

Tax

Alert

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Let's talk

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COVID-19: Measures to mitigate economic impact

In brief

In the wake of the COVID-19 pandemic, the President, on Monday 23 March, announced significant and far-reaching measures aimed not only at slowing the spread of the virus, but also at mitigating its effects. In this regard, it has become clear that the pandemic will have an adverse effect on economic growth, businesses and jobs. With this in mind, the President announced a number of quick and targeted measures to mitigate the economic impact of the pandemic in South Africa.

In detail

Solidarity Fund

In order to support the vulnerable, a 'Solidarity Fund' has been set up to focus efforts to combat the spread of the coronavirus, help to track its spread, care for those who are ill and support those whose lives are disrupted.

Government is providing seed capital of R150 million, and the private sector has already pledged to support the Fund with significant financial contributions in the coming period. The Fund may be accessed at www.solidarityfund.co.za, and is open for contributions from the public (both locally and internationally).

Unusual consumer and supplier behaviour and supply chains

Regulations have been put in place to prohibit unjustified price hikes, ensure shops maintain adequate stocks of basic goods and to regulate unusual consumer behaviour. In this regard, the President gave an assurance that the supply of goods will remain continuous and that supply chains will remain intact.



Safety net to support informal sector

Measures to assist the informal sector, where most businesses will suffer as a result of the shutdown, are currently being developed, and details thereof will be announced shortly.

Payment of old age pensions and disability grants

To alleviate congestion at payment points, old age pensions and disability grants will be available for collection from 30 and 31 March 2020, while other categories of grants will be available for collection from 1 April 2020. All channels for access will remain open, including ATMs, retail point of sale devices, Post Offices and cash pay points.

Special dispensation for companies in distress because of COVID-19

Consultations are currently being conducted on a proposal for a special dispensation for companies that are in distress because of COVID-19. Through this proposal employees will receive wage payment through the Temporary Employee Relief Scheme, which will enable companies to pay employees directly and avoid retrenchment.

Exemptions from application of Competition Act

Commercial banks have been exempted from provisions of the Competition Act to enable them to develop common approaches to debt relief and other necessary measures. It is expected that most banks will put measures in place within the next few days, in addition to measures already announced by some of the banks.

Call to larger companies to take care of workers

The President made a call on larger businesses to take care of their workers during this period.

Utilisation of reserves within the UIF system

The President indicated a willingness to utilise the reserves within the UIF system to extend support to those workers in SMEs and other vulnerable firms that are faced with loss of income and whose companies are unable to provide support. Details in this regard will be made available within the next few days.

Assistance to businesses in distress — Tax measures

Under the Employment Tax Incentive, a tax subsidy of up to R500 per month will be provided for the next four months to those private sector employees earning below R6,500. It is expected that this will help over four million workers.

The South African Revenue Service will also work towards accelerating the payment of employment tax incentive reimbursements from twice a year to monthly in order to alleviate the cash flow problems of compliant employers.

Tax compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months, as well as a portion of their provisional corporate income tax payments without penalties or interest over the next six months. This intervention is expected to assist over 75,000 small and medium-term enterprises.

The temporary reduction of employer and employee contributions to the Unemployment Insurance Fund and employer contributions to the Skills Development Fund is currently being explored.

Assistance to businesses in distress — Grants

The Department of Small Business Development has made more than R500 million available immediately to assist small and medium enterprises that are in distress through a simplified application process.

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 efforts to fight the coronavirus and its economic impact.

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

Plea to act in the national interest

The President made clear that all South Africans are expected to act in the interest of the South African nation and not in their own selfish interests. He said strong action will be taken against attempts at corruption and profiteering from the pandemic, and special units of the NPA will be assembled to act immediately and arrest those against whom evidence of wrongdoing is found.

Further measures to be announced and deployed as needed

This is the first phase of the economic response, and further measures are under consideration and will be deployed as needed.



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