OUTA

ORGANISATION UNDOING TAX ABUSE

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OUTA submission to the Standing & Select Committees on Finance on Budget 2025

(Comment on fiscal framework and revenue proposals)

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The **Organisation Undoing Tax Abuse (OUTA)** makes this submission to the Standing Committee on Finance and the Select Committee on Finance, as comment on the fiscal framework and revenue proposals in Budget 2025.

OUTA remains committed to a neutral, fact-based approach in its advocacy efforts, focusing on presenting insights and constructive solutions to ensure accountability and responsible governance.

1. South Africa's financial situation is bleak

Budget 2025 shows the consolidated fiscal framework as follows[1]:

Table 3.5 Consolidated fiscal framework

R billion/percentage of GDP	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised estimate	Medium-term estimates		
Revenue	1 754.8	1 900.8	1 948.0	2 029.2	2 221.9	2 377.4	2 520.6
	27.7%	*28.1%*	*27.5%*	*27.1%*	*27.8%*	*27.9%*	*27.8%*
Expenditure	2 047.3	2 145.4	2 259.5	2 404.0	2 592.3	2 703.0	2 834.9
	32.4%	*31.7%*	*31.8%*	*32.1%*	*32.4%*	*31.8%*	*31.3%*
Non-interest expenditure	*1 771.3*	*1 829.7*	*1 896.0*	*2 006.1*	*2 158.9*	*2 244.6*	*2 346.2*
	28.0%	*27.1%*	*26.7%*	*26.8%*	*27.0%*	*26.4%*	*25.9%*
Budget balance	-292.6	-244.6	-311.6	-374.7	-370.4	-325.6	-314.2
	-4.6%	*-3.6%*	*-4.4%*	*-5.0%*	*-4.6%*	*-3.8%*	*-3.5%*

Source: National Treasury

Revenue growth projections are questionable

At the outset, we question Treasury's projection of a 9% growth in revenue from R2 029 billion (2024/25) to R2 222 billion in 2025/26. In addition, we also question the medium term estimated revenue for the years 2026/27 and 2027/28, which show a further growth of 7% and 6% respectively, on top of the 9% expected for 2026. We believe these expectations are too high, given the lack of meaningful interventions from National Treasury to achieve this growth in revenue. Treasury's explanation that this growth in revenue will be achieved on the back of infrastructure investment is rather ambitious.

Having said that, we believe these revenue estimates are possible, but more so on the back of SARS revenue increase possibilities and savings/efficiency improvements, as indicated in our suggestions in section 4(a) of this report, along with expected economic growth from planned investment in infrastructure development.

The Budget deficit is not being addressed

The consolidated budget deficit for 2025/26 is projected at R370.4 billion, or 17% of revenue, which is excessive and not tracking in the right direction. Every effort must be undertaken to reduce government operating expenditure and to investigate all avenues thereof, some of which we have suggested in 4(b), (e), (f), (h), and (i) below.

Projected revenue is only 86% of projected expenditure (including debt costs) for 2025/26. South Africa's borrowing requirement is not moving in the right direction and this requires urgent attention if we are to address South Africa's financial situation.

Debt-service costs will increase by 7.1% from R389.6 billion in 2024/25 to R424.9 billion in 2025/26[2], and will effectively consume 22c of every rand of revenue[3].

[1] Budget Review 2025, Table 3.5, page 29.
[2] Budget Review 2025, Table 1.4, page 8.
[3] Budget Review 2025, page 1.

Gross loan debt will reach R6 094 billion in 2025/26[4]. This is about three times as much as government's non-interest expenditure in 2024/25 (see Table 3.5 above).

This is not an encouraging picture and we cannot wait to address our financial plight as a nation.

2. Treasury's planned solution: Increasing VAT and personal income tax, which is unacceptable

To balance the Budget beyond 2024/25, the Minister of Finance proposes to increase the value-added tax (VAT) rate by 0.5 percentage points in 2025/26 and by 0.5 percentage points in 2026/27, bring VAT in 2026/27 to 16%.[5] In addition, Budget 2025 proposes not adjusting personal income tax brackets and rebates for inflation in 2025/26[6] for the second year in a row[7].

The impact of the VAT proposal is projected to raise R13.5 billion in 2025/26, another R29.8 billion in 2025/26, and R31.6 billion in 2026/27. The additional VAT zero-rating will reduce these totals by R2 billion to R2.3 billion a year.

