

**PROCEEDINGS OF THE NATIONAL  
ASSEMBLY**

The House met at 14:15.

Madam Speaker took the Chair and requested members to observe a moment of silence for prayers or meditation.

**ANNOUNCEMENTS, TABLINGS AND  
COMMITTEE REPORTS—see col 201.**

**APPROPRIATION BILL**

(Introduction)

The **MINISTER OF FINANCE**: Madam Speaker, the economic driving force of the Government of National Unity is the goal of having a thriving economy which will provide for the material wellbeing of all South Africans on a sustainable basis. This is the aspiration of all our people.

Nations are not often afforded the privilege of a new beginning. South Africa is one of the fortunate few. South Africa has become a nation united through common political and social purposes and goals. Furthermore, the intense focus, enormous goodwill and material assistance available from the international community are almost unprecedented. Prevailing circumstances, both domestic and international, present opportunities which are unlikely to last indefinitely or to repeat themselves.

This country's copybook political transformation must be matched by an equally impressive economic restructuring. It is, therefore, essential that the most be made of these circumstances and that domestic and international confidence and credibility be established in the management of our economy. People out there, both on the domestic and the international scene, are rooting for us to succeed. Internationally they look to us as an example—we owe it to Africa and specifically our region. We cannot afford to fail them.

The Government must accept the challenge of leading the country in expanding its resource base—be it through improved competitiveness or savings or some other means—and lift the constant constraint on economic growth and job creation. Like all other governments—past, present and future—functioning under whatever

political system and pursuing whatever set of priorities, we must recognise that at any specific point in time, resources, be they financial or physical, are limited and that the country and its people must manage this constraint wisely.

Whatever choice is made, the inescapable consequence is that some other, often critical, need has to be sacrificed or postponed. The more resources we direct towards health or education, the less are available for welfare, housing, job creation or other activities. It would serve us well to remind ourselves continually of this inescapable reality and to reflect on our national interest as we ask, plead or, as is often the case, demand of the Government that it meet our particular needs.

The challenge the Government faces, therefore, is to manage its Budget in a way that promotes real economic growth. This will increase the resources available to attain the objectives of the Reconstruction and Development Programme.

Last year's Budget began to give effect to the institutional changes in the country and the RDP. It did this by creating room for sustainable economic growth in a framework of macro-economic stability. The success of the past year will form the basis from which added impetus will be given to further the economic and social transformation of our country.

The fundamental view of the Government is that a disciplined approach to fiscal and monetary policy is not a curb on the attainment of the RDP objectives, but rather a basic prerequisite for the attainment of those objectives on a sustainable basis.

Today's Budget is the first that was fully designed under the new Government of National Unity. With the realisation that it takes time to change course, the Budget to be presented today reflects the policies of this Government to a more significant extent than the Budget of last year did. Faced with limited resources and the institutional legacy we inherited, we have nonetheless achieved important changes within a budget that must be politically feasible, economically affordable and managerially sound.

Seeing that this is the first Budget of the Government of National Unity, or rather the first Budget on which it has had a major impact, we thought it prudent to use this opportunity today to reiterate

some of this Government's policies, philosophies and beliefs. I must apologise, therefore, if the Budget Speech today is a couple of minutes longer than those made by my predecessor in the past few years.

### THE 1994-95 BUDGET

Before talking about the policies and beliefs, let us quickly touch again on the Adjustments Appropriation which was tabled in Parliament last month to provide for an expenditure of R1,6 billion higher than what was budgeted in 1994-95. The additional expenditure can partly be ascribed to the fact that spending agencies had to operate in an environment of slightly higher inflation than was provided for in the Budget.

While expenditure adjustments during the course of the financial year are to be expected in a dynamic environment of governance, the Treasury Committee, consisting of the two Executive Deputy Presidents, the Minister without Portfolio and the Minister of Finance, played an invaluable role in disciplining expenditure. Additional expenditure allocations were recommended to the Cabinet only after thorough and careful analysis and consideration.

Revenue collections in 1994-95 are now expected to exceed the budgeted amount by R2,5 billion, mainly as a result of higher than expected collections from income taxes, especially from the gold mines and the corporate sector. Improved activity on the property market which resulted in higher collections from transfer duties and increased imports which yielded more revenue from customs and excises were further contributing factors.

At the time of the 1994-95 Budget, the national budget deficit was expected to amount to R29,3 billion or 6,6% of GDP. It is now expected to be R28,5 billion or 6,4% of the latest estimate of GDP. To the extent that the carry-over of funds by departments turned out to be higher than estimated at the time, the deficit may even be lower when the accounts are finally audited.

Market reaction to this outcome has been positive and indicates growing confidence in the ability of the fiscal authorities to maintain discipline, as well as the acceptability of the Government's financial policies. It takes time to establish credibility, however, and today's Budget must be seen as just another building block in this regard.

## ECONOMIC CONDITIONS AND PROSPECTS

### Economic conditions

The Budget for 1995-96 is presented against the background of growing evidence of an economy that is in a relatively strong recovery phase. Welcome developments over the past year provide an opportunity for the implementation of fiscal policy in an environment of overall economic expansion and a growing basis for government revenue. The leeway created by these developments must now be put to the best advantage of all South Africans. Care must be taken, however, not to drain the economy of vital ingredients needed for the continuation of the expansion and for further acceleration of the growth rate in the years to come.

Although the annual rate of growth in the real gross domestic product increased from only 1% in 1993 to 2,5% in 1994, developments during the course of last year were even more encouraging. After declining initially by 3,5% in the first quarter of 1994, the real gross domestic product increased by a seasonally adjusted annual rate of 2% in the second, by 4% in the third and by a very impressive 6,5% in the fourth quarter. This is also the first time—this is important—since 1989, and only one of three years during the past decade, that the annual growth rate came close to or exceeded our population growth rate. [Applause.]

Total gross domestic expenditure likewise increased at a faster rate. After a rise of only 1% in 1993, real gross domestic expenditure rose by 6% in 1994. All major components of demand contributed to the relatively sharp rise in total domestic expenditure. Investment growth is particularly good news.

With the rate of growth in gross domestic expenditure outpacing the expansion in domestic production, the current account of the balance of payments naturally had to carry the burden. In the process the balance on the current account switched from a surplus of R5,8 billion in 1993 to a deficit of R2,1 billion in 1994. A small deficit emerged for the first time in the third quarter of last year, but then increased to a seasonally adjusted annual figure of R7 billion in the fourth quarter.

Unlike the period of South Africa's economic isolation from the global money and capital markets, the deficit on the current account last

year did not give reason for any concern. After the Government of National Unity was established in May 1994, the capital account and the balance of payments showed a remarkable improvement.

Following upon a net outflow of capital of R3,6 billion in the first half of the year, a net inflow of R8,8 billion was registered in the last six months of 1994, and this resulted in a net increase of R3,1 billion in the gold and other foreign reserves over the year as a whole.

The improvement in the overall balance of payments in the second half of the year led to a more stable exchange rate for the rand. Over the year of 1994 as a whole, the rand depreciated by 8,5% against the basket of currencies.

Developments in the domestic economy and in the balance of payments affected the financial situation. On the one hand, an increasing demand for funds, emanating mainly from the private sector, put upward pressure on interest rates and led to a substantial increase in the amount of bank credit extended to the private sector. On the other hand, the net inflow of capital and the overall surplus on the balance of payments added to domestic liquidity and increased the ability of the banking sector to meet the rising demand for more credit.

