Decoding the 2024 Budget Speech: Key takeaways and potential implications

By Shaaira Sackoor & Hendrik Moropodi, issued by Milpark Education 1 Mar 2024

Finance minister Enoch Godongwana delivered the budget speech on Wednesday, 21 February. The focus of t budget for 2024/2025 is on positive economic growth (forecasting an average real GDP growth rate of 1.6% per annum), energy interventions, and the use of additional reserves to reduce the country's debt.

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A key highlight from the speech was that National Treasury will 'tap' into the GFERCA (this is the SARB gold and forex reserve) funds to reduce the high levels of debt that South Africa is experiencing. Gross debt has grown to 74% of GDP a is projected to climb to 75% in 2025.

Another significant point in the speech was the decision not to adjust personal income tax brackets with inflation. Treasury aims to generate an additional R15 billion in revenue from this decision. This is going to have a negative impact on taxpayers, as there are some taxpayers who will now be placed in higher tax bracket (based on the income they earn), an they will therefore pay more tax. Treasury sought to provide relief to taxpayers by not increasing the fuel levy for the third consecutive year.

The minister also announced that medical tax credits will not be adjusted with inflation this year. This comes after a propos was made to eliminate medical tax credits to fund the National Health Insurance (NHI) project. The budget did not discuss details relating to the long-term strategy for funding the NHI. It did, however, make mention of the fact that there would be allocation of R6.9 billion to insurance grants over the next three years. This will be a welcome relief to many households th currently contribute towards a medical aid and rely on the tax credits to minimise tax payable. It is important to remember that the elimination of tax credits is not off the table completely and could happen in future.

The minister highlighted the interventions in energy and notably the claim on qualifying expenditure. As of 1 March 2026, companies that manufacture electric and hydrogen-powered vehicles can claim 150% on their production capacity expenditure as a tax rebate, with the aim of transitioning the automotive industry from primarily producing internal combus engine vehicles to dual production, which includes electric vehicles (EVs). The government has also reprioritised R964 million, over the medium term, to support the transition to EVs. The question that this raises, however, is whether South Africa is ready for them? The president supports the incentive, as he believes that "it is key that South Africa keeps up wit other countries, including on the continent, that are incentivising the manufacture and uptake of EVs as the world moves towards decarbonisation", and it is also in line with government's goal to cut carbon emissions by transitioning to EVs by 2025.

Minister Godongwana's budget reflects a balancing act between stimulating economic growth, managing debt, and making revenue decisions that may impact citizens. The success of the measures he has put in place will depend on the effectiveness of their implementation and their adaptability to dynamic economic conditions, both domestically and globally

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