely on expenditure.

BJC also notes that the current fiscal framework places significant emphasis on debt stabilisation and maintaining investor confidence, and submits that while fiscal sustainability is important, the narrow focus on fiscal consolidation risks constraining the public investment required to address unemployment, poverty, and inequality.

The South African Institute of Taxation (SAIT) welcomes proposals to legislate a principles-based fiscal anchor and believes that this will promote discipline, transparency and long-term sustainability. Sovereign Africa Rating (SAR) submits that a principles-led fiscal anchor creates a potential transparency gap and therefore seeks clarity on the specific technical criteria that will be used to determine compliance under this model and allow the market to hold the administration accountable for fiscal discipline in the absence of hard numerical ceilings.

AIDC, however, considers the proposed fiscal anchor as a spending ceiling, limiting the government's constitutional obligations, while the main budget non-interest expenditure is expected to shrink by 1 per cent in real terms between 2025/26 and 2026/27.

SAICA recommends that NT confirm estimated timelines on outcomes of the fiscal anchor discussion document, while IEJ recommends that the fiscal anchor must be paired with revenue-raising measures.

5.2.2. Revenue estimates

PEP notes that the 2026 Budget introduces no major new revenue-raising measures, meaning that revenue will contribute very little to fiscal consolidation over the medium term. Moreover, despite additional resources allocated to SARS, progress in recovering outstanding tax debt has been limited, suggesting scope for further improvement in tax administration. The 2026 budget also includes no above-inflation increases in excise duties on alcohol and tobacco, despite the substantial health and fiscal costs associated with these products. In addition, no tax on online gambling has been introduced, despite growing concerns about the sector’s impact on household welfare, financial vulnerability, consumption patterns and savings behaviour.

SAICA notes that the tax-to-GDP ratio increases from 25.2 per cent to 26.1 per cent and recommends that NT must clarify which measures were used to determine when the tax-to-GDP level will negatively affect the economy.

SAIT notes that the tax-to-GDP ratio will sufficiently broaden the tax base and is encouraged by SARS’ efforts in this regard. SAICA recommends that NT capacitates SARS over the medium term, to enable it to collect more revenue and not only focus on the already compliant taxpayers. Regarding potential risks to the fiscal outlook, SAIT recommends that sustainable revenue growth must come from a broader tax base and improved compliance, not higher rates on an already small group of taxpayers.

Given the fiscus's heavy reliance on the mining sector, SAR seeks clarity on how revenue projections for 2026/27 would withstand a correction in gold and platinum prices.

5.2.3. Expenditure estimates

SAICA welcomes the achievement of improving the primary balance, noting that the structure of expenditure mix remains the same over the medium term as it has over the last decade. SAICA further notes that legal claims against the departments of Health and Police amount to R176 billion, but growth in contingent liabilities remains the same over the medium term. SAICA requests clarity on whether the current expenditure mix will achieve the different fiscal and economic outcomes required and why the contingent liability provision remains the same over the medium term.

BJC submits that although the government highlights that approximately 60 per cent of non-interest spending goes toward the social wage, this measure alone does not reflect the adequacy of spending. Also, when examined in real per capita terms, allocations to essential services such as health, education, and social protection have stagnated or declined over the past decade.

Dr Muller raises a concern that reduced growth in social expenditure is planned from a reduction in grant recipients without any substantive explanation.

5.2.4. Targeted and Responsible Savings

SAICA and SAIT welcome the TARS programme. BJC and IEJ, however, raise concerns about the transparency and distributive impact of expenditure reductions related to this programme, which appear to affect programmes supporting low-income households. They recommend that the government ensure full transparency and that the programme adopt a more rigorous methodology to determine what constitutes underperforming or wasteful programmes.

PEP, on the other hand, submits that given the scale of fiscal consolidation required to reduce the debt-to-GDP ratio, it remains uncertain whether TARS can generate sufficient and sustained savings to fund other urgent priorities. Dr Muller raises a concern that the efforts to find expenditure reductions failed, with the majority of the R12 billion TARS coming from cutting funds (R8.4 billion) for much-needed public transport initiatives targeted at the majority of South Africans.

5.2.5. Early Childhood Development and Parenting Support

Breadline Africa acknowledges the R12.8 billion allocation to expand access to Early Childhood Development (ECD). Breadline Africa submits that the 2026 Budget does not address the most critical barrier to achieving universal early learning, the absence of dedicated funding for ECD infrastructure. Breadline Africa recommends that NT must introduce (1) a ring-fenced national ECD Infrastructure Capital Grant to fund the construction and upgrading of compliant classroom infrastructure, (2) a conditional ECD Infrastructure Maintenance Grant to prevent deterioration of existing facilities, and (3) increase the subsidy to R40–R45 per child per day from the current R24.

Families4Children submits that the country's budget makes no allocation to universalise parenting support and recommends that Parliament must amend the budget to make it prudent by, amongst other things, explicitly prioritising funding for comprehensive parenting support and ensure that the new Private Public Partnership (PPP) regulations include funding for parent support for child development.

5.2.6. Social grants and Social Relief of Distress grant

The stakeholders welcome the extension of the Social Relief of Distress (SRD) grant in 2026/27. They remain disappointed that the grant has not been increased, while approximately 10 million people are excluded from the grant due to unfair regulations. They recommend that the government increase the SRD grant and expand it to include those unfairly excluded and provide clear plans for the implementation of the Basic Income Grant (BIG). PEP and BJC note the uncertainty of not funding the SRD grant beyond 2027, while SAR seeks a data-driven assessment of the long-term fiscal viability of converting the SRD into a permanent BIG and the economic growth rate needed to fund it without raising taxes.

Stakeholders raise concerns that social grant amounts are insufficient to cover monthly basic needs, prevent hunger in households and stunting in children and are continuously being eroded by inflation and the high cost of living. They recommend that the government must (1) increase all social grants by substantial amounts to help curb poverty and hunger, (2) adjust the SRD grant for inflation in 2026, and (3) implement the Maternal Support Grant and expand the child support grant to include pregnant mothers.

5.3. Public Debt and Financing

PEP notes that the 2026 Budget projects gross loan debt to decline by 2.4 percentage points over the medium term and estimates a reduction in gross loan debt of 10.6 percentage points or approximately R750 billion over the next eight years. PEP cautions that research examining historical debt-reduction episodes finds that sustained reductions of around 10 percentage points of GDP over a decade are relatively rare and typically occur only under favourable macroeconomic conditions.

PEP highlighted that if growth remains weak, debt reduction implies stronger expenditure compression, and that achieving debt adjustment primarily through expenditure would likely require sustained compression of government consumption. Given the scale of the projected fiscal adjustment, PEP recommends that Parliament carefully interrogate the credibility and sustainability of the proposed debt-reduction path by assessing whether the macroeconomic assumptions underpinning the debt outlook are realistic.

SAR notes that the current debt-stabilisation path is highly sensitive to external factors and seeks clarity on how a GDP growth shortfall would affect the primary surplus required to keep debt on a stable path.

BJC submits that a credible path to debt sustainability depends on stronger economic growth and recommends increased transparency in the government's debt management strategy and its implications for social spending.

SAICA welcomes improved headline debt ratios but notes that the government missed the 2025/2026 debt ratio target; total debt is still increasing to reach over R1 trillion over the medium term; and debt ratio stabilisation appears to be driven by GDP assumptions rather than lower nominal debt. SAICA recommends that NT clarify the long-term debt strategy, including how refinancing extension fits into sustainability objectives.

Dr Muller also notes that, while there has been much praise for the 2026 Budget in the media, NT missed its 2025/26 debt target. IEJ recommends that the Committee hold the Minister of Finance accountable for this recurring failure to lower debt-to-GDP while continually inflicting damage on the economy through spending cuts.

5.4. Revenue proposals

5.4.1. Excise taxes on alcohol and tobacco and illicit trade

The stakeholders presented different views about the excise taxation.

National Liquor Traders (NLT), DG Murray Trust (DGMT), South African Alcohol Policy Alignment (SAAPA) and South African Liquor Brandowners Association (SALBA) generally support NT's approach of increasing alcohol excise duties in line with the 3.4 per cent inflation. They submit that excise taxation is one of the most effective tools to reduce alcohol harm and generate sustainable revenue, and that the inflation-linked adjustments provide predictability, stability, and alignment with public health considerations. They recommend that the government must, (1) protect legal township traders and recognise them as vital engines of township economic activity, and strengthen compliance and formalisation, (2) introduce minimum unit pricing to prevent extremely cheap alcohol, (3) consider above-inflation excise alcohol tax increases of 6-10 per cent above inflation annually, and (4) consider ring-fencing a percentage of health tax revenue to fund treatment programmes and road safety.

On the other hand, South African Wines (SAW), Heineken beverages, Beer Association of South Africa (BASA) and South African Breweries (SAB) generally raised concerns about NT's unconstrained discretion over the excise tax, and that NT has largely been operating outside of its own policy. Additionally, there is no acknowledgement of the relationship between excise taxes and illicit growth, while continued above-inflationary increases have significantly widened the gap between the Consumer Price Index (CPI) and the excise burden. SAW, however, believes that the inflation alignment adjustments reflect ongoing, constructive engagement and reinforce the importance of a predictable excise framework for the wine sector. SAB specifically reflected on the 2014 excise tax policy and the technical flaws in the excise adjustment framework.

Recommend made include that the government should, (1) allow for CPI increases only for the next three years, to restore predictability and constrain the price gap between legal and illicit products (2) limit all future excise increases for wine to CPI-linked adjustments, beginning with the 2026/27 cycle, (3) undertake Socio-Economic Impact Assessment Studies (SEIAS) before implementing any new alcohol policy model, and (4) introduce a tiered compliance framework for micro-producers to reduce barriers to formal market entry. BASA recommends (1) the linkage to measurable illicit market outcomes so that excise decisions are informed by enforcement data before any adjustment is considered, and (2) industry partnership on an integrated illicit alcohol enforcement strategy.

The World Health Organisation (WHO) recommends that alcohol excise taxes should be set at a minimum of 75 per cent of the retail price, as South Africa falls significantly short of this benchmark and that the Committee should encourage NT to accelerate the stakeholder consultation process with explicit attention to the public value and district health financing dimensions of the review.

On excise duties on tobacco, Fair-trade Independent Tobacco Association (FITA) submits that historically, the legitimate tobacco sector has generated substantial excise revenues; however, the sustainability of this revenue stream is increasingly threatened by structural market changes and the continued growth of illicit trade. British American Tobacco South Africa (BATSA) welcomes the recognition of the price gap between legal and illicit products by maintaining an inflation-linked increase. However, due to the devastating impact of the illicit cigarette trade, BATSA has had to make the very difficult decision to close its manufacturing plants by the end of 2026 and transition to an import-based model.

BATSA and FITA's recommendations include that Parliament, NT and SARS should (1) address cigarette excise in an appropriate manner which fully appreciates the extent of the illicit trade problem in South Africa, (2) revise the base on which the current cigarette excise increases are determined, that is, on weighted average price in the market, (3) encourage SARS to implement a track-and-trace system in South Africa for cigarettes and vaping products, and (4) strengthen enforcement against illicit trade to protect excise revenue.

Stakeholders who commented on excise taxes on alcohol and tobacco raised serious concerns about the illicit trade of alcohol and tobacco and recommended that the government strengthen the fight against illicit trade. Their recommendations include that the government must implement stronger enforcement and penalties, consider an industry partnership on an integrated illicit alcohol enforcement strategy, support SARS' five-point enforcement strategy, and request updates on the implementation of the Illicit Economy Disruption programmes.

Amandla.mobi, however, raised a concern that, while the excise tax increase is a step in the right direction, lobbying by the industries has used illicit trade to divert attention from the pressing need to tackle alcohol and tobacco abuse.

5.4.2. Health Promotion Levy and Sugar Taxes

Healthy Living Alliance (HEALA) and Amandla.mobi expressed their disappointment that the Health Promotion levy (HPL) has still not been increased, even though the levy has generated more than R16.7 billion cumulative revenue for the fiscus since its implementation in 2018, which could have been higher had the levy been increased and fruit juices included.

They reiterated their recommendation that the Minister of Finance should consider increasing the sugary drinks tax to 20 per cent and expand it to include 100 per cent fruit juices to increase the policy's effectiveness and urgently release the position paper regarding the expansion of the HPL to include 100 per cent fruit juices and a reduction in the threshold.

WHO recommends that sugar-sweetened beverage taxation should be structured to produce meaningful retail price increases that reduce affordability and curb consumption, and the rates should be adjusted periodically to prevent erosion of impact.

5.4.3. Proposed alternative sources of revenue

To raise additional revenue, the stakeholders proposals include, (1) introduction of a wealth tax and ring-fencing it to finance redistributive spending (2) increase of PIT for the ultra-wealthy, (3) using public sector pools of capital such as GFECRA and leveraging the Government Employees Pension Fund (GEPF), (4) removing tax breaks for high-income earners and medical aid rebates, (5) introduction of a modest 0.5 per cent levy on gross gambling revenue ring-fenced for youth financial literacy programmes and problem gambling treatment, (6) recovering revenue lost from tax evasion and Illicit Financial Flows by capacitating SARS, and (7) reducing tax loopholes for wealthy and large corporations.

5.5. South African Revenue Service

SAIT applauds enhanced enforcement measures implemented by SARS to combat customs and excise evasion and recommends additional funding to enable SARS to focus its revenue collection on non-compliance and base expansion, rather than intensifying pressure on compliant taxpayers, and stronger enforcement against the illicit economy. COSATU and Amandla.mobi. also recommends adequate funding to enable SARS to deliver on its mandate, while SARS should report quarterly on tax compliance and illicit trade.

SAICA observed significant growth of tax debt over the last five years and in the current year, in both undisputed and disputed tax debt, without reasons being provided. SAICA recommends better disclosure in terms of age analysis, recoverability, and reliance on historical collections to assess the sustainability of revenue assumptions.

Dr Muller submits that, while SARS funding has been increased over the medium term, on the basis that this would yield even larger increases in tax collection, SARS not only fell short of the target set for tax debt collection of R120 billion but may even have fallen short of the prior target of R95 billion, before funding was increased. Dr Muller recommends that Parliament and the public should not be distracted from these concerning facts by favourable misrepresentations in the media.

5.6. Other budget-related issues

5.6.1. Budget process

SAICA welcomes the extended time to comment on the 2026 Fiscal Framework 2026 this year and recommends the adoption of an extended public consultation as a permanent feature. SAICA further proposes that public hearings should be scheduled at least seven days after the public comment deadline to enable Parliament to properly consider submissions, and all five “Budget Bills” should be released on Budget Day to avoid legal uncertainty and consultation distortions created by delayed tax bills.

In agreement with SAICA, SAIT recommends the timely release of draft Bills to avoid delays in the legislative process and more time between draft publication and comment deadlines, as that would significantly improve stakeholder participation.

SAIT commends NT’s decision to provide inflation-tax adjustments, highlighting that these announcements have been made in response to submissions made by SAIT and other stakeholders in preceding years. SAIT is pleased that several of its proposals have been implemented, demonstrating that NT is listening to and engaging with stakeholders.

Noting that from the 2027 Budget onward, excise duty adjustments will take effect on 1 April rather than immediately on Budget Day, WHO recommends that, as implementation timing changes are introduced, it may be useful to review whether the controlled period for these provisions remains appropriately aligned with the new effective date.

AIDC recommends greater accountability to ensure that the budget process undergoes meaningful democratic participation and oversight, having observed that while Parliament is the final decision maker on the budget, the responses by the Minister of Finance to the Committees often do not result in recommendations being acted upon.

Dr Muller raises concerns about oversight bodies that are expected to strengthen oversight of fiscal matters, noting that the tenure of the FFC Chairperson is lapsing soon and that of three out of five other Commissioners has already lapsed. Dr Muller further raises a concern about the Commissioner's non-transparent recruitment process and that the final tenure of the most recent Director of the PBO has lapsed, but the post has not yet been advertised.

ENS recommends a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to NT for consideration.

5.6.2. Local government

SAICA welcomes efforts to enforce governance and accountability in local government finances and recommends urgent interventions to build competence and enforce accountability on officials and political leadership, including payment discipline, rather than creating structural dependence on NT.

Better Governance Initiative (BGI) submits that the current 9.4 per cent allocation does not meet the equitable division of revenue standard, given unfunded mandate spending. BGI recommends that the Committee include in the report an observation that the current LG allocation does not reflect an equitable division, and that this requires amending at the Appropriations Committee, and if Parliament amends the fiscal framework, it should consider increasing the local government equitable share revenue by R30 billion to 10.9 per cent in the revised fiscal framework.

SAR observed a persistent rise in municipal arrears, reaching R94.6 billion by March 2025, representing an off-balance-sheet sovereign liability, and seeks clarity on whether NT has a contingency plan to absorb this debt to ensure Eskom's survival if local recovery efforts fail. SAR further noted that NT is increasingly using fiscal mechanisms to drive local performance, including ring-fencing utility revenues and potentially stripping incapable municipalities of infrastructure control. SAR requires clarity on the legal thresholds for taking control of failing municipalities and the process for the municipalities to regain fiscal autonomy.

BJC's submission raises concerns that proposed reforms to infrastructure delivery increasingly rely on national implementing agents rather than strengthening municipal capacity. BJC recommends that the government strengthen municipal capacity and governance.

COSATU welcomes the additional allocation to improve the metro's ability to provide basic services, plans to amend the Municipal Financial Management Act (MFMA) to strengthen the government's ability to intervene timeously, and plans to connect more houses to electricity. COSATU recommends urgent interventions to stabilise increasingly dysfunctional municipalities, and finalisation of a new municipal funding model and the White Paper on Local Government.

5.6.3. Gender based budgeting

PEP considers the Gender Budget Statement included in Budget 2026 as a positive step toward integrating gender considerations into fiscal policy. PEP is concerned that the current statement does not adequately assess how the fiscal consolidation path affects women's employment and the care economy. AIDC is concerned that gender-responsive budgeting has become an afterthought when it should be an integral part of fiscal policy.

BJC and IEJ recommend that the government must prioritise gender responsive budgeting in the fiscal framework and overhaul the current version to address the core issues underlying the economic marginalisation of women and other marginalised communities.

6. COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee supports the 2026 Budget and commends the NT and SARS teams for tabling a progressive budget, which maintains the social wage over the medium term. While challenges remain, the Committee welcomes the positive developments, indicating that the South African economy may be on the right growth path compared to the past two years. These include the removal of South Africa from the Financial Action Task Force (FATF) greylist, the credit rating upgrade in 16 years, and economic growth expansion for the fifth consecutive quarter since 2018.

Economic performance and outlook

6.1. The Committee notes that the GDP growth rate measured 1.1 per cent in 2025, 0.3 percentage points less than NT's 2025 MTBPS projected 1.4 per cent, but still the strongest growth in three years, which compares relatively better than the growth rates of 0.7 per cent in 2023 and 0.5 per cent in 2024.

6.2. The Committee also notes that while the global economy and Sub-Saharan Africa are expected to grow at 3.3 per cent and 4.6 per cent, respectively, over the medium term, South Africa continues to lag, indicating that the issues that must be resolved are largely domestic.

6.3. The Committee remains concerned that at a projected 1.8 per cent over the medium, on average, real GDP growth remains stagnant and insufficient to absorb new entrants into the labour market. Acknowledging progress made by Operation Vulindlela, the Committee recommends faster implementation of structural reforms. The Committee also requests an update from NT on how we can better support SMME growth as well as the industrial sector.

6.4. The Committee notes the FFC, PBO and some stakeholders' sceptical view on NT's medium-term GDP growth forecasts and cautions NT about elevated risks to its economic and fiscal outlook, given recent geopolitical tensions and that the domestic economy remains subdued. The Committee recommends that NT implement measures to mitigate potential risks to the fiscal framework as the function of the economy.

6.5. The Committee notes with concern that while infrastructure investment is expected to drive the economy over the medium term, GFCF contracted by 3.7 per cent in 2024 and again by 2.2 per cent in 2025, despite the May 2025 Budget forecast of 3.2 per cent growth. The Committee is further concerned that the 2026 medium-term forecasts remain weaker than projected in the May 2025 budget.

6.6. The Committee, however, welcomes the R1.07 trillion infrastructure spending allocation over the medium term, R218 billion and R206 billion, of which will be spent by provinces and municipalities, respectively. The Committee recommends that provinces and municipalities use infrastructure spending to drive economic growth, job creation, poverty reduction, transformation and localisation. Consistent with a trend by provinces to return unspent money to NT. The Committee recommends that NT enforce legislation on provinces and municipalities to force them to utilise the allocated funds.

6.7. The Committee reiterates its recommendation for (1) efficiency and value for money in infrastructure spending by all spheres of government, (2) implementation of consequence management for financial mismanagement and corruption, and (3) adequate capacity to ensure that infrastructure projects are completed timeously and are of acceptable quality. Additionally, we recommend that NT work with relevant entities, including the Auditor General, to increase focus on monitoring and reporting on the compliance and implementation of service-level agreements for infrastructure development projects that are incomplete or under the implementation timeline.

6.8. The Committee notes with concern that while SOEs and public entities are expected to execute about 54.1 per cent or R577.4 billion of the R1.07 trillion infrastructure investment over the medium term, in the past five years, SOEs collectively made losses of R172 billion, with many relying on the government for financial support.

6.9. The Committee recognises the strategic importance of SOEs in supporting the economy and welcomes that some SOEs have moved towards a positive trajectory, with Eskom posting its first profit in 2024/25 following almost a decade of sustained losses. The Committee reiterates its recommendation that NT must continue to strengthen support for SOEs on a positive trajectory, while stabilising SOEs still experiencing challenges.

6.10. The Committee welcomes marginal improvements in the official rate of unemployment from 31.9 per cent in the third quarter of 2025 to 31.4 per cent in the fourth quarter of 2025. The Committee, however, remains deeply concerned that the expanded unemployment rate now measures 42.1 per cent and the youth continue to bear the brunt of joblessness. The Committee recommends that all spheres of government should accelerate spending on infrastructure to help reduce unemployment.

6.11. The Committee further recommends that the government should fast-track the creation of an enabling environment for the private sector and SMMEs to invest in the domestic economy and create jobs.

Fiscal framework: Revenue, expenditure and debt

6.12. The Committee notes that while FFC recommends continued commitment to the fiscal consolidation path over the medium term, the PBO and some stakeholders argue that inclusive economic growth requires shifting away from fiscal consolidation towards targeted investments in infrastructure, public services, skills, and industrial policy. The Committee recommends that the government carefully balance the need to address budget inefficiencies with service delivery.

6.13. The Committee, however, notes NT's assertion that the 2026 Budget introduces no new cuts or reductions to the baseline, but only technical downward revisions meant to align with a lower medium-term inflation outlook or rescheduling of funds due to project progress.

6.14. The Committee notes the R252 billion payments to SACU over the medium term. The Committee recommends that SACU payment volatility be explicitly recognised as a fiscal risk, given its sensitivity to revenue fluctuations and its impact on budget stability. NT should develop a SACU stabilisation mechanism to smooth the fiscal impact of fluctuations in SACU payments over the medium term. NT should initiate engagements within SACU structures to review the revenue-sharing formula to ensure medium and long-term fiscal sustainability and alignment with domestic economic realities and conditions.

6.15. the Committee welcomes the R12 billion from the TARS initiative over the medium term, and some progress has been made in managing the government's wage bill, which includes identifying 2 343 suspicious cases in the public service payroll. The Committee requests an updated plan from NT by May 2026, on how it will roll out ghost worker audits to entities outside the PERSAL system.

6.16. The Committee recommends that NT should do more to increase savings, including a range of spending reviews. Future spending reviews and budget reforms should consider placing stronger emphasis on eliminating waste, corruption, duplication and low-performing expenditure while protecting expenditure that directly supports infrastructure delivery and frontline services. The Committee, by April 2026, requests that NT provide it with a list of programs identified by NT, but which departments or cabinet have not yet agreed or refused to add to the savings program.

6.17. The Committee notes the stakeholders' continued disappointment that the SRD grant has not been increased while approximately 10 million people are being excluded from the grant due to unfair regulations, and that there are no commitments to extend the grant to a permanent BIG.

6.18. The Committee welcomes the extension of the SRD grant for 2026/27 and, cognisant of the high costs to the fiscus, recommends that NT should consider adjusting the grant for inflation and converting it to BIG in future, given the high cost of living and the significant social and economic role the grant plays. The Committee reiterates its recommendation that, while it is important to protect the most vulnerable, including through social grants, there must be a clear strategy to move people from dependency to opportunity.

6.19. The Committee remains concerned that, at a projected R6.1 trillion in 2025/26, expected to reach R6.9 trillion by 2028/29 (an increase of R825.4 billion), the government's stock of debt remains significantly high, with debt service costs expected to reach R426 billion in 2026/27 and average R1.35 trillion over the next three years.

6.20. The Committee also notes stakeholders' concerns about high levels of debt; the credibility and sustainability of NT's debt stabilisation and reduction strategies over the medium term; some argue that the current trajectory is highly sensitive to external factors, and if growth remains weak, debt reduction would imply stronger expenditure compression. The Committee recommends that NT should note and carefully consider the stakeholders' concerns and recommendations made.

6.21. The Committee welcomes projected stabilisation of debt in 2025/26 for the first time in 17 years, and that debt service costs are no longer the fastest growing expenditure item. The Committee supports the government's objective to anchor a high debt level and recommends that the achievement of the primary budget surplus should be carefully balanced with support for growth-enhancing investment in infrastructure.

6.22. The Committee notes that the contingent liabilities remain high, at R1.21 trillion in 2026/27, about 75 per cent of which is accounted for by Eskom, IPPs and RAF. Additionally, the RAF has become the most significant risk to the fiscal framework, accounting for almost 30 per cent of the total, or R381 billion.