Both these developments contributed to an acceleration in the rate of increase of the money supply. Over the twelve months up to 31 December 1994, the M3 money supply increased by 15,7%, a level well above the guideline range of 6% to 9%. In January 1995, however, the money supply was only 13% above the level of the year before.

Inflation also turned in 1994. The rate of increase in consumer prices measured over a twelve-month period declined to 7,1% in April 1994, but then increased to 10,1% in September 1994, before declining again to 9,6% in January 1995.

Interest rates moved up quite strongly during the course of the year. The yield on long-term government stock, for example, rose from 12,2% in January 1994 to 17% in January 1995. The Reserve Bank also increased its bank rate from 12% to 13% in September 1994, and by a further 1% to 14% in February this year.

The tensions that recently developed in financial markets reflect the buoyancy of underlying economic conditions, and are natural reactions of the financial markets to the acceleration in real

economic activity. They indeed further confirmation of the strong economic recovery that is now well

An important milestone in our financial rand was reached two days ago with this step was made improvement in the underlying financial including the increase in our foreign reserve holdings, the continued growth between the commercial and financial change rates, the reacceptance of a full member of the international good progress with political and in this country.

Whilst it is very early to pass judgement nevertheless very satisfied with our unitary rand over the past

### Prospects for 1995

At this stage, with continued economic growth prospects, the swing in South Africa is fairly and broadly based. With the agricultural sector, possibly influenced by climatic conditions, and the gold affected by the decline in the average and other technical difficulties of the economy are on

Projections also indicate a further the growth rates of all the major gross domestic expenditure for a relatively strong demand emanating from the sector, both for investment and consumption, it is important to constrain expenditure, particularly the impact of sharp rises in total demand on imports.

It can be expected that the deficit account of the balance of payments in 1995. It is therefore imperative that Africa should remain attractive to investors and should continue to draw capital at least sufficient to cover the current account deficit.

As indicated by the 1995 guidelines, 10% for the M3 money supply monetary policy, I am afraid, is relatively restrictive in 1995, given the balance of payments, but escalation in the current rate of

in terms of the standards of most industrial countries, still relatively high. Now that we have a unitary currency, strict and effective monetary discipline will take on a new dimension in order to manage the liquidity created by the likely and possible capital inflows.

Overall economic developments are therefore encouraging, though they do not leave scope for an expansionary fiscal policy. Indeed, it is required of the Government to maintain conventional disciplines, also in the management of its own finances. This is critical and remains essential to maintain the overall financial stability needed to support sustainable economic growth in the medium and longer term.

I shall now turn to some of the policy issues.

#### THE BUDGET AS AN INSTRUMENT OF RECONSTRUCTION AND DEVELOPMENT

The RDP reflects the Government's mission for achieving economic growth and social development to underpin sustained improvements in living standards of all South Africans. During its first year we focused on, among others, three areas:

- the funding and activation of the Presidential Lead Projects;
- the establishment of the RDP Fund and its disbursement; and
- the formulation of an infrastructure investment programme and policy framework in the key programme areas of urban development, rural development and human resource development.

The leveraging of Government spending and the adaptation of the budgetary process so as to facilitate shifts in spending priorities are key features of the RDP Fund mechanism. In addition, the criteria and procedures through which the Presidential Lead Projects have been financed from the RDP Fund have introduced strategic planning in project financing, budgeting and evaluation processes in order to promote effective management of Government expenditure. At all levels of Government the RDP planning process is contributing to the identification of strengths and weaknesses in the institutional and human resource capacity of the public sector, and, where necessary, corrective or capacity-building measures have been initiated.

It is also important to convey how important the quality of public sector financial management is for all our people who must be, in the final analysis, the real beneficiaries of the RDP. Of course, fiscal and monetary measures are components of a much broader set of economic policies. In combination with other aspects of good governance they stabilise interest rates and prices, create confidence in the Government's management of the economy and reduce the burden of debt servicing on the budget.

These factors not only promote economic growth and employment, but they eventually have a positive effect on real wages and make basic services more affordable. Mismanagement leading to rising interest rates and inflation would reverse all of these positive factors very much to the detriment of all our people. There remains only one road we can possibly choose to walk.

Minister Jay Naidoo, ably supported by his staff, should be congratulated on the general acceptance and the success of the RDP. It would also not have been possible without the co-operation and commitment of all our colleagues in Cabinet. I look forward to further close co-operation between the Departments of Finance and of State Expenditure and the RDP office and other departments.

#### \*FISCAL STRATEGY

The importance of an appropriate and facilitating fiscal strategy, which lays a sound fiscal base necessary to obtain the higher rate of economic growth required for the attainment of the RDP objectives, cannot be underestimated.

Fiscal discipline has been a recurring theme of many previous budgets. The results have been mixed. There have been many examples of policy and implementation slippages as well as external developments beyond the control of the authorities, impeding attempts at achieving this goal. A very firm policy resolve and a respite from overly unfavourable external developments have, however, enabled the Government to make appreciable progress toward restoring and maintaining discipline during the past few years. It is gratifying that respected international financiers, economists and politicians comment favourably on this achievement.

This is but the beginning of a long and arduous road, however, and we cannot afford the luxury of complacency. Government must at all times avoid

the twin evils of maladministration and wastefulness.

The challenge facing government is to maintain realism as the key to successful fiscal discipline and reprioritisation. Various initiatives have been undertaken to facilitate this process. When we look at the Book of Proverbs in The Bible, we can read about the wisdom which King Solomon shared with his people. He said that plans that were devised lightly, came to naught. Only forward planning succeeds. It is against that background that to provide an effective long-term framework alongside the annual Budget, and to make sure we reach RDP objectives, Government has begun work on a multi-year fiscal plan. To make this process as transparent as possible, a wide range of role-players have been identified and invited to provide inputs.

An important and far-reaching initiative, with major consequences for fiscal policy, is the public sector restructuring programme announced by Deputy President Mbeki on 29 October 1994. The belt-tightening part of the programme requires the Government to adopt restraint on salary and wage adjustments. To this end, the President and other senior political leaders resolved to accept salary reductions in 1994.

At the same time remuneration levels should permit the Government to obtain the technical and managerial skills necessary for effective and efficient policy-making and delivery of public goods and services. We also have to improve the wage levels of low income earners within the public service and reduce the large differential between the lowest and highest wages. Negotiations have been conducted with employee representatives on salary and wage issues and several task teams have been established to investigate issues relating to conditions of service, to be addressed in a three-year plan.

The reprioritisation of programmes and activities of government, including the revision of inherited policies and spending programmes which are inconsistent with the priorities of the Government, are important further goals of the initiative.

To facilitate this process the Cabinet has appointed Mr Charles Stride, a prominent financial adviser, as Special Adviser to the Minister of Finance. He will assist government departments in designing and implementing their restructuring

programmes and has commenced his work in the Department of Finance, paying particular attention to revenue collection. He will be supported by a number of private sector financial experts who will be released by their current employers for this specific purpose. The Government wishes to express its appreciation to the legal and accounting professions for the positive manner in which they responded to our requests in this regard and for the high level of expertise that they are making available to us.

