

COVID-19 Relief Measures

On 29 March 2020, National Treasury issued a Media Statement and draft Explanatory Note detailing these relief measures. The main issues are as follows.

PAYE Deferral

The purpose of this relief is to assist the cash flow of small to medium sized businesses (i.e. a business with an annual turnover not exceeding R50 million) which have employees in respect of whom PAYE is payable.

In respect of the PAYE liabilities for the months of April to July 2020 –

- Only 80% of the total amount of PAYE payable must be paid on time i.e. by the 7th of the following month. 20% is deferred without penalty or interest.
- The total amount deferred in respect of these 4 months must be paid to SARS in six equal monthly instalments. The first amount is payable on 7 September 2020 and the same amount in the following 5 months.

This relief will not be available to those employers (or representative employers of non-resident businesses) if the employer –

- has failed to submit any return to SARS (not only in respect of PAYE) in the prescribed form and manner and by the due date;
- has any outstanding tax debt in excess of R100 (unless an instalment agreement with SARS is in place).

It must be realized therefore that if employers are in default with any returns or payments, this relief is not available and the usual penalties and interest will apply. Furthermore, penalties and interest will apply if PAYE liabilities are understated for any of the 4 months referred to above.

Provisional Tax Deferral

The purpose of this relief is to assist the cash flow of a small to medium sized business (i.e. a business which is a company with an annual turnover not exceeding R50 million) which has a liability to pay provisional tax. At this stage, no finality has been reached on the details of relief for individuals carrying on business.

In respect of the provisional tax payments falling due during-the period of 12 months from 1 April 2020 to 31 March 2021 –

- Deferral without penalty or interest of a portion of the first and second provisional tax payments due to SARS.
- The first provisional tax payment falling due during the period from 1 April 2020 to 30 September 2020 is to be 15% of the estimated total tax liability (without this concession, 50% would be payable).
- The second provisional tax payment falling due during the period from 1 April 2020 to 31 March 2021 will be 50% of the estimated total tax liability (without this concession, 100% would be payable less the amount paid as the first provisional tax payment).
- When the third provisional tax payment is due for the company (i.e. 6 months after the company year end (or 7 months for February year end companies)), the deferred amounts (i.e. 35%) must be paid in full.

This relief will not be available to a company if such company –

- has failed to submit any return to SARS (not only in respect of provisional tax) in the prescribed form and manner and by the due date;
- has any outstanding tax debt in excess of R100 (unless an instalment agreement with SARS is in place).

It must be realized therefore that, if companies are in default with any return or payments, this relief is not available and the usual penalties and interest will apply.

Employment Tax Incentive (ETI) Relief

This ETI programme was instituted to promote employment, particularly of young workers (i.e. between the ages of 18 and 29).

The relief is administered through the PAYE system and is applicable in respect of a qualifying employee between the ages of 18 and 29 who has a monthly remuneration of less than R6 500. The maximum monthly ETI claimable per qualifying employee is limited to R1 000 in the first year of employment and R500 in the second year of employment. The monthly ETI can only be claimed for the first 24 months of the qualifying employee's employment.

For the limited period of 4 months from 1 April 2020 to 31 July 2020, so as to minimize job losses, the ETI programme is to be expanded as follows –

- Increasing the maximum amount of ETI claimable during this 4 month period 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 of R500 during this 4 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 the ETI reimbursements from twice a year to monthly as a means of getting cash in the hands of tax compliant employers as soon as possible.

This ETI expansion only applies to employees who were registered with SARS as at 1 March 2020.

This ETI relief will not be available if such employer –

- has failed to submit any return to SARS in the prescribed form and manner and by the due date;
- has any outstanding tax debt in excess of R100 (unless an instalment agreement with SARS is in place).

Relevant Attachments

A copy of the Media Statement and draft Explanatory Note referred to at the beginning of this newsletter can be viewed at http://www.treasury.gov.za/comm_media/press/2020/20200329%20Media%20statement%20-%20COVID-19%20Tax%20Measures.pdf

and

http://www.treasury.gov.za/comm_media/press/2020/20200329%20Explanatory%20Notes%20on%20COVID%2019%20Tax%20measures%20-%2029%20March%202020.pdf

Debit Relief Finance Scheme

This is to be administered by the Department of Small Business Development to benefit businesses negatively affected by COVID-19.

There are numerous qualifying criteria and application forms and full details are available at

https://www.gov.za/sites/default/files/gcis_documents/SMME%20Debt%20Relief%20Scheme.pdf

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