

25 March 2020

GOVERNMENT'S INITIATIVES TO SUPPORT SMMEs DURING THE COVID-19 VIRUS PANDEMIC

As a country, we find ourselves in largely uncharted territory since the Covid-19 virus made its appearance in China, but has since rapidly spread across the world.

Subsequent to the President declaring a state of national disaster on 15 March 2020, our President on 23 March 2020, went further to announce a national "lockdown" of South Africa between 26 March and 16 April 2020 in an attempt to halt the spread of the Covid-19 virus in South Africa. Knowing too well the adverse impact that this drastic step would have on South Africa's on South Africa's already fragile economy, the President announced a number of initiatives to cushion the fallout that the lockdown is likely to have on the South African economy.

As part of our continuous effort to keep you informed of measures available to you, we present a high level overview of the economic and fiscal interventions proposed by National Government, as well as those which have already been finalized to limit the financial impact of the Covid-19 virus on the business community of South Africa.

The following interventions were implemented to assist South African businesses:

1. A Small to Medium Sized Entities (SMME) Fund;
2. Unemployment Insurance Fund (UIF) Benefits;
3. A Solidarity Fund;
4. Changes to the Employment Tax Incentive (ETI);
5. Pay As You Earn (PAYE) and Income Tax relief;
6. A Tourism Fund; and
7. Funding from the Industrial Development Corporation (IDC).

1. A Small to Medium Sized Entities (SMMEs) Fund

The Department of Small Business Development established the SMME Support Intervention comprising **of the Debt Relief Fund and Business Growth/Resilience Facilities** which is aimed at providing relief in respect of existing debts and repayments to assist small, micro and medium enterprises (SMMEs) during the period of the COVID-19 State of Disaster.

To be eligible for assistance under the Debt Relief Fund, the applicant must demonstrate a direct link between the impact or potential impact of COVID-19 and the underlying business operations.

The Business Growth/ Resilience Facility is specifically created to enable continued participation of SMMEs in supply value-chains, in particular those who manufacture (locally) or supply various products that are in demand, emanating from the current shortages due to COVID-19 pandemic. This facility will offer working capital, stock, bridging finance, order finance and equipment finance and the amount required will be based on the funding needs of the business.

At the time of writing, the full details on debt relief, business growth and resilient funding program was not yet published by National Government.

SMMEs applying for assistance will be required to enroll on the SMME South Africa platform (www.smmesa.gov.za).

2. Unemployment Insurance Fund (UIF) Benefits

The Unemployment Insurance Fund will compensate affected workers through a **new "National Disaster Benefit" and its existing the Illness, Reduced Work Time and Unemployment benefits.**

This new "National Disaster Benefit" and any other normal UIF benefit is only applicable to employers who are registered with the UIF and make monthly contributions as required by the Contributions Act of 2002.

The following UIF benefits will be available under the National Disaster Benefit:

National Disaster Benefit (NDB)

Where an employer may decide, as a direct result from the current COVID-19) pandemic to close their business for a period and send employees home, this constitutes a temporary lay-off. If the employer cannot pay his employees for this period, the employer may apply for the "National Disaster Benefit" from the UIF.

This benefit will be at a flat rate equal to the minimum wage (R3 500) per employee for the duration of the shutdown or a maximum period of three months, whichever period is the shortest.

An employer or employee cannot apply for the NDB and any other UIF benefit simultaneously. i.e. if the employer or employee applies for benefits under the NDB scheme, the employee will not be able to apply for normal UIF benefits.

Reduced Work Time (RWT)

The RWT is applicable where a business shuts down for a certain period or implements Reduced or Short Time, for example, during the Covid-19 pandemic. Benefits payable is the difference between what employer pays and normal UIF benefits payable should an employee lose employment.

Illness Benefit (IB)

Where an employee has been quarantined for 14 days, the IB will apply.