Tax bracket adjustments have not kept pace with inflation

Treasury has repeatedly adjusted the PAYE tax brackets below that of the official CPI inflation rate for many years. Since 2012, there have been only three years where the PAYE tax brackets were adjusted higher than inflation; i.e. 2012 by 1%, 2021 by 1.9% and 2022 by 0.5%. In every other year, the tax bracket creep has been below inflation as follows:

2013: -0.7; 2014: -1.8; 2015: -1.6; 2016: -0.6; 2017: -4.6; 2018: -2.3; 2019: -1.4; 2020: -3.1; 2023: - 2.4; 2024: -6.0; 2025: -5.5.

The above figures, when combined with the three positive years, show that the taxpaying citizen has been placed at a cumulative disadvantage of 26 percentage points due to inflation since 2012.

Treasury has indicated that the impact of not adjusting the tax brackets and rebates for the next year will generate an additional R19.5 billion in 2025/26 and, going forward, this will equate to an additional R20.6 billion in 2026/27 and R22 billion in 2027/28.

This is once again the pain that is meted out to a relatively small tax base, by a government that is too lazy to tackle inefficiency, waste and corruption in South Africa.

These details are in Table 1.3, see below.[8]

[4] Budget Review 2025, Table 1.6, page 9.
[5] Budget Review 2025, page 33.
[6] Budget Review 2025, page 33.
[7] Budget Review 2024, page 7 and Table 1.3, page 8.
[8] Budget Review 2025, Table 1.3, page 8.

Table 1.3 Impact of tax proposals on medium-term revenue[1]

R million	2025/26	2026/27	2027/28
	Effect of tax proposals		
Gross tax revenue (before 2025 Budget tax proposals)	1 978 132	2 119 319	2 259 354
2025 Budget proposals[2]	28 000	14 500	
Direct taxes[3]	19 500	20 634	21 960
Personal income tax			
No inflationary adjustment to tax brackets and rebates	18 000	19 067	20 324
No inflationary adjustment to medical tax credits	1 500	1 567	1 636
Indirect taxes[3]	8 500	23 523	24 885
Value-added tax (VAT)			
Increase in VAT rate — 2025/26	13 500	14 344	15 196
Increase in VAT rate — 2026/27	–	15 500	16 420
Additional zero rating	-2 000	-2 128	-2 262
Fuel levy			
No adjustment to general fuel levy	-4 000	-4 257	-4 535
Diesel refund relief for primary sectors	–	-1 000	-1 065
Specific excise duties			
Above-inflation increase in excise duties on alcohol and tobacco	1 000	1 064	1 131
Net impact of tax proposals	28 000	44 158	46 845
Gross tax revenue (after tax proposals)	2 006 132	2 163 477	2 306 199

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
2. In-year tax increase with no carry through
3. Includes carry-through effect of tax policy proposals
Source: National Treasury

3. OUTA's comment: No to the proposed tax increases

OUTA strongly opposes the proposals to increase VAT and to not adjust personal income tax brackets and rebates for inflation. We believe that South Africans are overtaxed for the value they receive in return from government's services, thereby reaching (if not surpassing) efficiencies in the returns obtained through higher taxes applied to employees and companies. In effect, the South African tax base has reached its ceiling and further attempts to squeeze more from the tax base will be counterproductive, giving rise to more tax evasion and structures that will encourage business and individuals not to invest or declare revenues and income in South Africa.

The significant issues of corruption, inefficiency and financial mismanagement are being overlooked by government and the public are fed up with government asking for more in taxation, against a backdrop of incessant wasteful and irregular expenditure reported year after year in all levels of government by the Auditor General of SA (AGSA), along with almost daily exposure of corruption within the public sector reported by media and civil society.

This inability, unwillingness and lack of urgency by government to tackle the gross maladministration and corruption that permeates the public service are true barriers to progress.

We strongly object to taxpayers being "penalised" for government's incompetence and corruption.

4. OUTA's solution: Go after tax evaders, cut waste and tackle non- and under-performing programmes

National Treasury – with the help of Parliament – should focus on three main areas in order to address our tax deficit and national debt:

- A temporary fuel levy increase to address part of the immediate revenue shortfall;
- Collect more from opportunities where tax revenues are not being realized; and
- Reduce spending in every area possible, some of which we have spelt out below by largely reducing cutting wasteful expenditure and non-performing programmes.

(a) Temporary fuel levy increase

OUTA proposes that to address the current shortfall in tax revenues, the Minister of Finance should consider increasing the fuel levy by R0.50c per litre, to generate an additional R11 billion per annum, but to do so as a temporary measure, instead of increasing VAT by 0.5%, which will compensate for most of the revenue negated by a cessation of the VAT increase.

