



PROGRESSIVE TAX REFORM FOR A UNIVERSAL BASIC INCOME

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FUNDING SOCIAL SECURITY

“There is a wide variety of options to generate resources for social protection, even in the poorest countries” (ILO, 2018)

Considerations for funding a Universal Basic Income Grant

- Why subject to special funding considerations?
- Importance of progressive financing - raising VAT or other flat taxes burdens the poorest
- Ring fencing or general income
- Gross vs. net costs
- Menu of feasible options rather than suite of recommendations
- Public resistance is likely if taxpayers perceive high levels of corruption and waste.
Tackling mismanagement and demonstrating fair use of revenues is critical to sustain compliance and legitimacy.

COST OF A UBIG

Table 1: Cost of UBIG in different scenarios

Groups (18-59)	Number of People (Millions)	FPL (R855 pm) (R billions)	LBPL (R1 415 pm) (R billions)	UBPL (R2 846 pm) (R billions)	R3 500 pm (R billions)	R4 500 pm (R billions)
All	36.5	R374	R619	R1,246	R1,533	R1,971
All (80%)	29.44	R302	R499	R1,005	R1,236	R1,589
All (60%)	22.08	R226	R374	R754	R927	R1,192
Informal Workers	5.6	R57	R95	R191	R235	R302
Unemployed	11.5	R117	R195	R392	R483	R621
NEA	8.8	R90	R149	R884	R369	R475
NFE	25.9	R265	R439	R884	R1,087	R1,398

INCOME TAX - SOCIAL SECURITY TAX

Table 2: Social Security Tax

Tax	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Social Security Tax (SST)	R97.39	R100.49	R103.60	• 1.5% of taxable income for income between R0 and R99 000 per annum; • 2% of taxable income between R99 000 and R350 000 per annum; • 2.5% of taxable income between R350 000 and R 1 million per annum; • 3% of taxable income more than R1 million per annum.

Pros	Cons
• Solidarity tax • Progressive • Easy to administer • Lowest-income are still net beneficiaries • Claw-back for universality at middle and upper end • Manageable increase, effective tax rate increase for middle- and high-income earners ~3 percentage points	• Less progressive than some other options

INCOME TAX - REMOVING TAX BREAKS

Table 3: Selective removal of income tax breaks

Tax	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Selective removal of retirement fund contribution deduction	R25.69	R26.51	R27.33	Removal of deduction for those with taxable income of more than R1 000 000 per annum.
Selective removal of Medical Aid Tax Credit	R11.55	R11.92	R12.29	Removal of tax credit for main member and first dependent for those with taxable income > R500 000 per annum

Pros	Cons
• Highly progressive • Average monthly benefit of retirement fund contribution deduction is ~R6 000, far exceeding any UBIG • Medical tax credit of R374 for first two members > current SRD grant • Easy to administer	• Medical Aid Tax Credit removal may compete with NHI funding

WEALTH AND PROPERTY TAXES

Table 4: Wealth taxes

Wealth and Property Taxes	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Wealth Tax	R63	R65	R67	1% tax rate for top 1% and 3% tax rate for top 0.1%. Evasion rate of 30% and 20% stock depreciation assumed
Estate Duty Tax	R2	R2	R2	• Estates valued R3.5 - R30 million are taxed at a rate of 36% • Estates valued R30 - R146.89 million are taxed at a rate of 41% • Estates valued above R146.89 million are taxed at a rate of 45%
Dividend Tax	R9	R9	R10	Increasing dividend tax rate from 20 to 25%

Pros

- Highly progressive
- Tackles excessive wealth inequality
- Top 1% have wealth > ~R3.9 million
- Top 0.1% have wealth > ~R29.2 million
- Net wealth taxes in Argentina, Spain, Norway, Switzerland and Colombia have raised between 0.2% and 1.5% of GDP
- Better aligns latter two with income tax levels
- Increasing dividend tax shown to boost investment (e.g. in France)

Cons

- Wealth tax requires strong data collection, enforcement, and cooperation across border mechanisms, raising administrative costs

