

24 March 2020

Dear Valued NCA Client

A global pandemic has taken the world and South Africa by storm and all of us are extremely concerned about the impact this will have on our businesses and employees.

All businesses are unique and some will be more severely affected than others.

I have analysed the section from last night's Presidential statement applicable to our sector – the SMME's. I have also included the Unemployment Insurance Benefit Fund details to this letter.

Unfortunately, there is not much relief at this stage but we should use what has been made available.

(Please note that I am aware of all the spelling errors to follow – most sections are quoted....)

An extract of President Cyril Ramaphosa Statement: Escalation of measures to combat Coronavirus COVID-19 pandemic - issued 23 March 2020 (including notes from Nadia Cronje and Associates NCA)

Thirdly, we are assisting businesses that may be in distress.

- Using the tax system, we will 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 4 million workers.

(NCA - For your information from the SARS website:

- How do I determine who is a qualifying employee?
 - Top Tip: There is no limit to the number of qualifying employees that an employer can hire.
 - An individual is a qualifying employee if he or she–
 - Has a valid South African ID, Asylum Seeker permit or an ID issued in terms of the Refugee Act
 - Is 18 to 29 years old (please note that the age limit is not applicable if the employee renders services mainly inside a special economic zone (SEZ) to an employer that is operating inside the SEZ.
 - Is not a domestic worker
 - Is not a “connected person” to the employer
 - Was employed by the employer or an associated person to the employer on or after 1 October 2013 and
 - Is paid the minimum wage applicable to that employer or if a minimum wage doesn't apply, is paid a wage of at least R2 000 (where the qualifying employee was employed for 160 hours in a month) and not more than
 - R6 000 remuneration. *(now R 6500 in terms of the above Statement)*
 - Important: The value of the ETI the employer may claim depends on the value of the monthly remuneration paid to the qualifying employee. If the employee has worked less than 160 hours in the month, the remuneration amount must be ‘grossed up’ to 160 hours per month to calculate the value of the ETI. The amount can then be calculated and be ‘grossed down’ in the same ratio.
- The South African Revenue Service will also 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.

- Tax compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months and a portion of their provisional corporate income tax payments without penalties or interest over the next six months. This intervention is expected to assist over 75 000 small and medium-term enterprises.
- We are exploring the temporary reduction of employer and employee contributions to the Unemployment Insurance Fund and employer contributions to the Skill Development Fund.
- The Department of Small Business Development has made over R500 million available immediately to assist small and medium enterprises that are in distress through a simplified application process.

NCA:

- I have visited the website www.smmesa.org.za and attempted an application and upon further investigation realised that not all businesses can apply for this relief.
- Extract from: Statement by Minister Ntshavheni on the department's readiness to support SMMEs in response to the COVID-19 pandemic (19 March 2020)

“The Business Growth/ Resilience Facility is specifically created to enable continued participation of SMMEs in supply value-chains, in particular those who manufacture (locally) or supply various products that are in demand, emanating from the current shortages due to COVID-19 pandemic, in line with the National Treasury Instruction Note No. 8 of 2019/2020. This facility will offer working capital, stock, bridging finance, order finance and equipment finance and the amount required will be based on the funding needs of the business.

In this regard, the department is inviting or requesting information from SMMEs who manufacture or supply products as listed in the aforementioned National Treasury Instruction Note and those in logistics to enrol on the www.smmesa.gov.za and apply for support from Tuesday, 24 March 2020. In due course, we shall issue a request for information on other categories of products and services.”

NCA:

- Qualifying Products currently on the website: (Medical supplies/Basic foods)

“Hand sanitiser, Detergents / cleaning products, Beauty products, Steel beds for hospitals and clinics, Disinfectants, Mattress and or sponges, Hand Soap, Bed linen, Medical protective clothing, Medical supplies, Disposable plastic gloves – condom manufacturers are able to assist, Toilet Paper, Sanitary pads, Dispensers (water, sanitiser, soap e.t.c), Alcohol based wet wipes, Disposable cups, Disposable Plastic bottling, Face masks, Plastic moulding, Maize meal, Flour, Samp, Beans, Canned food, Cooking oil, Yeast, Milk, Margarine and bread spread, Baby food, Yellow veggies, Cabbages, Tomatoes, Beetroot, Corn, Fruits, Bottle water, morogo, spinach”

As soon as I have more information as to when relief will be available on other categories and products, I will make this available to you.

- The Industrial Development Corporation has put a package together with the Department of Trade, Industry and Competition of more than R3 billion for industrial funding to address the situation of vulnerable firms and to fast-track financing for companies critical to our efforts to fight the virus and its economic impact.
- The Department of Tourism has made an additional R200 million available to assist SMEs in the tourism and hospitality sector who are under particular stress due to the new travel restrictions.

Further announcements from the Department of Labour UIF Benefits:

NCA:

Regarding the nationwide lockdown applicable from midnight 26 March 2020 for 21 consecutive days, it might not be possible for all SMME's to pay all staff members. Under the Unemployment Insurance act your employees can claim UIF – but only 25% of their salary during this time (On the condition that you do not pay them as well.) We can assist with this process should you deem this necessary.

Extract from “Easy Aid for Corona Benefits issued by the Labour Department:

“Instances where companies must close for a short period, the employer is requested to inform the department. The Departmental rapid response team will visit and or contact the companies to provide the necessary assistance with the application and payment of this benefit type. The Departmental rapid response team has been established to provide assistance in cases of retrenchment of more than 50 employees but will also consider less than 50 employees depending on the circumstances at that point in time.

In terms of section 13(3) of the Unemployment Insurance Act, as amended the accumulation of credits is at the of 4:1 (every 4 days worked and contributed, 1 days credit is accrued) in a 4 year cycle from the date of unemployment up a maximum of 365 days.

In terms of section 12(1) b of the Unemployment Insurance Act, as amended, the maximum UI benefit will be paid as per the benefit structure if the employer pay R 0.00 amount to the employee during the shut down period

However, if a certain Rand value is paid during the shut down period, then the UI benefit will be reduced (difference between the benefit level and amount received as income)”

Kindly contact me with any questions, queries or concerns. I am dedicated to assisting your company in this difficult time.

Kindest regards,

Nadia Smith
0828223609
nadia@ncaccounting.co.za