Another important initiative is the designing of a new system of intergovernmental relations. Some progress has been made in the allocation of powers to provincial governments, and the bulk of the legislation which devolves to provinces has already been assigned to them. The functions and administrative structure of the former regional public services have also been comprehensively reviewed and redeployed in new national departments and provincial administrations.

The election of new local authorities later this year will allow the rationalisation process to proceed at this level of government as well. Because economic soundness is an imperative for South Africa as a whole, provinces and local authorities share responsibility with the national government for public sector financial management and accountability, including prudent recourse to borrowing powers. In this regard the Borrowing Powers of Provincial Governments Bill is to be tabled during this session of Parliament.

The Financial and Fiscal Commission will play an important role in facilitating sound fiscal policy at all levels of government in the future, as its responsibilities include making recommendations on the sharing of certain revenue collected nationally, on the role of grants to subnational governments, and on their taxing powers and parameters for borrowing.

The restructuring of public assets can unlock resources currently underutilised and should contribute to the empowerment of communities. Government has already initiated reviews of several institutions with national developmental responsibilities with a view to consolidation and rationalisation. The sale of particular state assets would allow certain parastatals to be restructured

or growth, facilitate the implementation of the GDP and allow the public debt and associated interest costs to be reduced. Various task groups have been appointed to coordinate aspects of this process.

In all these initiatives, the Government looks forward to participating in the National Economic Development and Labour Council (Nedlac) in order to achieve a sufficient consensus on policy issues to secure efficient implementation.

While all our objectives can obviously not be achieved in one year, major inroads have already been made in the planning phase of our journey forward. Most departments have issued, or are about to issue, white papers on the restructuring and redirection of their activities, after taking a thorough stock of the present position and where our goals would take us. The white papers are important guides for future resource allocation.

Our economic objectives serve as a strategic compass rather than a specific roadmap, which means that at times we have to divert from the path to circumvent a swamp or two, but with the full intention and commitment to get back to our chosen route.

Within this broad restructuring strategy, the Government has set itself the following fiscal benchmarks:

the avoidance of permanent increases in the overall tax burden, from which follows the need to:

- (a) contain non-interest recurrent expenditure in real terms; and
- (b) keep overall wage and salary adjustments within inflationary limits; and

the reduction of the overall budget deficit and the level of general government dissaving.

In broad terms, the overall growth performance of the economy determines the increase in revenue which will accrue to the fiscus each year given the existing tax structure, while the economic growth objective limits the extent to which either an increased tax burden or borrowing can be used to finance additional outlays. Revenue and deficit targets thus dictate the overall government expenditure levels which the economy and the fiscus can sustain. Against this background, I turn to the 1995-96 Budget.

## THE 1995-96 BUDGET

### Overview

Taking into account the present growth performance of the economy, the domestic and international economic outlook, existing tax and administrative structures as well as our fiscal benchmarks, the potential ordinary government revenue for the 1995-96 financial year is about R124 billion.

If the use of proceeds from oil sales of just over R1 billion is added, the revenue figure becomes R125 billion, or 25% of the GDP. This figure, which includes tax revenue that falls within the benchmark of not permanently increasing the total tax burden, represents an increase of 11% on the comparable figure for 1994-95.

In view of our commitment to reducing the budget deficit and in the context of the economic recovery in progress, the Government has decided to budget for a deficit of about R29 billion, or 5,8% of the estimated GDP, which represents a decrease of 0,6% on the estimated deficit of the previous year.

The revenue and borrowing potential, as well as the effect of the tax proposals discussed later on, translate into an expenditure figure of R153,3 billion, or 9,5% higher than 1994-95. This includes a real decline in budgeted recurrent expenditure, thereby reaching another milestone in our fiscal strategy. However, lest we cause alarm by suggesting that the Government, faced by very legitimate needs, is ignoring them and spending less, I wish to remind you that with reprioritisation and rationalisation, what is spent is both better directed and more effective.

Before I deal with other expenditure issues, a remark concerning the budget format is called for.

### The budget format

The budget format for 1995-96 differs in one main respect from the previous year. Various taxes previously collected in the accounts of former regional authorities will be collected nationally in terms of the various South African tax laws. These include income taxes, value-added taxes and a few other smaller taxes. In order to compensate for the loss of this "own revenue", corresponding transfer payments from the national budget to the relevant provincial governments are increased in the Printed Estimate of Expenditure. A detailed discussion of the changed budget format is

contained in the Budget Review released by the Department of Finance today and tabled with other budgetary documents. The review also provides additional information on all the aspects dealt with in the Budget.

Although all the figures in the Budget documents have been presented on a comparable basis, care should nonetheless be taken in analysing budget figures in terms of comparability.

### Expenditure

As mentioned earlier, estimated national budget expenditure for 1995-96 amounts to R153,3 billion or an increase of 9,5% on the comparable 1994-95 revised estimate. It is presumed that carry-overs of unspent funds by departments at the end of 1995-96 will compensate for carry-overs from 1994-95 to 1995-96, thus not affecting the overall expenditure level.

Before we focus on a number of specific expenditure allocations, a perspective on the broader pattern of resource allocation is warranted. The best perspective is obtained by using the consolidated budgetary figures for national and provincial governments, inclusive of expenditure from the latter's own revenue sources. An annexure in the Budget Review provides details of these projections.

### Consolidated national and provincial expenditure

Social services such as housing, education and health continue to receive higher increases in allocations of funds than services such as defence. In the consolidated budgets, social services account for 57,4% of projected expenditure (net of interest and expenditure not yet classified). This is a substantial increase on the comparable 1994-95 figure of 52,8%. Education, as a percentage of total non-interest expenditure, amounts to 26%, up from 25,5% in 1994-95. This is by far the largest single function on the Budget. Within the education budget, the increased spending mostly goes to redressing inequalities in primary and secondary schooling. This is in line with the Government's commitment to reprioritise expenditure within departments. Similarly, health services increase to 13,4%, compared to 12,5% in 1994-95 and the increased spending goes to primary health services, especially in rural areas.

The most dramatic increase is in housing and urban upgrading which more than doubles from 1,3% in 1994-95 to 3,4% in 1995-96.

These increases in social expenditure are mainly financed by reductions in allocations to other government services. Estimated spending on protection services, for example, falls from 22,1% to 21,7%, including a reduction in the projected defence spending from 10,5% to 8,8%, balanced somewhat by an increase in the allocation to policing from 8,2% to 9,2%. Expenditure on economic services also declines from 14,4% in 1994-95 to 12,5% in 1995-96.

Let us now address a number of individual votes on the national budget that warrant special attention.

### Education

An amount of R4,3 billion is to be voted for the national department of education, which includes increases of 10,7% and 25,4% in the allocations to universities and technikons, respectively. Total education spending to be financed from the national budget amounts to R32,2 billion. The provincial departments receive 85% of this for college and school education.

### Health Services

The total amount provided for health services in 1995-96 amounts to some R15,4 billion, including RDP carry-through costs of R680 million for the provision of free health care, R65 million for the clinic building programme and R500 million for the primary school nutrition programme. Including transfers to be made from the national health budget, expenditure at provincial level will take up 96% of the total amount.

### Constitutional development

An amount of R59 million has been provided to the Constitutional Assembly to undertake the task of drafting a new Constitution. This includes funds for a comprehensive public campaign involving public meetings and hearings throughout the country, aimed at encouraging the nation to provide inputs to the process.

