



# COVID-19 Funding for businesses

## Duane Newman & Nadia Rawjee

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# Outline

- Background to government grants and tax incentives
- Categories of support
  - Deferral - taxes
  - Grants – non repayable
  - Government Procurement – essential goods – critical goods
  - Loans – payment holidays, lower interest
- Way forward



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## Background to COVID19



# Background

- South Africa is in a Lockdown – in terms of Disaster Management Act
- Worldwide impact – global measures – tax deferrals, wage subsidies
- COVID19 specific measures – liquidity and growth for essential products
- Businesses that are in distress because of the Covid-19 pandemic can benefit from various funds announced by government to help alleviate the economic impact of the coronavirus on businesses in South Africa.
- Applications for Covid-19 funding are open/opening
- Private and government – or combination of both
- All regulation changes on [www.gov.za](http://www.gov.za)



# Essential goods and services – critical in bold

- Reminder of essential goods per Disaster Management Act (incl updates on 26 March) – Annexure B – Regulation 11A
- Business register on [www.bizportal.gov.za](http://www.bizportal.gov.za) – CIPC certificate – **be careful**

Goods category				Supply chain in goods category
Food	Any food product	Non alcoholic beverages	Animal Food	Chemicals, packaging and ancillary products used in production of any food product
Cleaning and hygiene products	Toilet paper, Sanitary pads, sanitary tampons, condoms	<b>Hand sanitiser, disinfectants, soap, alcohol for industrial use,</b> household cleaning products	Personal protective equipment (incl face masks)	Chemicals, packaging and ancillary products used in production of any cleaning and hygiene product
	Products for care of babies and toddlers	Personal toiletries, including haircare, body and face washes, roll-ons, deodorants, toothpaste		
Medical	Medical hospital suppliers	<b>Medical equipment and supplies PPE, medicines</b>		Chemicals, packaging and ancillary products used in production of any medical product
Fuel	Petrol and diesel	Coal and gas		
Basic goods	Airtime	Electricity		



# Essential services (part 1)

- Medical, health (including mental health), laboratory and medical services and the National Institute for Communicable Diseases;
- Disaster Management, Fire Prevention, Fire Fighting and Emergency services;
- **Financial services necessary to maintain the functioning of the banking and payments environment, including the JSE and similar exchanges, as well as insurance services and medical scheme administration;**
- Production and sale of essential goods;
- Grocery stores, including spaza shops;
- Electricity (including vital demand management services), water gas and fuel production, supply and maintenance;
- **Critical jobs for essential government services as determined by Head of National or Provincial Departments in accordance with the guidance by the DPSA, including Social Grant Payments;**
- Birth and death certificates, and replacement identification documents;
- Essential municipal services;
- Care services and social relief of distress provided to older persons, mentally ill, persons with disabilities, the sick, and children;
- Funeral services, including mortuaries;
- Wildlife Management, Anti-poaching, Animal Care and Veterinary services;
- Newspaper, broadcasting and telecommunication infrastructure and services;
- Production and sale of any chemicals, hygiene products, pharmaceuticals for the medical or retail sector;
- Cleaning, sanitation, sewerage, waste and refuse removal services This gazette is also available free online at [www.gpwonline.co.za](http://www.gpwonline.co.za);
- Services related to the essential functioning of courts, judicial officers, the Master of the High Court, Sheriffs and legal practitioners required for those services;



# Essential services (part 2)

- **Essential SARS services defined by the Commissioner of SARS;**
- Police, peace officers, traffic officers, military medical personnel and soldiers, correctional services officials and traffic management services;
- Postal services and courier services related to transport of medical products;
- **Private security services;**
- Air-traffic Navigation, Civil Aviation Authority, Cargo Shipping and dockyard services;
- Gold, gold refinery, coal and essential mining;
- Accommodation used for persons rendering essential services, quarantine, isolation and the lockdown;
- Production, manufacturing, supply, logistics, transport, delivery, critical maintenance and repair in relation to the rendering of essential services including components and equipment;
- Transport services for persons rendering essential services and goods, and transportation of patients;
- **Services rendered by the Executive, members of Parliament, Members of the Provincial Legislature, Members of Local Councils, the Judiciary, traditional leaders and National Office Bearers, of Political Parties represented in Parliament;**
- Commissioners of the South African Human Rights Commission, Gender Commission, and the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, and the Public Protector and Deputy Public Protector;
- Transport and logistics in respect of essential goods as set out [above] to neighbouring countries;
- Tow trucks and vehicle recovery services;
- **Call centres necessary to provide health, safety, social support, government and financial services;**
- Harvesting and storage activities essential to prevent the wastage of primary agricultural goods;
- Implementation of payroll systems to the extent that such arrangement has not been made for the lockdown, to ensure timeous payments to workers; and
- Critical maintenance services which cannot be delayed for more than 21 days and are essential to resume operations after the lockdown.



