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Media release

For immediate release

Budget 2025 delay, an opportunity for a People's Budget amid a cost of living crisis

As South Africa faces a cost of living crisis and a growing list of national priorities, we stand at a critical juncture where revenue generation strategies must prioritise equity and social justice. We, the Budget Justice Coalition (BJC), reaffirm our position that a VAT hike—particularly a 2% increase—is a regressive and unjust approach. Instead, this moment calls for progressive fiscal policy proposals that foreground the rights and livelihoods of the most vulnerable.

The last-minute decision to postpone the tabling of the 2025 budget reflects deep cracks in the budget process, highlighting the need to democratise further the process, which has been left to a few technocrats for far too long. Despite the confusion surrounding this unprecedented event, the postponement also offers a great opportunity to open the discussion about alternative and effective ways of raising revenue.

VAT increase alone will be brutal

[Evidence](#) from the 2018 VAT increase shows that this move deepens inequality and shifts the responsibility of raising revenue onto the general public, especially the most vulnerable. It places the greatest burden on poor and low-income households, forcing them to contribute a larger share of their limited income while reducing the government's responsibility to pursue more progressive revenue sources, such as taxing wealthier individuals or corporations.

Measures to mitigate against the impacts of the increase, such as an above-inflation increase in existing social grants, additional allocations to social spending and expansion of the zero-rated basket are appreciated, but even National Treasury admits that the zero-rating is a blunt instrument. Furthermore, a

[study](#) found that the benefits of zero-rating are not well-targeted, as higher-income households, which spend more in absolute terms, receive a significant portion of the relief.

There is no evidence to suggest that the previous VAT increase was effective, as National Treasury missed its revenue targets by R22 billion, after predicting a R22.9 billion increase from the 1% VAT increase.

Alternative revenue proposals

National Treasury seems unwilling to explore other effective and researched income generation alternatives. In fact, Treasury has argued that increases to corporate or personal income taxes (viable alternatives) would have a greater negative impact on the economy, and not yield higher revenues. We reject this view and have continuously provided alternatives to proposed VAT increases since 2018.

Preventing revenue leakages by addressing [tax evasion and base erosion](#) is a critical alternative to regressive tax measures like VAT increases. Tax evasion, where individuals and corporations deliberately underreport income or profits to avoid paying taxes, significantly reduces the resources available for public investment.

Moreover, the issue of tax base erosion where profit shifting to low-tax jurisdictions has reduced South Africa's much-needed revenue for public services. Despite progress in addressing these issues through global initiatives like the [OECD/G20 BEPS](#) framework and the implementation of a [global minimum corporate tax rate](#), challenges remain due to limited capacity in tax administration and illicit financial flows.

SARS Commissioner estimates that a [staggering R800 billion](#) remained uncollected from individuals and companies. Government must invest in stronger tax administration, close loopholes, and enhance enforcement mechanisms to substantially improve revenue collection without placing further strain on poor and vulnerable households.

BJC member organisations have made several proposals showing that more than R200 billion could be raised from alternative tax measures, including changes to excise taxes, the implementation of a luxury VAT, changes to tax brackets and withdrawal of tax credits to wealthy individuals, as well as options for a progressive wealth tax to tackle inequality. Some of these are immediately implementable while others require medium-term planning.

We have endorsed [proposals](#) from our member organisations suggesting using the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) – which holds over R500 billion – to fund social and economic priorities. Currently, Treasury has used only R150 billion from the GFECRA, and this amount has been used exclusively to repay debt. Given the current situation, National Treasury should still consider the GFECRA as an option for supplementing budget deficit in a pro-poor human-rights manner.

Apart from additional revenue, some measures can be taken to reduce the high interest-rate payments competing against social needs. Large levels of public debt are owed to other public institutions. For

example, the Government Employees Pension Fund (GEPF) holds R80 billion of Eskom's debt, as well as Sanral (R18 bn) and Transnet (R17 bn). Instituting more favourable repayment terms on these can reduce some of the pressure on the fiscus.

Charting a pro-poor, human-rights-centred way forward

In a one-step-forward, two-steps-back move, some of the proposed funding increases in the suspended 2025 budget signalled a commitment to supporting human rights promises with resources, with sectors such as basic education, early childhood development, and health receiving above-inflation allocations, which we welcomed.

However, we continue to call for expenditure wins to be supported by human-rights foregrounded revenue proposals. To use fiscal policy meaningfully to tackle poverty and inequality, robust pre- and post-budget mechanisms for public and expert participation in fiscal policymaking must be introduced into the budget cycle.

In 2020, the BJC published "[Imali Yesizwe](#)" – an alternative human rights budget that ensures fiscal policy targets unemployment and poverty, and puts forward a long-term plan for socio-economic development. In the next few weeks, the BJC will collaborate with partners to ensure that we advocate for a more human-rights-centred budget. Such an approach to the budget will ensure that any proposed revenue measures are progressive and do not harm the most vulnerable in our society.

We are mindful of the effect that reversing the proposed VAT increase would have on social spending should Treasury not find a workable solution by 12 March 2025. While we cannot endorse VAT hikes, we equally reject any cuts to social spending that threaten service delivery and increase our social debt in the long term and urge government to explore pro-poor revenue-raising alternatives.

The postponement of the 2025 budget provides an opportunity for South Africans to consider what kind of future we want to see. The budget and budget processes are critical to advancing and protecting human rights. What we need now, more than ever, is a People's budget!

We call on National Treasury to:

- Table a pro-poor, developmental budget that sufficiently allocates (above inflation allocations) to socio-economic priorities;
- Strengthen tax revenue collection capacity to restore and grow our tax base to quell illicit financial flows;
- Explore tax and debt models that are progressive and can mobilise resources from non-compliant, under-taxed ultra-high-net wealth and income individuals and large companies to promote equity in the tax burden; and
- Promote transparent, genuinely inclusive, and participatory public budgeting processes by reintroducing and strengthening previously piloted pre-budget public hearings to enhance fiscal policy-making and deepen public engagement.

For media enquiries:

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ABOUT THE BUDGET JUSTICE COALITION:

The organisations that make up the BJC are: Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education (EE), Equal Education Law Centre (EELC), HEALA, the Institute for Economic Justice (IEJ), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Treatment Action Campaign (TAC), the Legal Resources Centre (LRC), Centre for Child Law (CCL), Youth Capital, 350.org, Open Secrets, Public Affairs Research Institute (PARI), Amandla.mobi, Black Sash as well as friends of the coalition.

The purpose of the Budget Justice Coalition is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way.