

Outsourced CFO: Budget 2025 A Mixed Bag for Businesses In South Africa

Strategic planning essential as VAT hikes, infrastructure investments offer both challenges and opportunities for South African businesses in Budget 2025.

CAPE TOWN, SOUTH AFRICA, March 13, 2025 /EINPresswire.com/ -- The 2025 Budget Speech, delivered today by Finance Minister Enoch Godongwana, outlines bold fiscal strategies to stabilise South Africa's economy, but has also stirred concern across the business sector. Etienne Raubenheimer, [Head of CFO Services](#) at Outsourced CFO (OCFO),



Etienne Raubenheimer - Head of CFO Services

commented extensively on the anticipated economic impact, emphasising that businesses across sectors need to prepare strategically for the road ahead.

Minister Godongwana's decision to incrementally increase Value-Added Tax (VAT) to 16% by 2026/27 has drawn the most attention, given its broad impact on consumers and businesses alike. Raubenheimer recognises the government's challenge in balancing increased public spending needs against limited revenue options but underscores the complexities this decision brings.

"While raising VAT is fiscally understandable, we must acknowledge that it comes at a difficult time for both small and large businesses already operating in an economy strained by sluggish growth, infrastructural challenges, and ongoing power outages," explains Raubenheimer.

For small and medium-sized enterprises (SMEs), the VAT increase poses an immediate risk to their cash flow and overall financial stability. Raubenheimer points out that many SMEs are already operating on tight margins due to rising operational costs, high interest rates, and the persistent impacts of load shedding. The additional tax burden could further compress these margins, limiting their ability to grow and invest in new opportunities.

"Higher VAT translates directly into higher costs for businesses, especially SMEs that can't always pass these increased costs to consumers without affecting their competitiveness," Raubenheimer notes. "Moreover, decreased consumer spending power, a likely outcome of higher VAT, could lead to further reduced sales volumes and even business closures."

Yet, larger businesses are not immune to these changes either. Corporate South Africa, already grappling with a challenging operating environment characterised by logistical constraints, high electricity tariffs, and volatile global markets, faces further pressures. According to Raubenheimer, the ripple effects of increased VAT could include dampened consumer demand, tighter margins, and potentially, slower investment in expansion and job creation.

"While larger corporates may be better positioned financially to absorb some of these costs initially, prolonged consumer spending downturns and weaker economic conditions will inevitably squeeze corporate profitability and deter future investment," Raubenheimer emphasises.

However, Raubenheimer acknowledges that the government's fiscal strategy, including significant allocations to infrastructure, health, and education, is critical for South Africa's long-term economic health. He notes that infrastructure spending - over R1 trillion earmarked for transport, logistics, energy, and water infrastructure - could stimulate considerable opportunities for businesses if effectively executed.

"Investment in infrastructure is promising news for businesses across sectors, especially construction, engineering, logistics, and technology," he says. "These projects can drive demand in various industries, creating positive spill-over effects and supporting growth and employment. The challenge will be in execution and ensuring the benefits reach businesses of all sizes."

OCFO also highlights some positive developments, including the extension of zero-rated VAT items such as additional food categories, and a freeze on fuel levies, providing some relief to consumers and indirectly to businesses.

"The targeted support measures are a welcome acknowledgment of the hardships consumers and businesses face. However, the broader impact of higher VAT on consumer spending cannot be underestimated. Businesses must remain agile and ready to adapt quickly," advises Raubenheimer.

Raubenheimer recommends that all businesses, large and small, adopt a strategic and proactive approach to navigating these changes. He highlights several areas businesses should focus on:

- Cash Flow Management: Accurate forecasting, tight credit control, and proactive cash flow strategies.
- Cost Efficiency: Reviewing and optimising operational costs regularly to mitigate the impact of increased taxes.
- Pricing Strategies: Carefully assessing pricing structures to remain competitive while protecting

profitability.

- Digital Transformation: Leveraging technology and innovation to streamline processes, reduce costs, and explore new markets.

"This budget presents a turning point where businesses must reassess their financial planning and operational strategies. Our advice to businesses is clear—be proactive, plan effectively, and stay agile. Strategic financial planning and expert advice are more crucial now than ever before," Raubenheimer stresses.

Outsourced CFO is committed to helping businesses navigate these turbulent economic times with customised, strategic financial advice tailored to each business's unique challenges and opportunities.

"We urge business leaders to reach out and engage with our financial experts to prepare effectively for these changes," concludes Raubenheimer. "Our goal at OCFO is to empower businesses to withstand pressures and position themselves for sustainable growth."

Businesses looking for strategic guidance on adapting to Budget 2025 can contact Outsourced CFO by contacting the team at www.ocfo.com.

Note: At time of print the proposed budget has not yet been debated or passed by Parliament.

About Outsourced CFO

Outsourced CFO (OCFO) is a leading financial consultancy firm that provides expert CFO services, financial strategy, and cash flow management solutions to growing businesses. Their team of experienced professionals helps companies navigate financial complexities, optimise their cash flow, and achieve long-term financial success. Visit www.ocfo.com for more information.

Etienne Raubenheimer is available for media interviews and expert commentary. Please contact JamJar Media to make arrangements.

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