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In conversation  
with Deloitte Africa  
Unpacking the  
2023/24  
National Budget



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# Opening and welcome



**Itireleng Kubeka**  
 Managing Director,  
 Deloitte Africa Tax & Legal

Efficient revenue collection is crucial for governments to fulfil their mandate. Taxes enable governments to provide social grants, free schooling, and housing. Through the provision of this support to the most vulnerable members of society, government can achieve better social cohesion.

The South African Revenue Service (SARS) has reported that it increased its revenue collection which can be seen as a great achievement; however, against the backdrop of challenges such as grey-listing, stubbornly high unemployment and other structural challenges plenty of work still needs to be done.



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# Keynote address



**Edward Kieswetter**  
SARS Commissioner

Considering the many challenges such as loadshedding, crumbling infrastructure and rampant crime the country faces and given the need to make private provisions to supplement or replace public services, some South Africans might wonder why they pay taxes. Some perceive that the benefits they get from their contributions to the fiscus as insufficient, and some even call for a tax revolt.

However, revenue collection forms the foundation of a functioning state. Without revenue collection, the South African government would not be able to provide social grants to some 29 million people, support unemployed youth, provide free education, healthcare, and housing to the most vulnerable members of society. Therefore, not paying taxes would hurt the most vulnerable members of society the most. Further, it would contribute to the already high level of lawlessness in the country and would not contribute to the country's democracy.

In his address, Commissioner Kieswetter proposes a more effective way for taxpayers to voice their grievances. Given that South Africa is a democracy, taxpayers have agency and can exercise this agency by voting non-performing politicians out of power.

The current situation in South Africa would be more difficult without effective revenue collection by SARS. Commissioner Kieswetter suggests that the bad news – low compliance and crime – can be seen as good news. By improving compliance and tackling tax crimes, revenue collection could be improved. These are low hanging fruits on which SARS is focusing on. SARS staff is working hard at increasing compliance, which currently sits at about 60% and at tackling issues such as tax fraud. Knowing the transformative power an effective and efficient revenue authority can have, SARS staff is highly engaged and inspired as they see a strong purpose in their work.

He further highlighted that SARS is working on getting many small things right to fulfil its mandate and to be an effective and efficient smart modern revenue collection authority that contributes to the development and upliftment of South Africa and her people. Among other things, SARS is using data science to tackle fraud, improve compliance and collection but also to enhance the customer experience of taxpayers.

While SARS – among other institutions – was deliberately undermined and weakened during the years of so-called state capture, it seems that organisation is moving into the right direction again as public confidence in SARS has improved in recent years. Even the recent grey-listing of South Africa may hold some positives as it means surveillance of financial flows will be increased, which in turn will potentially reduce questionable financial flows and improve revenue collection.

Despite an unfavourable economic outlook, further revenue growth will be possible if a compliance dividend can be achieved. In this context Commissioner Kieswetter is encouraged by South Africans who are committed to fiscal integrity and by doing so contribute to South Africa's democracy.



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# Panel discussion: *Small businesses fight for their survival*



**Gugulethu Mfuphi**  
Moderator

## Panel:



**Dr. Thabi Leoka**  
Economist



**Dr. Mampho Modise**  
Deputy Director-General:  
Public Finance: National  
Treasury of South Africa



**Prof. Mcebisi Ndletyana**  
Political  
Commentator



**Jo Mitchell Marais**  
Deloitte Africa Turnaround &  
Restructuring Leader

Jo Mitchell-Marais warns that the full impact of the escalation of loadshedding in November and December 2022 will only be seen towards mid-2023. According to Deloitte Africa's 2022 Restructuring Survey, more than 80% of business were pessimistic about growth. However, depending on the size of the business and the health of the balance sheet, the resilience of companies varied. Large companies with strong balance sheets tended to be more resilient than micro, small and medium sized companies which tend to struggle for their daily survival. The survey highlighted the current electricity crisis as the biggest threat to the survival of companies and economic prospects in the country. Due to the lack of energy security, companies have been forced to generate their own electricity. This adds to the overall cost of doing business in South Africa and negatively impacts on the profitability and sustainability of companies and sector. Given that liquidations are a lagging indicator.

### All talk and no action

Prof. Mcebisi Ndletyana highlighted that when President Ramaphosa took office, he promised to initiate much needed reforms and to work with private sector to overcome a range of economic obstacles in the country. However, according to Prof. Ndletyana, not much has come from these promises and government keeps making excuses for its failure to deliver on their promises. It seems that there is a lack of capabilities and capacity – especially on a local government level, that impedes the implementation of reforms and programmes. This is reflected in the lack of basic service delivery on a community level. Prof. Ndletyana questioned the grounds on which certain individuals had been appointed to oversee and implement these programmes. He further flagged that one of the largest challenges seems to be the absence of skilled staff to observe and command what needs to be done to deliver services effectively.