6.23. The Committee notes that if these liabilities materialise, the debt-to-GDP trajectory may not stabilise and decline as expected, and recommends that, given significant challenges at RAF, and the probability that this figure might be higher, NT must verify RAF's total contingent liabilities before the 2026 MTBPS, put measures in place to manage and mitigate potential risks to the framework, and report to it.

Revenue proposals and SARS

6.24. The Committee notes that while most stakeholders welcome tax adjustments, the PBO and some stakeholders raise concerns that these adjustments primarily benefit higher-income households and that social grant beneficiaries are being reduced.

6.25. The Committee welcomes the 2026 tax proposals, including the withdrawal of the R20 billion tax increase, the adjustment of tax thresholds for PIT and VAT, and the proposal to increase the TFSA limit and recommends that NT

6.26. The Committee notes various stakeholders' contrasting views on excise taxation. On one hand, stakeholders advocate for at least inflation-adjusted increases, citing that excise taxation is one of the most effective tools to reduce alcohol harm and generate sustainable revenue; on the other hand, stakeholders criticise NT's unconstrained discretion over excise taxation and the price gap between excise taxes and illicit trade growth.

6.27. The Committee notes NT's response that excise duties were increased in line with inflation in the 2026 Budget and that consultations on the future excise regime, including options such as minimum unit pricing and differentiated approaches, are ongoing. The Committee encourages NT and SARS to continue engagements with stakeholders in the alcohol and tobacco industries.

6.28. The Committee welcomes the inflation-linked increases in excise taxes and sees this as a positive step in addressing illicit trade and balancing the economic impact without disregarding the health risks. The Committee is, however, concerned about the impact of illicit trade of alcohol and tobacco, not only on tax revenue, but on health costs, employment and economic growth.

6.29. The Committee notes alternative revenue proposals by stakeholders, especially repeated calls for the government to introduce a wealth tax. The Committee acknowledges the NT's responses to these proposals.

6.30. The Committee commends SARS for its performance in 2025/26, including collecting over R2.2 trillion in revenue and its continued interventions in addressing illicit trade. The Committee believes that, despite the additional R7.5 billion over the medium term, SARS remains underfunded and recommends that the Minister of Finance consider increasing SARS's budget over the medium term linked to specific programmes to ensure that SARS is adequately capacitated to collect all revenue due and strengthen its efforts to combat illicit trade and financial flows.

6.31. The Committee notes the concerns raised by the stakeholders regarding the SARS debt book and recommends that SARS report on its debt book, including the scale of disputed and undisputed debt, the extent of impaired and irrecoverable debt, and the measures taken to improve recoverability and strengthen the collection of debt.

6.32. The Committee also notes stakeholders' overall appreciation for SARS enhanced enforcement measures to combat tax evasion, support of its five-point plan to fight illicit trade, and acknowledgement that SARS requires greater capacity and resources to combat illicit trade.

6.33. The Committee acknowledges that illicit trade is a multifaceted challenge, which requires a stronger coordinated approach. The Committee will invite NT, SARS, Border Management Agency (BMA) and the South African Police Service (SAPS) to discuss how illicit trade can be effectively addressed.

Other budget-related issues

6.34. The Committee notes that the equitable share formula continues to allocate less than 10 per cent of the nationally raised revenue to the local sphere of government, and many rural municipalities don't have adequate revenue-raising potential compared to the metros.

6.35. The Committee, however, notes from NT's responses that, (1) transfers per household to rural municipalities based on the division of revenue, were almost double those to metropolitan municipalities, (2) the revenue sharing formula already considers poverty levels, (3) the local government budget of R706 billion, was not far off from the provincial budget of R817 billion, who had very limited revenue raising powers, and (4) the reviewing the local government fiscal framework in currently under review, and feedback would be provided when the Minister tables the 2026 MTBPS.

6.36. The Committee welcomes NT's continued support to municipalities, spending about R2 billion per year. The Committee awaits the completion of the White Paper on Local Government review, which is currently underway and believes that, amongst other things, it will help address the municipal funding model. The committee welcomes that the NT and the Development Bank of Southern Africa are laying the groundwork for infrastructure Finance and Implementation Support Agency. The Committee further recommends that various entities have infrastructure support related capabilities, such as MISA, GTAC and DBSA, and their existing capacity should be expanded to increase support of the NT's approach of moving from oversight to active structural interventions. The Committee notes that NT is deciding on the next steps following the recent VAT judgement. The Committee requests a written update from NT on these next steps by May 2026.

The Committee appreciates all input received on the 2026 fiscal framework and revenue proposals during the public participation process. The Committee notes progress made by NT and SARS in continuously engaging with the stakeholders to find practical solutions to the issues raised and recommendations made. The Committee notes continued concerns from stakeholders about the adequacy of time and space for meaningful deliberation within Parliament's Money Bills process.

Having considered the 2026 Fiscal Framework and Revenue Proposals, the Standing Committee on Finance Accept the 2026 Fiscal Framework and Revenue Proposal.

Report accepted by the majority of the Committee and rejected by MKP and EFF.

The Committee agreed that the minority reports should be attached to this report verbatim as follows:

"MKP POSITION ON THE 2026 FISCAL FRAMEWORK AND REVENUE PROPOSALS

MKP recommends that the Standing Committee on Finance must amend the proposed 2026 Fiscal Framework and Revenue proposals because of the following reasons:

1. The Fiscal Framework and revenue proposals are a scratch on the surface of real interventions needed to help the country realise its economic targets.

2. The current growth trajectory is full of stagnation signs, and the proposed fiscal framework is not going to help in reverse these concerning signs.

3. The mooted debt sustainability program is purely focusing on headline aggregates and financial ratios; it is very quiet on social and economic returns. It doesn't promote inclusive growth, strengthen state capacity, create employment, address inequality and eradicate poverty.

4. The proposed framework doesn't pronounce itself on the power vest on the SCoF by the court about Value-Added Tax. Albeit the court ruling affirms that only Parliament can change tax rates

and parliament has 24 months to effect the necessary legislative changes. Instead, the SCoF opted to outsource its responsibility to National Treasury.

5. The proposed fiscal framework doesn't respond to current challenges faced by our country as a result of the rapidly shifting geopolitical dynamics."

"EFF Input on the Draft Report of the Standing/Select Committee on Finance on the 2026 Fiscal Framework and Revenue Proposals

The Economic Freedom Fighters rejects the proposed fiscal framework.

At the level of principle, this report reflects a serious failure by Parliament to exercise its powers in terms of the Money Bills Amendment Procedure and Related Matters Act of 2009. Instead of amending the fiscal framework, the Committee has framed its role as merely making recommendations to the National Treasury. This is evident throughout the **"Committee's Observations and Recommendations" section** where language such as "the Committee recommends that NT should consider" is used repeatedly. This reduces Parliament to an advisory body, which is not what the law intends.

The report itself contains sufficient evidence to justify amendments. The inputs from the Parliamentary Budget Office clearly state that the fiscal framework will not achieve inclusive growth, reduce unemployment, or meet development targets. Yet this is not translated into changes to the framework. This is not a technical oversight; it is a political choice.

At a minimum, the following amendments should have been incorporated directly into the **"Fiscal framework: Revenue, expenditure and debt"** and **"Other budget-related issues"** sections of the report.

1. SARS Allocation (Amendment to "Revenue proposals and SARS")

In the section titled **"Revenue proposals and SARS"**, the Committee acknowledges that SARS remains underfunded and recommends that the Minister "consider increasing SARS's budget". This must be strengthened into a binding amendment.

The report already notes the challenges of tax debt collection, including underperformance relative to targets and growing complexity in recoverability. Based on this evidence, the Committee should amend the fiscal framework to include an additional R4 billion allocation to SARS, specifically earmarked for modernisation, enforcement, and debt recovery.

This must replace the current weak formulation and be inserted as a direct amendment in this section.

2. Equitable Share and Local Government (Amendment to "Other budget-related issues")

The section on **"Other budget-related issues"** explicitly states that local government receives less than 10 per cent of nationally raised revenue . It further acknowledges structural weaknesses in municipal finances.

This is precisely where the Committee should have inserted an amendment to the fiscal framework.

As raised in deliberations, including by Honourable Omphile Maotwe, municipalities are structurally underfunded. The Eskom debt of approximately R95 billion owed by municipalities is not simply a governance issue, but a fiscal design failure. Municipalities, including metros, are increasingly relying on levies and tariffs to sustain operations, placing further pressure on residents.

The Committee should therefore amend the fiscal framework to increase the local government equitable share from below 10 per cent to at least 12–15 per cent, in line with stakeholder submissions reflected in the report. This amendment must precede finalisation of the Division of Revenue Bill.

3. Fuel Levy (Amendment to "The 2026 tax proposals include…")

In the section outlining tax proposals, the report confirms increases in the fuel levy, RAF levy and carbon fuel levy.

At the same time, the **"Economic performance and outlook"** section acknowledges weak GDP growth of 1.1 per cent and persistently high unemployment. This contradiction is not resolved in the report.

The Committee should amend the fiscal framework to reject any increase in the fuel levy. This must be inserted as a clear recommendation under the tax proposals section. Maintaining the current levy is necessary to protect households facing rising transport and food costs.

4. Insourcing and State Capacity (Amendment to "Fiscal framework: Revenue, expenditure and debt")

In the section on **“Fiscal framework: Revenue, expenditure and debt”**, the report emphasises eliminating wasteful expenditure and improving efficiency. However, it does not explicitly recognise insourcing as a mechanism to achieve this.

The Committee should insert a clear statement acknowledging the positive developments in insourcing across government and recommend a coordinated, policy-driven approach. This must be included as an additional paragraph under this section, linking insourcing to improved state capacity, reduced outsourcing costs, and enhanced accountability.

5. Growth Model, Industrialisation and Monetary Policy (Amendment to “Economic performance and outlook”)

The **“Economic performance and outlook”** section correctly identifies low growth and structural constraints but does not interrogate the policy framework underpinning this stagnation.

As raised in Committee deliberations, all parties expressed support for industrialisation, but only the EFF advanced a position for state-led industrialisation. This distinction must be reflected in the report.

Furthermore, the Committee should amend this section to emphasise that economic policy must prioritise job creation rather than narrow inflation targeting. The current framework fails to address unemployment at the required scale, and this is confirmed by both the PBO and stakeholder submissions.

A new paragraph should be inserted in this section to state that the fiscal and monetary policy framework must be aligned towards employment creation, industrial expansion, and structural transformation.

Conclusion (Amendment to final resolution)

The final paragraph of the report, which states that the Committee “accepts” the fiscal framework, must be amended.

Given the evidence presented throughout the report itself, including low growth, high unemployment, underfunded municipalities, and insufficient revenue capacity, the Committee should reject the fiscal framework and adopt it with amendments.

Failure to do so confirms that Parliament is unwilling to exercise its constitutional authority. The current report reflects a process where serious concerns are acknowledged but no action is taken. That is not oversight; it is procedural compliance without substance.

The EFF rejects this approach and calls for a fiscal framework that is amended to reflect the developmental needs of South Africa.”

Report to be considered.

ANNEXURE A

1. Summaries of submissions on the 2026 Budget received from the stakeholders

The Committees held public hearings on 10 March 2026 and received a total of 32 submissions, seven written and 25 oral. These submission were received from the South African Institute of Chartered Accountants (SAICA), South African Institute of Taxation (SAIT), South African Breweries (SAB), South African Wines (SAW), Heineken beverages, Beer Association of South Africa (BASA), South African Alcohol Policy Alignment (SAAPA), South African Liquor Brandowners Association (SALBA), DG Murray Trust (DGMT), National Liquor Traders (NLT), Fair-trade Independent Tobacco Association (FITA), British America Tobacco South Africa (BATSA), Congress of South African Trade Unions (COSATU), Amandla.mobi, Alternative Information and Development Centre (AIDC), Budget Justice Coalition (BJC), Institute for Economic Justice (IEJ), Public Economy Project (PEP), Rural Health Advocacy Project (RHAP), Dr Muller, South African Student Investment Council (SASIC), Sovereign Africa Rating (SAR), Breadline Africa, Families4Children (including South African Parenting Programme Implementers Network (SAPPIN) and South African National Child Rights Coaltion (SANCRC)), Healthy Living Alliance (HEALA), World Health Organisation (WHO), Women on Farm Project (WFP), Edward Nathan Sonnenbergs (ENS) (including South African Poultry Association and CloverSA), IRR Legal, Banking Association of South Africa (BASA) Winsome Africa, and Better Governance Initiative (BGI).

The Committee received submissions from tax institutions, the business sector, civil society organisations, non-profit organisations, professional bodies, and individual members of society. The submissions collectively highlight structural challenges facing the South African economy, including weak growth, persistently high unemployment, poverty, inequality, infrastructure deficits, local government distress, and constrained fiscal space. These are summarised below.

1.1. Healthy Living Alliance

HEALA submits that since its implementation from 1 April 2018 to 31 March 2021, the Health Promotion Levy (HPL) generated R7.9 billion in cumulative revenue for the country, with R3.2 billion, R2.5 billion, and R2.1 billion collected over the 2018/19, 2019/20, and 2020/21 fiscal years, respectively. HEALA believes that had the HPL been implemented at a rate of 20 per cent and included 100 per cent fruit juices, then the revenue generated and healthcare cost savings would be much higher.

HEALA observed that at R370, the Social Relief of Distress (SRD) grant is at 44 per cent of the food poverty line and the Child Support Grant (CSG) at 65 per cent, with an amount of R560, and that these amounts are not sufficient for preventing hunger in households and stunting in children; more needs to be done to achieve this. HEALA further notes that in his State of the Nation Address (SONA), President Ramaphosa highlighted the importance of addressing stunting in children and the aim to end stunting by 2030. To achieve this, HEALA recommends an increase in social support measures which exist and the implementation of the Maternal Support Grant, which needs greater revenue generation that a strengthened HPL can provide.

HEALA recommends that the National Treasury (NT) increase the rate of the HPL to at least 20 per cent, include an annual inflation increase in the HPL to increase the policy's effectiveness and urgently release the position paper regarding the expansion of the HPL to include 100 per cent fruit juices and a reduction in the threshold.

1.2. Amandla.mobi

Amandla.mobi submits that grants are still not enough to cover monthly basic needs, while social grants are continuously being eroded by inflation and the high cost of living. It is disappointing that the R370 SRD grant is still not increased, while approximately 10 million people are still being excluded from the grant due to unfair regulations.

Amandla.mobi is concerned that NT continues to dismiss calls for a net wealth tax on the ultra-wealthy while wealth inequality has not changed since 1994, with the top one per cent still owning more than 50 per cent of the country's wealth.

Amandla.mobi believes that proper functioning and well-maintained key infrastructure is key to sustainable development and supports the R1.07 trillion allocation. It recommends that this allocation must come with clear plans and proper metrics to measure return on investment.

The tax increases on alcohol, tobacco and cigarettes are considered a step in the right direction, but the arguments and lobbying by the industries use illicit trade to divert attention from the pressing need to tackle alcohol and tobacco abuse.

Amandla.mobi recommends an increase of Personal Income Tax (PIT) for the ultra-wealthy and a commitment to introducing an annual net wealth tax at a higher rate of 3 per cent for those with a wealth of more than R3.8 million. Beyond tax commitments, the government must consider reallocating expenditure and minimising government irregular expenditure, expanding the CSG to include pregnant mothers, and ensuring that public institutions such as the South African Revenue Service (SARS) have the funding necessary to realise their mandate.

Furthermore, the sugary drinks tax must be increased to 20 per cent and be expanded to include fruit juice, and all social grants must be increased by substantial amounts to help curb poverty, hunger and the high cost of living.

Amandla.mobi proposes the expansion of the R370 SRD grant to include those unfairly excluded, and that the government must provide clear plans for the implementation of the Basic Income Grant (BIG).

1.3. Congress of South African Trade Unions

COSATU sees municipalities as the state's Achilles' heel, with over 60 per cent in financial distress and many struggling to provide basic services or pay staff. COSATU welcomes the R27 billion allocated to improve metros' abilities to provide basic services and bill correctly, the plans to amend the Municipal Financial Management Act (MFMA) to strengthen the government's ability to intervene timeously, and the plans to connect 320 000 houses to electricity and roll out 258 000 smart meters. COSATU is concerned that these may not be enough to fix dysfunctional municipalities, and recommends urgent interventions to stabilise increasingly dysfunctional municipalities, including tackling revenue and expenditure obligations, and finalising White Paper on Local Government.

COSATU finds the absence of a bold stimulus package for Small, Micro and Medium Enterprises (SMMEs), industrial and export sectors deeply worrying and sees a dire need for support of fragile economic sectors exposed to high electricity prices, trade turmoil, oil price and Consumer Price Index (CPI) inflation hikes and the spread of Foot and mouth disease. COSATU recommends tighter parliamentary oversight over infrastructure programme rollout, more active law enforcement to stem construction mafia and cable theft. Additionally, there is a need for engagements with (1) the Public Investment Corporation (PIC), Development Bank of South Africa (DBSA) and Industrial Development Corporation (IDC) to boost economic infrastructure investments, and Nedlac on ramped up SMME, industrialisation and export financial stimulus and relief package.

On social grants and SRD grants, COSATU is deeply disappointed that, yet again, there is no CPI increase for 8 million SRD Grant recipients and National Student Financial Aid Scheme (NSFAS) threshold, and that the Presidential Employment Programme (PEP) has been cut by half from R8.8 billion to R4.5 billion. COSATU recommends that Parliament adjusts the SRD Grant for CPI in 2026 to reach food poverty line over the medium term, adjusts NSFAS threshold for CPI in 2026, engages the PIC, Sector Education and Training Authorities (SETAs) and National Skills Fund (NSF) to take over share of PEPs and engage with NT on next phase of Two Pot Pension Reforms in time for 2027 implementation.

1.4. World Health Organisation

On the proposal to increase excise duties on tobacco products and electronic nicotine and non-nicotine delivery systems in line with expected inflation of 3.4 per cent, WHO recommends that total tobacco taxes account for at least 75 per cent of the retail price of tobacco products, with excise taxes representing at least 70 per cent of the retail price. According to the WHO, such tax structures are associated with significant reductions in tobacco consumption and improved public health outcomes.

On the proposal to increase excise duties on alcoholic beverages in line with inflation-only adjustments of 3.4 per cent, WHO recommends that, to reduce affordability and consumption, excise duties typically need to increase faster than both inflation and income growth.

On the HPL, WHO recommends that sugar-sweetened beverage taxation be structured to produce meaningful retail price increases that reduce affordability and curb consumption, and that rates be adjusted periodically to prevent erosion of impact.

On carbon tax and fuel levies, WHO submits that the proposed carbon-related fuel levy and carbon tax trajectory align with global recognition of carbon pricing as a policy instrument with climate and health co-benefits.

WHO believes that the excise duty adjustments implementation date, effective on 1 April rather than immediately on Budget Day from 2027 onwards, may improve fiscal planning. WHO recommends that, as implementation timing changes are introduced, it may be useful to review whether the controlled period for these provisions remains appropriately aligned with the new effective date.

1.5. Heineken Beverages

Heineken Beverages submits that (1) despite the latest increase in inflation, continued above-inflationary increases have significantly widened the gap between CPI and the excise burden, (2) the 2026 inflationary increase is in stark contrast to the future excise proposals from NT, and (3) continued high excise increases will support market distortions and negate enforcement efforts.

Heineken beverages recommends, (1) that the government should allow for CPI increases only for the next three years, (2) a period of regulatory stability to allow the National Illicit Economy Disruption Programme time to prove its impact, while it would welcome participation in this Programme to share existing expertise and support, and (3) that enforcement leads and policy follows such that once illicit trade is materially reduced, broader excise reforms can proceed on a stable footing.

1.6. South African Wine

SAW submits that if South Africa is serious about inclusive growth, job creation, rural development, and keeping the tax base healthy, then the excise policy must be grounded in reason, not reaction.

SAW welcomes the excise adjustment for the 2026/27 financial year of 3.39 per cent for natural wine, fortified wine, sparkling wine and brandy and believes that the alignment with CPI reflects ongoing, constructive engagement and reinforces the importance of a predictable excise framework for the wine sector.

SAW recommends that NT and Parliament's Finance Committees should take these practical steps to reverse the current increase of 6.75 per cent, limit all future excise increases for wine to CPI-linked adjustments, beginning with the 2026/27 cycle, and maintain the current incidence rate of 11 per cent for wine, to ensure stability and competitiveness.

SAW further urges the government to prioritise the enforcement of illicit trade instead of further penalising compliant taxpayers, undertake socio-economic impact assessments (SEIAS) before implementing any new alcohol policy model, and accelerate enabling reforms in energy and logistics.

1.7. Beer Association of South Africa

BASA welcomes the announcement that excise duties on alcoholic beverages will increase in line with projected CPI as a measured and appropriate adjustment, reflecting the predictable, rules-based approach the industry has consistently advocated for.

BASA's concerns include unconstrained NT discretion over excise tax, highlighting that NT has largely been operating outside of its own policy, while there is no linkage between excise policy and illicit enforcement, and no accommodation for micro-producers.

BASA submits that the beer sector supports approximately 210,000 jobs, contributes R96.5 billion to GDP, and generates R67.8 billion in annual tax revenue. However, the sector has endured a sustained period of above-CPI excise increases, a pattern that eroded the formal market base, widened the gap with illicit products, and created chronic investment uncertainty.

According to BASA, illicit alcohol now accounts for 18 per cent of total volume consumed, generating R16.5 billion in fiscal losses in 2024, up 157 per cent since 2017. The issue is that above-CPI excise increases widen this gap and accelerate substitution.

BASA raises a concern that the guideline introduced by NT in 2014 was breached in its first year, and its threshold was abandoned without consultation, review, or formal notice.

BASA recommends that, (1) NT should anchor excise adjustments to CPI for at least the next three years to restore predictability and constrain the price gap between legal and illicit products, (2) ensure that the policy review produces durable accountability parameters specifically, a CPI-based ceiling on annual adjustments for at least three years; and linkage to measurable illicit market outcomes so that excise decisions are informed by enforcement data before any adjustment is considered, (3) introduce a tiered compliance framework for micro-producers to reduce barriers to formal market entry, support transformation and employment objectives in the craft and micro-brewing sector, and bring additional producers within the tax base, and (4) consider an industry partnership on an integrated illicit alcohol enforcement strategy.

BASA commits to supporting the National Illicit Economy Disruption Programme to develop a dedicated alcohol enforcement workstream, with a baseline measurement of illicit alcohol market volumes by 2026.

1.8. National Liquor Traders

NLT supports NT's approach of increasing excise duties in line with inflation, as this provides predictability, stability, and alignment with public health considerations while avoiding shocks to the sector. NLT supports inflation-linked excise adjustments and emphasises the importance of recognising taverns as vital engines of township economic activity. NLT recommends that the government must protect legal township traders, support township economic growth, and strengthen compliance and formalisation.

1.9. DG Murray Trust

The DGMT supports the 3.4 per cent increase in alcohol excise duties contained in the 2026 Budget but believes that the government must do more to help South Africa escape the inequality trap. DGMT further submits that people in lower-income groups are 4.5 times more likely to die from alcohol-related causes, and that alcohol harm costs South Africa far more than the industry contributes.

DGMT recommends that excise taxation must be strengthened, by keeping alcohol from being more affordable, addressing extremely cheap alcohol by exploring pricing measures linked to alcohol content, and strengthening action on illicit trade by supporting SARS' five-point enforcement strategy.

1.10. South African Alcohol Policy Alignment

SAAPA submits that excise taxation is one of the most effective tools to reduce alcohol harm, generate sustainable revenue, and support fiscal consolidation. Also, Inflation-only increases are not enough, and the government should adopt above-inflation health taxes as part of a comprehensive public health strategy.

SAAPA recommends that Parliament should consider above-inflation excise alcohol tax increases of 6-10 per cent above inflation annually, introducing a Minimum Unit Pricing to prevent extremely cheap alcohol, and ring-fencing a percentage of health tax revenue to fund treatment programmes, community prevention, and road safety. The government must also strengthen illicit trade enforcement by implementing track-and-trace systems.

1.11. South African Breweries

SAB's submission reflected on the 2014 excise tax policy and the technical flaws in the excise adjustment framework, pointing out that the guideline did not address or acknowledge the relationship between excise taxes and illicit growth, and it applies NT's dominant discretionary approach to adjustment guidelines.

SAB recommends that, to address illicit alcohol, excise duty policies and broader economic factors that drive consumers to the illicit market must be carefully considered. To effectively combat illicit alcohol and protect the legal market, excise tax increases should align with inflation, and the government must implement stronger enforcement and penalties.

SAB considers locking beer excise increases to the projected inflation rate for the next three fiscal years as the most effective way to correct the damaging volatility that has characterised past adjustments, while still preserving the real value of revenue and protecting the legal, taxed beer industry from illicit alcohol growth.

1.12. South African Liquor Brandowners Association

SALBA welcomes the inflation rate adjustment of excise in spirits and the renewed focus on combatting illicit trade in the alcoholic beverage industry, and the announcement by the President in his SONA of the establishment of an Illicit Economy Disruption Programme.

Given the impact of illicit trade on government finances, SALBA recommends that the Committee request regular updates on the implementation of these programmes that are aimed at reducing the fiscal losses. Also, the feedback sessions should be held on public platforms to allow the industry and the public to participate in these meetings, where updates are provided.