### Local government elections

An amount of R49 million has been budgeted for national and provincial governments' expenditure

in respect of communication and voter education programmes. Moreover, approximately R348 million will be provided via the provincial budgets for predetermined conditional grants to fund local government elections in rural areas and areas under the jurisdiction of transitional structures. Cost-effective management of the local government elections is emphasised throughout.

#### *Improvement of conditions of service*

Remuneration of employees represents a major share of the total annual spending by the public service institutions. An amount of R2,5 billion has nevertheless been earmarked for the improvement of conditions of service during 1995-96. The actual amount and its utilisation are still being negotiated between the State and the employee organisations.

#### *Police*

The 1995-96 allocation to the South African Police Service is R8,9 billion. Provision is made for a shift of resources from public order policing to community-based policing.

#### *Civil and military pensions*

Even with the lower inflationary environment ruling at present, it is desirable to adjust pensions on an annual basis to compensate to a certain extent for the loss in buying power of pensions. Civil and military pensions will therefore be increased as follows:

Civil pensions will rise by 6,5% with effect from 1 April 1995 for pensioners who retired on or before 1 April 1994. Those who retired later, but before 1 April 1995, will have their pensions raised by 0,54% for each completed month since retirement, calculated up to 31 March 1995.

The increase in military pensions will be considered at a later stage, once negotiations on the conditions of service of public servants, to which military pension adjustments are linked, have been conducted.

#### *Welfare services*

A total amount of R13,4 billion is provided through the national budget for welfare services, which represents a 9,8% increase on the 1994-95 amount. Details of increases in social grants

during the financial year will be announced by the Minister of Welfare and Population Development.

Two supplementary proposals warrant attention.

#### *Supplementary expenditure proposals*

Government proposes that R600 million of the R1,2 billion earned from the sale of strategic oil reserves be allocated to the RDP Fund. In line with the policy decision regarding the use of proceeds from the sale of assets, these funds will specifically be used for the financing of capital projects. It is also proposed that the remainder of this amount be used to reduce debt and state debt costs.

Amounts of R700 million and R200 million for Defence and the Intelligence Service, respectively, are also proposed as supplementary expenditure. The allocations to these departments were reduced by these amounts pending the outcome of an evaluation by a Cabinet Committee. This Committee has since recommended the reinstatement of the allocations.

#### *Expenditure to be voted in the Adjustments Estimate*

Expenditure of an estimated R1,2 billion is identified for inclusion in the 1995-96 Adjustments Estimate. This includes an amount of R450 million as a provision for possible drought relief in 1995-96. Details are still to be finalised.

#### *Revenue*

Based on existing tax rates, excluding the transition levy, total estimated ordinary revenue amounts to R123,8 billion. Circumstances change, as do the revenue needs of the Government, and certain tax proposals are deemed necessary. To put these proposals in perspective I must first deal with the Report of the Katz Tax Commission.

#### *The Commission of Inquiry into Certain Aspects of the Tax Structure of South Africa*

The Commission of Inquiry into certain aspects of the Tax Structure of South Africa, chaired by Professor Michael Katz and appointed on 22 June 1994, submitted its Interim Report on 18 November 1994. The report was referred to the Joint Standing Committee on Finance which has since issued a report after wide public consultation.

The Commission carried out a broad review of the tax system in accordance with its terms of reference and approached its task within the framework of an initial set of guiding principles. These included the Government's broad policy framework as articulated in the RDP, the importance of the tax system's contribution to facilitating growth in the economy, and the imperative of an integrated tax system subject to the Constitution and to society's commitment to the Rule of Law. Recommendations were then formulated after wide and transparent consultation and research.

This Commission's recommendations have drawn reaction from various quarters and have led to a lively and sometimes heated debate. It is perhaps unfortunate that public reaction in the main focused on only a few aspects of the Report while ignoring many important, albeit less dramatic, recommendations that may also impact on the equity and efficiency of the tax system.

The Commission is to be highly commended for a tremendous effort over a very short span of time, and at negligible cost to the Government. In hindsight they were given an impossible task, yet they succeeded in achieving the impossible. The Joint Standing Committee on Finance is also to be congratulated for their prompt action and immense and thoughtful response to the request by the Minister of Finance for a public enquiry and review of the Report.

The Government does not intend to issue a white paper on the Commission's recommendations. It is, however, reacting to the Report through several measures announced in this Budget. What this amounts to, in a nutshell, is that the Government accepts the constitutional imperative of a unitary tax rate structure for individuals, the need for improved tax administration, the feasibility of a general tax amnesty and the need to maintain, for the time being at least, the status quo in respect of value-added tax and of corporate income tax.

Further research and consultation are also needed in respect of these taxes as well as on the Commission's proposals regarding the presumptive tax and the taxation of small and micro enterprises. In respect of the latter, however, the cash flow basis of taxation has been accepted. Government also accepts certain of the recom-

mendations in respect of foreign investment to promote an investor-friendly environment.

A host of other recommendations, aimed at improving various components of the tax structure, should contribute to an overall improvement of our tax system. These recommendations are also accepted in principle and their implementation will be part of the process of enhancing tax administration. More detail is contained in the Budget Review.

I should stress that though several of the Tax Commission's recommendations are not immediately implemented in this Budget, this does not mean that they have been discarded, but reflects the circumstance that improved tax administration needs to be secured before some reforms can be tackled. The Katz Commission is to continue its investigations and focus on those issues which it has singled out for further analysis as well as further issues that have been, or will be, referred to it.

The Government regards it as necessary for Nedlac to debate tax issues as well as the implementation of tax reform. In this regard the issue of income tax rebates and of poverty relief and the link, real or perceived, to value-added tax are two issues to be referred to this body.

On a wider canvas the relative merits of the tax system vis-à-vis welfare payments in addressing poverty relief is another possible issue for debate.

#### *†Tax proposals*

We are now coming to the tax proposals, and in turning to the tax proposals, we are reminded by Adam Smith that there is nothing that a government learns faster than how to get money from the citizens. [Laughter.] At the same time, however, we are also reminded by William Simon that a nation should have a tax system that looks as if it was designed on purpose.

#### *Integrity of the tax base*

##### *Tax avoidance*

The first issue that I would like to address is the whole issue of the tax base and the whole issue of tax avoidance.

In acceptance of the need for a more efficient tax administration the Government is taking a very

hard line against the erosion and misuse of tax systems by various tax avoidance schemes. Although many are legal, some of these schemes militate against the general intention of the law and the national interest. In effect they sometimes border on being fraudulent. This Budget heralds the beginning of the restoration of tax integrity through a combination of measures aimed at better tax compliance.

In the Budget Speech of March 1993 mention was made of the sometimes strange relationship that had developed between the tax administration and the taxpayer, largely as a result of disputes about tax avoidance schemes. The Government offered to turn its back on the past, and to this end introduced legislation to permit the Commission for Inland Revenue to settle disputes concerning schemes for films, music recordings, aircraft and plantations.

The intention was to bring to a speedy close an era in which tax avoidance schemes had disrupted tax administration and compliance in the country. This offer was made in a spirit of partnership with taxpayers, and a similar response was sought from private sector parties and their advisors. It is therefore with some disappointment that the Government has since learned of some tax advisors and their clients who have not reciprocated and continue to introduce schemes which bear many of the hallmarks of the previous structures.

