



G.022.2020  
3 April 2020  
KK/kk

## COVID-19 - Small business support

This document has been prepared to summarise some of the small business support that has been provided during the COVID 19 National Disaster.

The writer acknowledges the information provided by the South African Institute of Tax Practitioners who provided a virtual update on this subject on the 2 April 2020.

Also acknowledging that things are changing at a rapid pace and the document will be amended as new information becomes available or as criteria for participation change.

There are four categories of assistance available:

- Deferral of taxes
- Grant funding
- Government Procurement
- Loan funding

## DEFERRAL OF TAXES

Only tax compliant enterprises and individuals will qualify for the tax relief measures mentioned below.

### 1. PAYE

With effect from 01 April 2020, SMME's with an annual turnover of less than R50 million, may defer payment of 20% of their pay-as-you-earn (PAYE) liabilities over the next four months, ending 31 July 2020. These amounts will need to be paid back to SARS in six equal instalments, commencing on the 7th of September 2020. Therefore, this impacts the 7th May PAYE payment – not 7<sup>th</sup> April as this relates to March PAYE.

This relief is not available where an employer has failed to submit a return or has outstanding debt.

<https://www.sars.gov.za/Media/Pages/CoronaVirus.aspx>

### 2. Provisional Tax

Instead of paying 50% of their estimated tax liability six months into the tax year and settling the full amount at the end of the tax year, tax compliant small businesses will now only have to pay 15% of the total estimated tax liability for the first provisional tax payment.



The second provisional tax payment will be based on 65% of the estimated total tax liability, and the outstanding balance will need to be paid as a third provisional payment by the 30th of September 2021, in order to avoid interest and penalties being charged.

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.
- Second provisional tax periods ending on or after 1 April 2020 but before 1 April 2021.

This is for SMMEs but it is unclear yet whether natural persons are included in this provision.

## GRANT FUNDING

### 1. Employee Incentive scheme (ETI)

Government proposes expanding the Employee Tax Incentive (“ETI”) programme for a limited period of four (4) months, beginning 1 April 2020 and ending on 31 July 2020 as follows:

- Increasing the maximum amount of ETI claimable during this four (4) month period for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying 12 months and from R500 to R1 000 in the second 12 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>

### 2. Temporary Employee Relief Scheme (“TERS”)

Government is in consultation on a proposal for a special dispensation for companies/employers that are in distress due to COVID-19. Through this proposal employees will receive wage payments through the Temporary Employee Relief Scheme. This will enable companies to pay employees directly during this period, thereby avoiding retrenchments.

- This 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 or employer (rather than the employee) submits a claim for UIF and the company then pays over the money to employees.
- 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) and up to 60 % (for low earners) as provided in the Unemployment Insurance Act, subject to the maximum threshold which is currently R17 712. Despite conflicting reports, it is understood that the maximum benefit for a high earner would be 38 % of R17 712 a month, which amounts to about R6 730 a month. At this stage it is only for three months.
- Employer/s that have to enforce lock down as regulated and who might require financial assistance from the UIF should access information regarding available funding through a dedicated mailbox: covid19ters@labour.gov.za

#### Requirements:

- The closure must be as a result of COVID 19.
- If the company/employer has 10 or more employees, it will need to enter into a written agreement with the UIF.
- The company/employer must fulfil several administrative requirements, for example proof of payroll for the last three months.
- A dedicated bank account needs to be used by the company/employer to track the UIF benefits. This can be a new bank account, or the company/employer can clear an existing account.

#### Online process:

- Send a blank email to [Covid19ters@labour.gov.za](mailto:Covid19ters@labour.gov.za) and you will receive an automated response with the relevant forms and other detailed requirements.

<http://www.labour.gov.za/easy-guide-for-employers-on-covid19>

### 3. Agro-processing Support Scheme

The scheme is administered the Department of Trade and industry and its objective is to stimulate investment by South African Agro-processing/beneficiation (agri-business) enterprises.

- The maximum funding available is R20 million per entity.
- 20% to 30% grant on capital goods.
- Qualifying criteria:
  - Be a registered legal entity (CIPC number).



- Tax clearance certificate.
- Be involved in starting a new Agro-processing operation or in expanding or upgrading an existing Agro-processing operation.
- B-BBEE certificate (minimum level 4).
- Purchase 30% of supplies from black owned farmers.

[https://www.thedti.gov.za/news2017/Agro-Processing\\_Support\\_Scheme\\_Guidelines.pdf](https://www.thedti.gov.za/news2017/Agro-Processing_Support_Scheme_Guidelines.pdf)

#### 4. Black Industrialist Scheme

The Black Industrialist Scheme (BIS) incentive is administered by the department of Trade and Industry and offers a grant on a cost sharing basis.

