

# SME wishlist to help rebuild SA's economy

By [Gugu Madu](#)

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The global economy has been left winded and weak by the effects of the Covid-19 pandemic and governments the world over have a difficult task ahead. With the Minister of Finance delivering the much-anticipated 2021 National Budget today, one can't help but reflect on what solutions need to be implemented to rebuild what was lost in 2020 because of the pandemic and years of low economic growth before then. Whatever the solutions, they need to be monumental and perhaps even radical in order to revive our economy.



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There is no doubt that small-and-medium-sized enterprises (SMEs) need to be given hope to ensure that they can survive the next imminent wave of the virus while the vaccination plan is rolled out.

As the custodian of the South African economy, it is up to Government to make the best choices for our country, and to help businesses recover, grow, and create more employment opportunities. And when that happens, the private sector is expected to rally behind these choices and make investments into local economy and businesses for the benefit of the country.

In addition to making finance available to SMEs, here are a few key points for Government to consider to show support of SMEs in this unprecedented fight against a collapsing economy.

## **1. Tax incentives, reductions, deferrals and zero ratings**

Tax incentives can go a long way in repairing our economy. Prior to the pandemic business owners already had the difficult task of keeping their staff employed and businesses afloat in a slow economy, but because of the pandemic and lockdown, the effects were devastating.

Unemployment increased to a record of 31%, with the largest recorded number of job losses in any single quarter (2.2 million jobs were lost between April and June 2020).

In response to this, one of the initiatives Government may consider is to incentivise businesses to create employment opportunities by broadening the reach of the youth tax incentive to include economically active people above the age of 35, at least for a limited period.

While this is unlikely given the government's fiscal constraints, to alleviate the pressure on businesses, Government should consider lowering the income tax threshold and deferring some tax collection where needed. If the income tax threshold is lowered – for at least the next year – to below 28%, SMEs will have a fighting chance. This form of relief on tax will enable them to focus on improving their cash flow and rebuilding their businesses to where they were before the pandemic. It is this type of concession that will contribute to survival of businesses, which will contribute to the fiscal in the long-term.

## **2. Affordable and secure energy to the people**

After the Covid-19 pandemic, electricity is the second biggest risk factor local businesses face, and load shedding has unfortunately followed us into 2021. However, in order to achieve optimal growth, South African businesses require affordable and secure energy.

As such, we would like to see rebates or tax reductions offered to businesses that use alternative energy sources. Many businesses have already invested in generators, solar panels, and inverters to make sure the lights stay on. Incentivising the move to alternative energy would mean the pressure is not only taken off the grid, but also businesses.

## **3. Assess and improve on the country's infrastructure**

A focus on investment in the country's infrastructure would work to stimulate growth of the economy and create an environment that will give the private sector confidence to invest.

There should be more focus on assessing key infrastructure points. Case in point, a few areas where there is a desperate need for improvement locally are broadband, power stations and public transport. The rehabilitation of the urban rail network will make it easier and cheaper for workers to commute, removing a major challenge for business owners and another stumbling block in the way of creating and sustaining employment. New and upgraded roads and railway lines can open markets and ease the flow of goods and services for generations. Similarly, the speedy roll-out of the latest generation broadband will facilitate business communication, IT innovation and allow businesses to keep abreast of their international peers.

## **4. Remove red tape to improve ease of businesses**

The burden of red tape is disproportionately felt by SMEs in South Africa, as they often lack resources or finances for compliance required to gain bureaucratic approval. By removing some of the red tape and improving the ease of doing business, SMEs can grow, create employment, and help to rebuild our economy.

South Africa has a unique mixed economy of formal and informal businesses and, by looking to ease the level of red tape these businesses must adhere to, more businesses may be encouraged to move into the formal sector.

The recent signing of the African Continental Free Trade Agreement (ACFTA), which came into effect on 1 January 2021,

is also a step in the right direction as it will encourage Inter-Africa trading and support these business owners in achieving their business goals.

There is no easy way out of the economic situation South Africa finds itself in. All that we can ask is that the Government puts measures in place to look after the interest of the country's SMEs, who provide 60% of employment to South Africans.

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