Funding mechanisms have now come to the fore which are structured in such a way that they result in substantially reduced and even negative borrowing costs through excessive deductions or the conversion of what is essentially capital into deductible expenditures. The schemes involve, among others, fixed property acquisitions, convertible debenture issues, intellectual property and lease-backs. That is just not right!

These schemes can be challenged in terms of the anti-avoidance provisions of the Income Tax Act, but they are deliberately engineered in such a complex manner that detection is virtually impossible. The success of these schemes as avoidance measures would seem to rely to a large extent on nondisclosure, and nondisclosure to the tax authorities specifically.

The Commissioner for Inland Revenue has now been instructed to make resources available to

detect and challenge these schemes and to apply all the sanctions in the law against the taxpayers involved and, where possible, their advisors. [Applause.] The Katz Commission has also been asked to investigate the possibility of introducing further anti-avoidance provisions and to make it a priority of the commission. In circumstances in which taxpayers in general are being asked to pay more, it is unacceptable that a few taxpayers should artificially manipulate their affairs and escape their tax liability.

Measures are also being proposed in respect of more than one company car, the accrual and incurral of interest on financial instruments, interest earned by emigrants, the taxation of lump sum payments and the writing-off of the cost of ships and aircraft. While it is the Government's policy that proper research and consultation should precede any tax proposals in order to give the taxpayer certainty *ab initio*, it may sometimes be necessary to impose changes in respect of the future income of existing contracts. The measure in respect of the accrual and incurral of interest announced today is a case in point. In the implementation of these proposals, further consultation with the financial services industry will be necessary.

Further details on these proposals are contained in the Budget Review and in documentation to be released by the Commissioner for Inland Revenue. Although the measures in respect of these schemes are instituted primarily to prevent abuse of the existing provisions and the accompanying erosion of the tax base in the long term, an estimated minimum of R100 million is expected from the introduction of these measures.

#### Tax Administration

The Government welcomes the Katz Commission's proposals on increasing the efficiency of the administration. The Commissioners for Inland Revenue and for Customs and Excise are to prepare a strategic business plan to achieve this aim. Once progress has been made, further announcements will be made. These measures should in due course add to the enhanced tax collections and, therefore, also lower taxes.

#### Tax amnesty

The Government accepts that there are good grounds for the introduction of a once-off tax amnesty. The amnesty will apply to all persons, ie individuals and business organisations, who were not registered on 26 April 1994, or persons who registered on 27 April 1994, or persons registered before 27 April 1994 but whose whereabouts were unknown to the Commissioner for Inland Revenue.

The amnesty will cover taxes such as income tax, employees tax, value added tax, stamp duty, donations tax and secondary tax on companies or any similar tax or duty imposed by the law of a former state or territory. The implication of this proposal is that no liability for these taxes will effectively arise in respect of a qualifying person for a tax liability that might have arisen prior to 1 March 1994. The amnesty will, however, not apply in respect of persons registered before 27 April 1994 or who were under investigation by the tax authorities prior to that date.

The exact terms and conditions with regard to the amnesty will be embodied in the General Tax Amnesty Bill to be tabled later during this session of Parliament. Persons wishing to make use of the amnesty will have to do so within a three-month period commencing on a date to be announced by the Minister of Finance. To have extended the amnesty any wider would have cut too deeply both into the equity of the tax system and the ongoing recovery of overdue revenue.

The amnesty closes the book on tax disobedience for whatever reason. Once the amnesty ends, any further tax evasion will not be tolerated.

#### Provisional Tax

The income tax provisions in respect of the provisional tax payments have the effect that a bunching of payments occurs in August, increasing the workload of the individuals and companies concerned, as well as the tax authorities.

To alleviate a peak in the workload, it is proposed that the effective date by which the third provisional tax payment is to be made, be extended for one month in the case of individuals as well as for companies that have a February year end. This will prevent two payments having to be made on the same date.

#### Customs and Excise

##### Excise duties

Continuing with the now established practice of an annual revision of excise duties, and also after consultations with the respective industries, the following increases are proposed:

Beer: 6,5 cents per litre or 2 cents per 340 ml can;  
Spirits, eg whisky, brandy and gin: about 58 cents per 750 ml bottle;

Cigarettes: about 8,5 cents per 10 cigarettes; . . . [Applause.] . . .

Cigarette tobacco: about 10,5 cents per 50 gram;

Pipe tobacco and cigars: 80 cents per kilogram;

Unfortified wine: about 5 cents per 750 ml bottle;

Fortified wine: about 12 cents per 750 ml bottle;

Sparkling wine: about 16 cents per 750 ml bottle;

Other fermented drinks, eg cider: about 3 cents per 340 ml can;

Sorghum beer: 1 cent per litre; . . . [Laughter.] [Applause.] . . . and

Sorghum flour: 5 cents per kilogram.

These increases are based on the rate of inflation, but also take into consideration historical differences between, and circumstances pertaining to, the individual industries. This also builds on the practice followed in last year's Budget. The increased excises on tobacco products are a continuation of the phasing in of a higher duty on the retail price requested by the health community. In the case of wine products, the Government is of the opinion that the adjustments in excise duties did not keep pace over the years with the rates that were applicable to other alcohol-based beverages and these excise duties are therefore adjusted accordingly.

The announced increases, which take effect immediately, should yield some R410 million per year. In accordance with section 58(1) of the Customs and Excise Act, 1964, I now lay the formal tax proposals for excise on the Table for consideration by Parliament.

### Fuel levy

The fuel levy was last increased some two years ago and, in line with the principle of regular adjustments, an increase of 2 cents per litre is proposed. One cent will be added to the monthly fuel price adjustment on 5 April and another cent on 3 May. Some R255 million in additional revenue is expected from this increase.

### Import surcharge

Last year's Budget saw the removal of the import surcharge on all capital and intermediate goods. It has now become possible to propose that the remaining surcharge be abolished on 1 October 1995. This step represents the final repeal of a measure which was introduced in 1985, following the temporary foreign debt standstill, and also on two previous occasions during the preceding eight years. As with the abolition of the financial rand, it also reflects the Government's commitment to the creation of an investor-friendly and trade-friendly environment.

The loss of revenue from the removal of the surcharge is estimated at some R455 million for 1995-96 or R1,1 billion for the full year.

### Inland Revenue

#### Small enterprises

Great importance is being attached to the development of the small business sector by the Government. In spite of the comprehensive analysis by the Katz Commission of the tax issues related to these businesses, there are still unreconciled differences of opinion in this regard that prevent major progress.

While accepting the need for more research and consultation, it is nevertheless proposed that small enterprises be allowed to choose to be taxed on a cash-flow basis which would allow revenue and expenditure to be recognised only when cash is received or payment is made. This proposal will ease the magnitude of their working capital requirements.

The Commissioner for Inland Revenue will consult with interested parties and organisations in order to establish acceptable criteria to identify small businesses and to provide the most effective

relief that can be granted. The amendments to the Income Tax Act necessary to provide for the relief, will be introduced with this year's legislation.

#### Non-Resident Shareholders' Tax

Unlike many other developing economies with which we compete for investments, South Africa taxes non-residents at a comparatively higher rate than local investors. This situation has created an imbalance between foreign debt and equity investments, as interest paid to non-residents is exempt from taxes.