- Maximum funding of R50 million per entity is available.
- Qualifying criteria:
  - Be a registered legal entity (CIPC number)
  - 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)

#### **GOVERNMENT PROCUREMENT**

Government has prioritised securing essential goods and services from all critical stakeholders nationally. 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 supply of these products to pharmacies, hospitals and key sectors.

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.



## Application Process:

- Register your business on [www.smmesa.gov.za](http://www.smmesa.gov.za)
- Submit your proposal to [criticalsuppliers@dsbd.gov.za](mailto:criticalsuppliers@dsbd.gov.za)

<http://www.dsbd.gov.za/wp-content/uploads/2020/03/Request-for-Proposals-None-Food-Supplies.pdf>

## **LOAN FUNDING**

### 1. IDC MCEP Loan: COVID Essential Product Manufacturers

The loan facility is administered by the Industrial Development Corporation. It is for working capital as well as plant & equipment requirements. The total fund value is R300 million. The maximum funding available is 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.
- The company needs to have been operational for at least one (1) year.
- The company must have a valid contract/purchase order or letter of intent.
- Be a manufacturer 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/>

### 2. IDC COVID 19 FUND: COVID Essential Product Manufacturers & Suppliers

The loan facility is 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.
- The maximum term is 3 months, including moratorium.

#### Qualifying Criteria

- A track record in the manufacture or supply of a comparable product. Proof of the ability to deliver.
- The company should show profitability prior to the application.
- The company will need to be registered as a vendor with Government, Multinationals or retailers.



- Be a registered legal entity in South Africa.
- The company needs to have been operational for at least one (1) year.
- The company must have a valid contract/purchase order or letter of intent.
- Companies with BBBEE Level 4 will be encouraged.

### 3. Tourism Fund

The fund is administered by Department of Tourism. The aim is to assist SMMEs in the tourism and hospitality sector who are under stress due to the Covid-19 travel restrictions.

- The total fund value is R200 million.
- Maximum grant per company: TBC
- Qualifying criteria-please see link below:

[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)

### 4. Debt Relief Finance Scheme

The scheme is administered by Department of Small Business Development. The objective is 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.

The total fund value is R500 000 000.

#### Qualifying Criteria

- Have been registered with CIPC by at least 28 February 2020.
- The company must be 100% owned by South African Citizens.
- The employees must be 70% South African.
- 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.

To apply Complete online Application Form: <https://smmesa.gov.za/>

<https://www.mybindu.org.za/debt-relief-finance-scheme>

### 5. Business Growth/Resilience Facility

The facility is administered by Department of Small Business Development. For businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or a shortage of goods in the local market. The total fund Value is 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.

To apply Complete online Application Form: <https://smmesa.gov.za/>

### 6. NEF Loan

The loan facility is administered by the National Empowerment Fund. The loans are available to black business to purchase machinery, raw materials and other items.

The fund value is R200 million from the DTIC.

Loans between R500 000 and R10 000 000 per business.

### Cost of finance

Offered at 0% interest in year 1 and fixed at 2.5% thereafter.

### Qualifying Criteria

- The applicant 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.
- The applicant must be a 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/>

### 7. COVID-19 SME Fund

The fund is administered by Business Partners (Rupert Foundation & Remgro). The total fund Size R900 million for SMEs administered by Business Partners and R100 million for Sole Proprietors administered by PWC.

The loans are for working capital (Salaries, rent, HPs, Loan instalments).

Transaction Value –Loans between R250 000 and R1 000 000.

### Cost of finance

- Months 1 to 12: 0%, payment holiday for first 12 months (no early payment implications).
- Months 12 to 60: Prime interest (no early payment implications).



- Monthly disbursements.

#### Qualifying Criteria

- Signed February 2019 annual financial statements (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.

#### 8. SAFT –SA Future Trust

The purpose of the trust is to support to SMME employees at risk of losing their jobs or who will suffer loss of income due to COVID-19 pandemic.

Fund Size: Oppenheimer R1 billion relief fund.

#### Cost of finance:

- 5-year 0% interest free loan.

#### Qualifying Criteria

- Annual turnover below R25 million.
- Trading for minimum of 24 months.
- Sustainable business on 29 February 2020.
- Must be an ABSA, FNB, Nedbank or Standard Bank client.

Registration is directly with your bank.

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

---

Katherine Keal CA (SA)

[Katherine.keal@sacanegrowers.co.za](mailto:Katherine.keal@sacanegrowers.co.za)

064 751 3523

\*Acknowledgement to South African Institute of Tax Practitioners

<https://www.youtube.com/watch?v=iDI3c5b3deA>

#### **Disclaimer**

*Nothing in this summary should be construed as constituting tax advice or a tax opinion. An expert should be consulted for advice based on the facts and circumstances of each transaction/case. Even though great care has been taken to ensure the accuracy of the summary, neither SAIT nor The Tax Faculty nor the preparer of this document accept any responsibility for consequences of decisions taken based on the content. It remains your own responsibility to consult the relevant primary resources when taking a decision.*