

# 2020 Supplementary Budget Highlights

The Minister of Finance Mr Tito Mboweni tabled the Supplementary Budget on the 24th of June with the purpose of providing budget adjustments. The second adjustments will be tabled in the Medium-Term Budget Policy Statement (MTBPS) in October 2020.

## Here are some of the points highlighted by the Supplementary Budget:

**Budget Deficit:** The consolidated budget deficit is expected to reach 15.7% of GDP for 2020/21, this is a massive increase from the February estimate of 6.8% of GDP in February.

**Debt to GDP Ratio:** Government debt is expected to increase by 81.8% of GDP, this is a sharp increase from the February estimated level of 65.6%. An amount of R121 billion (\$7 billion) is expected to be borrowed from external sources, these include \$1 billion to be borrowed from the New Development Bank and \$4.2 billion from the International Monetary Fund.

**Economic Growth:** National Treasury expects the country's economic growth to contract by 7.2% which is a massive increase compared to the estimated value of 0.9% in February, this is the biggest contraction in 90 years.

**Covid 19 - Health care Budget:** An amount of R21.5 billion was proposed to be spent on covid-19 related healthcare.

## Some of the Covid-19 relief measures highlighted include:

Plan for an increase in the employment tax incentive by R750 per month for eligible employees and a further R750 per month incentive for all other employees who earn less than R6 500 per month from 1 April 2020 to 31 July 2020.

Deferred tax of 35% of employees' tax liabilities for businesses with a gross income of up to R100 million for four months from 1 April 2020.

Proposed four-month exemption in the skills development levy from 1 May 2020.

An increase in the available tax deduction by 10% in four months for donations made to the Solidarity Fund from 1 April 2020.

Consideration of applications to SARS, to defer tax liabilities without penalty if the business can prove it is incapable of making tax payment due to Covid-19.