As part of the Government's initiative to create an investor-friendly environment, it is proposed that the non-resident shareholders' tax be abolished on 1 October 1995. The loss of revenue is estimated at some R235 million for 1995-96, or R572 million for a full year.

A related issue also impacting on investors is the marketable securities tax. Aspects of this form of taxation will have to be revised in the context of the development and growth of the market for financial derivatives. Amendments, if any, will therefore have to stand over for the moment.

#### Tax harmonisation

Substantial tax discrepancies in respect of the bases and tax rates in the former Bophuthatswana, Ciskei and Transkei precluded tax harmonisation with the rest of the country in last year's Budget.

Considerable thought has been given to the most appropriate way of tax harmonisation and of alleviating possible resulting hardship. Although there is much sympathy for those who will be adversely affected by the sudden increase in their tax liability, it is administratively just not feasible to continue to apply separate systems for years to come. It is also not fair towards the great majority of taxpayers who would pay more tax on the same income.

It is accordingly proposed that as far as personal income tax is concerned, the taxation laws of these former states be repealed with effect from 1 March 1995, and that the new PAYE tables which will be issued shortly to give effect to the

rates of tax proposed herein, will be applicable throughout the Republic.

We are aware of the fact that this could have a significant impact on higher earners in the former Ciskei, and to a lesser extent in the former Transkei. However, in both cases lower-income earners benefit. I have been consulting with my colleague the MEC of Finance in the Eastern Cape in an endeavour to manage this process effectively.

As far as corporate taxes are concerned, though, it is proposed that companies who are deriving taxable income within a former state, and whose liability for tax under the laws of that state is less than it is under the national law, will, in respect of the year of assessment ending during the period from 1 April 1995 to 31 March 1996, pay the average of their tax determined under both laws. It is further proposed that dividends declared by those companies out of profits derived during that year will not be subject to secondary tax on companies. In subsequent tax years the full national tax will be applicable.

An exception to the rule, however, is in the case of companies operating in the former Ciskei which were granted tax-free status under the Company Tax Amendment Decree No. 2 of 1994. The granting of that status was akin to a contractual undertaking between the company concerned and the former Government of Ciskei, and the undertaking will be honoured until it expires.

#### Personal income tax

The Constitution prohibits discrimination on the grounds of, among others, gender and marital status. It is therefore proposed that a single rate of income tax be applied to all individuals and also that child rebates be discontinued. For taxable incomes up to R30 000 the rate of tax proposed is the same as that which applied last year to married persons, after which the rate increases to reach a maximum marginal rate of 45% at a taxable income of R80 000.

However, in order to lessen the burden on the lower-income earners, who are most affected by the removal of the child rebate, it is proposed that the primary rebate be increased by R400, which is the same as granting a rebate for four children to all persons. The additional rebate of R2 500, for

persons aged 65 and older, will still be granted as in the past. The transition to a single rate will benefit married working women and unmarried persons.

Changes to the rate structure are such that persons earning less than R30 000 will benefit or not be worse off than before, except for single earners with 5 or more children. Households with two earners will benefit substantially, irrespective of income or number of children. The effect of these changes is an estimated revenue loss of R2 billion. Meeting this constitutional requirement will have a considerable impact on revenue, but it was necessary. We are also conscious of the fact that the removal of the child rebates may be seen by some as a loss. The approach adopted is deemed the most effective way of recovering part of the lost revenue, yet avoiding an additional burden on lower-income persons.

The tax collection tables, which the Commissioner for Inland Revenue announced in a press statement on 7 March, partially reflect these proposals. His insistence that they be applied immediately obviates the cash-flow problems experienced by certain categories of employees on account of the preliminary tax collection tables published earlier.

In addition to the tax rate above, the balance of the transition levy announced in last year's budget will be payable by all individuals with a taxable income of more than R50 000. This will be collected only during the first three months of the year. It is expected to yield about R1,1 billion in revenue.

We also propose that the present rate structure for unmarried persons be retained for legal persona other than companies, such as trusts, but with two additional bands reaching 45% at R80 000.

As enhanced tax administration translates into improved tax collections, the lowering of personal income tax rates will have the highest priority in terms of any granting of future tax relief.

The net result of the proposals is an estimated revenue loss of R850 million, bringing the revenue estimated for 1995-96 to R123 billion and, if we add the strategic oil reserves, R124,2 billion.

Before turning to the financing of the Budget, a few other issues deserve attention.

#### Report of the Gambling and Lotteries Board

In the past week the Report of the Gambling and Lotteries Board, which contains certain proposals, was submitted. The implications will be evaluated once the Report has been studied, but interested parties are cautioned not to pre-empt the eventual tax dispensation.

#### Assets and liabilities of the national Government

A Statement of Assets and Liabilities of the national Government was compiled and published for the first time in the Auditor-General's report for 1992-93. Financially related assets have now been added to the Statement as at 31 March 1994. This Statement will be expanded and updated annually, with a view to developing a complete and accurate balance sheet for the national Government.

Off-balance sheet items, incorporating the total contingent liabilities (or potential losses) of the State, are also included in the Statement. These liabilities amounted to R121,7 billion on 31 March 1994 and include *inter alia* the underfunding of the Multilateral Motor Vehicle Accident Fund (R3,1 billion), guarantees to various institutions (R70 billion) and the underfunding of the Government Service Pension Fund and other related funds (R39 billion). The lastmentioned, that is the Government Service Pension Fund, has attracted much public interest and a few supplementary remarks are appropriate.

#### Pension Funds

Significant progress has been made in preparing the establishment for a single new fund to which all public servants will belong, and which will replace the current Government Service Pension Fund as well as those currently in place in the former TBVC states and self-governing territories. Negotiations are presently being conducted and the distribution of a draft Bill is envisaged once they are concluded.

The Government has committed itself to reducing the actuarial shortfalls of the national government pension funds in a phased manner. The goal is to enhance the level of actuarial funding by 2,5

percentage points every three years. To the extent that the annual employer and employee contributions do not meet this requirement when the progress is assessed every three years, the Government will be required to top up any arrears.

The Katz Commission's recommendation on the so-called capping of pension fund contributions has proved to be somewhat controversial. The ensuing debate has highlighted various other issues regarding pension provisions. The Government is of the opinion that the matter should be pursued further in a comprehensive manner, with due recognition to the implications for the pension industry and retirement provision. Apart from the proposed change in the rate of taxation of lump sum payments, which, I might add, does not affect the dispensation presently enjoyed by public sector employees, no other changes can therefore be implemented until further work has been done. This will be undertaken in close co-operation with the Katz Commission.

#### THE BUDGET DEFICIT AND DEBT MANAGEMENT

Going back to Adam Smith, who said that the only good budget is a balanced budget, I am afraid we still have a little way to go.

Total expenditure, as we mentioned earlier, amounts to R153,3 billion and revenue after the tax proposals amounts to R124,2 billion. This gives us a budget deficit of R29,1 billion, or some 5,8% of the estimated GDP. This figure further manifests the progress we have made during the past year in reducing the deficit and meeting our longer term milestones.

Taking into account loan redemptions of about R9 billion, the gross borrowing requirement of R38 billion is slightly higher than the figure for 1994-95. Once again, the domestic market will provide the bulk of the funds. Nonetheless, provision is made for foreign financing of about R1,5 billion.