WEALTH AND PROPERTY TAXES - TRANSACTION TAXES

Table 5: Transaction taxes

Wealth and Property Taxes	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Currency Transaction Tax	R1	R4	R4	0.005% tax on all onshore currency transactions
Securities Transfer Tax (STT)	R4	R4	R4	Increase rate from 0.25% to 0.3%
Financial Transaction Tax (FTT)	R41	R41	R41	0.1% tax rate (calculated in 2021, not redone here)

Pros	Cons
• Reduces speculative financial transactions • Studies of France's dividend tax and financial transaction taxes in Europe show positive effects on investment and reduced volatility • Belgium, France, Italy, Brazil, Argentina, Bolivia and Venezuela raise between 1 and 7% of all taxes from these sources	• Impact of taxation on financial transactions uncertain

REMOVAL OF CORPORATE TAX BREAKS

Table 6: Removal of corporate tax breaks

Tax Measure	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Reduce profit shifting of MNCs	R6.14	R6.34	R6.53	Target of 25% reduction
Cancel Employment Tax Incentive (ETI)	R5.40	R5.58	R5.75	
Reverse Corporate Income Tax (CIT) reduction	R8.76	R9.04	R9.32	Reverse reduction of CIT from 28 to 27%

Pros	Cons
• Removes inefficient subsidies and illegal behaviour • No positive impact on investment demonstrated by reduction in CIT	• None

CONSUMPTION TAXES

Table 7: Consumption taxes

Tax Measure	2026/27 (billions)	2027/28 (billions)	2028/29 (billions)	Notes
Implementing a Luxury VAT	R10	R10	R10	25% VAT rate on luxury goods.
Carbon Tax	R2	R2	R2	Increase to one-quarter of EU standard (2021 amount).

Pros	Cons
• Progressive • Advances climate goals	• Possible but not simple to implement • Difficult timing on carbon tax perhaps

FUNDING A UBIG

Further considerations for funding a Universal Basic Income Grant

- This is not simply a question of financing.
- Need to look at the structural benefits of social security provision. The evidence indicates social security provision:
 - Lowers poverty; stimulates local economies; supports work seeking activity; improves human capital development; reduces gender inequalities and supports care provision; has positive macroeconomic multipliers; and suffers much lower levels of corruption and poor quality of spend.
- 2023 study of 42 countries showed cash transfers in developing countries have high multipliers, particularly in highly unequal societies, suggesting that the positive impact of social protection spending on GDP accumulates over time.
- Ultimately, need to improve quality of spend and ensure significantly accelerated growth.
- Fiscal policy is obviously ultimately a question of priorities and trade off.

Thank You



The Institute for Economic Justice (IEJ) is a progressive economic policy think tank committed to advancing economic justice, systemic change, and the equitable distribution of resources to ensure rights realisation and planetary wellbeing.



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NOTES ON METHODOLOGY

Table 1: Estimates based on National Poverty Lines (2025), National Population Trends (2025) and Quarterly Labour Force Survey Q4 (2025)

Table 2: Methodology as per DNA Economics (2021), updated using National Treasury Budget Review 2026 tax and CPI data.

Table 3: Methodology as DNA Economics (2021), updated using SARS/NT 2025 Tax Statistics and National Treasury Budget Review CPI data.

Table 4: Estimates based on data taken from DNA Economics (2021) and IEJ (2021a) and increased using National Treasury Budget Review CPI data.

Table 5: Estimates based on data taken from DNA Economics (2021) and IEJ (2021a) and increased using National Treasury Budget Review CPI data.

Table 6: Estimates based on data taken from DNA Economics (2021) and IEJ (2021a) and increased using National Treasury Budget Review CPI data.

Table 7: Estimates based on data taken from DNA Economics (2021) and IEJ (2021a) and increased using National Treasury Budget Review CPI data.

KEY REFERENCES

DNA Economics (2021) [Universal Basic Income Guarantee: Financing options analysis](#)

IEJ (2021a) [Financing Options for a Universal Basic Income Guarantee in South Africa](#)

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