1.13. British American Tobacco South Africa

BATSA welcomes the recognition of the price gap between legal and illicit products, by maintaining an inflation-linked increase, against the background of falling consumer affordability and unprecedented levels of illicit trade. As a result of the devastating impact of the illicit cigarette trade, BATSA reported that it has had to make the very difficult in-principal decision to close its manufacturing plant in Heidelberg, Gauteng, by the end of 2026 and transition to an imports-based model. BATSA cautions that the closure of the Heidelberg plant should serve as a lesson to Parliament and NT that, unless decisive and coordinated action is taken, the legitimate tobacco industry in South Africa will cease to exist, taking with it direct and indirect jobs and billions in tax revenue, while the illicit operators who caused this destruction will continue to profit unchecked.

BATSA recommends that Parliament, NT and SARS should (1) address cigarette excise in an appropriate manner which fully appreciates the extent of the illicit trade problem in South Africa, (2) introduce into the Customs and Excise Act 91 of 1964, through a primary legislation change, a minimum retail price per pack of 20 cigarettes to achieve effective enforcement and to address retail tax compliance, (3) revise the base on which the current cigarette excise increases are determined, on weighted average price in the market, (4) embrace Tobacco Harm Reduction as an effective tobacco control strategy by levying the appropriate level of excise duties on nicotine products, and (5) encourage SARS to implement a track-and-trace system in South Africa for cigarettes and vaping products.

1.14. Fair-trade Independent Tobacco Association

FITA acknowledges that excise taxes remain an important contributor to the national fiscus, highlighting that historically, the legitimate tobacco sector has generated substantial annual excise revenues, forming a reliable and predictable source of income for the government. However, FITA is concerned that the sustainability of this revenue stream is increasingly threatened by structural market changes and the continued growth of illicit trade. FITS cautions that the illicit trade in cigarettes poses a direct threat to revenue collection, tax fairness, and the integrity of the fiscal system. Without addressing illicit economic activity, increases in tax rates alone may not translate into higher revenue collection. FITA supports strong, consistent and evidence-based enforcement aimed at protecting tax compliance and strengthening revenue collection.

FITA recommends that the government strengthen enforcement against illicit trade to protect excise revenue, enhance border management capacity to address smuggling, promote consistent and fair regulatory enforcement across all market participants, and ensure that tax policy decisions consider the risk of expanding illicit markets.

1.15. South African Institute of Chartered Accountants

SAICA notes that while the fiscal framework relies heavily on the accuracy of the estimation of GDP growth, this estimate has been projected at 2 per cent in 2029, despite the current historical 12-month trends and global conflicts, indicating this to be unrealistic. Also, the real 2025 GDP of 1.1 per cent is below the initial 1.9 per cent and 1.4 per cent revised estimates, but NT provided no historical trend to support the current estimates.

SAICA submits that the material impact of global conflicts on inflation, logistics and the economy further weakens this upside estimate, while the debt-to-GDP is based on this GDP growth scenario. SAICA seeks clarity on the long-term debt strategy, including how refinancing or maturity extension fits into sustainability objectives.

SAICA submits that the creation of centralised or parallel reform structures can improve efficiency in some areas, but may also create overlap, uncertainty, and shift responsibility away from the implementing institutions that must ultimately be accountable. SAICA recommends prioritisation of consequence management, financial competence, and professionalisation in government departments and municipalities.

SAICA welcomes the extended public comment period and recommends it as a permanent feature, and that public hearings should be scheduled at least seven days after the public comment deadline to enable Parliament to properly consider submissions. In addition to that, the full set of fiscal bills should be tabled on Budget Day to avoid legal uncertainty and consultation distortions created by delayed tax bills.

SAICA notes reliance on private capital and PPPs and submits that risk-mitigation instruments and PPPs can help, but are not substitutes for direct capital investment. According to SAICA, Prior experience suggests limited take-up by the private sector, where underlying project economics are weak. SAICA therefore seeks clarity on the policy direction concerning the potential partial privatisation of state assets.

SAICA notes that revenue gains appear to be cyclical rather than resulting from a structural increase in the tax base, while there is also a growing reliance on PIT and requests clearer metrics to evidence genuine tax base expansion, including metrics and monitoring of the SARS estimated R1.2 trillion illicit economy being reduced.

SAICA further submits that there has been significant growth over the last five years and the current year in both SARS undisputed and disputed tax debt, without reasons being provided and recommends better disclosure to assess the sustainability of revenue assumptions, and the disclosure of the extent to which medium-term revenue depends on historical debt collections.

SAICA raised a concern about contingent liabilities, and further requests specific oversight and controls to prevent repeat wastage and losses at the Passenger Rail Agency of South Africa (PRASA) and the South African National Defence Force (SANDF).

1.16. South African Institute of Taxation

SAIT commends NT and SARS for heeding longstanding calls to protect taxpayers and support growth, support for households, individuals and small businesses, and for strengthening the tax base and enhancing stability, particularly the global and structural reforms such as the implementation of global minimum tax, interest relief for Voluntary Disclosure Programme (VDP) applications, and aligning section 23M and section 23N.

SAIT is pleased that these announcements have been made in response to submissions made by inter alia SAIT and other stakeholders in preceding years, and the fact that several of their proposals have been implemented demonstrates that NT is listening to and engaging with stakeholders.

SAIT observed that the tax-to-GDP ratio ensures that the tax base is sufficiently broad and is encouraged by SARS' efforts to expand the tax base. SAIT fully supports the whole of government approach to tackling illicit trade, noting that while targeted enforcement initiatives have helped address excise non-compliance, SARS requires greater capacity and resources to effectively pursue illicit operators.

SAIT observed that while the Court clarified that the Minister cannot unilaterally change major tax rates such as VAT, the Minister may still announce adjustments to certain levies and duties where the enabling legislation permits these changes through regulations or schedule amendments. SAIT recommends the timely release of draft Bills, essential to avoid delays in the legislative process, and more time between draft publication and comment deadlines would significantly improve stakeholder participation.

SAIT welcomes several developments that enhance policy certainty and demonstrate effective stakeholder engagement, notably, the withdrawal of the planned R20 billion tax increase and the implementation of the Organisation for Economic Cooperation and Development (OECD) Global Minimum Tax. According to SAIT, these legislative amendments signal stability and certainty, which will help in the reduction of disputes and improve compliance.

To address compliance risks in public procurement, SAIT proposes a targeted, neutral withholding mechanism on certain government tender payments. Specifically, this withholding tax should apply to government contracts above a defined threshold, and a small percentage should be withheld when payment is made. The amount should then be remitted directly to SARS and credited against the contractor's tax liability. This will ensure that tax is collected at source and will reduce the opportunities for evasion and improve transparency and fairness in procurement.

SAIT supports SARS' intensified enforcement against the illicit economy, particularly in customs and excise-sensitive sectors and welcomes SARS' use of AI, data analytics and coordinated enforcement. SAIT recommends that the Committees engage with their counterparts in related committees to facilitate a coordinated approach in addressing illicit trade.

SAIT urges caution on the proposed 20 per cent tax on Gross Gambling Revenue (GGR) for online gambling but raises concerns that the effective tax rate could reach 26 to 29 per cent, and in some cases 38 to 39 per cent, while high effective rates risk pushing activity offshore, undermining both revenue and consumer protection. Regulatory reform should therefore precede taxation to ensure certainty and enforceability.

SAIT supports the implementation of a principle-based fiscal anchor as this will promote discipline, transparency and long-term sustainability.

1.17. Budget Justice Coalition

BJC notes that the current fiscal framework places significant emphasis on debt stabilisation and maintaining investor confidence. BJC is concerned that, while fiscal sustainability is important, the narrow focus on consolidation risks constraining the public investment required to address unemployment, poverty, and inequality. BJC highlighted that South Africa's unemployment crisis remains among the most severe globally, yet the budget contains limited measures capable of generating jobs at the scale required. BJC submits that a credible path to debt sustainability ultimately depends on stronger economic growth, which in turn requires deliberate investment in employment creation and labour-absorbing sectors.

The BJC also raises concerns about the government's approach to revenue mobilisation, submitting that Civil society organisations have proposed several options for strengthening progressive taxation, including reforms to wealth taxation and tax expenditures that disproportionately benefit higher-income households. However, these proposals have not received meaningful engagement from NT. At the same time, some tax adjustments included in the 2026 budget provide relief to higher-income households, while forgone revenue could have supported social and economic investment.

On the expenditure side, the BJC notes that although the government highlights that approximately 60 per cent of non-interest spending goes toward the social wage, this measure alone does not reflect the adequacy of spending. When examined in real per capita terms, allocations to essential services such as health, education, and social protection have stagnated or declined over the past decade, according to BJC.

The submission also raises concerns about governance and implementation challenges, proposed reforms to infrastructure delivery increasingly relying on national implementing agents rather than strengthening municipal capacity, and the introduction of the Targeted and Responsible Savings (TARS) initiative, which raises concerns about the transparency and distributive impact of expenditure reductions that appear to affect programmes supporting low-income households.

BJC recommends that Parliament and NT should adopt an employment-centred fiscal framework that prioritises large-scale job creation and labour-absorbing investment, expands PEPs and hiring in essential public services such as health and education. Moreover, the government must secure the long-term future of the SRD grant, reconsider tax adjustments that primarily benefit higher-income households while fiscal pressures remain acute and increase transparency in the government's debt management strategy and its implications for social spending.

BJC urges the government to prioritise Gender responsive budgeting in the fiscal framework and deepen democratic participation in the budget process through structured pre-budget consultations and expanded access to budget information.

1.18. Institute for Economic Justice

IEJ submits that South Africa's flawed growth model cannot make a meaningful reduction to unemployment. Even at a projected 2 per cent in 2028, GDP growth remains insufficient to create jobs, and generate enough revenue to invest in education, healthcare and social protection, all of which will decline in inflation-adjusted and per capita terms over the medium term. IEJ recommends that public investment must be increased by R800 billion per year over the medium term, social spending increases must be in line with inflation and population growth, and monetary policy, through the SARB, must be used to direct cheap credit towards strategic industries.

On revenue mobilisation and debt, IEJ recommends increasing tax compliance, using public sector pools of capital such as GFECRA and GEPF and redirecting tax breaks given to higher income households to social infrastructure spending. Also, the Committee must hold the Minister of Finance accountable for this recurring failure to lower debt-to-GDP while continually inflicting damage on the economy through spending cuts.

On TARS and the budget process, IEJ recommends that the TARS programme must adopt a more rigorous methodology, overseen by Parliament, to determine what constitutes underperforming or wasteful programmes, and factor in consideration of areas where years of budget cuts have made programmes ineffective, and therefore need more, not fewer resources. Additionally, the government's version of gender-responsive budgeting must be overhauled to address the core issues underlying the economic marginalisation of women and other marginalised communities.

1.19. Public Economic Project

PEP notes that South Africa may be approaching debt stabilisation after more than a decade of fiscal consolidation. However, a new fiscal objective introduced in the 2026 Budget, aimed at reducing the debt-to-GDP ratio, implies that fiscal consolidation will likely continue even after stabilisation has been achieved. PEP's central concern is that the shift from debt stabilisation to active debt reduction implies a prolonged period of fiscal consolidation, the implications of which for public spending and service delivery require careful parliamentary scrutiny.

PEP submits that the projected decline in debt is historically ambitious, considering that over the medium term, the budget projects a reduction in gross loan debt of 2.4 percentage points of GDP, which corresponds to a fiscal adjustment of roughly R180 billion over the next three years.

Beyond the medium term, PEP notes that the fiscal framework implies a decline in debt of more than 10 percentage points of GDP over the next eight years, representing a fiscal effort of approximately R750 billion in today's prices. According to PEP, international evidence shows that sustained debt reductions of this magnitude are rare and typically occur only under favourable macroeconomic conditions, including strong economic growth, robust nominal GDP growth and large sustained primary surpluses.

PEP further notes that the 2026 Budget introduces no major new revenue-raising measures, which means that the burden of fiscal adjustment will fall primarily on expenditure. PEP is concerned that if economic growth and revenue performance remain modest, achieving the projected debt reduction will require significant expenditure compression over the medium term, while under weaker growth conditions, the fiscal effort required could be even larger. This raises important questions about the implications of sustained consolidation for public services and the provision of core public goods, particularly in sectors such as health, education and policing.

The submission further notes that the budget does not include above-inflation increases in excise taxes on alcohol and tobacco, despite the substantial health, social and fiscal costs associated with these products, while strengthening such health taxes could support both public health objectives and domestic revenue mobilisation.

PEP considers the Gender Budget Statement included in Budget 2026 as a positive step toward integrating gender considerations into fiscal policy; however, the current statement does not adequately assess how the fiscal consolidation path affects women's employment and the care economy. PEP is concerned that sectors such as health, education and social development, which are major employers of women, and which support unpaid care work, remain under sustained fiscal pressure. It is recommended that future gender budgeting exercises should consider these sectors.

PEP recommends that, given the scale of the projected fiscal adjustment, Parliament should carefully interrogate the credibility and sustainability of the proposed debt-reduction path; assess whether the macroeconomic assumptions underpinning the debt outlook are realistic; and whether the projected fiscal adjustment is achievable without undermining service delivery.

1.20. Better Governance Initiative

BGI's submission argues that the current 9.4 per cent allocation does not meet the equitable division of revenue standard, given unfunded mandate spending. While municipalities are responsible for a defined set of functions, they routinely fund services that belong to national and provincial government, at a cost of R30 billion per year, according to BGI.

BGI further submits that funding and accountability must advance together, not one before the other, arguing that the constitutional obligation to fund municipalities exists independently of their performance, and that accountability must be built alongside adequate funding, not used as a precondition to withhold it.

BGI recommends that if Parliament accepts the proposed fiscal framework, it should consider increasing the local government equitable share and consider including in the reports to their respective Houses, an observation that the current allocation does not reflect an equitable division of nationally raised revenue. If Parliament amends the proposed fiscal framework, it should consider incorporating the increase of the local government's equitable share in the amounts proposed in the submission, namely, R30 billion or a 10.9 per cent increase.

1.21. Sovereign Africa Ratings

On fiscal policy, SAR observed that NT is transitioning from rigid numerical targets to a principles-led fiscal anchor, and this creates a potential transparency gap. SAR seeks clarity on the specific technical criteria that will be used to determine compliance under this principles-led model and allow the market to hold the administration accountable for fiscal discipline in the absence of hard numerical ceilings.

On revenue estimates, volatility and debt stabilisation, SAR notes that the current debt-stabilisation path is highly sensitive to external factors. Given the fiscus's heavy reliance on the mining sector, SAR seeks clarity on how revenue projections for 2026/27 would withstand a correction in gold and platinum prices, specifically, how a GDP growth shortfall would affect the primary surplus required to keep debt on a stable path, and how the R523 billion in outstanding tax debt would be addressed.

On municipal debt and SOE risk, SAR observed persistent rise in municipal arrears, reaching R94.6 billion by March 2025, representing an off-balance-sheet sovereign liability, and seeks clarity on whether NT has a contingency plan to absorb this debt to ensure Eskom's survival if local recovery efforts fail and defining the limits of the state's liability under this new model and how these "quasi-guarantees" will be reported.

On service delivery and social wage, SAR observed that NT is increasingly using fiscal mechanisms to drive local performance, including ring-fencing utility revenues and potentially stripping incapable municipalities of infrastructure control. SAR seeks clarity on the legal thresholds for taking control of failing municipalities and the process for them to regain fiscal autonomy.

SAR also seeks a data-driven assessment of the long-term fiscal viability of converting the SRD into a permanent big and identifying the economic growth rate needed to fund it without raising taxes.

1.22. Breadline Africa

Breadline Africa acknowledges the R12.8 billion allocation to expand ECD access and the broader R1 trillion infrastructure investment programme.

Breadline Africa submits that the Budget does not address the most critical barrier to achieving universal early learning, that is, the absence of dedicated funding for ECD infrastructure. While the 2026 Budget expands the ECD subsidy, no capital funding has been allocated to build or upgrade facilities and cautioned that without facilities that meet safety and compliance standards, many centres cannot register and therefore cannot access the subsidy, placing the R12.8 billion allocation at risk of underspending.

Breadline Africa noted that the explicit inclusion of ECD infrastructure in the 2026/27 Budget Facility for Infrastructure (BFI) ECD meets every criterion for "critical social infrastructure," yet has not historically been included in BFI pipelines.

Breadline Africa recommends that Parliament should request NT to introduce a dedicated, ring-fenced national ECD Infrastructure Capital Grant to fund the construction and upgrading of compliant classrooms, kitchens, sanitation blocks and outdoor learning areas, and a conditional ECD Infrastructure Maintenance Grant to prevent deterioration of existing facilities.

It is further recommended that the subsidy should be increased to R40–R45 per child per day, as the current R24 is insufficient to support quality early learning, it has not kept pace with rising costs and is inadequate to retain and attract the practitioners required to achieve universal coverage. To achieve this, the government can unlock private co-investment.

1.23. Women on Farms Project

WFP calls for the introduction of a wealth tax on the richest 1 per cent of South Africans, arguing that a wealth tax will redress South Africa's historical injustices, address growing inequalities, and generate additional revenue to improve the quality of life for poor South Africans, including farm workers and dwellers.

WFP recommends that NT and SARS should impose a wealth tax and that the Minister of Finance must make an in-principle commitment to the implementation of a wealth tax and initiate a national dialogue on the viability of a wealth tax. The WFP believes that a wealth tax will not only redress structural wealth inequalities but also restore justice to millions of black South Africans forced to live in sub-human conditions post-apartheid.

WFP submits that wealth tax can complement existing capital-related tax instruments and that its administration and implementation complexities do not invalidate its necessity, arguing that NT's administrative concerns can be addressed through best-practice case study analysis.

WFP recommends that revenue from wealth tax must be ring-fenced to finance redistributive spending, such as land redistribution, a BIG, universal, quality healthcare and free quality education. They caution that failure to implement a wealth tax would render the majority of SA's 63 million citizens not deserving of human dignity.

1.24. South African Student Investment Council

SASIC commends the increase in the Tax-Free Savings Account (TFSA) annual limit from R36 000 to R46 000, the retirement fund deduction increase, and the Minister's frank acknowledgement that South Africa's savings and investment rate is "far below the levels needed to truly create generational wealth". SASIC will actively use the debt stabilisation milestone and Financial Action Task Force (FATF) grey-list removal in its student financial education content.

SASIC is concerned that the Budget is silent on a funded financial literacy strategy, while the R1.5 trillion gambling industry faces no new regulatory or fiscal attention despite its demonstrable harm to youth and the SETA reform lacks specificity around financial literacy as a required outcome. Moreover, there is no framework for protecting young consumers in digital financial environments.

SASIC recommends, (1) the establishment of a dedicated National Financial Literacy Fund over the medium term, jointly administered by the Financial Sector Conduct Authority (FSCA) and the Department of basic Education (DBE), ring-fenced for youth financial education at secondary and tertiary level, (2) introduction of a modest 0.5 per cent levy on gross gambling revenue ring-fenced for youth financial literacy programmes and problem gambling treatment, (3) a targeted TFSA awareness and access campaign for youth aged 18–30, with SASIC and university investment societies as delivery partners at no cost to the fiscus, (4) formally recognised student-led financial education organisations within the FSCA's Financial Education, and (5) a commitment Charter as eligible delivery partners in the national consumer financial education ecosystem.

1.25. Families for Children

Families4Children submits that while the budget must secure parent-led nurturing care, and ensure that the government fulfils its role to enable parents, through a prudent budget, none the country's budget is allocated to universalise parenting support.

The 2026 Budget is viewed as not prudent because while 60 per cent prioritises social spending, no additional funds go to parenting support services to ensure parent-led nurturing care in the home, no additional funds go to build the capacity of provinces and local government to fulfil this role, no ring-fenced funds are allocated for this crucial constitutional and policy function, and the PPP model does not accommodate ECD for parents.

Breadline Africa recommends that Parliament should amend the budget to make it prudent by, (1) explicitly prioritising funding for comprehensive parenting support, (2) ensuring that provinces and local government have the capacity to develop aligned plans and request, received and use the necessary funds, (3) allocating ring-fenced budgets from the additional fund to provinces and local government to enable and compel them to do so, (4) spelling out their mandates as set out in the accompanying Policy Brief on parenting support, and hold them all to account, and (5) ensure the new PPP regulations include funding for parent support for child development.

1.26. Winsome Africa

Winsome Africa commends the VAT registration threshold increase from R1 million to R2.3 million, the withdrawal of the R20 billion tax increase, inflation adjustment of PIT brackets, the expansion of Capital Gains Tax small business relief, and the savings incentive increases. However, adjusted for 17 years of inflation, R1 million in 2009 equates to approximately R2.5 million today, meaning R2.3 million partially restores lost ground rather than expanding relief. Winsome submits that a genuinely pro-SMME threshold should be R3 million or above.

Winsome Africa further submits that the 2025 proposals for an SMME first-year tax relief window, red tape reduction through government data sharing, and automated youth employment incentives remain unaddressed. However, simplified tax filing was partially addressed through the removal of the turnover tax year-end restriction.

Winsome Africa recommends that the government must consider implementing an SMME first-year relief window which exempts new businesses from income tax and provisional tax in their first 12 months of operation, create a unified SMME digital registration portal, and automate the Employment Tax Incentive for SMMEs and convert it into an immediate monthly wage credit for hiring young people.

In addition to that, the government should ring-fence 30 per cent of the R1.07 trillion infrastructure pipeline for SMME participation through unbundled contracts and accelerated 15-day payment terms, conduct a comprehensive SETA spending review and redirect a portion of the R30.1 billion to SMMEs providing verifiable on-the-job training via a voucher-based system.

Winsome Africa recommends that the government must mandate a Red Tape Impact Assessment on all new regulations affecting SMMEs, with publicly available cost-to-business quantification, introduce an SMME Reinvestment Tax Incentive and enforce 15-day payment timelines for government contracts with SMME suppliers, with personal accountability for Accounting Officers.

1.27. Alternative Information and Development Centre

AIDC submits that macroeconomic stability means little when 42.1 per cent of people are unemployed, and two-thirds live in poverty. AIDC notes from NT that “growth remains well below the levels needed to meaningfully reduce unemployment and generate sufficient revenue to expand social and economic services”, but the government continues to rely on the private sector for job creation despite evidence that South Africa's financialised economy will not deliver employment at scale.

AIDC notes that the main budget non-interest expenditure will shrink by one per cent in real terms between 2025/26 and 2026/27, while the proposed fiscal anchor acts as a *de facto* spending cap, limiting the state's constitutional obligations. Also, spending as a share of GDP is declining from 25.1 per cent in 2022/23 to 23.8 per cent in 2026/27, and strict headcount controls will continue to erode the public workforce.

AIDC notes that previous recommendations made by the Joint Committee have stated that core social services should be protected from real per capita erosion, but NT states its intention to contain the wage bill through “strict headcount controls and compensation discipline at the provincial level”. AIDC is concerned that while Parliament is the final decision maker on the budget, the responses by the Minister of Finance to the Committees often do not result in recommendations being acted upon and recommends that there should be greater accountability to ensure that the budget process undergoes meaningful democratic participation and oversight.

AIDC notes that there has only been one modest decrease in the repo rate since the adoption of the new inflation target and recommends that, given escalating geopolitical tensions, the narrower inflation target will worsen household debt and constrain growth and should therefore be reversed.

AIDC notes that the Child Support Grant and SRD grant remain below the Food Poverty Line of R855 per month and that unfair administrative barriers cause false exclusions from the SRD, while medical aid members receive inflation-adjusted tax credits exceeding the SRD grant's value. AIDC recommends a Universal Basic Income Grant to ensure dignity even in the absence of a functioning labour market.

AIDC is concerned that the budget endorses Eskom's takeover of municipal distribution, deepening full-cost recovery that punishes low-income households and that the government relies on IPPs by providing long-term guarantees for the private sector, while millions experience energy poverty.

AIDC submits that offering tax relief in the form of inflation adjustments to PIT brackets for those earning above R500 000 costs the fiscus R7.8 billion annually and changes to savings and retirement thresholds predominantly benefit the upper-middle class, with no guarantee these savings will stimulate domestic investment rather than flowing offshore. AIDC recommends that the relief must be scrapped to free up about R30 billion, which can be used for social spending.

AIDC recommends that South Africa adopt a more assertive stance in global tax reform, and proposes taxing the super-rich, recovering lost revenue from tax evasion and Illicit Financial Flows by capacitating SARS, and leveraging the Government Employees Pension Fund (GEPF) of R2.38 trillion for greater levels of public investment, which could directly address the social crises. Additionally, a tax on the R1.8 trillion of idle capital could disincentivise hoarding and encourage capital holders to actively invest and deploy funds productively within the economy.

1.28. Dr Muller

DR Muller submits that there has been much praise in the press for the 2026 Budget, but almost all of this comes from private interests, proxies thereof, or commentators with little understanding of fiscal issues. Dr Muller highlighted that the facts show that NT missed its debt target for 2025 and SARS underperformed relative to the promises it had made and the targets NT had set.

Dr Muller further submits that efforts to find expenditure reductions have failed, with the majority of the R12 billion TARS coming from cutting funds (R8.4 billion) for much-needed public transport initiatives targeted at the majority of South Africans, while reduced growth in social expenditure is planned from a reduction in grant recipients without any substantive explanation to determine whether that is warranted or not.

Dr Muller highlighted that the SARS Commissioner is one of the highest-paid public servants in the country, earning about R10.7 million a year, which is three times more than the President. Additionally, funding for SARS has been increased substantially (R7.5 billion over the medium term), on the basis that this would yield even larger increases in tax collection, however, the information provided in the Budget Review suggests that SARS did not only fall short of the target set for tax debt collection of R120 billion but may even have fallen short of the *prior target* of R95 billion before funding was increased. Dr Muller recommends that Parliament and the public should not be distracted from these concerning facts by favourable misrepresentations in the media.

