

SA lockdown - Assisting small businesses and employees through tax system

By [Jana Botha](#)

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The effect of South Africa's Covid-19 lockdown on businesses and their employees will be harsh, so the government will be taking several steps to support individuals and small businesses.



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Firstly, support will be given to people whose livelihoods will be affected by the 21-day lockdown through a special dispensation for companies that are in distress because of the coronavirus (Covid-19). He proposed that employees will receive wage payment through the Temporary Employee Relief Scheme, which will enable companies to pay employees directly during this period and avoid retrenchment. He noted that any employee who falls ill through exposure at their workplace will be paid through the Workmen's Compensation Fund.

Although Government has called on larger businesses in particular to take care of their workers during this period, President Ramaphosa said that, in the event it becomes necessary, Government will utilise the reserves within the Unemployment Insurance Fund (UIF) system to extend support to those workers in SMEs and other vulnerable firms who are faced with loss of income and whose companies are unable to provide support for them. We expect further details in this regard within the next few days.

Using the tax system, Government will also provide a tax subsidy of up to R500 per month for the next four months for those private sector employees earning below R6,500 under the Employment Tax Incentive. This will help over four million workers, while the South African Revenue Service (Sars) will work towards accelerating the payment of employment tax incentive reimbursements from twice a year to monthly, to get cash into the hands of compliant employers as soon as possible.

President Ramaphosa further announced that tax compliant businesses with a turnover below R50-million would 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 incurring penalties or interest charges over the next six months. Ramaphosa said this intervention is expected to assist over 75,000 small and medium-term enterprises. Government is also exploring the temporary reduction of employer and employee contributions to the UIF and employer contributions to the Skills Development Fund.

The Department of Small Business Development has made over R500-million available immediately – accessed via a simplified application process - to assist small and medium enterprises that are in distress. Further, the Industrial Development Corporation has put together a package with the Department of Trade, Industry and Competition that provides more than R3-billion in industrial funding to aid vulnerable firms and to fast-track financing for companies that are critical to Government's efforts to fight the virus and its economic impact. The Department of Tourism has also made an additional R200-million available to assist SMEs in the tourism and hospitality sector who are under particular stress.

ABOUT THE AUTHOR

Jana Botha is a Consultant in the Tax Practice of Baker McKenzie Johannesburg.

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