We suggest this with caution, as we have repeatedly called on the Minister to stop the incessant fuel levy increases which have been added onto motorists and businesses year after year, which Minister Godongwana obliged and ceased with these fuel levy increases since April 2021 (with some temporary reductions to compensate for economic pressures and high fuel costs after Covid-19 between April 2021 and August 2022).

We repeat that this should be a temporary measure, until the additional tax revenue suggested in 4(b) below, and the savings from all other points made in 4(c) to (j) below are able to reduce the budget deficit over time.

(b) Address tax evasion

SARS Commissioner Edward Kieswetter has publicly stated that he estimates that there are at least 100 000 individuals in South Africa with income of more than R1 million who are not registered to pay tax and, if they were found and brought into the tax net, it would add another R100 billion to Treasury's coffers.[9]

We understand there are also many billions of rand in revenue lost to illicit trade, for example, the tobacco and cigarette trade alone make up for an estimated R30 billion between them. There are many illicit business transaction flows that are not paying the correct excise and import duties/ fees, due to deliberate abuse of import categorisation codes and under-value reporting.

We call on Parliament to ensure that SARS and the criminal justice system is capacitated to address these issues.

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[9] William Brederode. 13 March 2025. *100 000 people who earn more than R1m don't pay tax, estimates SARS boss*. Available at: https://www.news24.com/fin24/economy/100-000-people-who-earn-more-than-r1m-dont-pay-tax-estimates-sars-boss-20250313

Ignoring these revenue sources is inexcusable, and failing to hold such people to account is insulting to those who do pay tax.

(c) Use GTAC's spending reviews and more

The National Treasury's Government Technical Advisory Centre (**GTAC**) carried out numerous spending reviews from 2020/21 to 2021/22. GTAC briefed the Standing Committee on Appropriations on these reviews on 19 March 2025, and informed the committee the country could save R36 billion over three years[10]. GTAC told the committee it would resubmit its consolidated recommendations from the spending reviews to Cabinet in 2025. GTAC also told the committee that government could identify 1% of total spending (about R20 billion a year) to cut on programmes delivering below-average social value.

What really irks society is that these spending reviews were conducted three years ago, and very little has been done to implement to suggestions and proposals made by the GTAC efforts. This is indicative of a lazy government that prefers not to do the hard yards of prudence and efficiency in state spending, but rather to turn to its citizens for higher increases in tax revenues.

We cannot accept this conduct by Government any longer. This is the year we require a significant shift in government attitude toward its spending habits.

Pay attention to tightening up on procurement

Reports from the AGSA's office, combined with those from independent research institutions and National Treasury itself, suggest that losses from corruption, inefficiency and wasteful expenditure amounts to as much as **R200 billion per annum**. OUTA believes that if National Treasury applies its mind to conducting more in-depth analysis of spending within the public sector across the country, and working with civil society, the GTAC team could find a lot more savings than the R36 billion recently announced by GTAC.

Transparency in procurement is the strongest tool available, and we believe that implementing e-procurement systems that ensure full transparency is long overdue.

The AGSA's reports show that just four culprits in this space are:

- Transport: Addressing wasteful spending and cost saving initiatives in the transport sector (Sanral, Prasa, Transnet, government fleet management and public transport subsidies) could give rise to R20 billion in savings a year.
- The education sector could save R15 billion if attention is paid to bloated administration, ghost learners, learning material procurement, school infrastructure costs and poor management in deployment of teachers.
- The Higher Education Department could save R12 billion if attention was paid to NSFAS bursary corruption, inefficient university spending and duplicated training and Sector Education and Training Authority (SETA) waste.

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[10] Parliamentary Monitoring Group. *Standing Committee on Appropriations: Minutes: National Treasury: Division of Revenue; spending reviews conducted in past 5 financial years*. 19 March 2025. Available at: https://pmg.org.za/committee-meeting/40435/

- Health: R20 billion could be saved by reducing wasteful expenditure, largely through addressing overpricing and corruption in procurement, overstaffed administration, management and inefficiencies in hospitals and fraudulent medical claims.

(d) Cut the SOEs

OUTA has repeatedly called for the rationalisation and sale/disposal of non-core state-owned enterprises (SOEs).

GTAC notes that the number of public entities has expanded from 100 to 279 from 1999 to 2019, and that this “has resulted in an expansion in the cost of running government”.[11]

OUTA believes that Treasury should conduct a detailed evaluation of all SOE’s to establish and reconsider: why the state needs to own these businesses and, might the country be in a better position if these entities are sold off where more job creation and taxes may be generated for the state?