Dr Muller welcomes the long-overdue increase in legislated thresholds in principle; however, the primary beneficiaries of these changes are wealthy income earners, both in terms of tax brackets and retirement and other savings contributions. This includes all senior NT and SARS officials, ministerial advisors and Cabinet members. Meanwhile, social grant beneficiaries are being reduced, the real value of the NSFAS threshold is being lowered by stealth, and the Minister of Finance continues to stridently oppose using medical tax credits for an NHI.

Dr Muller raised a concern about the two institutions that are supposed to strengthen oversight of fiscal matters, namely, the Financial and Fiscal Commission (FFC) and the Parliamentary Budget Office (PBO). Dr Muller noted from its website that the tenure of the FFC Chairperson is lapsing soon, and that of three out of five other Commissioners has already lapsed and that the two commissioners appointed until 2029 appear to have been appointed with no evidence of a consultative or open process. Also, the final tenure of the most recent Director of the PBO has lapsed, but the post is yet to be advertised, while the Office has never established itself on a stable footing.

1.29. Edward Nathan Sonnebergs Inc.

ENS is concerned that the proposed repeal of section 11(1)(f) will have serious consequences for SARB, SA Mint and the South African Banks, as this is a significant policy change relating to a provision which has served the gold industry since Value Added Tax (VAT) was introduced in 1991. The policy shift occurred without detailed consultation with affected parties, who could have assisted in developing workable solutions to address SARS' practical concerns. ENS submits that any concerns regarding the practical application of the section could be better addressed by amending the wording of this provision to remove any ambiguities, and proposes that a targeted industry working group be formed to assist in revamping relevant VAT provisions and addressing concerns of both SARS and industry players through consultation rather than isolated repeal.

Regarding the expansion of the list of zero-rated food items, ENS recommends that Part B of Schedule 2 to the VAT Act be amended to include additional items on the list of zero-rated basic foodstuffs referred to in section 11(1)(j) of the VAT Act. ENS submits that the government's ongoing commitments to expand the zero-rated food basket as relief for poor and lower-middle-income households have created a legitimate expectation of meaningful action, yet tangible measures remain absent. This omission is particularly troubling given the continued and well-documented financial pressures facing vulnerable households across the country, and the persistent challenge of food insecurity and malnutrition among low-income communities. ENS sees zero-rating and social grants as complementary measures, not mutually exclusive alternatives.

With respect to the process for policy submissions, ENS proposes a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to NT for consideration.

ENS welcomes the inflationary adjustments to VAT thresholds and recommends that these adjustments should be made to *inter alia* the thresholds in the VAT Act relating to (1) the ability to account for VAT on the payments basis, (2) whether a person supplying commercial accommodation may be regarded as carrying on an “enterprise” and (3) the Category C filing threshold for monthly returns.

The ENS also welcomes the Minister's proposal to increase excise duties on alcohol and tobacco products in line with inflation; however, NT must take decisive action to address illicit trade.

1.30. Rural Health Advocacy Project

RHAP submits that the constitutional standard requires that the President’s Emergency Plan for Aids Relief (PEPFAR) gap be absorbed into confirmed District Health Programme Grant baselines and not managed through year-by-year Section 16 special appropriations.

RHAP recommends that (1) the government should domesticate district health financing through confirmed forward baselines, and NT must provide a formal medium-term assessment of the domestic health financing requirement for absorbing externally funded district health functions into confirmed baselines.

RHAP further submits that the constitutional standard requires that NT’s efficiency assumptions for the publicly financed health system be accompanied by a specific account of the structural reforms through which those efficiencies will be unlocked and measured against the District Health Barometer’s district-level essential health services coverage metrics, not just aggregate spending figures. RHAP recommends that the fiscal framework must be aligned with progressive realisation outcomes. RHAP requests the Committee to ask NT to incorporate into future fiscal frameworks an explicit assessment of health spending against progressive realisation outcomes.

RHAP submits that the constitutional standard requires that the pattern of resource deployment across the fiscal framework should be demonstrated to be consistent with the Section 27 reasonableness standard. It recommends that NT should provide an explicit distributional analysis of the 2026 fiscal framework, demonstrating the net fiscal impact across income deciles and showing how the pattern of resource deployment is consistent with progressive realisation.

The constitutional standard requires that available and underutilised domestic revenue instruments be deployed in the service of progressive realisation. South Africa carries one of the highest burdens of alcohol-related harm in the world. The WHO recommends that alcohol excise taxes be set at a minimum of 75 per cent of the retail price. South Africa falls significantly short of this benchmark. The Committee is requested to note the importance of the alcohol excise review as a domestic health financing opportunity and to encourage Treasury to accelerate the stakeholder consultation process with explicit attention to the public value and district health financing dimensions of the review. RHAP leads a Health Tax Alliance developing a proposal to link alcohol excise revenue explicitly to the financing of district health services, connecting revenue generated from alcohol-related harm to investment in the system that treats it. This is not new money. It is existing and underutilised revenue made to work harder for the communities that bear the greatest burden of the harms it is designed to discourage.

1.31. Clover South Africa

Clover SA's submission requests that the expansion of the list of zero-rated food items be given serious and urgent consideration. Specifically, it is proposed that dairy liquid blends (a proven source of vital nutrition for poor households and a basic food item) are included under Part B of Schedule 2 to the VAT Act, for purposes of the zero-rating in section 11(1)(j) of the VAT Act; and the introduction of a formalised process or dedicated channel through which such policy submissions may be made.

Clover SA further submits that the government has long indicated intentions to make good on undertakings to alleviate pressures on vulnerable households by introducing additional zero-rated food items. Despite ongoing recognition of both the critical need to mitigate pressures on vulnerable households and zero-rating as an effective tool, no additional basic food items have been added since 2018, and a multi-pronged approach, including zero-rating, is essential.

Clover SA further submits that the revenue foregone as a result of the expansion of the list of zero-rated basic food items is minimal relative to both the total tax revenue and the demonstrable social benefit. The Annexure C process is not designed to accommodate substantive policy proposals, and submissions of a policy nature are accordingly not well suited to consideration through this channel. There is a compelling case for the establishment of a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to the NT for consideration. Clover SA urges the Committee to consider its comments and proposals favourably.

1.32. Banking Association of South Africa

BASA strongly opposes the proposed repeal of section 11(1)(f) of the VAT Act, which zero-rates supplies of investment-grade gold to banks, the SARB and the Mint. It argues that the repeal would not address SARS' stated compliance concerns, as VAT verification risks arise earlier in the supply chain. Instead, it would merely force banks into the Domestic Reverse Charge system, producing the same economic outcome as zero-rating while creating substantial administrative burdens, operational disruption, higher compliance risk and costs, without tackling actual fraud risks in the regulated bullion market.

BASA further warns that repeal would undermine VAT neutrality, create distortions in gold loans and bullion leasing, risk VAT leakage, and place South Africa out of step with international practice, where investment gold is treated as a financial asset. Rather than repeal, BASA recommends retaining and modernising section 11(1)(f), clarifying VAT treatment for allocated and unallocated gold, exports, swaps and offshore vault sales, limiting the DRC to high-risk second-hand gold, and establishing an NT-SARS industry working group to holistically update VAT rules for investment-grade gold.

1.33. IRR Legal

The IRR Legal submission focused primarily on issues relating to public procurement, transparency in fiscal reporting, and the fiscal implications of preferential procurement policies. IRR Legal argued that the fiscal framework and related budget documents do not adequately account for the costs associated with Black Economic Empowerment (BEE) preference premiums in public procurement. According to the submission, this omission raises concerns regarding transparency, expenditure control and compliance with constitutional and legislative requirements governing public finance management.

IRR Legal argued that the Money Bills Act requires that the fiscal framework include estimates of all government expenditure for the financial year, including both budgetary and extra-budgetary spending. In its view, the absence of explicit estimates for BEE preference premiums in fiscal framework documentation constitutes a gap in expenditure reporting. The submission noted that the 2026 Estimates of National Expenditure projects consolidated government expenditure to increase from R2.58 trillion in 2025/26 to R2.89 trillion by 2028/29, with detailed expenditure breakdowns presented across multiple categories. However, IRR Legal stated that none of the fiscal framework documents contains estimates of the financial cost associated with BEE preference premiums, even though such premiums arise from procurement systems authorised by law.

The submission further argued that the evaluation of procurement costs under the Public Procurement Act may be more complex than under the previous preferential procurement framework. While the PPPFA preference points system effectively caps preference premiums at certain levels, the submission suggested that the new procurement framework may remove these practical limits, thereby increasing the administrative burden associated with evaluating cost-effectiveness in procurement processes.

ANNEXURE B

2. Summary of National Treasury and SARS responses to public submissions

NT and the SARS presented a consolidated response to the public submissions made during the hearings on the 2026 Fiscal Framework and Revenue Proposals. The response addresses concerns raised by stakeholders relating to fiscal transparency, tax policy proposals, illicit trade, the structure of the tax system, and broader issues relating to the budget process and public participation.

On excise taxes, NT explained that the increases in excise duties on alcohol and tobacco are in line with expected inflation and consider the overall fiscal framework. NT’s policy stance is that, as a minimum, the excise duties need to be adjusted for inflation to maintain the effective duty rates. Other policy issues raised about the structure of the excise duties on alcohol, including the tier system and minimum unit pricing, are subject to a consultation process that is currently underway after the publication of a discussion document, which proposed options to restructure the alcohol excise duty regime. NT is committed to continuing with workshops this year on those proposals.

NT indicated that it remained concerned about the scale and impact of illicit trade in the South African economy. It noted that illicit trade undermines both public health policy objectives and the integrity of the tax system by eroding the excise tax base and encouraging organised criminal activity. NT explained that the government has adopted a coordinated approach to address the illicit economy. In this regard, the President recently announced the establishment of a National Illicit Economy Disruption Programme, which will bring together several government departments and law enforcement agencies to target high-risk sectors such as tobacco, fuel, alcohol and counterfeit goods. The programme will involve cooperation between SARS, the South African Police Service (SAPS), the Border Management Authority (BMA) and other enforcement institutions.

NT further highlighted that the 2026 Budget allocates additional resources to strengthen enforcement capacity across key institutions involved in combating illicit trade and organised crime. The Border Management Authority has been allocated approximately R990 million for additional human resource capacity, while the SAPS and the SANDF have each received an additional R1 billion from the Criminal Asset Recovery Account to enhance border security and strengthen enforcement operations targeting criminal syndicates. These measures are intended to improve the state's ability to disrupt organised criminal networks involved in smuggling and tax evasion.

In response to stakeholder calls for greater support for tax administration, the NT confirmed that SARS has received significant additional funding over the medium term. SARS was allocated an additional R7.5 billion over the 2025 medium-term period to strengthen its operational capacity. NT explained that this funding will support several modernisation initiatives within SARS, including improvements to customs operations, enhanced digital infrastructure, a modernised case management system, and the development of a "single customer view" that integrates taxpayer information across the revenue administration system. These reforms are intended to improve compliance, reduce tax evasion, and enhance the efficiency of revenue collection.

NT also responded to stakeholder concerns regarding additional tax policy proposals contained in the budget. In relation to gambling taxation, NT acknowledged concerns about the growth of untaxed offshore gambling platforms and confirmed that the government is exploring regulatory measures to address this challenge. Treasury noted that the public comment period on the proposal had been extended to allow further consultation with stakeholders and regulatory bodies. The department indicated that draft legislation on gambling taxation is expected to be developed following the completion of this consultation process.

With respect to calls to expand the basket of VAT zero-rated basic food items, the NT reiterated its position that the current zero-rated basket is already well targeted toward low-income households. Treasury explained that VAT zero-rating is a relatively blunt policy instrument because a significant portion of the benefits accrues to higher-income households rather than exclusively to the poor. NT further noted that there is no guarantee that retailers would pass the full benefit of additional zero-rating to consumers through lower prices. As a result, the government continues to prioritise direct expenditure measures, such as social grants, as a more effective mechanism for supporting vulnerable households.

NT also addressed concerns raised by stakeholders regarding the proposed amendment to the VAT treatment of gold bullion. The department indicated that it recognises the complexity of the issue and confirmed that National Treasury and SARS will conduct further consultations with financial institutions, industry stakeholders and other interested parties before finalising any legislative amendments. These consultations are expected to take place ahead of the publication of the 2026 Taxation Laws Amendment Bill.

Another policy area addressed by NT relates to the implementation of the two-pot retirement system. NT indicated that discussions will continue during the year on possible refinements to the system, particularly regarding circumstances under which individuals may access funds from the retirement savings component in cases of severe financial distress. Treasury emphasised that any such reforms would need to balance the objective of providing financial relief to households with the broader goal of preserving retirement savings.

NT also responded to concerns raised by civil society organisations regarding fiscal transparency and the inclusiveness of the budget process. Treasury welcomed calls from stakeholders to strengthen participatory budgeting processes and improve public access to fiscal information. The department noted that South Africa continues to perform strongly in international assessments of fiscal transparency, including the Open Budget Index. Treasury emphasised that Parliament's budget process, including hearings conducted by the Standing Committee on Finance and related committees, plays an important role in ensuring democratic participation in fiscal policy.

In addition, NT highlighted several initiatives aimed at improving the accessibility of fiscal information and expanding opportunities for stakeholder engagement. These include the publication of fiscal policy discussion documents in multiple official languages, the hosting of macroeconomic workshops during the budget preparation process, and the continued expansion of the Vulekamali public finance data portal. NT indicated that responses to submissions made during the macro-fiscal workshops will be provided within six weeks, demonstrating the government's commitment to incorporating stakeholder feedback into the fiscal policy process.

Finally, NT addressed proposals relating to changes in the intergovernmental fiscal framework. In response to submissions calling for a predetermined increase in the share of nationally raised revenue allocated to local government, NT explained that the vertical division of revenue is determined through a broader intergovernmental fiscal process that considers the responsibilities and fiscal powers of each sphere of government. NT indicated that the current local government equitable share already incorporates key cost drivers such as bulk water and electricity costs, as well as inflation adjustments. NT further stated that it would be premature to commit to a predetermined increase in the local government share before the completion of the ongoing review of the Local Government Fiscal Framework.

Overall, NT and SARS emphasised that the 2026 Budget seeks to balance fiscal sustainability with the need to support economic growth and maintain social expenditure. The responses highlighted the government's commitment to strengthening revenue administration, improving enforcement against illicit trade, enhancing transparency in the budget process, and engaging with stakeholders on tax policy reforms.

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON FINANCE ON THE 2026 FISCAL FRAMEWORK AND REVENUE PROPOSALS, DATED 18 MARCH 2026

1. INTRODUCTION AND BACKGROUND

The Minister of Finance (Minister) Mr Enoch Godongwana, tabled the 2026 National Budget before Parliament on 25 February 2026 in terms of Section 27 of the Public Finance Management Act, Act No. 1 of 1999 (PFMA) and Section 7 (1) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (Money Bills Act).

The Minister, the National Treasury (NT) Team and the South African Revenue Service (SARS) Commissioner briefed the Finance Committees on 27 February 2026. The Committees received input on the 2026 fiscal framework and revenue proposals from the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC) on 03 March 2026.

The Committees held public hearings on 10 March 2026 and received a total of 32 submissions, six written and 25 oral. NT and SARS responded to the issues raised during the public participation process and engaged with the Committees and stakeholders on 13 March 2026.

2. THE MINISTER'S POLITICAL OVERVIEW OF THE 2026 NATIONAL BUDGET

The Minister emphasised that the government has reached a turning point in the management of public finances compared to five years ago, highlighting South Africa's removal from the FATF grey list, the credit rating upgrade in 16 years, and easing borrowing costs.

The Minister outlined the government's medium-term economic growth strategy, which focuses on maintaining macroeconomic stability, implementing structural reforms, building state capability, and supporting growth-enhancing public infrastructure investment.

The Minister mentioned that the government is already reaping the fruits of the fiscal strategy, which aims to stabilise the debt-to-GDP ratio in the current year and reduce it through the rest of the decade by growing the primary budget surplus.

The DG's presentation highlighted that the economic outlook has improved moderately, while inflation declined to 3.2 per cent in 2025. It was reported that growth-enhancing reforms have progressed in energy, transport, telecommunications and visa provision. The DG said that overcoming obstacles to implementation, higher investment and improvements in basic services remain critical to creating jobs and reducing poverty.

The presentation also indicated that the budget reforms are underway to make the government more efficient and cut wasteful programmes and activities.

On the tax proposals, the DG mentioned the withdrawal of the R20 billion tax increase previously budgeted for 2026, and that after two years without inflationary relief, the 2026 Budget fully adjusts personal income tax brackets and medical tax credits for inflation. Moreover, tax thresholds and limits are adjusted for the impact of inflation to assist small businesses and encourage savings.

3. OVERVIEW OF THE 2026 NATIONAL BUDGET

3.1. Economic performance and outlook

Global GDP growth is estimated to have averaged 3.3 per cent in 2025 and projected to remain at 3.3 per cent in 2026 and decrease slightly to 3.2 per cent in 2027. In Sub-Saharan Africa, economic growth is expected to hover between 4.1 per cent and 4.6 per cent between 2025 and 2027, supported by macroeconomic stabilisation and reform efforts in key economies. In January 2026, the International Monetary Fund (IMF) estimated the South African economy to have grown by 1.3 per cent in 2025 and projected GDP growth of 1.4 per cent in 2026 and 1.5 per cent in 2027.

Domestic real GDP expanded by 1.1 per cent in 2025, mainly driven by household consumption, while investment contracted for the second year. According to Statistics South Africa (StatsSA), by the end of 2025, the economy had expanded for the fifth consecutive quarter, marking the longest unbroken growth phase since 2018. South Africa, however, remains in a low-growth trap, with real GDP projected to grow by 1.6 per cent in 2026, 1.8 per cent in 2027, reaching 2.0 per cent in 2028. NT assumes that growth will be supported by continued momentum in the implementation of structural reforms, improved confidence, lower interest rates and higher investment. At these levels, however, the economy remains unable to absorb new entrants into the labour market.

Table 1: Macroeconomic performance and projections

Percentage change	2023	2024	2025	2026	2027	2028
	Actual		Estimate	Forecast		
Final household consumption	0,7	1,0	3,1	1,8	2,0	2,2
Final government consumption	1,9	-0,1	0,3	2,4	0,0	0,3
Gross fixed-capital formation	3,9	-3,9	-2,0	2,4	3,3	3,9
Gross domestic expenditure	0,8	-0,6	2,2	2,0	1,9	2,1
Exports	3,7	-2,8	-2,0	1,6	2,4	2,9
Imports	3,9	-6,4	1,0	3,0	2,9	3,1
Real GDP growth	**0,7**	**0,5**	**1,4**	**1,6**	**1,8**	**2,0**
CPI inflation	6,0	4,4	3,2	3,4	3,3	3,2

Source: National Treasury, South African Reserve Bank and Statistics SA

At the provincial level, economic activity remains highly concentrated in three provinces, Gauteng, Western Cape and KwaZulu-Natal, which collectively account for almost two-thirds of the total provincial GDP.

For the seventh consecutive quarter, household consumption, a significant contributor to GDP, increased by 1.2 per cent in the fourth quarter of 2025, contributing 0.8 percentage points to total GDP. NT expects household consumption to drive domestic demand over the medium term, averaging 2 per cent, supported by rising wages, lower inflation and improved sentiment.

Gross Fixed Capital Formation (GFCF) contracted by 3.9 per cent and 2.2 per cent in 2024 and 2025, respectively. This weak investment activity weighed on the economy, reducing the country's annual GDP growth by 0.3 percentage points. At a projected 2.4 per cent in 2026, GFCF remains significantly weaker than the May 2025 Budget projection of 4.2 per cent. NT assumes resilient global demand, easing borrowing costs, strengthening housing demand, and improved business confidence would support real growth in fixed investment in 2026.

The government's public-sector infrastructure investment will amount to R1.07 trillion over the medium term, of which state-owned companies and public entities will spend 54.1 per cent, or R577.4 billion.

According to StatsSA's quarterly Labour Force Survey (LFS), there were 17.1 million employed people in the fourth quarter of 2025, while the number of unemployed people declined to 7.8 million. The official rate of unemployment decreased from 31.9 per cent in the third quarter of 2025 to 31.4 per cent in the fourth quarter of 2025, while the expanded unemployment rate, measured at 42.1 per cent, translates into 13.3 million unemployed people.

The official unemployment rate decreased in six of the nine provinces in the fourth quarter of 2025. However, the Eastern Cape (42.5 per cent), Free State (37.2 per cent), and North-West (35.1 per cent) provinces recorded the highest rates of unemployment. This shows that the national figure masks striking disparities at the provincial level.

3.2. The 2026 fiscal framework and revenue proposals

The 2026 Budget highlighted that the tax-to-GDP ratio averaged 25.9 per cent in 2025/26 and is expected to reach 26.2 per cent by 2028/29, despite challenging economic conditions. Gross tax revenue for 2025/26 has been revised up by R21.3 billion relative to the 2025 Budget. Higher-than-expected net Value Added Tax (VAT), Corporate Income Tax (CIT) and dividends tax collections improved the in-year outlook. Personal Income Tax (PIT) and excise duty collections are expected to fall short of 2025 Budget projections, reflecting subdued private sector wage growth and a contraction of cigarette and petroleum receipts in the first 10 months of 2025/26, respectively.

The 2026 medium-term gross tax revenue has been revised down by R57.2 billion relative to the 2025 MTBPS, due to the withdrawal of the R20 billion tax increase which was budgeted for 2026/27.

According to the 2026 Budget, the South African Customs Union (SACU) payments remain largely unchanged compared to the 2025 MTBPS estimates. Over the medium term, SACU payments amount to R252.3 billion or R78.4 billion in 2026/27.

Table 2 below shows that the consolidated revenue is expected to increase from R2.2 trillion in 2025/26 to R2.6 trillion by 2028/29. NT expects that sustained investment and economic growth, and further improvements in tax administration, will support higher revenue collection.

Total consolidated government spending is expected to increase from R2.58 trillion in 2025/26 to 2.89 trillion in 2028/29 (Table 2), growing by 3.9 per cent over the medium term. Consolidated non-interest expenditure, however, decreases by a net R19.4 billion in 2026/27 and 2027/28 compared with the 2025 Budget, due to rebasing the baseline allocations to align with a lower medium-term inflation outlook. The social wage accounts for 60.2 per cent of total non-interest spending in 2026/27.

Table 2: 2026 Consolidated fiscal framework

R billion/percentage of GDP	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Revised estimate	Medium-term estimates		
Revenue	**1 902,4**	**1 950,2**	**2 053,8**	**2 231,7**	**2 345,4**	**2 467,3**	**2 612,7**
	28,1%	*27,4%*	*27,8%*	*28,8%*	*28,6%*	*28,6%*	*28,8%*
Expenditure	**2 146,6**	**2 256,7**	**2 389,8**	**2 578,9**	**2 669,7**	**2 768,1**	**2 893,4**
	31,7%	*31,7%*	*32,3%*	*33,2%*	*32,6%*	*32,1%*	*31,9%*
Budget balance	**-244,2**	**-306,5**	**-336,0**	**-347,2**	**-324,3**	**-300,8**	**-280,7**
	-3,6%	*-4,3%*	*-4,5%*	*-4,5%*	*-4,0%*	*-3,5%*	*-3,1%*
Gross loan debt	**4 765,4**	**5 259,4**	**5 693,7**	**6 118,7**	**6 326,4**	**6 636,4**	**6 944,1**
	70,5%	*74,1%*	*77,0*	*78,9*	*77,3*	*77,0*	*76,5*
Debt service costs	**308,5**	**356,1**	**385,8**	**420,6**	**432,4**	**451,4**	**469,3**
	4,6%	*5,0%*	*5,2*	*5,4*	*5,3*	*5,2*	*5,2*

Source: National Treasury

While compensation of employees remains the largest share of expenditure by economic classification at 32.1 per cent, capital spending is the fastest-growing item of expenditure over the medium term. In terms of savings, Targeted and Responsible Savings (TARS) has identified R12 billion in ineffective programmes and R5.5 billion from the implementation of the early retirement programme over the medium term. The ghost worker audit flagged 4 323 high risk cases.

The consolidated budget deficit has narrowed from 4.8 per cent of GDP estimated in the 2025 Budget to 4.5 per cent in 2025/26 and is projected to narrow further to 3.1 per cent in 2028/29, driven mainly by capital financing requirements and the strength of in-year revenue collections.

The 2026 Budget emphasises that the government will achieve a debt-stabilising main budget primary surplus of 0.9 per cent of GDP or R71.7 billion this year. Growing the surplus underpins the government's debt stabilisation objective. The main budget primary surplus is expected to increase from 1.6 per cent of GDP (R131.2 billion) in 2026/27 to 2.3 per cent of GDP (166.9 billion) in 2028/29, or R507 billion over the medium term.

NT now expects gross loan debt to stabilise at 78.9 per cent in 2025/26, compared to an estimated 77.4 per cent in the May 2025 Budget, and decline to 77.3 per cent in 2026/27. NT explained that a relatively higher debt peak reflects weaker nominal GDP growth and its decision to take advantage of strong investor demand in domestic and global markets by increasing issuance in 2025/26.

Gross debt stock is expected to increase from R6.1 trillion in 2025/26 to R6.9 trillion in 2028/29, an increase of R825.4 billion over the medium term. Between 2024/25 and 2025/26, gross debt stock increased by R425 billion. Over the next three years, the government will spend R1.35 trillion servicing debt, R432.4 billion in 2026/27. Debt-service costs are revised down by R10.6 billion over the medium term, driven by improved bond yields, an appreciating rand, and lower inflation and interest rates.