### Silver lining is the consensus on the need for action

While South Africa's economic situation may seem dire, Dr. Thabi Leoka sees a silver lining in the current situation. Regardless of economic status and backgrounds, it seems that South Africans are united in their plight and have started to speak out as one. However, she cautions that a common understanding of or agreement on what needs to be done to turn the country's fortunes around is missing.

### No sense of urgency

A range of indicators, including GDP growth, unemployment and school attendance numbers illustrate the weak performance of the country. Dr. Leoka noted that she misses the required sense of urgency and wonders whether the country has the right calibre of people – in particular at the political level – to deal with the country's pressing socio-economic problems. To her, it seems that a lot of the country's problems are in the wrong hands and are with people that arguably lack the capacity, intension, and capabilities to deal with these issues.

### National Budget more important than ever to protect the vulnerable

According to Dr. Mampho Modise, in the absence of decisive political leadership that is willing to take difficult decisions, the budget becomes the decision maker. The national budget is a critical tool for addressing some of country's most pressing socio-economic challenges. Given the multitude of challenges and limited resources, the National Treasury relies on certain conditions to safeguard funds and to protect taxpayers.

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### Millions of grants – not a success but an admission of failure?

While Dr. Leoka acknowledged the critical role the national budget plays in protecting and supporting the most vulnerable members of society, she warns that portraying the payment of grants to 18 million people and the extension of social relief payments to an additional seven million people as a success is misleading. South Africa does not have the resources to support that many people and hence South Africans live beyond their means. A successful government, in her opinion, would be a government that puts measures in place to gradually reduce the number of people dependent on social grants and government support.

Prof. Ndletyana agreed that the state has an obligation to support the poor and vulnerable and grants are necessary until a better solution has been found. Dr. Modise added that grants should be designed as temporary measures for unemployed people and not create dependency on the system. Grants are required when people complete their tertiary level, and they are transitioning into employment. In order to reduce grant dependency, Mitchell-Marais suggested that it is important to focus on job preservation and that more needs to be done to support small and medium sized enterprises as they tend to have a significant potential to create jobs.

### Refocusing on the NHI

Another important element to improve social protection could be the National Health Insurance (NHI), which is aimed at rectifying current shortcomings in the public healthcare system. While discussions about the NHI are taking place, the Department of Health needs to be ready and prepared to implement it at any time. National Treasury has allocated money, however, unfortunately most departments are not ready to receive such funding. The COVID-19 pandemic made it worse as the focus shifted away from the NHI towards the immediate need for dealing with the pandemic.

Government has identified the need to fix the public health platform on which the NHI and implement it in phases.

### Are Eskom’s problems too big to be solved by the state alone?

Given the importance of improving energy security, National Treasury needs to look at a range of options that could increase supply of electricity in the economy. One such option could be incentives for homeowners to off-grid solutions that would reduce the reliance on electricity supply from Eskom. While the performance of Eskom and other state-owned enterprises (SOEs) might not meet the expectations of taxpayers, who are asked on an ongoing basis to bail out these entities, Dr. Modise explained that these SOEs were designed to provide services to people who cannot access the services of private companies. Arguably, not enough consideration had been given whether these entities had the capacity and capabilities to provide the scale of service they now must provide. National Treasury should have asked itself the question of what will happen if a service cannot be provided by an SOE. While, the National Treasury does not have any mechanisms to quickly change the structure of SOEs, it tries to get the private sector involved in the provision of services that SOEs were meant to provide. Given the aversion of certain groups within South Africa towards privatisation, it is difficult to propose such privatisation even though it might be a solution for the current challenges.

In the context of the ongoing electricity crisis, Dr. Leoka suggests that the country knows what to do to overcome the challenges. As proposed a few years ago, the unbundling of Eskom into three separate entities was thought to be cost effective and would relieve the state’s balance sheet by creating public-private partnerships. However, this idea seems to have fizzled out and in the recent State of the Nation Address, no mention was made about the unbundling. For Dr. Leoka, this example highlights the state’s inability to

implement and legislate ideas that would be effective in addressing the country’s most pressing challenges. While National Treasury through its fiscal policy has done what it needs to, the ministers, who are part of the executive branch of government, need to drive implementation.

Mitchell-Marais acknowledged that fixing Eskom should not be seen as the sole responsibility of government. To fix Eskom a holistic approach is required, which includes the participation and contribution of the private sector. According to Mitchell-Marais, there seems to be a common willingness of the private sector to get involved and use their expertise in solving the challenges at Eskom. However, this would mean, that the private sector needs to have a seat at the table where solutions are discussed. She cautions that when businesses are underperforming, they have reversed ESG, and it becomes GSE. Underperforming businesses tend to focus more on governance, while social aspects become secondary and environmental issues may fall by the wayside.



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