(e) Use the accumulated surpluses in entities

A number of SOEs have quietly accumulated huge surpluses over many years. The accumulation of surpluses requires National Treasury permission and we believe such permission has not always been requested or granted by Treasury. In October 2024, OUTA’s scan of the annual reports of 26 entities within the Department of Higher Education alone found a collective R55.5 billion in accumulated surpluses, some hidden in capital funds.

OUTA believes there are many more SOEs and department entities that are similarly accumulating surpluses and that some entities use these accumulated surpluses to justify unnecessary spending.

OUTA calls for these surpluses to be taken into account before further transfers are made to these entities.

(f) Reduce the size of the Cabinet

OUTA believes the Presidency needs to conduct a full-scale audit of the number of Cabinet positions and, more importantly, the number of deputy ministers assigned to each department.

South Africa does not need the size of its recently expanded Cabinet and, certainly, it does not need to have two deputy ministers in any department. We sincerely believe only one deputy minister is required and even then, only for half the number of departments that have large budgets and greater complexities. In addition to the President and Deputy President, there are 32 ministers and 43 deputy ministers[12]: a total of 75 positions out of a pool of 400 MPs.

[11] Government Technical Advisory Centre. 19 March 2025. *Spending reviews 2020-2024*. Presentation to the Standing Committee on Appropriations. Available at: https://static.pmg.org.za/250319Spending_Reviews_SCOA_presentation___.pdf
[12] SA News. 30 June 2024. *Meet SA’s new cabinet*. Available at: https://www.sanews.gov.za/south-africa/meet-sas-new-cabinet

This is excessive by any comparison to other functional countries and requires an urgent review. OUTA believes that several hundred millions of rand could be saved per annum in this regard.

For an idea of some of these costs:

- The ministry cost in the Presidency (for the Minister in the Presidency and two deputy ministers) is R56 million.[13]
- The ministry cost in the Basic Education vote (with one deputy minister) is R42 million for 2025/26.[14]
- The ministry cost in the Employment and Labour vote (two deputy ministers) is R50 million; this vote notes that the appointment of the additional deputy minister costs R11m.[15]
- The ministry cost listed in the Defence vote[16] is R153 million (one minister, and a deputy minister for Defence and one for Military Veterans, with the full ministry cost apparently included in Defence as nothing is listed in Military Veterans[17]), up from R56 million in 2023/24.

The remuneration of members of parliament costs R519.1 million in 2025/26. Last year, the remuneration cost for 2024/25 jumped from R492.9 million (Budget 2024) to R713.7 million in the Medium-Term Budget Policy Statement (MTPBS 2024).[18] While this appears to have been a once-off increase, to address possible early retirement processes (as it is not reflected in Budget 2025),[19] we need to know what these additional funds were used for. Why is this not explained in budget documents? What is being hidden? OUTA raised this in our submission to Parliament on MTBPS 2024 but did not receive an explanation.

(g) Cut the blue light and security costs of Cabinet

The Police spend R3.891 billion in 2025/26 on VIP Protection Services and Static Protection (two sub-programmes in Programme 5: Protection and Security Services).[20] This is for mobile and static protection for VIPs. We believe the country requires a review of this expenditure, as to who is entitled to protection on this programme. When comparing these costs to the very essential services of various elements within the criminal justice system (see below), we believe the entire VIP Protection program requires a deep dive and review of actual costs per head being paid, the size of

[13] Budget 2025. *Estimates of National Expenditure: Vote 1: The Presidency*. Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2001%20The%20Presidency.pdf

[14] Budget 2025. *Estimates of National Expenditure: Vote 16: Basic Education*. Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2016%20Basic%20Education.pdf

[15] Budget 2025. *Estimates of National Expenditure: Vote 31: Employment and Labour*. Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2031%20Employment%20and%20Labour.pdf

[16] Budget 2025. Estimates of National Expenditure: Vote 23: Defence. Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2023%20Defence.pdf

[17] Budget 2025. *Estimates of National Expenditure: Vote 26: Military Veterans.* Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2026%20Military%20Veterans.pdf

[18] MTBPS 2024. *Adjusted Estimates of National Expenditure. Vote 2: Parliament*. Available at: https://www.treasury.gov.za/documents/mtbps/2024/aene/Vote%2002%20Parliament.pdf

[19] Budget 2025. 12 March 2025. *Estimates of National Expenditure: Vote 2: Parliament: Excel tables.* (Sheets on "Expenditure Trends" and "Expenditure Estimates"). Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/ENE25-Vote02_ChapterTables.xlsx

[20] Budget 2025. *Estimates of National Expenditure: Vote 28: Police*. Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2028%20Police.pdf

these protection services and the number of people requiring such services. By doing so, we believe a 25% savings could be achieved, which could amount to almost R1 billion per annum.