The gross borrowing requirement totalled R563.4 billion in 2025/26, expected to decline from R433.3 billion at the time of the 2025 Budget to R380 billion in 2026/27, including the net effect of R56 billion from Gold and Foreign Exchange Contingency Reserve Account (GFECRA), before increasing to R568.7 billion in 2027/28. NT highlighted that South Africa received its first sovereign credit rating upgrade in 16 years, and for the first time since March 2018. Additionally, in January 2026, yields on the 10-year government bond fell below 9 per cent. According to NT, these debt portfolio developments reflect rising investor confidence and lower borrowing costs in response to fiscal consolidation and lower inflation.

Contingent liabilities include guarantees to State Owned Entities (SOEs), Independent Power Producers (IPPs) and Public Private Partnerships (PPPs), and constitute a significant risk to the fiscus. Contingent liabilities are projected to increase from R1.197 trillion in 2025/26 to R1.250 trillion in 2028/29. Eskom (R280.9 billion), IPPs (R230 billion), and the Road Accident Fund (RAF) (R381 billion) account for the bulk of these liabilities in 2026/27. The 2026 Budget reported that in the past five years, SOEs collectively incurred losses of R172 billion, with many relying on the government for financial support. Eskom, however, posted its first profit in 2024/25 following almost a decade of sustained losses.

Risks to the 2026 fiscal outlook include weaker-than-expected global and domestic economic growth, commodity price volatility, the financial health of SOEs and higher borrowing costs due to geopolitical risks.

The 2026 Budget proposes to withdraw the R20 billion tax increase previously budgeted for. NT reported that SARS had targeted to increase the collection of tax debt from R95 billion to at least R120 billion in 2025/26. By 31 January 2026, SARS had collected R79.4 billion, falling R15 billion short of the target for the period. The 2026 Budget tax proposals raise no additional revenue over the medium term.

The 2026 tax proposals include, (1) adjustment of PIT brackets and medical tax credits for inflation to provide relief to taxpayers, (2) adjustment of tax thresholds and limits for inflation to assist small businesses and encourage savings, (3) increase excise duties on alcoholic beverages and tobacco products in line with inflation, and (4) increase fuel levy, RAF levy and carbon fuel levy.

The 2026 Budget 2026 increases the compulsory VAT registration threshold to R2.3 million, adjusts the turnover tax regime for microbusinesses for inflation, with the restriction on tax year-end dates removed, and increases the Tax-Free investment Accounts (TFSA) annual limit from R36 000 to R46 000, effective from 1 April 2026.

Risks to the fiscal outlook include lower economic growth, the poor financial condition of subnational governments and SOEs, and macro-fiscal shocks due to heightened geopolitical tensions. However, determined implementation of the economic and fiscal strategies and a firm stance on SOE bailout requests will mitigate these risks (2026 Budget Review).

4. SUMMARY OF THE INPUT RECEIVED FROM STATUTORY INSTITUTIONS

4.1. Financial and Fiscal Commission

The FFC submits that despite emerging optimism, structural constraints continue to limit the country’s economic growth potential and investment. Contrary to NT’s real GDP growth estimates, the Commission expects a downward trend over the medium term. According to the Commission, reversing this trend and maintaining macroeconomic stability will require fast-tracking structural reforms, eliminating redundancies in functions and fiscal spending, and reallocations to productive investments in a strategic manner.

The Commission recommends that, despite a relatively more favourable macroeconomic environment, the domestic growth outlook should be met with caution, given that real growth and production in the economy remain subdued.

The Commission's stance is that structural inefficiencies in the economy need to be addressed faster to address South Africa's low growth challenge. In addition to highly unequal domestic socio-economic conditions undermining inclusive growth, NT recommends that special attention should be placed on maintaining neglected infrastructure and realigning spending priorities to improve real productivity in the economy.

Servicing public debt obligations, for the Commission, remains a significant challenge to restoring fiscal sustainability. The Commission observed that total maturing debt amounts to R131.4 billion in 2026/27 and is expected to increase to R274.2 billion in 2027/28. Maturing debt is a first charge on the National Revenue Fund, which directly impacts the fiscal envelope, and this requires that the government take proactive steps to renegotiate debt terms to lower servicing costs.

In summary, the Commission recommends as follows:

4.1.1. The government must use the opportunity created by the current relative economic stability to improve fiscal and debt management and restore fiscal discipline by committing to a fiscal consolidation path.

4.1.2. Fiscal expenditure should be aligned with actual inflation and revenue trends, alongside targeted institutional realignments to improve public sector productivity.

4.1.3. Wasteful and unproductive expenditure and duplicative functions should be eliminated. The TARS initiative must be fast-tracked and monitored to ensure effective implementation.

4.1.4. Policy must be refocused towards strengthening long-term industrial development for employment creation.

4.2. Parliamentary Budget Office

The PBO projects real GDP growth of 1.7 per cent over the medium term, which is considered significantly below the National Development Plan (NDP) target of 5.4 per cent and the Medium-Term Development Plan (MTDP) target of growth above 3 per cent. According to the PBO, inclusive economic growth requires shifting away from fiscal consolidation towards targeted investments in infrastructure, public services, skills, and industrial policy.

The PBO's projections for Unemployment, Poverty and Inequality (UPI) over the medium term show marginal progress, suggesting that the government is likely to fall far short of achieving the key MTDP and NDP targets.

The PBO cautions that while public debt is projected to stabilise over the medium term, debt-service costs remain high and continue to absorb a growing share of revenue, thereby limiting fiscal space for developmental spending. PBO further warns that fiscal projections remain highly dependent on economic growth and that weaker growth outcomes could significantly affect revenue performance and debt stabilisation. The PBO notes that revenue growth assumptions remain closely tied to macroeconomic performance, and any shortfall in growth would directly affect fiscal projections. In summary, the PBO submits that:

4.2.1. UPIs are key macroeconomic variables, and their extreme levels indicate crisis-level instability.

4.2.2. Under the 2026 Budget framework, South Africa is unlikely to achieve the MTDP and NDP economic growth targets.

4.2.3. Progress in reducing UPIs is likely to remain marginal because the fiscal framework does not support the scale of economic expansion required.

4.2.4. By compressing expenditure in a low-growth environment, the framework risks reinforcing stagnation rather than reversing it.

4.2.5. A developmental fiscal framework should assess debt sustainability in relation to its social and economic returns, rather than relying solely on headline aggregates.

4.2.6. The inflationary adjustments to PIT are a positive development; however, the current tax proposals disproportionately benefit those with higher incomes.

4.2.7. Budget 2026 allocations over the medium term are unlikely to address the significant cumulative backlogs in the provision of public services.

4.2.8. The ultimate benchmark for fiscal policy should not only be debt stabilisation, but whether it advances inclusive growth, strengthens state capacity, and reduces poverty and inequality.

4.2.9. Credit ratings agencies, while voicing approval of increased fiscal discipline, have commented about the negative impact of extreme UPIs on growth and have regularly questioned the government’s ability to maintain tight fiscal conditions in the face of these crises.

5. KEY ISSUES RAISED DURING THE PUBLIC PARTICIPATION PROCESS

From the submissions received, most stakeholders generally welcome continued emphasis on fiscal discipline, PIT and VAT tax adjustments, which support households, individuals and small businesses, the proposed measures to encourage savings, and the withdrawal of the R20 billion tax increase, previously proposed in 2026/27. The Budget Justice Coalition (BJC), Alternative Information and Development Centre (AIDC), Dr Muller and Institute for Economic Justice (IEJ), however, raised concerns that tax adjustments primarily benefit higher-income households while fiscal pressures remain acute, and must be reconsidered and redirected to social infrastructure spending.

The section below summarises the key themes that emerged from the submissions and discussions in the public hearings, organised in terms of the economic outlook, fiscal policy and fiscal framework, tax proposals and other budget-related issues raised. The Annexure attached to this report contains the detailed summaries of submissions received from the stakeholders and the NT and SARS' responses to public submissions. This Annexure should be read with the report.

5.1. Economic outlook

On the macroeconomy, the South African Institute of Chartered Accountants (SAICA) raised a concern that the fiscal framework relies heavily on the accuracy of GDP growth estimates, but the actual 2025 GDP growth averaged 1.1 per cent, below the initial 1.9 per cent and 1.4 per cent revised estimates. SAICA considers the projected 2 per cent growth rate unrealistic based on the past trends and the potential impact of global conflicts on the economy. SAICA recommends a revision of the fiscal framework assumptions to better inform Parliament about the impact on the economy.

IEJ submits that even at a projected 2 per cent in 2028, GDP growth remains insufficient to make a meaningful reduction in unemployment and recommends that the government increase public investment by R800 billion per year over the medium term, increase social spending in line with inflation and population growth, and use monetary policy to direct cheap credit towards strategic industries.

Public Economic Project (PEP) notes that the fiscal framework assumes a recovery in investment, supported by improved sentiment and policy reforms; however, it remains uncertain whether this reflects a sustained domestic recovery or a temporary response to favourable global financial conditions.

Congress of South African Trade Unions (COSATU) is concerned about the absence of a bold economic stimulus package for Small, Micro and Medium Enterprises (SMMEs), industrial and export sectors and recommends that fragile economic sectors exposed to high electricity prices and trade turmoil should be supported and cushioned.

On investment in infrastructure, SAICA welcomes the R1 trillion allocation to capital infrastructure over the medium term, noting that 54 per cent will be spent by SOEs. Amandla.mobi submits that proper, functioning and well-maintained infrastructure is key to sustainable development and recommends that the R1.07 trillion allocation should be accompanied by clear plans and adequate metrics to measure return on investment. COSATU recommends tighter parliamentary oversight over infrastructure programme rollout, more active law enforcement to eliminate the construction mafia and leverage the Development Finance Institutions to boost economic infrastructure investments.

On the persistently high unemployment rate, BJC submits that the budget contains limited measures capable of generating jobs at the scale required and recommends that Parliament and NT must adopt an employment-centred fiscal framework that prioritises job creation and labour-absorbing investment, expand Public Employment Programmes (PEPs) and hire in essential public services.

COSATU expresses its disappointment that the PEP was cut by half from R8.8 billion to R4.5 billion and recommends engagements with, (1) the Public Investment Corporation (PIC) and the Sector Education and Training Authorities (SETAs) to take over the share of PEPs, (2) Nedlac on ramped up programmes, and (3) NT on the next phase of "two pot" pension reforms for implementation in 2027.

5.2. Fiscal policy and fiscal framework

5.2.1. Fiscal strategy

PEP notes that after more than a decade of fiscal consolidation, the 2026 Budget introduces a new fiscal objective of reducing the debt-to-GDP ratio, implying consolidation will continue. PEP is concerned that the projected decline in debt is historically ambitious and cautions that if growth remains modest and revenue increases remain limited, the burden of adjustment will fall largely on expenditure.

BJC also notes that the current fiscal framework places significant emphasis on debt stabilisation and maintaining investor confidence, and submits that while fiscal sustainability is important, the narrow focus on fiscal consolidation risks constraining the public investment required to address unemployment, poverty, and inequality.

The South African Institute of Taxation (SAIT) welcomes proposals to legislate a principles-based fiscal anchor and believes that this will promote discipline, transparency and long-term sustainability. Sovereign Africa Rating (SAR) submits that a principles-led fiscal anchor creates a potential transparency gap and therefore seeks clarity on the specific technical criteria that will be used to determine compliance under this model and allow the market to hold the administration accountable for fiscal discipline in the absence of hard numerical ceilings.

AIDC, however, considers the proposed fiscal anchor as a spending ceiling, limiting the government's constitutional obligations, while the main budget non-interest expenditure is expected to shrink by 1 per cent in real terms between 2025/26 and 2026/27.

SAICA recommends that NT confirm estimated timelines on outcomes of the fiscal anchor discussion document, while IEJ recommends that the fiscal anchor must be paired with revenue-raising measures.

5.2.2. Revenue estimates

PEP notes that the 2026 Budget introduces no major new revenue-raising measures, meaning that revenue will contribute very little to fiscal consolidation over the medium term. Moreover, despite additional resources allocated to SARS, progress in recovering outstanding tax debt has been limited, suggesting scope for further improvement in tax administration. The 2026 budget also includes no above-inflation increases in excise duties on alcohol and tobacco, despite the substantial health and fiscal costs associated with these products. In addition, no tax on online gambling has been introduced, despite growing concerns about the sector’s impact on household welfare, financial vulnerability, consumption patterns and savings behaviour.

SAICA notes that the tax-to-GDP ratio increases from 25.2 per cent to 26.1 per cent and recommends that NT must clarify which measures were used to determine when the tax-to-GDP level will negatively affect the economy.

SAIT notes that the tax-to-GDP ratio will sufficiently broaden the tax base and is encouraged by SARS’ efforts in this regard. SAICA recommends that NT capacitates SARS over the medium term, to enable it to collect more revenue and not only focus on the already compliant taxpayers. Regarding potential risks to the fiscal outlook, SAIT recommends that sustainable revenue growth must come from a broader tax base and improved compliance, not higher rates on an already small group of taxpayers.

Given the fiscus's heavy reliance on the mining sector, SAR seeks clarity on how revenue projections for 2026/27 would withstand a correction in gold and platinum prices.

5.2.3. Expenditure estimates

SAICA welcomes the achievement of improving the primary balance, noting that the structure of expenditure mix remains the same over the medium term as it has over the last decade. SAICA further notes that legal claims against the departments of Health and Police amount to R176 billion, but growth in contingent liabilities remains the same over the medium term. SAICA requests clarity on whether the current expenditure mix will achieve the different fiscal and economic outcomes required and why the contingent liability provision remains the same over the medium term.

BJC submits that although the government highlights that approximately 60 per cent of non-interest spending goes toward the social wage, this measure alone does not reflect the adequacy of spending. Also, when examined in real per capita terms, allocations to essential services such as health, education, and social protection have stagnated or declined over the past decade.

Dr Muller raises a concern that reduced growth in social expenditure is planned from a reduction in grant recipients without any substantive explanation.

5.2.4. Targeted and Responsible Savings

SAICA and SAIT welcome the TARS programme. BJC and IEJ, however, raise concerns about the transparency and distributive impact of expenditure reductions related to this programme, which appear to affect programmes supporting low-income households. They recommend that the government ensure full transparency and that the programme adopt a more rigorous methodology to determine what constitutes underperforming or wasteful programmes.

PEP, on the other hand, submits that given the scale of fiscal consolidation required to reduce the debt-to-GDP ratio, it remains uncertain whether TARS can generate sufficient and sustained savings to fund other urgent priorities. Dr Muller raises a concern that the efforts to find expenditure reductions failed, with the majority of the R12 billion TARS coming from cutting funds (R8.4 billion) for much-needed public transport initiatives targeted at the majority of South Africans.

5.2.5. Early Childhood Development and Parenting Support

Breadline Africa acknowledges the R12.8 billion allocation to expand access to Early Childhood Development (ECD). Breadline Africa submits that the 2026 Budget does not address the most critical barrier to achieving universal early learning, the absence of dedicated funding for ECD infrastructure. Breadline Africa recommends that NT must introduce (1) a ring-fenced national ECD Infrastructure Capital Grant to fund the construction and upgrading of compliant classroom infrastructure, (2) a conditional ECD Infrastructure Maintenance Grant to prevent deterioration of existing facilities, and (3) increase the subsidy to R40–R45 per child per day from the current R24.

Families4Children submits that the country's budget makes no allocation to universalise parenting support and recommends that Parliament must amend the budget to make it prudent by, amongst other things, explicitly prioritising funding for comprehensive parenting support and ensure that the new Private Public Partnership (PPP) regulations include funding for parent support for child development.

5.2.6. Social grants and Social Relief of Distress grant

The stakeholders welcome the extension of the Social Relief of Distress (SRD) grant in 2026/27. They remain disappointed that the grant has not been increased, while approximately 10 million people are excluded from the grant due to unfair regulations. They recommend that the government increase the SRD grant and expand it to include those unfairly excluded and provide clear plans for the implementation of the Basic Income Grant (BIG). PEP and BJC note the uncertainty of not funding the SRD grant beyond 2027, while SAR seeks a data-driven assessment of the long-term fiscal viability of converting the SRD into a permanent BIG and the economic growth rate needed to fund it without raising taxes.

Stakeholders raise concerns that social grant amounts are insufficient to cover monthly basic needs, prevent hunger in households and stunting in children and are continuously being eroded by inflation and the high cost of living. They recommend that the government must (1) increase all social grants by substantial amounts to help curb poverty and hunger, (2) adjust the SRD grant for inflation in 2026, and (3) implement the Maternal Support Grant and expand the child support grant to include pregnant mothers.

5.3. Public Debt and Financing

PEP notes that the 2026 Budget projects gross loan debt to decline by 2.4 percentage points over the medium term and estimates a reduction in gross loan debt of 10.6 percentage points or approximately R750 billion over the next eight years. PEP cautions that research examining historical debt-reduction episodes finds that sustained reductions of around 10 percentage points of GDP over a decade are relatively rare and typically occur only under favourable macroeconomic conditions.

PEP highlighted that if growth remains weak, debt reduction implies stronger expenditure compression, and that achieving debt adjustment primarily through expenditure would likely require sustained compression of government consumption. Given the scale of the projected fiscal adjustment, PEP recommends that Parliament carefully interrogate the credibility and sustainability of the proposed debt-reduction path by assessing whether the macroeconomic assumptions underpinning the debt outlook are realistic.

SAR notes that the current debt-stabilisation path is highly sensitive to external factors and seeks clarity on how a GDP growth shortfall would affect the primary surplus required to keep debt on a stable path.

BJC submits that a credible path to debt sustainability depends on stronger economic growth and recommends increased transparency in the government's debt management strategy and its implications for social spending.

SAICA welcomes improved headline debt ratios but notes that the government missed the 2025/2026 debt ratio target; total debt is still increasing to reach over R1 trillion over the medium term; and debt ratio stabilisation appears to be driven by GDP assumptions rather than lower nominal debt. SAICA recommends that NT clarify the long-term debt strategy, including how refinancing extension fits into sustainability objectives.

Dr Muller also notes that, while there has been much praise for the 2026 Budget in the media, NT missed its 2025/26 debt target. IEJ recommends that the Committee hold the Minister of Finance accountable for this recurring failure to lower debt-to-GDP while continually inflicting damage on the economy through spending cuts.

5.4. Revenue proposals

5.4.1. Excise taxes on alcohol and tobacco and illicit trade

The stakeholders presented different views about the excise taxation.

National Liquor Traders (NLT), DG Murray Trust (DGMT), South African Alcohol Policy Alignment (SAAPA) and South African Liquor Brandowners Association (SALBA) generally support NT's approach of increasing alcohol excise duties in line with the 3.4 per cent inflation. They submit that excise taxation is one of the most effective tools to reduce alcohol harm and generate sustainable revenue, and that the inflation-linked adjustments provide predictability, stability, and alignment with public health considerations. They recommend that the government must, (1) protect legal township traders and recognise them as vital engines of township economic activity, and strengthen compliance and formalisation, (2) introduce minimum unit pricing to prevent extremely cheap alcohol, (3) consider above-inflation excise alcohol tax increases of 6-10 per cent above inflation annually, and (4) consider ring-fencing a percentage of health tax revenue to fund treatment programmes and road safety.

On the other hand, South African Wines (SAW), Heineken beverages, Beer Association of South Africa (BASA) and South African Breweries (SAB) generally raised concerns about NT's unconstrained discretion over the excise tax, and that NT has largely been operating outside of its own policy. Additionally, there is no acknowledgement of the relationship between excise taxes and illicit growth, while continued above-inflationary increases have significantly widened the gap between the Consumer Price Index (CPI) and the excise burden. SAW, however, believes that the inflation alignment adjustments reflect ongoing, constructive engagement and reinforce the importance of a predictable excise framework for the wine sector. SAB specifically reflected on the 2014 excise tax policy and the technical flaws in the excise adjustment framework.

Recommend made include that the government should, (1) allow for CPI increases only for the next three years, to restore predictability and constrain the price gap between legal and illicit products (2) limit all future excise increases for wine to CPI-linked adjustments, beginning with the 2026/27 cycle, (3) undertake Socio-Economic Impact Assessment Studies (SEIAS) before implementing any new alcohol policy model, and (4) introduce a tiered compliance framework for micro-producers to reduce barriers to formal market entry. BASA recommends (1) the linkage to measurable illicit market outcomes so that excise decisions are informed by enforcement data before any adjustment is considered, and (2) industry partnership on an integrated illicit alcohol enforcement strategy.

The World Health Organisation (WHO) recommends that alcohol excise taxes should be set at a minimum of 75 per cent of the retail price, as South Africa falls significantly short of this benchmark and that the Committee should encourage NT to accelerate the stakeholder consultation process with explicit attention to the public value and district health financing dimensions of the review.

On excise duties on tobacco, Fair-trade Independent Tobacco Association (FITA) submits that historically, the legitimate tobacco sector has generated substantial excise revenues; however, the sustainability of this revenue stream is increasingly threatened by structural market changes and the continued growth of illicit trade. British American Tobacco South Africa (BATSA) welcomes the recognition of the price gap between legal and illicit products by maintaining an inflation-linked increase. However, due to the devastating impact of the illicit cigarette trade, BATSA has had to make the very difficult decision to close its manufacturing plants by the end of 2026 and transition to an import-based model.

BATSA and FITA's recommendations include that Parliament, NT and SARS should (1) address cigarette excise in an appropriate manner which fully appreciates the extent of the illicit trade problem in South Africa, (2) revise the base on which the current cigarette excise increases are determined, that is, on weighted average price in the market, (3) encourage SARS to implement a track-and-trace system in South Africa for cigarettes and vaping products, and (4) strengthen enforcement against illicit trade to protect excise revenue.

Stakeholders who commented on excise taxes on alcohol and tobacco raised serious concerns about the illicit trade of alcohol and tobacco and recommended that the government strengthen the fight against illicit trade. Their recommendations include that the government must implement stronger enforcement and penalties, consider an industry partnership on an integrated illicit alcohol enforcement strategy, support SARS' five-point enforcement strategy, and request updates on the implementation of the Illicit Economy Disruption programmes.

Amandla.mobi, however, raised a concern that, while the excise tax increase is a step in the right direction, lobbying by the industries has used illicit trade to divert attention from the pressing need to tackle alcohol and tobacco abuse.

5.4.2. Health Promotion Levy and Sugar Taxes

Healthy Living Alliance (HEALA) and Amandla.mobi expressed their disappointment that the Health Promotion levy (HPL) has still not been increased, even though the levy has generated more than R16.7 billion cumulative revenue for the fiscus since its implementation in 2018, which could have been higher had the levy been increased and fruit juices included.

They reiterated their recommendation that the Minister of Finance should consider increasing the sugary drinks tax to 20 per cent and expand it to include 100 per cent fruit juices to increase the policy's effectiveness and urgently release the position paper regarding the expansion of the HPL to include 100 per cent fruit juices and a reduction in the threshold.

WHO recommends that sugar-sweetened beverage taxation should be structured to produce meaningful retail price increases that reduce affordability and curb consumption, and the rates should be adjusted periodically to prevent erosion of impact.

5.4.3. Proposed alternative sources of revenue

To raise additional revenue, the stakeholders proposals include, (1) introduction of a wealth tax and ring-fencing it to finance redistributive spending (2) increase of PIT for the ultra-wealthy, (3) using public sector pools of capital such as GFECRA and leveraging the Government Employees Pension Fund (GEPF), (4) removing tax breaks for high-income earners and medical aid rebates, (5) introduction of a modest 0.5 per cent levy on gross gambling revenue ring-fenced for youth financial literacy programmes and problem gambling treatment, (6) recovering revenue lost from tax evasion and Illicit Financial Flows by capacitating SARS, and (7) reducing tax loopholes for wealthy and large corporations.

5.5. South African Revenue Service

SAIT applauds enhanced enforcement measures implemented by SARS to combat customs and excise evasion and recommends additional funding to enable SARS to focus its revenue collection on non-compliance and base expansion, rather than intensifying pressure on compliant taxpayers, and stronger enforcement against the illicit economy. COSATU and Amandla.mobi. also recommends adequate funding to enable SARS to deliver on its mandate, while SARS should report quarterly on tax compliance and illicit trade.

SAICA observed significant growth of tax debt over the last five years and in the current year, in both undisputed and disputed tax debt, without reasons being provided. SAICA recommends better disclosure in terms of age analysis, recoverability, and reliance on historical collections to assess the sustainability of revenue assumptions.

Dr Muller submits that, while SARS funding has been increased over the medium term, on the basis that this would yield even larger increases in tax collection, SARS not only fell short of the target set for tax debt collection of R120 billion but may even have fallen short of the prior target of R95 billion, before funding was increased. Dr Muller recommends that Parliament and the public should not be distracted from these concerning facts by favourable misrepresentations in the media.

5.6. Other budget-related issues

5.6.1. Budget process

SAICA welcomes the extended time to comment on the 2026 Fiscal Framework 2026 this year and recommends the adoption of an extended public consultation as a permanent feature. SAICA further proposes that public hearings should be scheduled at least seven days after the public comment deadline to enable Parliament to properly consider submissions, and all five "Budget Bills" should be released on Budget Day to avoid legal uncertainty and consultation distortions created by delayed tax bills.

In agreement with SAICA, SAIT recommends the timely release of draft Bills to avoid delays in the legislative process and more time between draft publication and comment deadlines, as that would significantly improve stakeholder participation.

SAIT commends NT's decision to provide inflation-tax adjustments, highlighting that these announcements have been made in response to submissions made by SAIT and other stakeholders in preceding years. SAIT is pleased that several of its proposals have been implemented, demonstrating that NT is listening to and engaging with stakeholders.

Noting that from the 2027 Budget onward, excise duty adjustments will take effect on 1 April rather than immediately on Budget Day, WHO recommends that, as implementation timing changes are introduced, it may be useful to review whether the controlled period for these provisions remains appropriately aligned with the new effective date.

