

# GALBRAITH | RUSHBY

PROFESSIONAL ACCOUNTANTS    TAXATION CONSULTANTS    ADVISORY SERVICES

## **Galbraith Rushby Inc – issued on 2 April 2020**

The unfolding COVID pandemic has put a lot of strain on certain business and there are a number of relief measures currently in place, we have tried to summarize the information that we know so far which has been made available to businesses. We are sure more will come and there will be more changes but it is good to get everyone on the same page.

### **GOVERNMENT SUPPORT PROGRAMS**

#### **1. SMME relief finance facility, (SMMERF)**

Applications open on 2 April 2020 and there will be financial assistance available for a six-month period. Applications can be made on [www.smmesa.gov.za](http://www.smmesa.gov.za). There are various documents that are needed, eg bank statements, management accounts, cash flow forecasts etc. A full list of required documents can be obtained from <http://www.dsbd.gov.za/wp-content/uploads/2020/03/SMME-Debt-Relief-Scheme-1.pdf>.

To qualify the business must be registered with CIPC as a PTY,CC or a micro, small and medium enterprise that is 100% owned by South African shareholders and its employees are 70% South African citizens. The company must show that there has been a direct financial impact due to the COVID-19 pandemic. The business must be completely tax compliant and registered with the department of labour for UIF.

#### **2. Business growth and resilience facility, (BGRF)**

This fund is targeted at businesses that supply certain products which are needed to manage the COVID-19 pandemic. Applications for the relief are administered on the [www.smmesa.gov.za](http://www.smmesa.gov.za) and open from 2 April 2020. The BGRF will offer working capital, stock, bridging finance, order and equipment finance.

The criteria to apply are the same as the SMMERF fund and the documentation needed can be found at <http://www.dsb.gov.za/wp-content/uploads/2020/03/SMME-Business-Growth-Resilience-Facility.pdf>

To qualify the business must be registered with CIPC as a PTY or CC, 100% owned by South African shareholders and its employees are 70% South African citizens. The business must be completely tax compliant and registered with the department of labour for UIF.

## **DEPARTMENT OF LABOUR SUPPORT PROGRAMS**

### **1. COVID-19 temporary employee / employer relief scheme (TERS)**

The scheme is intended to provide emergency relief to enable employers to pay employees who are temporarily laid off due to the Covid-19 crises. The key benefits are:

- It is different to the normal UIF benefits and cannot be claimed at the same time as reducing working time benefits but can be done as a top up to any existing salary payments,
- The claim is for all employees regardless of how long they have been employed,
- The business must have been closed due to the COVID-19 pandemic,
- The pay-out can be done directly to the employees or the employer and the application process is all done via email to [Covid19ters@labour.gov.za](mailto:Covid19ters@labour.gov.za)
- The estimated 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. The maximum benefit would therefore be 38 % of R17 712 = R6 730 a month. The benefits would not be less than the minimum wage.

These benefits are currently available for a 3 month period, starting as from 1<sup>st</sup> April for the month of April.

### **2. UIF short time / reduced working time options**

The concept of short time is not new but there are a few tweaks which have been introduced specifically for the COVID-19 situation. The key overview of this is:

- The claim is done by the employee and it is subject to the employees' duration of employment as with normal UIF claims,
- The claim is done online but must be submitted with the signed UI-19 form, proof of banking which may be difficult to source,
- The estimated 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. The maximum benefit would therefore be 38 % of R17 712 = R6 730 a month. There is no minimum amount so low income earners could get less than the minimum wage.
- The claim is done online but must be submitted with the signed UI-19 form, UI2.8. UI2.1, Certified copy of ID/Passport, Letter from Employer confirming that they have temporarily laid off due to COVID-19 and proof of banking which may be difficult to source,
- Benefits could last for up to 12 months,

## **PRIVATE BUSINESS SUPPORT PROGRAMS**

### **1. South Africa Future Trust (SAFT) (Oppenheimer fund)**

Nicky and Jonathan Oppenheimer have pledged R1 billion to support small medium and micros enterprises. The South African Future Trust (SAFT) was formed with an initial R1 billion in support. SAFT will transfer funds directly to employees of participating SMME's via interest-free loans where employees themselves carry no liability. Any loans which are repaid to the SAFT will be used to support initiatives which focus on employment creation until all funds are disbursed.

The scheme is only available to clients of ABSA, FNB, Nedbank and Standard Bank and the purpose is to subsidise the employees' salaries which reduces the cash flow constraints employers are facing during the Covid-19 crises.

Applications open on 3 April 2020 and more information is available on <https://opp-gen.com/saft/>

## **2. Business Partners (Rupert Family)**

The Rupert Family and Remgro Limited will form a trust with an initial donation of R1 billion and the funds will be managed by Business Partners for free. The application process starts this week so either 2 April 2020 or 3 April 2020 via an online portal on the business partners website. Small and medium enterprises (SMEs) may apply for R250 000 to R1 million in funding.

The assistance will be in the form of a loan, which is repayable over a period of five years. For the first year, applicants will not have to pay interest or instalments, but thereafter they will be expected to do so on commercial terms.

The business must show that it was affected by the Covid-19 disaster resulting in a decline in revenues, while still having to pay overheads such as salaries and rent. The businesses also need to meet the following criteria:

- South African owned;
- SME
- Tax compliant
- Have annual financial statements
- A three-month bank statement
- Proof of the employment of employees
- Rent statement
- Supporting documentation showing how the business is in distress as a result of Covid-19

The funds would also be available to sole proprietors which most other funding does not include.