It is the intention of the Government to capitalise on the successful re-entry of South Africa into the international financial markets during the past year and to establish a presence and benchmarks in other markets. Our strategy in this regard will depend on prevailing market conditions and our financing needs. I should reiterate that foreign borrowing will not lead to larger deficits, but will be a substitute for domestic finance, depending on

cost considerations and pressures on the domestic financial market.

The same policy applies to concessionary loans. In order to address the various dimensions and ensure the effective management and co-ordination of overseas development assistance, the Government has created an International Development Co-operation Committee (IDCC), which is to act as the principal channel of contact between the Government and the international development assistance community. The IDCC will assist Government departments by matching the most appropriate source of foreign assistance with suitable projects and programmes.

Government debt is projected to reach some R246 billion at the end of the 1994-95 financial year. This is about 55% of the GDP and includes the discount on previous years' stock, which became part of the debt on maturity.

Taking into account the further growth in the debt, by at least the net borrowing requirement of the national Budget, the interest burden of the debt in 1995-96 is projected at some 18,5% of total expenditure. This makes it the second largest expenditure item after education. This means that nearly R1 out of every R5 of taxpayers' money is spent on servicing our debt. Can there be more compelling justification for the need for fiscal prudence?

#### WORD OF THANKS

There are a few people I wish to extend a word of thanks to. On the issue of fiscal prudence I wish to start immediately with my predecessor, Mr Derek Keys, whose philosophy was fiscal prudence. I would like to pay tribute to him, and am delighted to note that he has taken the trouble to visit us today, and to witness what is for me a brand-new experience. [Applause.] His pivotal role, supported by Deputy President De Klerk, in securing sound financial management during the political transition has created the financial space for us to start addressing the development needs of South Africa. It could so easily have turned out differently. Thanks also to Dr Japie Jacobs for his assistance to the Department of Finance, and particularly to my predecessor.

I am informed by my advisors in the Departments of Finance and State Expenditure that the past year has been the most demanding in many a year. I can also attest to the extraordinary demands being made on these officials at this particular

point in time. They have responded with hard work, dedication and loyalty to their country under the very capable guidance of the two directors-general, Mr Estian Calitz and Mr Hannes Smit, and have successfully chartered the financial course of the ship of State. We thank them.

In Mr Alec Erwin the country has a man for all seasons. [Applause.] His conduct in many delicate situations has earned him respect at all levels of government, as well as outside the Government. I am indeed fortunate to have him on the team, and wish to thank him for his unselfish service to the country.

I thank Dr Stals for his support and the wonderful working relationship which has been established between the two of us. I should also like to thank the members of the parliamentary Joint Standing Committee on Finance who, through their chairperson, have given new content to transparency in debate and advice on financial matters before Parliament. We note with appreciation their role in devising today's Budget. We also reiterate our commitment to making the budgetary process more open and inclusive. Our recent consultation with Nedlac on this year's Budget is a case in point.

Any success would have been very hard to achieve without our President's example and leadership, also in matters financial. [Applause.] I address a special word of thanks to him for his support, and to both our Deputy Presidents. We thank them for their assistance in the Cabinet, more especially in the Treasury Committee. I also thank my colleagues in the Cabinet for their confidence in me, their co-operation and political guidance, as well as the manner in which they have accepted me. I am fortunate, indeed blessed, to be associated with people of such calibre, talent and ability.

#### THE BUDGET IN PERSPECTIVE

In summarising I wish to highlight a number of issues. The post-election environment of economic growth and relative political stability has created room for fiscal manoeuvrability. This Budget attempts to capitalise on this potential, and to address the urgent needs of stakeholders in the economy in a sensible, realistic and responsible manner.

Government expenditure sees a continuation and acceleration of the reallocation of resources to-

ward social spending and basic needs within the discipline imposed by the RDP and the RDP Fund. Processes to improve the efficiency of expenditure are also being implemented. The first concrete results in respect of housing, as well as education, health and welfare, are beginning to be realised. The Government remains committed to keeping the overall rate of expenditure growth within the boundaries imposed by revenue and borrowing considerations, in order to prevent overstretching the potential of our economy.

The constitutional imperative of no discrimination in respect of gender or marital status and its associated revenue loss of some R2 billion, as well as administrative limitations, have limited the restructuring of the financing of the Budget. As far as individuals are concerned, tax changes will benefit working women and single taxpayers, while the Government has been particularly careful to minimise the tax burden of persons earning modest incomes. Where increases were unavoidable, they have been kept as small as possible. Many taxpayers will experience cash flow benefits as the transition levy is removed.

The inflationary impact of the higher fuel levy, when evaluated in the broad context of all the tax changes taken together, should be negligible. The same applies to the excise duty increases. The removal of the import surcharge will tend to lower prices and costs. This and the abolition of the non-resident shareholders' tax also constitute further steps towards an investor-friendly and trade-friendly South Africa that can also compete internationally.

Better tax administration as a result of the restructuring of the revenue collecting agencies, improved collections through the continued closing of loopholes and an expected increase in the number of taxpayers owing to the tax amnesty, should in future create sufficient room for tax restructuring and lower tax rates. In this regard, reductions in the individual income tax rate will receive priority.

The challenge to the South African corporate world is to respond positively to the new opportunities, to participate in the opening up of the South African market to new competitors who will invest in our country, to gear themselves to become world players and to engage the Government as a partner for growth, development and equity.

The demands of the Government for financing in the local markets are not excessive, and the track record of responsible financing practices should contribute to stability in these markets. Strict foreign debt management strategies should also prevent balance of payments instabilities as currently being experienced by other developing countries.

Tax and expenditure decisions affect people differently, especially when we have to move to greater consistency based on criteria of efficiency, effectiveness and equity. Each individual, when assessing his or her position, must therefore not look at only one tax measure or change in benefits from public spending. The full picture has to be assessed, and even a multi-year perspective is required. We believe that this Budget—one step in the march of time—will prove its worth in contributing to a better future for everyone this year, but even more so as economic growth takes root in the longer term.

Our approach in this Budget has been that all economic stakeholders will respect honesty and integrity and will respond accordingly. Credibility and consistency is expected of us. We are determined to do our part.

We want to embark, though, on a process whereby we can communicate a Budget like this to all our people. In addition to the official documents tabled today, we have compiled a citizen's guide to the Budget, which will be available in all 11 languages as people leave this Auditorium. [Applause.]

#### TABLING

All that remains for me to do is to lay the following documents on the Table:

- (1) Estimate of Expenditure to be defrayed from the State Revenue Account during the financial year ending 31 March 1996 [RP 2—95].
- (2) Estimate of Revenue for the financial year ending 31 March 1996 [RP 3—95].
- (3) Budget Review, 1995.
- (4) Taxation proposals [Taxation proposals in respect of Customs and Excise laid upon the Table at 15:18].

Bill, budget speech and papers tabled in respect of National Revenue Account referred to Joint Standing Committee on Finance in terms of section 60(4) of the Constitution and Rule 171.

