

Agbiz media statement

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Agbiz welcomes the 2023 budget speech delivered in a tough environment

Finance Minister Enoch Godongwana delivered the 2023 budget speech in a uniquely challenging environment. Global economic growth is slowing, from an estimated 3.4% in 2022 to 2.9% in 2023. The domestic challenges, particularly the energy crisis, remain a significant constraint to growth, with the South African economy expected to grow by less than 2% through 2025.

Agbiz welcomes this budget speech. We are particularly encouraged by the minister's focus on Eskom's debt and the debt-relief arrangement, which will assist Eskom to have the flexibility to prioritise capital expenditure in transmission and invest in the maintenance of the existing generation fleet to improve the availability of electricity.

In an environment where agribusinesses and farmers face rising input costs and higher interest rates, the implementation of the refund on the road accident fund levy for diesel used in the manufacturing process, such as for generators from 1 April 2023 for two years is a laudable intervention. This proposal formed a central part of the work to which Agbiz contributes as part of the ministerial task team on energy security. This will also help ease consumer food price inflation, which we feared would remain elevated partly because of rising energy costs and the unreliability of the power supply.

Moreover, the intervention for businesses to reduce their taxable income by 125% of the cost of an investment in renewables and the capped rebate for households will help ease cost pressure and hopefully incentivise increased renewable installations. It is somewhat unclear under which category farming businesses that operate as sole proprietors without separate entities will fall. Once SARS publishes the details of the rebate scheme, farmers will need to consult with their tax practitioners to determine the most appropriate avenue to benefit.

The increased focus on infrastructure, specifically on bulk water infrastructure such as the raising of the Clanwilliam Dam wall and the additional allocations for the maintenance of roads is encouraging. These network industries are critical for the agriculture and agribusiness sectors, where irrigation is increasingly essential, and over two-thirds of the produce in the sector is transported by road. The minister also referred

to engaging on strategic infrastructure projects as part of the R351,1 billion allocation. Agbiz has been working closely with entities such as Transnet to identify critical infrastructure constraints that are impeding the sector's growth. We see synergy in these efforts and look forward to motivating projects of strategic importance.

The sugar and wine industries are under pressure from the health promotion levy and customs and excise duties respectively. Whilst we had hoped that some relief would be forthcoming in the form of tax breaks, we are relieved that the rates on these taxes have not been increased substantially and are in line with industry requests. These industries face rising input costs and are taxed at relatively higher levels than our international competitors.

Overall, we congratulate the finance minister and the National Treasury colleagues for delivering this credible budget at such a challenging economic time.

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