## **SOUTH AFRICAN REVENUE SERVICES SUPPORT PROGRAMS**

### **1. Deferral of 20% PAYE payments**

Currently PAYE withheld on employees' salaries is payable by the 7<sup>th</sup> (or closest working day) of the subsequent month. SARS have announced that employers can delay the payment of 20% of this amount at no interest or penalties. The amount that is held back is payable in 6 instalments commencing August 2020. The relief is not a write off of PAYE debt but effectively an interest free loan based on the PAYE obligations. This relief hinges on you keeping the employees on the payroll and them not being moved onto the UIF TER's program.

## **2. Reduction and deferral of provisional tax payments**

SARS has announced that companies with a turnover of under R50 million (R5 million for individuals) and who are tax compliant can defer the payment of a portion of the first and second provisional tax liability to SARS, without SARS imposing penalties or interest for the late payment of the deferred amount. First provisional tax periods ending on or after 1 April 2020, but before 1 October 2020 and to second provisional tax periods ending on or after 1 April 2020, but before 1 April 2021.

The first provisional tax payments falling due within the period 1 April 2020 to 30 September 2020 will only be based on 15% (previously 50%) of the estimated total tax liability. The second provisional tax payments falling due within the period 1 April 2020 to 31 March 2021, will be based on 65% (previously 100%) of the estimated total tax liability. Any shortfall becomes due in the third provisional tax payment and interest would accrue from that date on any underpayment.

## **3. ETI assistance**

The ETI rebate / grant program is a program aimed at youth employment. Employers get a rebate for each employee aged between 18 and 29 years of age and earning between R2 000 and R6 500. This is currently paid out twice a year. SARS have announced that they will accelerate the pay-out of the rebate between 1 April 2020 and 31 July 2020 to be monthly. If the ETI rebate exceeds the PAYE due SARS will refund employers. Employers must be tax compliant to qualify for the ETI relief.

In addition, Government proposes expanding the 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 R1000 to R1500 in the first qualifying twelve months and from R500 to R1000 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.

Effectively any tax compliant business who has an employee earning between R2000 and R6500 qualifies for a R500 subsidy each month, in addition to any current ETI claims.

## **GENERAL SUPPORT PROGRAMS**

### **1. Tourism Relief Fund**

The Department of Tourism has made an additional R200 million available to assist SMME's in the tourism and hospitality sector who are under particular stress due to the new travel restrictions. The funds will be available for accommodation providers, hospitality and travel related services.

To qualify the business must be registered with CIPC as a PTY or CC and have a turnover of under R2.5 million. Must have a valid tax clearance certificate, must be an employer. It is unclear how applications are made but in media announcements it seems to be done via the [www.smmesa.gov.za](http://www.smmesa.gov.za) application portal.

### **2. Covid-19 relief from SA banks**

Most banks are offering some form of debt relief in either reduced or delayed payments of various forms of debt obligations. The key consideration though is that there is no actual debt write off, it's a delay in the obligation to make the payment. For example if you have a bond of R500 000 and paying R5 000 per month in a bond instalment, you get a debt holiday for 3

months. At the end of the 3 months you would owe the bank R515 000 and interest is calculated, on a compounding basis, on R515 000.

It is though fantastic that all the banks have recognised the seriousness of the situation and allowed those clients who will be affected by this some space and not put them under additional cash flow stress. I don't recall that ever happening before.

An excellent article by Hilton Tarrant on Money Web is below which explains exactly the process to follow with each of the banks, who qualifies and the criteria and how to do it.

<https://www.moneyweb.co.za/news/south-africa/all-the-covid-19-relief-announced-by-sa-banks-so-far/>

### **3. NFVF relief to film practitioners**

The NFVF will prioritise the making of payments to beneficiaries that have submitted milestones in the past two weeks. Beneficiaries who have yet to submit milestones over the next three months will also be consulted during this period to determine how best they can be assisted. This extends only to individuals that have current contracts with the NFVF.

The NFVF has ensured that it supports any activities that can occur in confined and isolated environments, with the early release of Calls for Funding that include Script Development, Animation, Post-Production and Archive applications. The call for these applications would have been opened in August 2020, however, due to the current climate, the NFVF released these calls on Friday 27 March 2020, to keep the industry busy during this downtime. The normal funding processes will still be applied to all applications including NFVF Council approvals, envisaged to take place on the 10th of June. The NFVF will also ensure that funding earmarked for Film Festivals, which have been cancelled based on travel bans in place, is redirected to bolster production budgets for the new fiscal year starting 01 April 2020.

As part of the slates program which benefits young emerging producers, the NFVF has identified savings of R5 million from the current fiscal, which will be used as part of the relief program. The NFVF will provide a once off cash injection of R500 000 to the ten companies currently commissioned by the organisation to assist during this distressing time of cancelled

production shoots. This relief will only be contained to the slates currently commissioned by the institution.

### **Assistance from Galbraith | Rushby**

Galbraith | Rushby have put together a team to assist any businesses that need help with any of the above application processes. They will assist you in getting tax compliant which is the pre-requisite for most of the funding applications. You can email them at [COVID-19@galbraithrushby.co.za](mailto:COVID-19@galbraithrushby.co.za). Our team of 70 staff are working remotely to assist multiple clients and non-clients with the process.

They recommend that you make your application as soon as possible, as it is unclear if it's on a first come first serve basis. Their team will also be assisting with applications to the bank for relief.