AIDC recommends greater accountability to ensure that the budget process undergoes meaningful democratic participation and oversight, having observed that while Parliament is the final decision maker on the budget, the responses by the Minister of Finance to the Committees often do not result in recommendations being acted upon.

Dr Muller raises concerns about oversight bodies that are expected to strengthen oversight of fiscal matters, noting that the tenure of the FFC Chairperson is lapsing soon and that of three out of five other Commissioners has already lapsed. Dr Muller further raises a concern about the Commissioner's non-transparent recruitment process and that the final tenure of the most recent Director of the PBO has lapsed, but the post has not yet been advertised.

ENS recommends a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to NT for consideration.

5.6.2. Local government

SAICA welcomes efforts to enforce governance and accountability in local government finances and recommends urgent interventions to build competence and enforce accountability on officials and political leadership, including payment discipline, rather than creating structural dependence on NT.

Better Governance Initiative (BGI) submits that the current 9.4 per cent allocation does not meet the equitable division of revenue standard, given unfunded mandate spending. BGI recommends that the Committee include in the report an observation that the current LG allocation does not reflect an equitable division, and that this requires amending at the Appropriations Committee, and if Parliament amends the fiscal framework, it should consider increasing the local government equitable share revenue by R30 billion to 10.9 per cent in the revised fiscal framework.

SAR observed a persistent rise in municipal arrears, reaching R94.6 billion by March 2025, representing an off-balance-sheet sovereign liability, and seeks clarity on whether NT has a contingency plan to absorb this debt to ensure Eskom's survival if local recovery efforts fail. SAR further noted that NT is increasingly using fiscal mechanisms to drive local performance, including ring-fencing utility revenues and potentially stripping incapable municipalities of infrastructure control. SAR requires clarity on the legal thresholds for taking control of failing municipalities and the process for the municipalities to regain fiscal autonomy.

BJC's submission raises concerns that proposed reforms to infrastructure delivery increasingly rely on national implementing agents rather than strengthening municipal capacity. BJC recommends that the government strengthen municipal capacity and governance.

COSATU welcomes the additional allocation to improve the metro's ability to provide basic services, plans to amend the Municipal Financial Management Act (MFMA) to strengthen the government's ability to intervene timeously, and plans to connect more houses to electricity. COSATU recommends urgent interventions to stabilise increasingly dysfunctional municipalities, and finalisation of a new municipal funding model and the White Paper on Local Government.

5.6.3. Gender based budgeting

PEP considers the Gender Budget Statement included in Budget 2026 as a positive step toward integrating gender considerations into fiscal policy. PEP is concerned that the current statement does not adequately assess how the fiscal consolidation path affects women's employment and the care economy. AIDC is concerned that gender-responsive budgeting has become an afterthought when it should be an integral part of fiscal policy.

BJC and IEJ recommend that the government must prioritise gender responsive budgeting in the fiscal framework and overhaul the current version to address the core issues underlying the economic marginalisation of women and other marginalised communities.

6. COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee supports the 2026 Budget and commends the NT and SARS teams for tabling a progressive budget, which maintains the social wage over the medium term. While challenges remain, the Committee welcomes the positive developments, indicating that the South African economy may be on the right growth path compared to the past two years. These include the removal of South Africa from the Financial Action Task Force (FATF) greylist, the credit rating upgrade in 16 years, and economic growth expansion for the fifth consecutive quarter since 2018.

Economic performance and outlook

6.1. The Committee notes that the GDP growth rate measured 1.1 per cent in 2025, 0.3 percentage points less than NT's 2025 MTBPS projected 1.4 per cent, but still the strongest growth in three years, which compares relatively better than the growth rates of 0.7 per cent in 2023 and 0.5 per cent in 2024.

6.2. The Committee also notes that while the global economy and Sub-Saharan Africa are expected to grow at 3.3 per cent and 4.6 per cent, respectively, over the medium term, South Africa continues to lag, indicating that the issues that must be resolved are largely domestic.

6.3. The Committee remains concerned that at a projected 1.8 per cent over the medium, on average, real GDP growth remains stagnant and insufficient to absorb new entrants into the labour market. Acknowledging progress made by Operation Vulindlela, the Committee recommends faster implementation of structural reforms. The Committee also requests an update from NT on how it intends to support these industries for growth as well as the industrial sector.

6.4. The Committee notes the FFC, PBO and some stakeholders' sceptical view on NT's medium-term GDP growth forecasts and cautions NT about elevated risks to its economic and fiscal outlook, given recent geopolitical tensions and that the domestic economy remains subdued. The Committee recommends that NT implement measures to mitigate potential risks to the fiscal framework as the function of the economy.

6.5. The Committee notes with concern that while infrastructure investment is expected to drive the economy over the medium term, GFCF contracted by 3.7 per cent in 2024 and again by 2.2 per cent in 2025, despite the May 2025 Budget forecast of 3.2 per cent growth. The Committee is further concerned that the 2026 medium-term forecasts remain weaker than projected in the May 2025 budget.

6.6. The Committee, however, welcomes the R1.07 trillion infrastructure spending allocation over the medium term, R218 billion and R206 billion, of which will be spent by provinces and municipalities, respectively. The Committee recommends that provinces and municipalities use infrastructure spending to drive economic growth, job creation, poverty reduction, transformation and localisation. Consistent with a trend by provinces to return unspent money to NT, The Committee recommends that NT enforce legislation on provinces and municipalities to force them to utilise the allocated funds.

6.7. The Committee reiterates its recommendation for (1) efficiency and value for money in infrastructure spending by all spheres of government, (2) implementation of consequence management for financial mismanagement and corruption, and (3) adequate capacity to ensure that infrastructure projects are completed timeously and are of acceptable quality. Additionally, we recommend that NT work with relevant entities, including the Auditor General, to increase focus on monitoring and reporting on the compliance and implementation of service-level agreements for infrastructure development projects that are incomplete or under the implementation timeline.

6.8. The Committee notes with concern that while SOEs and public entities are expected to execute about 54.1 per cent or R577.4 billion of the R1.07 trillion infrastructure investment over the medium term, in the past five years, SOEs collectively made losses of R172 billion, with many relying on the government for financial support.

6.9. The Committee recognises the strategic importance of SOEs in supporting the economy and welcomes that some SOEs have moved towards a positive trajectory, with Eskom posting its first profit in 2024/25 following almost a decade of sustained losses. The

Committee reiterates its recommendation that NT must continue to strengthen support for SOEs on a positive trajectory, while stabilising SOEs still experiencing challenges.

6.10. The Committee welcomes marginal improvements in the official rate of unemployment from 31.9 per cent in the third quarter of 2025 to 31.4 per cent in the fourth quarter of 2025. The Committee, however, remains deeply concerned that the expanded unemployment rate now measures 42.1 per cent and the youth continue to bear the brunt of joblessness. The Committee recommends that all spheres of government should accelerate spending on infrastructure to help reduce unemployment.

6.11. The Committee further recommends that the government should fast-track the creation of an enabling environment for the private sector and SMMEs to invest in the domestic economy and create jobs.

Fiscal framework: Revenue, expenditure and debt

6.12. The Committee notes that while FFC recommends continued commitment to the fiscal consolidation path over the medium term, the PBO and some stakeholders argue that inclusive economic growth requires shifting away from fiscal consolidation towards targeted investments in infrastructure, public services, skills, and industrial policy. The Committee recommends that the government carefully balance the need to address budget inefficiencies with service delivery.

6.13. The Committee, however, notes NT's assertion that the 2026 Budget introduces no new cuts or reductions to the baseline, but only technical downward revisions meant to align with a lower medium-term inflation outlook or rescheduling of funds due to project progress.

6.14. The Committee notes the R252 billion payments to SACU over the medium term. The Committee recommends that SACU payment volatility be explicitly recognised as a fiscal risk, given its sensitivity to revenue fluctuations and its impact on budget stability. NT should develop a SACU stabilisation mechanism to smooth the fiscal impact of fluctuations in SACU payments over the medium term. NT should initiate engagements within SACU structures to review the revenue-sharing formula to ensure medium and long-term fiscal sustainability and alignment with domestic economic realities and conditions.

6.15. the Committee welcomes the R12 billion from the TARS initiative over the medium term, and some progress has been made in managing the government's wage bill, which includes identifying 2 343 suspicious cases in the public service payroll. The Committee requests an updated plan from NT by May 2026, on how it will roll out ghost worker audits to entities outside the PERSAL system.

6.16. The Committee recommends that NT should do more to increase savings, including a range of spending reviews. Future spending reviews and budget reforms should consider placing stronger emphasis on eliminating waste, corruption, duplication and low-performing expenditure while protecting expenditure that directly supports infrastructure delivery and frontline services. The Committee, by April 2026, requests that NT provide it with a list of programs identified by NT, but which departments or cabinet have not yet agreed or refused to add to the savings program.

6.17. The Committee notes the stakeholders' continued disappointment that the SRD grant has not been increased while approximately 10 million people are being excluded from the grant due to unfair regulations, and that there are no commitments to extend the grant to a permanent BIG.

6.18. The Committee welcomes the extension of the SRD grant for 2026/27 and, cognisant of the high costs to the fiscus, recommends that NT should consider adjusting the grant for inflation and converting it to BIG in future, given the high cost of living and the significant social and economic role the grant plays. The Committee reiterates its recommendation that, while it is important to protect the most vulnerable, including through social grants, there must be a clear strategy to move people from dependency to opportunity.

6.19. The Committee remains concerned that, at a projected R6.1 trillion in 2025/26, expected to reach R6.9 trillion by 2028/29 (an increase of R825.4 billion), the government's stock of debt remains significantly high, with debt service costs expected to reach R426 billion in 2026/27 and average R1.35 trillion over the next three years.

6.20. The Committee also notes stakeholders' concerns about high levels of debt; the credibility and sustainability of NT's debt stabilisation and reduction strategies over the medium term; some argue that the current trajectory is highly sensitive to external factors, and if growth remains weak, debt reduction would imply stronger expenditure compression. The Committee recommends that NT should note and carefully consider the stakeholders' concerns and recommendations made.

6.21. The Committee welcomes projected stabilisation of debt in 2025/26 for the first time in 17 years, and that debt service costs are no longer the fastest growing expenditure item. The Committee supports the government's objective to anchor a high debt level and recommends that the achievement of the primary budget surplus should be carefully balanced with support for growth-enhancing investment in infrastructure.

6.22. The Committee notes that the contingent liabilities remain high, at R1.21 trillion in 2026/27, about 75 per cent of which is accounted for by Eskom, IPPs and RAF. Additionally, the RAF has become the most significant risk to the fiscal framework, accounting for almost 30 per cent of the total, or R381 billion.

6.23. The Committee notes that if these liabilities materialise, the debt-to-GDP trajectory may not stabilise and decline as expected, and recommends that, given significant challenges at RAF, and the probability that this figure might be higher, NT must verify RAF's total contingent liabilities before the 2026 MTBPS, put measures in place to manage and mitigate potential risks to the framework, and report to it.

Revenue proposals and SARS

6.24. The Committee notes that while most stakeholders welcome tax adjustments, the PBO and some stakeholders raise concerns that these adjustments primarily benefit higher-income households and that social grant beneficiaries are being reduced.

6.25. The Committee welcomes the 2026 tax proposals, including the withdrawal of the R20 billion tax increase, the adjustment of tax thresholds for PIT and VAT, and the proposal to increase the TFSA limit and recommends that NT.

6.26. The Committee notes various stakeholders' contrasting views on excise taxation. On one hand, stakeholders advocate for at least inflation-adjusted increases, citing that excise taxation is one of the most effective tools to reduce alcohol harm and generate sustainable revenue; on the other hand, stakeholders criticise NT's unconstrained discretion over excise taxation and the price gap between excise taxes and illicit trade growth.

6.27. The Committee notes NT's response that excise duties were increased in line with inflation in the 2026 Budget and that consultations on the future excise regime, including options such as minimum unit pricing and differentiated approaches, are ongoing. The Committee encourages NT and SARS to continue engagements with stakeholders in the alcohol and tobacco industries.

6.28. The Committee welcomes the inflation-linked increases in excise taxes and sees this as a positive step in addressing illicit trade and balancing the economic impact without disregarding the health risks. The Committee is, however, concerned about the impact of illicit trade of alcohol and tobacco, not only on tax revenue, but on health costs, employment and economic growth.

6.29. The Committee notes alternative revenue proposals by stakeholders, especially repeated calls for the government to introduce a wealth tax. The Committee acknowledges the NT's responses to these proposals.

6.30. The Committee commends SARS for its performance in 2025/26, including collecting over R2.2 trillion in revenue and its continued interventions in addressing illicit trade. The Committee believes that, despite the additional R7.5 billion over the medium term, SARS remains underfunded and recommends that the Minister of Finance consider increasing SARS's budget over the medium term linked to specific programmes to ensure that SARS is adequately capacitated to collect all revenue due and strengthen its efforts to combat illicit trade and financial flows.

6.31. The Committee notes the concerns raised by the stakeholders regarding the SARS debt book and recommends that SARS report on its debt book, including the scale of disputed and undisputed debt, the extent of impaired and irrecoverable debt, and the measures taken to improve recoverability and strengthen the collection of debt.

6.32. The Committee also notes stakeholders' overall appreciation for SARS enhanced enforcement measures to combat tax evasion, support of its five-point plan to fight illicit trade, and acknowledgement that SARS requires greater capacity and resources to combat illicit trade.

6.33. The Committee acknowledges that illicit trade is a multifaceted challenge, which requires a stronger coordinated approach. The Committee will invite NT, SARS, Border Management Agency (BMA) and the South African Police Service (SAPS) to discuss how illicit trade can be effectively addressed.

Other budget-related issues

6.34. The Committee notes that the equitable share formula continues to allocate less than 10 per cent of the nationally raised revenue to the local sphere of government, and many rural municipalities don't have adequate revenue-raising potential compared to the metros.

6.35. The Committee, however, notes from NT's responses that, (1) transfers per household to rural municipalities based on the division of revenue, were almost double those to metropolitan municipalities, (2) the revenue sharing formula already considers poverty levels, (3) the local government budget of R706 billion, was not far off from the provincial budget of R817 billion, who had very limited revenue raising powers, and (4) the reviewing the local government fiscal framework in currently under review, and feedback would be provided when the Minister tables the 2026 MTBPS.

6.36. The Committee welcomes NT's continued support to municipalities, spending about R2 billion per year. The Committee awaits the completion of the White Paper on Local Government review, which is currently underway and believes that, amongst other things, it will help address the municipal funding model.

6.37. The committee welcomes that the NT and the Development Bank of Southern Africa (DBSA) are laying the groundwork for the Infrastructure Finance and Implementation Support Agency. The Committee recommends that various entities have infrastructure support-related capabilities, such as Municipal Infrastructure Support Agency (MISA), Government Technical Advisory Centre (GTAC) and DBSA, and their existing capacity should be expanded to increase support of the NT's approach of moving from oversight to active structural interventions.

6.38. The Committee notes that NT is deciding on the next steps following the recent VAT judgement. The Committee requests a written update from NT on these next steps by May 2026.

The Committee appreciates all input received on the 2026 fiscal framework and revenue proposals during the public participation process. The Committee notes progress made by NT and SARS in continuously engaging with the stakeholders to find practical solutions to the issues raised and recommendations made. The Committee notes continued concerns from stakeholders about the adequacy of time and space for meaningful deliberation within Parliament's Money Bills process.

Having considered the 2026 Fiscal Framework and Revenue proposals, the Select Committee on Finance accept the 2026 Fiscal Framework and Revenue Proposal.

The report on the fiscal framework was accepted by the majority of members in the Committee, the EFF and MKP submitted that the fiscal framework be amended and had the following inputs:

EFF Input on the Draft Report of the Select Committee on Finance on the 2026 Fiscal Framework and Revenue Proposals

The Economic Freedom Fighters rejects the proposed fiscal framework.

At the level of principle, this report reflects a serious failure by Parliament to exercise its powers in terms of the Money Bills Act, 2009. Instead of amending the fiscal framework, the Committee has framed its role as merely making recommendations to the NT. This is evident throughout the **"Committee's Observations and Recommendations" section,** where language such as "the Committee recommends that NT should consider" is used repeatedly. This reduces Parliament to an advisory body, which is not what the law intends.

The report itself contains sufficient evidence to justify amendments. The inputs from the Parliamentary Budget Office clearly state that the fiscal framework will not achieve inclusive growth, reduce unemployment, or meet development targets. Yet this is not translated into changes to the framework. This is not a technical oversight; it is a political choice.

At a minimum, the following amendments should have been incorporated directly into the **"Fiscal framework: Revenue, expenditure and debt"** and **"Other budget-related issues"** sections of the report.

1. SARS Allocation (Amendment to "Revenue proposals and SARS")

In the section titled **"Revenue proposals and SARS"**, the Committee acknowledges that SARS remains underfunded and recommends that the Minister "consider increasing SARS's budget". This must be strengthened into a binding amendment.

The report already notes the challenges of tax debt collection, including underperformance relative to targets and growing complexity in recoverability. Based on this evidence, the Committee should amend the fiscal framework to include an additional R4 billion allocation to SARS, specifically earmarked for modernisation, enforcement, and debt recovery.

This must replace the current weak formulation and be inserted as a direct amendment in this section.

2. Equitable Share and Local Government (Amendment to "Other budget-related issues")

The section on **"Other budget-related issues"** explicitly states that local government receives less than 10 per cent of nationally raised revenue. It further acknowledges structural weaknesses in municipal finances.

This is precisely where the Committee should have inserted an amendment to the fiscal framework.

As raised in deliberations, including by Honourable Omphile Maotwe, municipalities are structurally underfunded. The Eskom debt of approximately R95 billion owed by municipalities is not simply a governance issue, but a fiscal design failure. Municipalities, including metros, are increasingly relying on levies and tariffs to sustain operations, placing further pressure on residents.

The Committee should therefore amend the fiscal framework to increase the local government's equitable share from below 10 per cent to at least 12–15 per cent, in line with stakeholder submissions reflected in the report. This amendment must precede finalisation of the Division of Revenue Bill.

3. Fuel Levy (Amendment to "The 2026 tax proposals include…")

In the section outlining tax proposals, the report confirms increases in the fuel levy, RAF levy and carbon fuel levy.

At the same time, the **"Economic performance and outlook"** section acknowledges weak GDP growth of 1.1 per cent and persistently high unemployment. This contradiction is not resolved in the report.

The Committee should amend the fiscal framework to reject any increase in the fuel levy. This must be inserted as a clear recommendation under the tax proposals section. Maintaining the current levy is necessary to protect households facing rising transport and food costs.

4. Insourcing and State Capacity (Amendment to "Fiscal framework: Revenue, expenditure and debt")

In the section on **"Fiscal framework: Revenue, expenditure and debt"**, the report emphasises eliminating wasteful expenditure and improving efficiency. However, it does not explicitly recognise insourcing as a mechanism to achieve this.

The Committee should insert a clear statement acknowledging the positive developments in insourcing across government and recommend a coordinated, policy-driven approach. This must be included as an additional paragraph under this section, linking insourcing to improved state capacity, reduced outsourcing costs, and enhanced accountability.

5. Growth Model, Industrialisation and Monetary Policy (Amendment to "Economic performance and outlook")

The **"Economic performance and outlook"** section correctly identifies low growth and structural constraints, but does not interrogate the policy framework underpinning this stagnation.

As raised in Committee deliberations, all parties expressed support for industrialisation, but only the EFF advanced a position for state-led industrialisation. This distinction must be reflected in the report.

Furthermore, the Committee should amend this section to emphasise that economic policy must prioritise job creation rather than narrow inflation targeting. The current framework fails to address unemployment at the required scale, and this is confirmed by both the PBO and stakeholder submissions.

A new paragraph should be inserted in this section to state that the fiscal and monetary policy framework must be aligned towards employment creation, industrial expansion, and structural transformation.

Conclusion (Amendment to final resolution)

The final paragraph of the report, which states that the Committee “accepts” the fiscal framework, must be amended.

Given the evidence presented throughout the report itself, including low growth, high unemployment, underfunded municipalities, and insufficient revenue capacity, the Committee should reject the fiscal framework and adopt it with amendments.

Failure to do so confirms that Parliament is unwilling to exercise its constitutional authority. The current report reflects a process where serious concerns are acknowledged, but no action is taken. That is not oversight; it is procedural compliance without substance.

The EFF rejects this approach and calls for a fiscal framework that is amended to reflect the developmental needs of South Africa.

Proposed Amendments to the 2026 Fiscal Framework and Revenue Proposals

The MKP reject, austerity, quiet regressive taxation and managed decline, instead we call for a developmental, land-centered, infrastructure-led growth budget that will create mass employment, lower the cost of living, expand, social protection, User progressive taxation and rebuilds state capacity.

Healthcare is another area where austerity has done real damage, we now have the irrational situation where more than thousand qualified doctors are unemployed, while hospitals operate with critical staff shortage and unsafe facilities, that is not lack of money problem but is a budgeting and planning failure.

We need a budget that invests at scale in housing, water, energy, roads and rails, uses state procurements deliberately to build African, Coloureds, Koi and San, Indian and progressive industrialist.

The budget framework claim that social grants are protected, but when increases are below food inflation, protection is fictional, grants buy less food each year, malnutrition and child stunting increases and household debt grows

Therefore, protection in name, erosion in practice, MKP propose a universal Basic Income model, not a grant-based model.

Even when VAT is not raised, fuel levies usually increase, political line and minor adjustment for revenue stability, the reality is Fuel levies push up, transport cost, food transport cost and construction costs, fuel levies operate as one most regressive taxes in the system.

South Africa's economy grew by 1.1% in 2025, slower than the National Treasury had forecast, the South African Reserve Bank had predicted 1.3% increase in GDP last year and the National Treasury a1.4% expansion.

Although there is a slightly growth from 1% annually over the past, which does not bring an excitement at all, five of ten sectors grew in the fourth quarter and five contracted.

The finance industry was the largest positive contributor followed by the trade industry and the manufacturing industry was the largest negative contributor, decreasing by 0.6% and contributing -0.1 of a percentage point.

This negative growth is against the NDP 2030 aims to eliminate poverty and drastically reduce inequality by 2030, sighting economic grow as a key factor in creating 11 000 jobs and improving education and health.

1. The proposed fiscal framework doesn't respond to current challenges faced by our country as a result of the rapidly shifting geopolitical dynamics.

Report to be considered

ANNEXURE A

1. Summaries of submissions on the 2026 Budget received from the stakeholders

The Committees held public hearings on 10 March 2026 and received a total of 32 submissions, seven written and 25 oral. These submission were received from the South African Institute of Chartered Accountants (SAICA), South African Institute of Taxation (SAIT), South African Breweries (SAB), South African Wines (SAW), Heineken beverages, Beer Association of South Africa (BASA), South African Alcohol Policy Alignment (SAAPA), South African Liquor Brandowners Association (SALBA), DG Murray Trust (DGMT), National Liquor Traders (NLT), Fair-trade Independent Tobacco Association (FITA), British America Tobacco South Africa (BATSA), Congress of South African Trade Unions (COSATU), Amandla.mobi, Alternative Information and Development Centre (AIDC), Budget Justice Coalition (BJC), Institute for Economic Justice (IEJ), Public Economy Project (PEP), Rural Health Advocacy Project (RHAP), Dr Muller, South African Student Investment Council (SASIC), Sovereign Africa Rating (SAR), Breadline Africa, Families4Children (including South African Parenting Programme Implementers Network (SAPPIN) and South African National Child Rights Coaltion (SANCRC)), Healthy Living Alliance (HEALA), World Health Organisation (WHO), Women on Farm Project (WFP), Edward Nathan Sonnenbergs (ENS) (including South African Poultry Association and CloverSA), IRR Legal, Banking Association of South Africa (BASA) Winsome Africa, and Better Governance Initiative (BGI).

The Committee received submissions from tax institutions, the business sector, civil society organisations, non-profit organisations, professional bodies, and individual members of society. The submissions collectively highlight structural challenges facing the South African economy, including weak growth, persistently high unemployment, poverty, inequality, infrastructure deficits, local government distress, and constrained fiscal space. These are summarised below.

1.1. Healthy Living Alliance

HEALA submits that since its implementation from 1 April 2018 to 31 March 2021, the Health Promotion Levy (HPL) generated R7.9 billion in cumulative revenue for the country, with R3.2 billion, R2.5 billion, and R2.1 billion collected over the 2018/19, 2019/20, and 2020/21 fiscal years, respectively. HEALA believes that had the HPL been implemented at a rate of 20 per cent and included 100 per cent fruit juices, then the revenue generated and healthcare cost savings would be much higher.

HEALA observed that at R370, the Social Relief of Distress (SRD) grant is at 44 per cent of the food poverty line and the Child Support Grant (CSG) at 65 per cent, with an amount of R560, and that these amounts are not sufficient for preventing hunger in households and stunting in children; more needs to be done to achieve this. HEALA further notes that in his State of the Nation Address (SONA), President Ramaphosa highlighted the importance of addressing stunting in children and the aim to end stunting by 2030. To achieve this, HEALA recommends an increase in social support measures which exist and the implementation of the Maternal Support Grant, which needs greater revenue generation that a strengthened HPL can provide.

HEALA recommends that the National Treasury (NT) increase the rate of the HPL to at least 20 per cent, include an annual inflation increase in the HPL to increase the policy's effectiveness and urgently release the position paper regarding the expansion of the HPL to include 100 per cent fruit juices and a reduction in the threshold.

1.2. Amandla.mobi

Amandla.mobi submits that grants are still not enough to cover monthly basic needs, while social grants are continuously being eroded by inflation and the high cost of living. It is disappointing that the R370 SRD grant is still not increased, while approximately 10 million people are still being excluded from the grant due to unfair regulations.