# Essential goods and services (updated list)

- South Africa is in a Lockdown – in terms of Disaster Management Act
- Businesses that are in distress because of the Covid-19 pandemic can benefit from various funds announced by government to help alleviate the economic impact of the coronavirus on businesses in South Africa.
- Applications for Covid-19 funding are open/opening





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## Deferral



# PAYE

- Tax compliant small to medium sized businesses qualify for:
  - Deferral of payment of 20% of the PAYE liability, without SARS imposing administrative penalties and interest for the late payment thereof.
  - The deferred PAYE liability must be paid to SARS in equal instalments over the six month period commencing on 1 August 2020, i.e. the first payment must be made on 7 September 2020.
- Annual turnover not exceeding R50 million – 2020/2021 year
- The proposed amendments are deemed to have come into operation on **1 April 2020 and end on 31 January 2021**
- Therefore impacts 7 May PAYE payment – not 7 April
- <https://www.sars.gov.za/Media/Pages/CoronaVirus.aspx>



# Provisional Tax Liability for Tax

- Tax compliant small to medium sized businesses:
  - Deferral of a portion of the payment of the first and second provisional tax liability to SARS, without SARS imposing administrative penalties and interest for the late payment of the deferred amount
  - The first provisional tax payment due from 1 April 2020 to 30 September 2020 will be based on **15 percent** (not 50%) of the estimated total tax liability,
  - The second provisional tax payment from 1 April 2020 to 31 March 2021 will be based on 65 percent of the estimated total tax liability
  - Provisional taxpayers with deferred payments will be required to pay the full tax liability when making the third provisional tax payment in order to avoid interest charges.
- The proposed amendments are deemed to have come into operation on 1 April 2020 and apply to:
  - First provisional tax periods ending on or after **1 April 2020 but before 1 October 2020** and;
  - Second provisional tax periods ending on or after **1 April 2020 but before 1 April 2021**



# Value added tax

- Rebate for customs duty – 412.11 – ITAC permit
  - Exemption for Vat – follows Customs rule – cashflow impact
  - On imports only – not local sales
  - Normal Vat rules for local sales
  - **No Vat deferral** – must pay Vat monthly/bimonthly in terms of normal rules
- 
- <https://www.sars.gov.za/ClientSegments/Customs-Excise/Pages/default.aspx>
  - <http://www.itac.org.za/pages/about-itac/covid-19-news-and-regulat>



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Grant Funding



# Employment Tax Incentive

- Government proposes expanding the Employee Tax Incentive (“ETI”) programme for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020 as follows:
  - Increasing the maximum amount of ETI claimable during this four month period for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying twelve months and from R500 to R1 000 in the second twelve qualifying months.
- Allowing a monthly ETI claim in the amount of R500 during this four month period for employees from the ages of:
  - 18 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months; and
  - 30 to 65 who are not eligible for the ETI due to their age.
- Accelerating the payment of employment tax incentive reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.
- <https://www.sars.gov.za/Media/Pages/CoronaVirus.aspx>



# Temporary Employee Relief Scheme (“TERS”)

- It is a separate benefit scheme (separate from normal UIF benefits with its own set of forms and requirements) which cannot be claimed at the same time as the UIF ‘reduced working time’ benefit.
- It applies where the company **has closed** its operations as a direct result of Covid-19 (at this stage this option does not seem to apply if the company doesn’t close entirely, but lays off only some of its employees)
- Claims are not dependent on an employee having any UIF credits and will be entitled to benefits irrespective of how long they have contributed.
- The company (rather than the employee) submits a claim for UIF and the company then pays over the money to employees.
- **Online process:** Send blank email to [Covid19ters@labour.gov.za](mailto:Covid19ters@labour.gov.za) and you receive an automated response with the relevant forms and other requirements.
- The UIF will be prepared to “top up” any payment made by the employer (by prior arrangement with the UIF).
- The benefit will be calculated in terms of the income replacement rate sliding scale of 38 % (for high earners) up to 60 % (for low earners) as provided in the Unemployment Insurance Act, subject to the maximum threshold which is currently R17712. Despite conflicting reports, our understanding is that the maximum benefit for a high earner would be 38 % of R17 712 a month, which amounts to about R6 730 a month.
- The company has to enter into a written agreement with the UIF if it has 10 or more employees
- The company has to fulfil a number of administrative requirements, e.g. proof of payroll for the last three months.
- The company has to open a dedicated UIF bank account, or clear an existing account, so that Covid-19 benefits can be tracked.
- <http://www.labour.gov.za/easy-guide-for-employers-on-covid19>