- The National Prosecuting Authority (NPA) is allocated R6.135 billion and has 5 399 staff.[21]
- The Hawks: R2.652 billion.[22]
- The Special Investigating Unit (SIU): R460 million.[23]
- The NPA's Investigating Directorate (ID): R311 million.[24]
- The NPA's Asset Forfeiture Unit (AFU): R278 million.
- The NPA's Office for Witness Protection: R279 million.
- Public Protector: R388 million.

The spending on VIP protection – to benefit a small number of individuals – is outrageous in comparison. Entities such as the SIU, the ID and the AFU are needed to recover the billions of rand looted in state capture and grand corruption, but receive what appear to be merely token allocations.

(h) Sell under-utilised state assets

Sell under-utilised state assets. In some cases, not only are these not being used, but buildings which are effectively abandoned are degrading city centres. Assets to consider for sale should include unneeded buildings and non-core SOEs and their assets.

(i) Review all government building leases

Since the event of the Covid-19 pandemic, the building leasing industry preces have been significantly reduced, and yet we find many office and building leases by the state have continued without as much as taking the opportunity to reduce these leases when the appropriate time for lease renewals was possible. In fact, we have seen some entities (such as the Insurance SETA – INSETA, within Higher Education Department), move to new premises shortly after the Covid-19 pandemic, and secure rental rates at significantly higher rental rate per square meter than they could have achieved at the time.

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[21] Budget 2025: *Estimates of National Expenditure: Vote 25: Justice and Constitutional Development*. (Programme 4: NPA). Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2025%20Justice%20and%20Constitutional%20Development.pdf

[22] Budget 2025. *Estimates of National Expenditure: Vote 28: Police*. The Hawks (Directorate for Priority Crime Investigation) are funded as the Specialised Investigations sub-programme in Programme 3: Detective Services). Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2028%20Police.pdf

[23] Budget 2025. *Estimates of National Expenditure: Vote 25: Justice and Constitutional Development.* (The SIU is a sub-programme in Programme 5: Auxiliary and Associated Services). Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2025%20Justice%20and%20Constitutional%20Development.pdf

[24] Budget 2025: *Estimates of National Expenditure: Vote 25: Justice and Constitutional Development*. (The ID, AFU and Office for Witness Protection are all sub-programmes within Programme 4: NPA). Available at: https://www.treasury.gov.za/documents/national%20budget/2025/ene/Vote%2025%20Justice%20and%20Constitutional%20Development.pdf

Furthermore, with the knowledge that the state has many vacant buildings of its own, we believe that a full-scale and in-depth review of our state-owned buildings and leases with private sector needs to be conducted, with a detailed plan to:

a. Maximise usage of own buildings.
b. Reduce the need to lease the current properties and/or reduce the space required if possible.
c. Reduce the rental tariff rates when and where possible.

(j) Boards of directors: Review size, fees and number of meetings of all state entity boards

OUTA has noticed that there appears to be an inconsistency and excessive expenditure taking place within the boards of many SOEs and government-managed organisations such as the various SETAs (21 of them), the Road Traffic Management Corporation (RTMC), the Road Traffic Infringement Agency (RTIA), the South African National Roads Agency (Sanral), the Air Traffic Navigation Services (ATNS) and many more.

OUTA work has noticed a few concerns pertaining to entity boards in the following areas:

a. Many of these boards are oversized for the work they do.
b. The fees that board members receive are inconsistent and in many cases excessive for the amount of time and hours they actually spend in board meetings.
c. Many boards meet far too regularly and appear to do so for the mere purpose of helping to increase the remuneration of these boards.
d. Many boards overreach and are far too involved in the operational matters of the organisations they are supposed to oversee, not manage.

OUTA believe a full review of the boards of all state entities should be conducted, with a view to reducing the size of some of these boards and applying some degree of consistency in the fees received and the maximum number of meetings that should be attended.

The Organisation Undoing Tax Abuse (OUTA) is a civil action NGO

The Organisation Undoing Tax Abuse (OUTA) is a proudly South African civil action organisation set up in March 2012. It is a registered non-profit, overseen by an executive committee and a board of directors.

OUTA challenges inefficiencies, maladministration, and corruption in government. It was originally set up to oppose the tolling of Gauteng's urban freeways but later expanded to challenge corruption in government and the abuse of public funds.

OUTA is crowd-funded by thousands of ordinary people and businesses.

Our vision is of a prosperous country with an organised, engaged and empowered civil society that ensures responsible use of tax revenues and public funds throughout all levels of government.

Our values are integrity, resilience, courage, tenacity, humility, honesty, inclusivity and accountability.

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