Amandla.mobi is concerned that NT continues to dismiss calls for a net wealth tax on the ultra-wealthy while wealth inequality has not changed since 1994, with the top one per cent still owning more than 50 per cent of the country's wealth.

Amandla.mobi believes that proper functioning and well-maintained key infrastructure is key to sustainable development and supports the R1.07 trillion allocation. It recommends that this allocation must come with clear plans and proper metrics to measure return on investment.

The tax increases on alcohol, tobacco and cigarettes are considered a step in the right direction, but the arguments and lobbying by the industries use illicit trade to divert attention from the pressing need to tackle alcohol and tobacco abuse.

Amandla.mobi recommends an increase of Personal Income Tax (PIT) for the ultra-wealthy and a commitment to introducing an annual net wealth tax at a higher rate of 3 per cent for those with a wealth of more than R3.8 million. Beyond tax commitments, the government must consider reallocating expenditure and minimising government irregular expenditure, expanding the CSG to include pregnant mothers, and ensuring that public institutions such as the South African Revenue Service (SARS) have the funding necessary to realise their mandate.

Furthermore, the sugary drinks tax must be increased to 20 per cent and be expanded to include fruit juice, and all social grants must be increased by substantial amounts to help curb poverty, hunger and the high cost of living.

Amandla.mobi proposes the expansion of the R370 SRD grant to include those unfairly excluded, and that the government must provide clear plans for the implementation of the Basic Income Grant (BIG).

1.3. Congress of South African Trade Unions

COSATU sees municipalities as the state's Achilles' heel, with over 60 per cent in financial distress and many struggling to provide basic services or pay staff. COSATU welcomes the R27 billion allocated to improve metros' abilities to provide basic services and bill correctly, the plans to amend the Municipal Financial Management Act (MFMA) to strengthen the government's ability to intervene timeously, and the plans to connect 320 000 houses to electricity and roll out 258 000 smart meters. COSATU is concerned that these may not be enough to fix dysfunctional municipalities, and recommends urgent interventions to stabilise increasingly dysfunctional municipalities, including tackling revenue and expenditure obligations, and finalising White Paper on Local Government.

COSATU finds the absence of a bold stimulus package for Small, Micro and Medium Enterprises (SMMEs), industrial and export sectors deeply worrying and sees a dire need for support of fragile economic sectors exposed to high electricity prices, trade turmoil, oil price and Consumer Price Index (CPI) inflation hikes and the spread of Foot and mouth disease. COSATU recommends tighter parliamentary oversight over infrastructure programme rollout, more active law enforcement to stem construction mafia and cable theft. Additionally, there is a need for engagements with (1) the Public Investment Corporation (PIC), Development Bank of South Africa (DBSA) and Industrial Development Corporation (IDC) to boost economic infrastructure investments, and Nedlac on ramped up SMME, industrialisation and export financial stimulus and relief package.

On social grants and SRD grants, COSATU is deeply disappointed that, yet again, there is no CPI increase for 8 million SRD Grant recipients and National Student Financial Aid Scheme (NSFAS) threshold, and that the Presidential Employment Programme (PEP) has been cut by half from R8.8 billion to R4.5 billion. COSATU recommends that Parliament adjusts the SRD Grant for CPI in 2026 to reach food poverty line over the medium term, adjusts NSFAS threshold for CPI in 2026, engages the PIC, Sector Education and Training Authorities (SETAs) and National Skills Fund (NSF) to take over share of PEPs and engage with NT on next phase of Two Pot Pension Reforms in time for 2027 implementation.

1.4. World Health Organisation

On the proposal to increase excise duties on tobacco products and electronic nicotine and non-nicotine delivery systems in line with expected inflation of 3.4 per cent, WHO recommends that total tobacco taxes account for at least 75 per cent of the retail price of tobacco products, with excise taxes representing at least 70 per cent of the retail price. According to the WHO, such tax structures are associated with significant reductions in tobacco consumption and improved public health outcomes.

On the proposal to increase excise duties on alcoholic beverages in line with inflation-only adjustments of 3.4 per cent, WHO recommends that, to reduce affordability and consumption, excise duties typically need to increase faster than both inflation and income growth.

On the HPL, WHO recommends that sugar-sweetened beverage taxation be structured to produce meaningful retail price increases that reduce affordability and curb consumption, and that rates be adjusted periodically to prevent erosion of impact.

On carbon tax and fuel levies, WHO submits that the proposed carbon-related fuel levy and carbon tax trajectory align with global recognition of carbon pricing as a policy instrument with climate and health co-benefits.

WHO believes that the excise duty adjustments implementation date, effective on 1 April rather than immediately on Budget Day from 2027 onwards, may improve fiscal planning. WHO recommends that, as implementation timing changes are introduced, it may be useful to review whether the controlled period for these provisions remains appropriately aligned with the new effective date.

1.5. Heineken Beverages

Heineken Beverages submits that (1) despite the latest increase in inflation, continued above-inflationary increases have significantly widened the gap between CPI and the excise burden, (2) the 2026 inflationary increase is in stark contrast to the future excise proposals from NT, and (3) continued high excise increases will support market distortions and negate enforcement efforts.

Heineken beverages recommends, (1) that the government should allow for CPI increases only for the next three years, (2) a period of regulatory stability to allow the National Illicit Economy Disruption Programme time to prove its impact, while it would welcome participation in this Programme to share existing expertise and support, and (3) that enforcement leads and policy follows such that once illicit trade is materially reduced, broader excise reforms can proceed on a stable footing.

1.6. South African Wine

SAW submits that if South Africa is serious about inclusive growth, job creation, rural development, and keeping the tax base healthy, then the excise policy must be grounded in reason, not reaction.

SAW welcomes the excise adjustment for the 2026/27 financial year of 3.39 per cent for natural wine, fortified wine, sparkling wine and brandy and believes that the alignment with CPI reflects ongoing, constructive engagement and reinforces the importance of a predictable excise framework for the wine sector.

SAW recommends that NT and Parliament’s Finance Committees should take these practical steps to reverse the current increase of 6.75 per cent, limit all future excise increases for wine to CPI-linked adjustments, beginning with the 2026/27 cycle, and maintain the current incidence rate of 11 per cent for wine, to ensure stability and competitiveness.

SAW further urges the government to prioritise the enforcement of illicit trade instead of further penalising compliant taxpayers, undertake socio-economic impact assessments (SEIAS) before implementing any new alcohol policy model, and accelerate enabling reforms in energy and logistics.

1.7. Beer Association of South Africa

BASA welcomes the announcement that excise duties on alcoholic beverages will increase in line with projected CPI as a measured and appropriate adjustment, reflecting the predictable, rules-based approach the industry has consistently advocated for.

BASA's concerns include unconstrained NT discretion over excise tax, highlighting that NT has largely been operating outside of its own policy, while there is no linkage between excise policy and illicit enforcement, and no accommodation for micro-producers.

BASA submits that the beer sector supports approximately 210,000 jobs, contributes R96.5 billion to GDP, and generates R67.8 billion in annual tax revenue. However, the sector has endured a sustained period of above-CPI excise increases, a pattern that eroded the formal market base, widened the gap with illicit products, and created chronic investment uncertainty.

According to BASA, illicit alcohol now accounts for 18 per cent of total volume consumed, generating R16.5 billion in fiscal losses in 2024, up 157 per cent since 2017. The issue is that above-CPI excise increases widen this gap and accelerate substitution.

BASA raises a concern that the guideline introduced by NT in 2014 was breached in its first year, and its threshold was abandoned without consultation, review, or formal notice.

BASA recommends that, (1) NT should anchor excise adjustments to CPI for at least the next three years to restore predictability and constrain the price gap between legal and illicit products, (2) ensure that the policy review produces durable accountability parameters specifically, a CPI-based ceiling on annual adjustments for at least three years; and linkage to measurable illicit market outcomes so that excise decisions are informed by enforcement data before any adjustment is considered, (3) introduce a tiered compliance framework for micro-producers to reduce barriers to formal market entry, support transformation and employment objectives in the craft and micro-brewing sector, and bring additional producers within the tax base, and (4) consider an industry partnership on an integrated illicit alcohol enforcement strategy.

BASA commits to supporting the National Illicit Economy Disruption Programme to develop a dedicated alcohol enforcement workstream, with a baseline measurement of illicit alcohol market volumes by 2026.

1.8. National Liquor Traders

NLT supports NT's approach of increasing excise duties in line with inflation, as this provides predictability, stability, and alignment with public health considerations while avoiding shocks to the sector. NLT supports inflation-linked excise adjustments and emphasises the importance of recognising taverns as vital engines of township economic activity. NLT recommends that the government must protect legal township traders, support township economic growth, and strengthen compliance and formalisation.

1.9. DG Murray Trust

The DGMT supports the 3.4 per cent increase in alcohol excise duties contained in the 2026 Budget but believes that the government must do more to help South Africa escape the inequality trap. DGMT further submits that people in lower-income groups are 4.5 times more likely to die from alcohol-related causes, and that alcohol harm costs South Africa far more than the industry contributes.

DGMT recommends that excise taxation must be strengthened, by keeping alcohol from being more affordable, addressing extremely cheap alcohol by exploring pricing measures linked to alcohol content, and strengthening action on illicit trade by supporting SARS' five-point enforcement strategy.

1.10. South African Alcohol Policy Alignment

SAAPA submits that excise taxation is one of the most effective tools to reduce alcohol harm, generate sustainable revenue, and support fiscal consolidation. Also, Inflation-only increases are not enough, and the government should adopt above-inflation health taxes as part of a comprehensive public health strategy.

SAAPA recommends that Parliament should consider above-inflation excise alcohol tax increases of 6-10 per cent above inflation annually, introducing a Minimum Unit Pricing to prevent extremely cheap alcohol, and ring-fencing a percentage of health tax revenue to fund treatment programmes, community prevention, and road safety. The government must also strengthen illicit trade enforcement by implementing track-and-trace systems.

1.11. South African Breweries

SAB's submission reflected on the 2014 excise tax policy and the technical flaws in the excise adjustment framework, pointing out that the guideline did not address or acknowledge the relationship between excise taxes and illicit growth, and it applies NT's dominant discretionary approach to adjustment guidelines.

SAB recommends that, to address illicit alcohol, excise duty policies and broader economic factors that drive consumers to the illicit market must be carefully considered. To effectively combat illicit alcohol and protect the legal market, excise tax increases should align with inflation, and the government must implement stronger enforcement and penalties.

SAB considers locking beer excise increases to the projected inflation rate for the next three fiscal years as the most effective way to correct the damaging volatility that has characterised past adjustments, while still preserving the real value of revenue and protecting the legal, taxed beer industry from illicit alcohol growth.

1.12. South African Liquor Brandowners Association

SALBA welcomes the inflation rate adjustment of excise in spirits and the renewed focus on combatting illicit trade in the alcoholic beverage industry, and the announcement by the President in his SONA of the establishment of an Illicit Economy Disruption Programme.

Given the impact of illicit trade on government finances, SALBA recommends that the Committee request regular updates on the implementation of these programmes that are aimed at reducing the fiscal losses. Also, the feedback sessions should be held on public platforms to allow the industry and the public to participate in these meetings, where updates are provided.

1.13. British American Tobacco South Africa

BATSA welcomes the recognition of the price gap between legal and illicit products, by maintaining an inflation-linked increase, against the background of falling consumer affordability and unprecedented levels of illicit trade. As a result of the devastating impact of the illicit cigarette trade, BATSA reported that it has had to make the very difficult in-principal decision to close its manufacturing plant in Heidelberg, Gauteng, by the end of 2026 and transition to an imports-based model. BATSA cautions that the closure of the Heidelberg plant should serve as a lesson to Parliament and NT that, unless decisive and coordinated action is taken, the legitimate tobacco industry in South Africa will cease to exist, taking with it direct and indirect jobs and billions in tax revenue, while the illicit operators who caused this destruction will continue to profit unchecked.

BATSA recommends that Parliament, NT and SARS should (1) address cigarette excise in an appropriate manner which fully appreciates the extent of the illicit trade problem in South Africa, (2) introduce into the Customs and Excise Act 91 of 1964, through a primary legislation change, a minimum retail price per pack of 20 cigarettes to achieve effective enforcement and to address retail tax compliance, (3) revise the base on which the current cigarette excise increases are determined, on weighted average price in the market, (4) embrace Tobacco Harm Reduction as an effective tobacco control strategy by levying the appropriate level of excise duties on nicotine products, and (5) encourage SARS to implement a track-and-trace system in South Africa for cigarettes and vaping products.

1.14. Fair-trade Independent Tobacco Association

FITA acknowledges that excise taxes remain an important contributor to the national fiscus, highlighting that historically, the legitimate tobacco sector has generated substantial annual excise revenues, forming a reliable and predictable source of income for the government. However, FITA is concerned that the sustainability of this revenue stream is increasingly threatened by structural market changes and the continued growth of illicit trade. FITS cautions that the illicit trade in cigarettes poses a direct threat to revenue collection, tax fairness, and the integrity of the fiscal system. Without addressing illicit economic activity, increases in tax rates alone may not translate into higher revenue collection. FITA supports strong, consistent and evidence-based enforcement aimed at protecting tax compliance and strengthening revenue collection.

FITA recommends that the government strengthen enforcement against illicit trade to protect excise revenue, enhance border management capacity to address smuggling, promote consistent and fair regulatory enforcement across all market participants, and ensure that tax policy decisions consider the risk of expanding illicit markets.

1.15. South African Institute of Chartered Accountants

SAICA notes that while the fiscal framework relies heavily on the accuracy of the estimation of GDP growth, this estimate has been projected at 2 per cent in 2029, despite the current historical 12-month trends and global conflicts, indicating this to be unrealistic. Also, the real 2025 GDP of 1.1 per cent is below the initial 1.9 per cent and 1.4 per cent revised estimates, but NT provided no historical trend to support the current estimates.

SAICA submits that the material impact of global conflicts on inflation, logistics and the economy further weakens this upside estimate, while the debt-to-GDP is based on this GDP growth scenario. SAICA seeks clarity on the long-term debt strategy, including how refinancing or maturity extension fits into sustainability objectives.

SAICA submits that the creation of centralised or parallel reform structures can improve efficiency in some areas, but may also create overlap, uncertainty, and shift responsibility away from the implementing institutions that must ultimately be accountable. SAICA recommends prioritisation of consequence management, financial competence, and professionalisation in government departments and municipalities.

SAICA welcomes the extended public comment period and recommends it as a permanent feature, and that public hearings should be scheduled at least seven days after the public comment deadline to enable Parliament to properly consider submissions. In addition to that, the full set of fiscal bills should be tabled on Budget Day to avoid legal uncertainty and consultation distortions created by delayed tax bills.

SAICA notes reliance on private capital and PPPs and submits that risk-mitigation instruments and PPPs can help, but are not substitutes for direct capital investment. According to SAICA, Prior experience suggests limited take-up by the private sector, where underlying project economics are weak. SAICA therefore seeks clarity on the policy direction concerning the potential partial privatisation of state assets.

SAICA notes that revenue gains appear to be cyclical rather than resulting from a structural increase in the tax base, while there is also a growing reliance on PIT and requests clearer metrics to evidence genuine tax base expansion, including metrics and monitoring of the SARS estimated R1.2 trillion illicit economy being reduced.

SAICA further submits that there has been significant growth over the last five years and the current year in both SARS undisputed and disputed tax debt, without reasons being provided and recommends better disclosure to assess the sustainability of revenue assumptions, and the disclosure of the extent to which medium-term revenue depends on historical debt collections.

SAICA raised a concern about contingent liabilities, and further requests specific oversight and controls to prevent repeat wastage and losses at the Passenger Rail Agency of South Africa (PRASA) and the South African National Defence Force (SANDF).

1.16. South African Institute of Taxation

SAIT commends NT and SARS for heeding longstanding calls to protect taxpayers and support growth, support for households, individuals and small businesses, and for strengthening the tax base and enhancing stability, particularly the global and structural reforms such as the implementation of global minimum tax, interest relief for Voluntary Disclosure Programme (VDP) applications, and aligning section 23M and section 23N.

SAIT is pleased that these announcements have been made in response to submissions made by inter alia SAIT and other stakeholders in preceding years, and the fact that several of their proposals have been implemented demonstrates that NT is listening to and engaging with stakeholders.

SAIT observed that the tax-to-GDP ratio ensures that the tax base is sufficiently broad and is encouraged by SARS' efforts to expand the tax base. SAIT fully supports the whole of government approach to tackling illicit trade, noting that while targeted enforcement initiatives have helped address excise non-compliance, SARS requires greater capacity and resources to effectively pursue illicit operators.

SAIT observed that while the Court clarified that the Minister cannot unilaterally change major tax rates such as VAT, the Minister may still announce adjustments to certain levies and duties where the enabling legislation permits these changes through regulations or schedule amendments. SAIT recommends the timely release of draft Bills, essential to avoid delays in the legislative process, and more time between draft publication and comment deadlines would significantly improve stakeholder participation.

SAIT welcomes several developments that enhance policy certainty and demonstrate effective stakeholder engagement, notably, the withdrawal of the planned R20 billion tax increase and the implementation of the Organisation for Economic Cooperation and Development (OECD) Global Minimum Tax. According to SAIT, these legislative amendments signal stability and certainty, which will help in the reduction of disputes and improve compliance.

To address compliance risks in public procurement, SAIT proposes a targeted, neutral withholding mechanism on certain government tender payments. Specifically, this withholding tax should apply to government contracts above a defined threshold, and a small percentage should be withheld when payment is made. The amount should then be remitted directly to SARS and credited against the contractor's tax liability. This will ensure that tax is collected at source and will reduce the opportunities for evasion and improve transparency and fairness in procurement.

SAIT supports SARS' intensified enforcement against the illicit economy, particularly in customs and excise-sensitive sectors and welcomes SARS' use of AI, data analytics and coordinated enforcement. SAIT recommends that the Committees engage with their counterparts in related committees to facilitate a coordinated approach in addressing illicit trade.

SAIT urges caution on the proposed 20 per cent tax on Gross Gambling Revenue (GGR) for online gambling but raises concerns that the effective tax rate could reach 26 to 29 per cent, and in some cases 38 to 39 per cent, while high effective rates risk pushing activity offshore, undermining both revenue and consumer protection. Regulatory reform should therefore precede taxation to ensure certainty and enforceability.

SAIT supports the implementation of a principle-based fiscal anchor as this will promote discipline, transparency and long-term sustainability.

1.17. Budget Justice Coalition

BJC notes that the current fiscal framework places significant emphasis on debt stabilisation and maintaining investor confidence. BJC is concerned that, while fiscal sustainability is important, the narrow focus on consolidation risks constraining the public investment required to address unemployment, poverty, and inequality. BJC highlighted that South Africa's unemployment crisis remains among the most severe globally, yet the budget contains limited measures capable of generating jobs at the scale required. BJC submits that a credible path to debt sustainability ultimately depends on stronger economic growth, which in turn requires deliberate investment in employment creation and labour-absorbing sectors.

The BJC also raises concerns about the government's approach to revenue mobilisation, submitting that Civil society organisations have proposed several options for strengthening progressive taxation, including reforms to wealth taxation and tax expenditures that disproportionately benefit higher-income households. However, these proposals have not received meaningful engagement from NT. At the same time, some tax adjustments included in the 2026 budget provide relief to higher-income households, while forgone revenue could have supported social and economic investment.

On the expenditure side, the BJC notes that although the government highlights that approximately 60 per cent of non-interest spending goes toward the social wage, this measure alone does not reflect the adequacy of spending. When examined in real per capita terms, allocations to essential services such as health, education, and social protection have stagnated or declined over the past decade, according to BJC.

The submission also raises concerns about governance and implementation challenges, proposed reforms to infrastructure delivery increasingly relying on national implementing agents rather than strengthening municipal capacity, and the introduction of the Targeted and Responsible Savings (TARS) initiative, which raises concerns about the transparency and distributive impact of expenditure reductions that appear to affect programmes supporting low-income households.

BJC recommends that Parliament and NT should adopt an employment-centred fiscal framework that prioritises large-scale job creation and labour-absorbing investment, expands PEPs and hiring in essential public services such as health and education. Moreover, the government must secure the long-term future of the SRD grant, reconsider tax adjustments that primarily benefit higher-income households while fiscal pressures remain acute and increase transparency in the government's debt management strategy and its implications for social spending.

BJC urges the government to prioritise Gender responsive budgeting in the fiscal framework and deepen democratic participation in the budget process through structured pre-budget consultations and expanded access to budget information.

1.18. Institute for Economic Justice

IEJ submits that South Africa's flawed growth model cannot make a meaningful reduction to unemployment. Even at a projected 2 per cent in 2028, GDP growth remains insufficient to create jobs, and generate enough revenue to invest in education, healthcare and social protection, all of which will decline in inflation-adjusted and per capita terms over the medium term. IEJ recommends that public investment must be increased by R800 billion per year over the medium term, social spending increases must be in line with inflation and population growth, and monetary policy, through the SARB, must be used to direct cheap credit towards strategic industries.

On revenue mobilisation and debt, IEJ recommends increasing tax compliance, using public sector pools of capital such as GFECRA and GEPF and redirecting tax breaks given to higher income households to social infrastructure spending. Also, the Committee must hold the Minister of Finance accountable for this recurring failure to lower debt-to-GDP while continually inflicting damage on the economy through spending cuts.

On TARS and the budget process, IEJ recommends that the TARS programme must adopt a more rigorous methodology, overseen by Parliament, to determine what constitutes underperforming or wasteful programmes, and factor in consideration of areas where years of budget cuts have made programmes ineffective, and therefore need more, not fewer resources. Additionally, the government's version of gender-responsive budgeting must be overhauled to address the core issues underlying the economic marginalisation of women and other marginalised communities.

1.19. Public Economic Project

PEP notes that South Africa may be approaching debt stabilisation after more than a decade of fiscal consolidation. However, a new fiscal objective introduced in the 2026 Budget, aimed at reducing the debt-to-GDP ratio, implies that fiscal consolidation will likely continue even after stabilisation has been achieved. PEP's central concern is that the shift from debt stabilisation to active debt reduction implies a prolonged period of fiscal consolidation, the implications of which for public spending and service delivery require careful parliamentary scrutiny.

PEP submits that the projected decline in debt is historically ambitious, considering that over the medium term, the budget projects a reduction in gross loan debt of 2.4 percentage points of GDP, which corresponds to a fiscal adjustment of roughly R180 billion over the next three years.

Beyond the medium term, PEP notes that the fiscal framework implies a decline in debt of more than 10 percentage points of GDP over the next eight years, representing a fiscal effort of approximately R750 billion in today's prices. According to PEP, international evidence shows that sustained debt reductions of this magnitude are rare and typically occur only under favourable macroeconomic conditions, including strong economic growth, robust nominal GDP growth and large sustained primary surpluses.

PEP further notes that the 2026 Budget introduces no major new revenue-raising measures, which means that the burden of fiscal adjustment will fall primarily on expenditure. PEP is concerned that if economic growth and revenue performance remain modest, achieving the projected debt reduction will require significant expenditure compression over the medium term, while under weaker growth conditions, the fiscal effort required could be even larger. This raises important questions about the implications of sustained consolidation for public services and the provision of core public goods, particularly in sectors such as health, education and policing.

The submission further notes that the budget does not include above-inflation increases in excise taxes on alcohol and tobacco, despite the substantial health, social and fiscal costs associated with these products, while strengthening such health taxes could support both public health objectives and domestic revenue mobilisation.

PEP considers the Gender Budget Statement included in Budget 2026 as a positive step toward integrating gender considerations into fiscal policy; however, the current statement does not adequately assess how the fiscal consolidation path affects women's employment and the care economy. PEP is concerned that sectors such as health, education and social development, which are major employers of women, and which support unpaid care work, remain under sustained fiscal pressure. It is recommended that future gender budgeting exercises should consider these sectors.

PEP recommends that, given the scale of the projected fiscal adjustment, Parliament should carefully interrogate the credibility and sustainability of the proposed debt-reduction path; assess whether the macroeconomic assumptions underpinning the debt outlook are realistic; and whether the projected fiscal adjustment is achievable without undermining service delivery.

1.20. Better Governance Initiative

BGI's submission argues that the current 9.4 per cent allocation does not meet the equitable division of revenue standard, given unfunded mandate spending. While municipalities are responsible for a defined set of functions, they routinely fund services that belong to national and provincial government, at a cost of R30 billion per year, according to BGI.

BGI further submits that funding and accountability must advance together, not one before the other, arguing that the constitutional obligation to fund municipalities exists independently of their performance, and that accountability must be built alongside adequate funding, not used as a precondition to withhold it.

BGI recommends that if Parliament accepts the proposed fiscal framework, it should consider increasing the local government equitable share and consider including in the reports to their respective Houses, an observation that the current allocation does not reflect an equitable division of nationally raised revenue. If Parliament amends the proposed fiscal framework, it should consider incorporating the increase of the local government's equitable share in the amounts proposed in the submission, namely, R30 billion or a 10.9 per cent increase.

1.21. Sovereign Africa Ratings

On fiscal policy, SAR observed that NT is transitioning from rigid numerical targets to a principles-led fiscal anchor, and this creates a potential transparency gap. SAR seeks clarity on the specific technical criteria that will be used to determine compliance under this principles-led model and allow the market to hold the administration accountable for fiscal discipline in the absence of hard numerical ceilings.

On revenue estimates, volatility and debt stabilisation, SAR notes that the current debt-stabilisation path is highly sensitive to external factors. Given the fiscus's heavy reliance on the mining sector, SAR seeks clarity on how revenue projections for 2026/27 would withstand a correction in gold and platinum prices, specifically, how a GDP growth shortfall would affect the primary surplus required to keep debt on a stable path, and how the R523 billion in outstanding tax debt would be addressed.

