



MK PARTY

PARLIAMENTARY CAUCUS

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MEDIA STATEMENT

1st April 2025

MK PARTY OPPOSES THE 2025 FISCAL FRAMEWORK AND REVENUE PROPOSALS.

The uMkhonto weSizwe Party (“MK Party”) strongly opposes the 2025 Fiscal Framework and Revenue Proposals as tabled by the Minister of Finance. The MK Party believes that the proposed measures fall short of providing a sustainable and equitable solution for all South Africans.

Firstly, the economic growth projections put forward by the National Treasury are overly optimistic. The forecast of a 1.9% GDP growth rate in 2025 does not adequately account for the persistent structural challenges and geopolitical risks that continue to hinder our economic progress. Historical data shows that our GDP growth has averaged less than 1% since 2012, and recent years have seen even lower growth rates. It is imperative that we adopt more realistic and prudent economic forecasts to ensure that our fiscal planning is grounded in reality.

Secondly, the proposed increase in the VAT rate by 0.5 percentage points in 2025 and 2026 is deeply concerning. VAT is a regressive tax that disproportionately impacts low-and middle-income households, exacerbating poverty and inequality. The National Treasury's justification that high-income households pay more VAT in absolute terms fails to address the significant burden this tax places on the most vulnerable members of our society. We must explore alternative revenue sources that do not further erode household purchasing power and suppress consumer spending.

Moreover, the decision not to adjust Personal Income Tax (PIT) brackets for inflation is another regressive measure that will strain already struggling households. This approach disproportionately affects lower-and middle-income groups, pushing them into higher tax brackets and reducing their disposable income. It is essential that we review PIT tables annually to ensure that inflation does not automatically increase the tax burden on these taxpayers.

The proposed fiscal strategy continues to emphasize fiscal consolidation, despite its failure to stabilize debt and deficits over the past decade. The National Treasury's admission that this approach has not achieved its intended objectives should prompt a re-evaluation of our fiscal policy. We need a more expansive fiscal policy that enhances household resilience, stimulates aggregate demand and addresses pressing social needs.



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Furthermore, the high levels of debt-to-GDP and rapidly increasing debt service costs are alarming. Gross loan debt is projected to reach R6.8 trillion by 2027/28, with debt service costs crowding out essential social expenditure. We must develop a clear, transparent and credible debt reduction strategy to ensure fiscal sustainability without compromising public services.

Thirdly, while we appreciate the additional allocation to SARS to enhance its capacity to collect unpaid taxes, we remain concerned about the institution's underfunding and its ability to close the tax gap effectively. SARS estimates a tax gap of R700 to R800 billion annually, and even with a 30% recovery rate, this could yield significant additional revenue. It is crucial that we support SARS in its efforts to modernize systems, improve enforcement and increase revenue collection.

We strongly believe that the 2025 Fiscal Framework and Revenue Proposals do not provide a balanced and equitable approach to addressing our fiscal challenges. We must prioritize measures that support economic growth, job creation, youth unemployment, empowerment of SMMEs, protect vulnerable households and ensure fiscal sustainability.

The MK Party has proposed amendments to the provision of the Act that empowers the Minister to make pronouncements and it comes into effect without the deliberation and adoption by the committee. The current legislation of VAT ACT of 1991 and the PFMA of 1994, contains clauses that renders the committee useless in protecting the public in terms of VAT increase pronouncements by the Minister.

In Summary, we object to the proposed budget and call for the amendment of the Fiscal Framework and Revenue Proposal and reject any VAT increase. To provide immediate relief to the working class we call for the adjustment of Personal Income Tax (PIT) brackets to accommodate inflation changes.

The MK Party has proposed alternative measures that work towards a budget that truly serves the interests of all South Africans. Our Fiscal Framework and Revenue Proposals including 6 Funding Options are as follows:

1. Strengthen SARS to Recover R800 Billion from Tax Evaders:

The South African Revenue Service (SARS) must be adequately resourced to track down and recover the estimated R800 billion lost to tax evasion. The MK government will invest in technology, forensic audits and enforcement to ensure that all individuals and corporations pay their fair share.

2. End Illicit Financial Outflows and Transfer Pricing Manipulation:

South Africa loses billions due to multinational corporations shifting profits offshore through transfer pricing. The MK government will clamp down on these illicit financial flows, ensuring that wealth generated in South Africa benefits South Africans.

3. Implement a Wealth Tax:

The extreme inequality in South Africa demands bold action. A progressive wealth tax will ensure that the ultra-rich contribute fairly to the economy and help fund essential services for the majority.



4. Increase Corporate Tax by 1 Percentage Point:

South Africa's corporate tax rate was reduced in 2022, yet companies continue to maximize profits at the expense of workers and service delivery. A modest increase of 1 percentage point will generate billions in additional revenue without stifling investment.

5. End Corruption and Wasteful Expenditure:

Billions are lost annually due to corruption, fraud, and reckless spending. The MK government will enforce stricter financial controls, hold officials accountable and ensure that no public funds are wasted on unnecessary or politically motivated decisions—such as aborting the tabling of a national budget.

6. Cut the Bloated Executive to 20 Ministers and Remove All Deputy Ministers:

The DA-led coalition, the so-called Government of National Unity (“GNU”) has created an oversized executive to accommodate political patronage rather than efficiency. The MK government will streamline the Cabinet to 20 Ministers and eliminate all Deputy Ministers, saving billions in unnecessary salaries, perks and luxury spending and related multiplier effect.

The MK Party further calls for economic structural reviews that will support State Owned Entities, recommend diversifying revenue streams through a systemic review of tax incentives, renegotiation of the Southern African Customs Union (SACU) agreement, and leveraging the public sector balance sheet to fund infrastructure projects. The MK Party advocates for the conversion of the Social Relief of Distress (SRD) grant into a Basic Income Grant (BIG) to provide sustainable support to vulnerable households. We believe that social grants should be increased by amounts sufficient to cover the cost of living and adjusted annually for inflation.

ENQUIRIES:

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