- A Confirmation Letter from both the employer and employee must be submitted together with the application as proof that both the employer and employee have agreed to the 14 days 'special leave'.
- In this instance the letters will stand in place of the medical certificate as the beneficiary would have self-quarantined without prior consultation with a medical practitioner. Benefits will be paid based on these letters.
- Should an employee be quarantined for more than 14 days, a medical certificate from a medical practitioner must be submitted together with the Continuation Form UI3.

Death Benefit (DB)

In the undesirable event where a contributor passes on, the following will apply:

Benefits are paid to the beneficiaries of the deceased. People eligible to apply are a Spouse, Life Partner, Children and nominated persons, in that order.

Application forms can be downloaded from the Department of Employment and Labour

website: www.labour.gov.za.

3. Solidarity Fund

National Government has created a "Solidarity Fund" which will be used to combat the spread of the Covid-19 virus, track the spread and care for those who have contracted the virus.

Contributions can be made towards the Solidarity Fund on: www.solidarityfund.co.za.

Through this Fund individuals and organisations will be able to support these efforts through secure, tax deductible donations.

At the time of writing, the full details on how funding from the Solidarity Fund will be implemented was not yet published by National Government.

4. Changes to the Employment Tax Incentive (ETI)

Tax compliant private sector employers will receive a subsidy for all employees earning less than R6 500 per month, up to R500 per employee from April 2020 to July 2020, if the employer can prove that they are in distress as a result of the Covid-19 virus. Further to this ETI reimbursements have been accelerated from twice a year to a monthly reimbursement.

5. Pay As You Earn (PAYE) and Income Tax relief

Tax compliant private sector employers with a turnover of less than R50 million will be permitted to delay **20% of their pay-as-you-earn liabilities** over the next four months (April 2020 to July 2020).

In addition tax compliant private sector employers with a turnover of less than R50 million will be permitted to delay a portion of their provisional corporate income tax payments without penalties or interest over the next six months.

At the time of writing, the full details on how the deferral of provisional corporate income tax will be implemented was not yet published by National Government.

The National Government is currently investigating the possibility of permitting an employer to delay payments as regards UIF and the Skills Development Levy (SDL).

To date no additional communication has been issued with regard to the delaying of UIF or SDL payments.

6. Tourism Fund

The Department of Tourism has made an additional R200 million available to assist SMMEs in the tourism and hospitality sector who are under particular stress due to the new travel restrictions

Full details as to how the nature of the assistance which will be provided have not yet been published by the Department of Tourism.

7. Industrial Development Corporation (IDC)

The Industrial Development Corporation has put a package together with the Department of Trade, Industry and Competition of more than R3 billion for industrial funding to address the situation of vulnerable firms and to fast-track financing for companies critical to our efforts to fight the virus and its

economic impact.

This facility will be available to South African owned businesses and in response to sector challenges that arise due to the Covid-19 crisis, whether due to surges in demand or industries in distress.

The IDC have two special interventions:

- R500 million has been allocated for trade finance to import essential medical products;
- R700 million has been allocated for working capital and equipment and machinery.

In addition to this, the IDC is engaging industry players to address surges in demand.

- Ensuring food security by prioritizing support to Agriculture and food value chains
- Tourism sector support for working capital;
- Bridging finance to support supply chain interruptions;
- Working capital to ensure energy security by supporting suppliers of primary energy;
- Working capital and bridging finance to SMEs that provide components to car-makers.

In addition to the above, the IDC has made available a further R3 billion to support businesses during this Covid-19 crisis.

Essential services that fall outside of normal IDC sectors will be considered, as a measure we have now introduced during this period.

Full details as to how the funding assistance will be provided have not yet been published.

During these challenging times Nexia SAB&T would like to reassure you that our team is dedicated in assisting you and your business with practical advice and assistance for any contingency plans.

Please contact any of your Nexia SAB&T team members for any additional information or assistance.

Be well and stay safe!

Nexia SAB&T