# Agro-processing Support Scheme

- The objective of the APSS is to stimulate investment by South African Agro-processing/beneficiation (agri-business) enterprises.
- Administered by the DTI
- Maximum funding – R20 million per entity
- 20 to 30% grant on capital costs
- Qualifying Criteria
  - Be a registered legal entity
  - Possess a tax clearance certificate
  - Be involved in starting a new Agro-processing operation or in expanding or upgrading an existing Agro-processing operation
  - Submit a valid B-BBEE certificate (minimum level 4)
  - Purchase 30% of supplies from black owned farmers
- [http://www.thedti.gov.za/financial\\_assistance/financial\\_assistance.jsp](http://www.thedti.gov.za/financial_assistance/financial_assistance.jsp)





# Black Industrialist Scheme

- The Black Industrialist Scheme (BIS) incentive offers a grant on a cost sharing basis.
- Administered by the dti
- Maximum funding – R50 million per entity
- 30 to 50% on mainly capital costs – not acquisitions
- Qualifying Criteria
  - Be a registered legal entity in South Africa
  - Be aligned to the productive sectors of the economy within the identified sectors
  - The applicant must have greater than fifty percent (>50%) shareholding and management control
  - The applicant must be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector.
- [http://www.thedti.gov.za/financial\\_assistance/BIS.jsp](http://www.thedti.gov.za/financial_assistance/BIS.jsp)



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## Government Procurement



# Procurement from Government

- Government has prioritised securing essential goods and services from all critical stakeholders nationally
- <http://www.dsbd.gov.za/wp-content/uploads/2020/03/Request-for-Proposals-None-Food-Supplies.pdf>
- The Department of Small Business Development (“DSBD”) is implementing measures to support small businesses that manufacture critical products such as hygiene, medical goods, food items and related support services businesses.
- Register on [www.smmesa.gov.za](http://www.smmesa.gov.za)
- The essential goods and services that have identified are required for the South African public including state owned hospitals, clinics, schools and essential place to
  - Reduce the transmission of Covid 19
  - Protect the health of the public, vulnerable members of the society and employees of health institutions
  - Ensure that there is adequate of this products to pharmacies, hospitals and key sectors
- Qualifying small businesses are encourage to submit proposals to the DBSD between 27 March 2020 and 30 April 2020 email to - [criticalsuppliers@dsbd.gov.za](mailto:criticalsuppliers@dsbd.gov.za)



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## Loan Funding



# IDC MCEP Loan

## COVID Essential Product Manufacturers

- Administered by the Industrial Development Corporation – from DTIC
- For working capital and plant & equipment requirements
- Fund Value – R300 million
- Maximum funding – R30 million per entity
- Cost of finance
  - Priced at a fixed rate of 2.5% per annum
  - Maximum term is 48 months, including moratorium
- Qualifying Criteria
  - Be a registered legal entity in South Africa
  - Company that has been operational for at least a year
  - Company must have a valid contract/purchase order or letter of intent
  - Applicable to manufacturers of COVID-19 essential goods
  - Companies with BBBEE Level 4 will be encouraged
- <https://www.idc.co.za/2020/03/24/idc-interventions-in-response-to-covid-19/>



# IDC COVID 19 FUND

## COVID Essential Product Manufacturers & Suppliers

- Administered by the Industrial Development Corporation
- Short term loan for once-off contract finance or import funding, revolving credit, guarantees for imports
- Cost of finance
  - Loans priced at prime + 1 % per annum
  - Guarantees 2% per annum
  - Maximum term is 3months, including moratorium
- Qualifying Criteria
  - Track record in manufacture or supply of comparable product – ability to deliver
  - Company should show profitability prior to application
  - Company to be registered as a vendor with Government, Multinationals or retailers
  - Be a registered legal entity in South Africa
  - Company that has been operational for at least a year
  - Company must have a valid contract/purchase order or letter of intent
  - Companies with BBBEE Level 4 will be encouraged