On municipal debt and SOE risk**,** SAR observed persistent rise in municipal arrears, reaching R94.6 billion by March 2025, representing an off-balance-sheet sovereign liability, and seeks clarity on whether NT has a contingency plan to absorb this debt to ensure Eskom's survival if local recovery efforts fail and defining the limits of the state's liability under this new model and how these "quasi-guarantees" will be reported.

On service delivery and social wage, SAR observed that NT is increasingly using fiscal mechanisms to drive local performance, including ring-fencing utility revenues and potentially stripping incapable municipalities of infrastructure control. SAR seeks clarity on the legal thresholds for taking control of failing municipalities and the process for them to regain fiscal autonomy.

SAR also seeks a data-driven assessment of the long-term fiscal viability of converting the SRD into a permanent big and identifying the economic growth rate needed to fund it without raising taxes.

1.22. Breadline Africa

Breadline Africa acknowledges the R12.8 billion allocation to expand ECD access and the broader R1 trillion infrastructure investment programme.

Breadline Africa submits that the Budget does not address the most critical barrier to achieving universal early learning, that is, the absence of dedicated funding for ECD infrastructure. While the 2026 Budget expands the ECD subsidy, no capital funding has been allocated to build or upgrade facilities and cautioned that without facilities that meet safety and compliance standards, many centres cannot register and therefore cannot access the subsidy, placing the R12.8 billion allocation at risk of underspending.

Breadline Africa noted that the explicit inclusion of ECD infrastructure in the 2026/27 Budget Facility for Infrastructure (BFI) ECD meets every criterion for "critical social infrastructure," yet has not historically been included in BFI pipelines.

Breadline Africa recommends that Parliament should request NT to introduce a dedicated, ring-fenced national ECD Infrastructure Capital Grant to fund the construction and upgrading of compliant classrooms, kitchens, sanitation blocks and outdoor learning areas, and a conditional ECD Infrastructure Maintenance Grant to prevent deterioration of existing facilities.

It is further recommended that the subsidy should be increased to R40–R45 per child per day, as the current R24 is insufficient to support quality early learning, it has not kept pace with rising costs and is inadequate to retain and attract the practitioners required to achieve universal coverage. To achieve this, the government can unlock private co-investment.

1.23. Women on Farms Project

WFP calls for the introduction of a wealth tax on the richest 1 per cent of South Africans, arguing that a wealth tax will redress South Africa's historical injustices, address growing inequalities, and generate additional revenue to improve the quality of life for poor South Africans, including farm workers and dwellers.

WFP recommends that NT and SARS should impose a wealth tax and that the Minister of Finance must make an in-principle commitment to the implementation of a wealth tax and initiate a national dialogue on the viability of a wealth tax. The WFP believes that a wealth tax will not only redress structural wealth inequalities but also restore justice to millions of black South Africans forced to live in sub-human conditions post-apartheid.

WFP submits that wealth tax can complement existing capital-related tax instruments and that its administration and implementation complexities do not invalidate its necessity, arguing that NT's administrative concerns can be addressed through best-practice case study analysis.

WFP recommends that revenue from wealth tax must be ring-fenced to finance redistributive spending, such as land redistribution, a BIG, universal, quality healthcare and free quality education. They caution that failure to implement a wealth tax would render the majority of SA's 63 million citizens not deserving of human dignity.

1.24. South African Student Investment Council

SASIC commends the increase in the Tax-Free Savings Account (TFSA) annual limit from R36 000 to R46 000, the retirement fund deduction increase, and the Minister's frank acknowledgement that South Africa's savings and investment rate is "far below the levels needed to truly create generational wealth". SASIC will actively use the debt stabilisation milestone and Financial Action Task Force (FATF) grey-list removal in its student financial education content.

SASIC is concerned that the Budget is silent on a funded financial literacy strategy, while the R1.5 trillion gambling industry faces no new regulatory or fiscal attention despite its demonstrable harm to youth and the SETA reform lacks specificity around financial literacy as a required outcome. Moreover, there is no framework for protecting young consumers in digital financial environments.

SASIC recommends, (1) the establishment of a dedicated National Financial Literacy Fund over the medium term, jointly administered by the Financial Sector Conduct Authority (FSCA) and the Department of basic Education (DBE), ring-fenced for youth financial education at secondary and tertiary level, (2) introduction of a modest 0.5 per cent levy on gross gambling revenue ring-fenced for youth financial literacy programmes and problem gambling treatment, (3) a targeted TFSA awareness and access campaign for youth aged 18–30, with SASIC and university investment societies as delivery partners at no cost to the fiscus, (4) formally recognised student-led financial education organisations within the FSCA's Financial Education, and (5) a commitment Charter as eligible delivery partners in the national consumer financial education ecosystem.

1.25. Families for Children

Families4Children submits that while the budget must secure parent-led nurturing care, and ensure that the government fulfils its role to enable parents, through a prudent budget, none the country's budget is allocated to universalise parenting support.

The 2026 Budget is viewed as not prudent because while 60 per cent prioritises social spending, no additional funds go to parenting support services to ensure parent-led nurturing care in the home, no additional funds go to build the capacity of provinces and local government to fulfil this role, no ring-fenced funds are allocated for this crucial constitutional and policy function, and the PPP model does not accommodate ECD for parents.

Breadline Africa recommends that Parliament should amend the budget to make it prudent by, (1) explicitly prioritising funding for comprehensive parenting support, (2) ensuring that provinces and local government have the capacity to develop aligned plans and request, received and use the necessary funds, (3) allocating ring-fenced budgets from the additional fund to provinces and local government to enable and compel them to do so, (4) spelling out their mandates as set out in the accompanying Policy Brief on parenting support, and hold them all to account, and (5) ensure the new PPP regulations include funding for parent support for child development.

1.26. Winsome Africa

Winsome Africa commends the VAT registration threshold increase from R1 million to R2.3 million, the withdrawal of the R20 billion tax increase, inflation adjustment of PIT brackets, the expansion of Capital Gains Tax small business relief, and the savings incentive increases. However, adjusted for 17 years of inflation, R1 million in 2009 equates to approximately R2.5 million today, meaning R2.3 million partially restores lost ground rather than expanding relief. Winsome submits that a genuinely pro-SMME threshold should be R3 million or above.

Winsome Africa further submits that the 2025 proposals for an SMME first-year tax relief window, red tape reduction through government data sharing, and automated youth employment incentives remain unaddressed. However, simplified tax filing was partially addressed through the removal of the turnover tax year-end restriction.

Winsome Africa recommends that the government must consider implementing an SMME first-year relief window which exempts new businesses from income tax and provisional tax in their first 12 months of operation, create a unified SMME digital registration portal, and automate the Employment Tax Incentive for SMMEs and convert it into an immediate monthly wage credit for hiring young people.

In addition to that, the government should ring-fence 30 per cent of the R1.07 trillion infrastructure pipeline for SMME participation through unbundled contracts and accelerated 15-day payment terms, conduct a comprehensive SETA spending review and redirect a portion of the R30.1 billion to SMMEs providing verifiable on-the-job training via a voucher-based system.

Winsome Africa recommends that the government must mandate a Red Tape Impact Assessment on all new regulations affecting SMMEs, with publicly available cost-to-business quantification, introduce an SMME Reinvestment Tax Incentive and enforce 15-day payment timelines for government contracts with SMME suppliers, with personal accountability for Accounting Officers.

1.27. Alternative Information and Development Centre

AIDC submits that macroeconomic stability means little when 42.1 per cent of people are unemployed, and two-thirds live in poverty. AIDC notes from NT that “growth remains well below the levels needed to meaningfully reduce unemployment and generate sufficient revenue to expand social and economic services”, but the government continues to rely on the private sector for job creation despite evidence that South Africa's financialised economy will not deliver employment at scale.

AIDC notes that the main budget non-interest expenditure will shrink by one per cent in real terms between 2025/26 and 2026/27, while the proposed fiscal anchor acts as a *de facto* spending cap, limiting the state's constitutional obligations. Also, spending as a share of GDP is declining from 25.1 per cent in 2022/23 to 23.8 per cent in 2026/27, and strict headcount controls will continue to erode the public workforce.

AIDC notes that previous recommendations made by the Joint Committee have stated that core social services should be protected from real per capita erosion, but NT states its intention to contain the wage bill through “strict headcount controls and compensation discipline at the provincial level”. AIDC is concerned that while Parliament is the final decision maker on the budget, the responses by the Minister of Finance to the Committees often do not result in recommendations being acted upon and recommends that there should be greater accountability to ensure that the budget process undergoes meaningful democratic participation and oversight.

AIDC notes that there has only been one modest decrease in the repo rate since the adoption of the new inflation target and recommends that, given escalating geopolitical tensions, the narrower inflation target will worsen household debt and constrain growth and should therefore be reversed.

AIDC notes that the Child Support Grant and SRD grant remain below the Food Poverty Line of R855 per month and that unfair administrative barriers cause false exclusions from the SRD, while medical aid members receive inflation-adjusted tax credits exceeding the SRD grant's value. AIDC recommends a Universal Basic Income Grant to ensure dignity even in the absence of a functioning labour market.

AIDC is concerned that the budget endorses Eskom's takeover of municipal distribution, deepening full-cost recovery that punishes low-income households and that the government relies on IPPs by providing long-term guarantees for the private sector, while millions experience energy poverty.

AIDC submits that offering tax relief in the form of inflation adjustments to PIT brackets for those earning above R500 000 costs the fiscus R7.8 billion annually and changes to savings and retirement thresholds predominantly benefit the upper-middle class, with no guarantee these savings will stimulate domestic investment rather than flowing offshore. AIDC recommends that the relief must be scrapped to free up about R30 billion, which can be used for social spending.

AIDC recommends that South Africa adopt a more assertive stance in global tax reform, and proposes taxing the super-rich, recovering lost revenue from tax evasion and Illicit Financial Flows by capacitating SARS, and leveraging the Government Employees Pension Fund (GEPF) of R2.38 trillion for greater levels of public investment, which could directly address the social crises. Additionally, a tax on the R1.8 trillion of idle capital could disincentivise hoarding and encourage capital holders to actively invest and deploy funds productively within the economy.

1.28. Dr Muller

DR Muller submits that there has been much praise in the press for the 2026 Budget, but almost all of this comes from private interests, proxies thereof, or commentators with little understanding of fiscal issues. Dr Muller highlighted that the facts show that NT missed its debt target for 2025 and SARS underperformed relative to the promises it had made and the targets NT had set.

Dr Muller further submits that efforts to find expenditure reductions have failed, with the majority of the R12 billion TARS coming from cutting funds (R8.4 billion) for much-needed public transport initiatives targeted at the majority of South Africans, while reduced growth in social expenditure is planned from a reduction in grant recipients without any substantive explanation to determine whether that is warranted or not.

Dr Muller highlighted that the SARS Commissioner is one of the highest-paid public servants in the country, earning about R10.7 million a year, which is three times more than the President. Additionally, funding for SARS has been increased substantially (R7.5 billion over the medium term), on the basis that this would yield even larger increases in tax collection, however, the information provided in the Budget Review suggests that SARS did not only fall short of the target set for tax debt collection of R120 billion but may even have fallen short of the *prior target* of R95 billion before funding was increased. Dr Muller recommends that Parliament and the public should not be distracted from these concerning facts by favourable misrepresentations in the media.

Dr Muller welcomes the long-overdue increase in legislated thresholds in principle; however, the primary beneficiaries of these changes are wealthy income earners, both in terms of tax brackets and retirement and other savings contributions. This includes all senior NT and SARS officials, ministerial advisors and Cabinet members. Meanwhile, social grant beneficiaries are being reduced, the real value of the NSFAS threshold is being lowered by stealth, and the Minister of Finance continues to stridently oppose using medical tax credits for an NHI.

Dr Muller raised a concern about the two institutions that are supposed to strengthen oversight of fiscal matters, namely, the Financial and Fiscal Commission (FFC) and the Parliamentary Budget Office (PBO). Dr Muller noted from its website that the tenure of the FFC Chairperson is lapsing soon, and that of three out of five other Commissioners has already lapsed and that the two commissioners appointed until 2029 appear to have been appointed with no evidence of a consultative or open process. Also, the final tenure of the most recent Director of the PBO has lapsed, but the post is yet to be advertised, while the Office has never established itself on a stable footing.

1.29. Edward Nathan Sonnebergs Inc.

ENS is concerned that the proposed repeal of section 11(1)(f) will have serious consequences for SARB, SA Mint and the South African Banks, as this is a significant policy change relating to a provision which has served the gold industry since Value Added Tax (VAT) was introduced in 1991. The policy shift occurred without detailed consultation with affected parties, who could have assisted in developing workable solutions to address SARS' practical concerns. ENS submits that any concerns regarding the practical application of the section could be better addressed by amending the wording of this provision to remove any ambiguities, and proposes that a targeted industry working group be formed to assist in revamping relevant VAT provisions and addressing concerns of both SARS and industry players through consultation rather than isolated repeal.

Regarding the expansion of the list of zero-rated food items, ENS recommends that Part B of Schedule 2 to the VAT Act be amended to include additional items on the list of zero-rated basic foodstuffs referred to in section 11(1)(j) of the VAT Act. ENS submits that the government’s ongoing commitments to expand the zero-rated food basket as relief for poor and lower-middle-income households have created a legitimate expectation of meaningful action, yet tangible measures remain absent. This omission is particularly troubling given the continued and well-documented financial pressures facing vulnerable households across the country, and the persistent challenge of food insecurity and malnutrition among low-income communities. ENS sees zero-rating and social grants as complementary measures, not mutually exclusive alternatives.

With respect to the process for policy submissions, ENS proposes a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to NT for consideration.

ENS welcomes the inflationary adjustments to VAT thresholds and recommends that these adjustments should be made to *inter alia* the thresholds in the VAT Act relating to (1) the ability to account for VAT on the payments basis, (2) whether a person supplying commercial accommodation may be regarded as carrying on an "enterprise" and (3) the Category C filing threshold for monthly returns.

The ENS also welcomes the Minister's proposal to increase excise duties on alcohol and tobacco products in line with inflation; however, NT must take decisive action to address illicit trade.

1.30. Rural Health Advocacy Project

RHAP submits that the constitutional standard requires that the President's Emergency Plan for Aids Relief (PEPFAR) gap be absorbed into confirmed District Health Programme Grant baselines and not managed through year-by-year Section 16 special appropriations.

RHAP recommends that (1) the government should domesticate district health financing through confirmed forward baselines, and NT must provide a formal medium-term assessment of the domestic health financing requirement for absorbing externally funded district health functions into confirmed baselines.

RHAP further submits that the constitutional standard requires that NT's efficiency assumptions for the publicly financed health system be accompanied by a specific account of the structural reforms through which those efficiencies will be unlocked and measured against the District Health Barometer's district-level essential health services coverage metrics, not just aggregate spending figures. RHAP recommends that the fiscal framework must be aligned with progressive realisation outcomes. RHAP requests the Committee to ask NT to incorporate into future fiscal frameworks an explicit assessment of health spending against progressive realisation outcomes.

RHAP submits that the constitutional standard requires that the pattern of resource deployment across the fiscal framework should be demonstrated to be consistent with the Section 27 reasonableness standard. It recommends that NT should provide an explicit distributional analysis of the 2026 fiscal framework, demonstrating the net fiscal impact across income deciles and showing how the pattern of resource deployment is consistent with progressive realisation.

The constitutional standard requires that available and underutilised domestic revenue instruments be deployed in the service of progressive realisation. South Africa carries one of the highest burdens of alcohol-related harm in the world. The WHO recommends that alcohol excise taxes be set at a minimum of 75 per cent of the retail price. South Africa falls significantly short of this benchmark. The Committee is requested to note the importance of the alcohol excise review as a domestic health financing opportunity and to encourage Treasury to accelerate the stakeholder consultation process with explicit attention to the public value and district health financing dimensions of the review. RHAP leads a Health Tax Alliance developing a proposal to link alcohol excise revenue explicitly to the financing of district health services, connecting revenue generated from alcohol-related harm to investment in the system that treats it. This is not new money. It is existing and underutilised revenue made to work harder for the communities that bear the greatest burden of the harms it is designed to discourage.

1.31. Clover South Africa

Clover SA's submission requests that the expansion of the list of zero-rated food items be given serious and urgent consideration. Specifically, it is proposed that dairy liquid blends (a proven source of vital nutrition for poor households and a basic food item) are included under Part B of Schedule 2 to the VAT Act, for purposes of the zero-rating in section 11(1)(j) of the VAT Act; and the introduction of a formalised process or dedicated channel through which such policy submissions may be made.

Clover SA further submits that the government has long indicated intentions to make good on undertakings to alleviate pressures on vulnerable households by introducing additional zero-rated food items. Despite ongoing recognition of both the critical need to mitigate pressures on vulnerable households and zero-rating as an effective tool, no additional basic food items have been added since 2018, and a multi-pronged approach, including zero-rating, is essential.

Clover SA further submits that the revenue foregone as a result of the expansion of the list of zero-rated basic food items is minimal relative to both the total tax revenue and the demonstrable social benefit. The Annexure C process is not designed to accommodate substantive policy proposals, and submissions of a policy nature are accordingly not well suited to consideration through this channel. There is a compelling case for the establishment of a dedicated and transparent process through which stakeholders may formally submit tax policy proposals to the NT for consideration. Clover SA urges the Committee to consider its comments and proposals favourably.

1.32. Banking Association of South Africa

BASA strongly opposes the proposed repeal of section 11(1)(f) of the VAT Act, which zero-rates supplies of investment-grade gold to banks, the SARB and the Mint. It argues that the repeal would not address SARS' stated compliance concerns, as VAT verification risks arise earlier in the supply chain. Instead, it would merely force banks into the Domestic Reverse Charge system, producing the same economic outcome as zero-rating while creating substantial administrative burdens, operational disruption, higher compliance risk and costs, without tackling actual fraud risks in the regulated bullion market.

BASA further warns that repeal would undermine VAT neutrality, create distortions in gold loans and bullion leasing, risk VAT leakage, and place South Africa out of step with international practice, where investment gold is treated as a financial asset. Rather than repeal, BASA recommends retaining and modernising section 11(1)(f), clarifying VAT treatment for allocated and unallocated gold, exports, swaps and offshore vault sales, limiting the DRC to high-risk second-hand gold, and establishing an NT-SARS industry working group to holistically update VAT rules for investment-grade gold.

1.33. Institute for Race Relations Legal

The IRR Legal submission focused primarily on issues relating to public procurement, transparency in fiscal reporting, and the fiscal implications of preferential procurement policies. IRR Legal argued that the fiscal framework and related budget documents do not adequately account for the costs associated with Black Economic Empowerment (BEE) preference premiums in public procurement. According to the submission, this omission raises concerns regarding transparency, expenditure control and compliance with constitutional and legislative requirements governing public finance management.

IRR Legal argued that the Money Bills Act requires that the fiscal framework include estimates of all government expenditure for the financial year, including both budgetary and extra-budgetary spending. In its view, the absence of explicit estimates for BEE preference premiums in fiscal framework documentation constitutes a gap in expenditure reporting. The submission noted that the 2026 Estimates of National Expenditure projects consolidated government expenditure to increase from R2.58 trillion in 2025/26 to R2.89 trillion by 2028/29, with detailed expenditure breakdowns presented across multiple categories. However, IRR Legal stated that none of the fiscal framework documents contains estimates of the financial cost associated with BEE preference premiums, even though such premiums arise from procurement systems authorised by law.

The submission further argued that the evaluation of procurement costs under the Public Procurement Act may be more complex than under the previous preferential procurement framework. While the PPPFA preference points system effectively caps preference premiums at certain levels, the submission suggested that the new procurement framework may remove these practical limits, thereby increasing the administrative burden associated with evaluating cost-effectiveness in procurement processes.

ANNEXURE B

2. Summary of National Treasury and SARS responses to public submissions

NT and the SARS presented a consolidated response to the public submissions made during the hearings on the 2026 Fiscal Framework and Revenue Proposals. The response addresses concerns raised by stakeholders relating to fiscal transparency, tax policy proposals, illicit trade, the structure of the tax system, and broader issues relating to the budget process and public participation.

On excise taxes, NT explained that the increases in excise duties on alcohol and tobacco are in line with expected inflation and consider the overall fiscal framework. NT’s policy stance is that, as a minimum, the excise duties need to be adjusted for inflation to maintain the effective duty rates. Other policy issues raised about the structure of the excise duties on alcohol, including the tier system and minimum unit pricing, are subject to a consultation process that is currently underway after the publication of a discussion document, which proposed options to restructure the alcohol excise duty regime. NT is committed to continuing with workshops this year on those proposals.

NT indicated that it remained concerned about the scale and impact of illicit trade in the South African economy. It noted that illicit trade undermines both public health policy objectives and the integrity of the tax system by eroding the excise tax base and encouraging organised criminal activity. NT explained that the government has adopted a coordinated approach to address the illicit economy. In this regard, the President recently announced the establishment of a National Illicit Economy Disruption Programme, which will bring together several government departments and law enforcement agencies to target high-risk sectors such as tobacco, fuel, alcohol and counterfeit goods. The programme will involve cooperation between SARS, the South African Police Service (SAPS), the Border Management Authority (BMA) and other enforcement institutions.

NT further highlighted that the 2026 Budget allocates additional resources to strengthen enforcement capacity across key institutions involved in combating illicit trade and organised crime. The Border Management Authority has been allocated approximately R990 million for additional human resource capacity, while the SAPS and the SANDF have each received an additional R1 billion from the Criminal Asset Recovery Account to enhance border security and strengthen enforcement operations targeting criminal syndicates. These measures are intended to improve the state's ability to disrupt organised criminal networks involved in smuggling and tax evasion.

In response to stakeholder calls for greater support for tax administration, the NT confirmed that SARS has received significant additional funding over the medium term. SARS was allocated an additional R7.5 billion over the 2025 medium-term period to strengthen its operational capacity. NT explained that this funding will support several modernisation initiatives within SARS, including improvements to customs operations, enhanced digital infrastructure, a modernised case management system, and the development of a "single customer view" that integrates taxpayer information across the revenue administration system. These reforms are intended to improve compliance, reduce tax evasion, and enhance the efficiency of revenue collection.

NT also responded to stakeholder concerns regarding additional tax policy proposals contained in the budget. In relation to gambling taxation, NT acknowledged concerns about the growth of untaxed offshore gambling platforms and confirmed that the government is exploring regulatory measures to address this challenge. Treasury noted that the public comment period on the proposal had been extended to allow further consultation with stakeholders and regulatory bodies. The department indicated that draft legislation on gambling taxation is expected to be developed following the completion of this consultation process.

With respect to calls to expand the basket of VAT zero-rated basic food items, the NT reiterated its position that the current zero-rated basket is already well targeted toward low-income households. Treasury explained that VAT zero-rating is a relatively blunt policy instrument because a significant portion of the benefits accrues to higher-income households rather than exclusively to the poor. NT further noted that there is no guarantee that retailers would pass the full benefit of additional zero-rating to consumers through lower prices. As a result, the government continues to prioritise direct expenditure measures, such as social grants, as a more effective mechanism for supporting vulnerable households.

NT also addressed concerns raised by stakeholders regarding the proposed amendment to the VAT treatment of gold bullion. The department indicated that it recognises the complexity of the issue and confirmed that National Treasury and SARS will conduct further consultations with financial institutions, industry stakeholders and other interested parties before finalising any legislative amendments. These consultations are expected to take place ahead of the publication of the 2026 Taxation Laws Amendment Bill.

Another policy area addressed by NT relates to the implementation of the two-pot retirement system. NT indicated that discussions will continue during the year on possible refinements to the system, particularly regarding circumstances under which individuals may access funds from the retirement savings component in cases of severe financial distress. Treasury emphasised that any such reforms would need to balance the objective of providing financial relief to households with the broader goal of preserving retirement savings.

NT also responded to concerns raised by civil society organisations regarding fiscal transparency and the inclusiveness of the budget process. Treasury welcomed calls from stakeholders to strengthen participatory budgeting processes and improve public access to fiscal information. The department noted that South Africa continues to perform strongly in international assessments of fiscal transparency, including the Open Budget Index. Treasury emphasised that Parliament's budget process, including hearings conducted by the Standing Committee on Finance and related committees, plays an important role in ensuring democratic participation in fiscal policy.

In addition, NT highlighted several initiatives aimed at improving the accessibility of fiscal information and expanding opportunities for stakeholder engagement. These include the publication of fiscal policy discussion documents in multiple official languages, the hosting of macroeconomic workshops during the budget preparation process, and the continued expansion of the Vulekamali public finance data portal. NT indicated that responses to submissions made during the macro-fiscal workshops will be provided within six weeks, demonstrating the government's commitment to incorporating stakeholder feedback into the fiscal policy process.

Finally, NT addressed proposals relating to changes in the intergovernmental fiscal framework. In response to submissions calling for a predetermined increase in the share of nationally raised revenue allocated to local government, NT explained that the vertical division of revenue is determined through a broader intergovernmental fiscal process that considers the responsibilities and fiscal powers of each sphere of government. NT indicated that the current local government equitable share already incorporates key cost drivers such as bulk water and electricity costs, as well as inflation adjustments. NT further stated that it would be premature to commit to a predetermined increase in the local government share before the completion of the ongoing review of the Local Government Fiscal Framework.

Overall, NT and SARS emphasised that the 2026 Budget seeks to balance fiscal sustainability with the need to support economic growth and maintain social expenditure. The responses highlighted the government's commitment to strengthening revenue administration, improving enforcement against illicit trade, enhancing transparency in the budget process, and engaging with stakeholders on tax policy reforms.