### ANNEXURE: SUMMARY OF THE NATIONAL BUDGET

	1994/95	1995/96	Percentage change
	Revised Estimates	Printed Estimate and Supplementary proposals	
	Rm	Rm	%
<b>EXPENDITURE</b>			
Printed Estimate (R P 2—'95: First Print)		152 873,9	
<i>Less:</i>			
Double counting of the national budget's contribution to RDP Fund		2 520,8	
		150 353,1	
<i>Plus:</i>			
Supplementary proposal:			
Transfer to RDP Fund		600,0	
Expenditure to be voted in the Adjustments Estimate:		2 135,2	
Drought aid		450,0	
Local governments election		396,7	
Retrenchment costs		270,0	
Computer systems: provinces		118,5	
Reserve for Defence and Intelligence Service		900,0	
<b>Total: Budget votes and statutory amounts</b> (1)	<b>139 854,5</b>	<b>153 088,3</b>	<b>9,5</b>
Standing appropriations (2)	150,4	160,0	
<b>Total estimated expenditure</b>	<b>140 004,9</b>	<b>153 248,3</b>	<b>9,5</b>
<b>REVENUE:</b>			
Customs and Excise at existing rates in Printed Estimate (RP 3—'95: First Print)		16 345,9	
<i>Plus:</i>			
Tax proposals in respect of:			
Excise duties:		410,0	
Beer		125,0	
Sorghum beer and sorghum flour		7,0	
Wine		19,0	
Other fermented beverages		4,0	
Spirits		50,0	
Cigarettes and cigarette tobacco		200,0	
Pipe tobacco		5,0	
Fuel levy		255,0	
Surcharge on imports		-455,0	
<b>Total: Customs and Excise</b>	<b>15 874,0</b>	<b>16 555,9</b>	<b>4,3</b>
Inland Revenue at existing rates brackets in Printed Estimate (RP 3—'95 First Print), excluding premium on government stock		107 495,1	
<i>Plus:</i>			
Tax proposals in respect of:			
Individuals:			
Remainder of transition levy		1 075,0	
Restructuring of tax rates and brackets		-2 000,0	
Improved tax compliance		50,0	

	1994/95	1995/96	Percentage change
	Revised Estimates	Printed Estimate and Supplementary proposals	
	Rm	Rm	%
Non-mining companies: Improved tax compliance		50,0	
Non-resident shareholders tax		-235,0	
<b>Total: Inland Revenue</b>	<b>95 675,9</b>	<b>106 435,1</b>	<b>11,2</b>
<b>Total ordinary revenue after tax proposals</b>	<b>111 549,9</b>	<b>122 991,0</b>	<b>10,3</b>
Grants and extra-ordinary revenue	1,0	1 200,0	
<b>Total revenue and grants</b>	<b>111 551,0</b>	<b>124 191,0</b>	<b>11,3</b>
<b>BORROWING REQUIREMENT</b>			
National budget deficit (As percentage of GDP)	(3) 28 453,9 6,4%	29 057,3 5,8%	
Less: Opening balance	1 214,1	0,0	
Net borrowing requirement	27 239,8	29 057,3	
Plus: Loan redemptions	9 905,4	8 973,8	
Domestic loans	10 193,2	9 164,8	
Premium on government stock	(4) -1 170,2	-300,0	
Loan levy	709,6	—	
Foreign loans	172,8	109,0	
<b>Gross borrowing requirement</b>	<b>37 145,2</b>	<b>38 031,1</b>	
<b>FINANCING</b>			
Short term (net)	500,0	1 000,0	
Domestic loans	33 873,4	35 531,1	
Government stock	(5) 33 872,1	35 521,1	
Bonds	1,3	10,0	
Foreign loans	2 771,8	1 500,0	
<b>Total financing</b>	<b>37 145,2</b>	<b>38 031,1</b>	
<b>Closing balance</b>	<b>0,0</b>	<b>0,0</b>	

- (1) Budgetary figure for purposes of parliamentary legislation, i.e. budget votes and statutory amounts.
- (2) Estimated guarantee claims that may realise, subscription payments to the IDA and the IBRD and valuation adjustment payments to the IMF.
- (3) Amounts to 5,9 percent of GDP in 1995/96 if the R600 million proceeds from the sale of strategic oil supplies are excluded.
- (4) This amount is provided in the Printed Estimate of Revenue (RP 3), but since it does not represent an actual cash flow, it is regarded as "negative" loan redemptions.
- (5) Excluding the discount on sales of new government stock.

### CONSIDERATION OF REPORT OF PORTFOLIO COMMITTEE ON TRANSPORT‡

Order disposed of without debate.

Report adopted.

#### LEAVE OF ABSENCE TO MEMBER

(Draft Resolution)

Mr L M GREEN: Madam Speaker, I move:

That leave of absence be granted to Rev K R Meshoe for the period 27 March to 7 April 1995.

Agreed to.

#### LEAVE OF ABSENCE TO MEMBER

(Draft Resolution)

Ms E D PETERS: Madam Speaker, I move on behalf of the Chief Whip of the Majority Party:

That leave of absence be granted to Adv J H de Lange for the period 18 April to 5 May 1995.

[Interjections.]

The SPEAKER: Order! I did not hear any objections. [Laughter.] The resolution is agreed to.

### REFERRAL OF REQUEST FOR RATIFICATION OF PROTOCOL ON ENVIRONMENTAL PROTECTION TO THE ANTARCTIC TREATY TO PORTFOLIO COMMITTEE

(Draft Resolution)

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM: Madam Speaker, I move:

That the request for ratification, in terms of section 231(2) of the Constitution, of the *Protocol on Environmental Protection to the Antarctic Treaty*, which was signed in terms of section 82(1)(i) of the Constitution, be referred to the Portfolio Committee on Environmental Affairs and Tourism, the committee to have power to confer with the Select Committee on Environmental Affairs and Tourism, Water Affairs and Forestry of the Senate.

Agreed to.

‡See column 203.

### REFERRAL OF REQUEST REGARDING MARRAKESH AGREEMENT TO PORTFOLIO COMMITTEE

(Draft Resolution)

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, I move:

That the request to agree, in terms of section 231(2) of the Constitution, to the accession of the Republic of South Africa to the *Marrakesh Agreement*, which agreement establishes the World Trade Organisation, incorporates the General Agreement on Tariffs and Trade (GATT) and was signed in terms of section 82(1)(i) of the Constitution, be referred to the Portfolio Committee on Trade and Industry, the committee to have power to confer with the Select Committee on Trade and Industry, Public Enterprises and Foreign Affairs of the Senate.

Agreed to.

### QUESTIONS TO PRESIDENT OF THE REPUBLIC WITHOUT NOTICE

(Draft Resolution)

The LEADER OF THE HOUSE: Madam Speaker, I move without notice:

That Rule 200 be suspended until further notice.

Dr W A ODENDAAL: Madam Speaker, I refer the Chair to Rule 134 of the Standing Rules for the National Assembly and I would like to have a ruling as far as that is concerned. According to my knowledge this resolution of the hon the Leader of the House is not in order.

\*We do not have a problem with the President's not replying to his own questions for any reason whatsoever, irrespective of whether he has a hearing problem or a problem with his sight. However, this year we have repeatedly received notes from the clerks of the House containing requests from members of this side of the House to put questions to the President of this country. Such questions have repeatedly not been put, as has happened once again this afternoon. The task of answering the questions was delegated to Deputy Minister Thabo Mbeki, who is overseas at present. We have no problem with that. We even sympathise with the President's decision to delegate the said task to the Deputy President.