# Tourism Fund

- Administered by Department of Tourism
- Assist SMMEs in the tourism and hospitality sector who are under particular stress due to the Covid 19 travel restrictions.
- Fund Value – R200 million
- Maximum grant: unsure
- Qualifying Criteria
  - Be a registered legal entity in South Africa
  - Black owned entity
  - Turnover not exceeding R2 500 000
  - Proof of Tax compliance
  - Proof of minimum wage compliance
  - Proof of UIF registration for employees employed by the business
  - guarantee employment of staff for a minimum of three months
  - Existence for at least one business financial year.
- [https://www.tourism.gov.za/AboutNDT/Ministry/News/Pages/COVID-19\\_interventions\\_for\\_the\\_tourism\\_sector.aspx](https://www.tourism.gov.za/AboutNDT/Ministry/News/Pages/COVID-19_interventions_for_the_tourism_sector.aspx)



# Debt Relief Finance Scheme

- Administered by Department of Small Business Development
- To benefit businesses that are negatively affected, directly or indirectly, due to the Coronavirus pandemic to mitigate against job losses and the expected harsh economic impact.
- Fund Value – R500 000 000
- Qualifying Criteria
  - Registered with CIPC by at least 28 February 2020
  - Company must be 100% owned by South African Citizens
  - Employees must be 70% South Africans
  - Priority will be given to businesses owned by Women, Youth and People with Disabilities
  - Applicants must demonstrate direct link of impact or potential impact of Covid-19
- Complete online Application Form (to be released on Thursday, 02 April 2020)
- <https://www.mybindu.org.za/>





# Business Growth/Resilience Facility

- Administered by Department of Small Business Development
- For businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market.
- Fund Value – R500 000 000
- Qualifying Criteria
  - Registered with CIPC by at least 28 February 2020
  - Company must be 100% owned by South African Citizens
  - Employees must be 70% South Africans
  - Priority will be given to businesses owned by Women, Youth and People with Disabilities
  - Applicants must demonstrate direct link of impact or potential impact of Covid-19
- Complete online Application Form (to be released on Thursday, 02 April 2020)



# NEF Loan

- Administered by the National Empowerment Fund
- R200million from the DTIC
- For black business to purchase machinery, raw materials and other items
- Fund Value – Loans between R500 000 – R10 000 000
- Cost of finance
  - Offered at 0% interest in year 1 and fixed at 2.5% thereafter
- Qualifying Criteria
  - Must produce hand sanitisers, disinfectants, hand soaps, facial masks, gloves, medical protective clothing and steel beds, maize meal, flour, beans, cooking oil among other items
  - Must be registered supplier for retailers or institutions that have agreed to purchase the manufactured products
  - Tax compliance and commercial viability is a pre-requisite
- <https://www.nefcorp.co.za/covid-19-business-funding/>



# COVID-19 SME FUND

- Administered by Business Partners (Rupert Foundation & Remgro)
- For working capital (Salaries, rent, HPs, Loan installments)
- Fund Size R900mil (R100mil for Sole Prop & Partnerships administered by PWC)
- Transaction Value – Loans between R250 000 – R1 000 000
- Cost of finance
  - M1 – M12 0%, payment holiday for first 12 months, no early payment implications
  - M12 - M60 Prime interest, no early payment implications
- Monthly disbursements
- Qualifying Criteria
  - Feb 2019 AFS signed (non negotiable)
  - Fully compliant entity
  - Formal registered entity
  - Ownership does not have to be SA Citizens
  - Excludes: Direct agriculture, non-profit organisations, Underground mining, On-lending



# Auto Fund

- Fund Value – R6 Billion
- The guidelines have not yet been finalised



# SAFT – SA Future Trust

- Support to SMME employees at risk of losing their jobs or who will suffer loss of income due to COVID
- Fund Size: Openheimer R1bil relief fund
- Annual turnover below R25mil
- Trading for min 24 months
- Sustainable business on 29 February 2020
- 5year 0% interest free loan
- Must be an ABSA, FNB, Nedbank or Standard Bank client

REGISTRATION IS DIRECTLY WITH YOUR BANK

<https://opp-gen.com/saft/#eligibility>



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Way forward



# Way forward

- New way of working for government and private sector – speed versus bureaucracy
- Expect changes and new funds to be launched
- Expect the rules to be unclear – even to people administering the programmes
- Thank you



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