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COVID-19 Lockdown: Relief Programs for Businesses and SMMEs

The President, telling the nation that “We will prioritise the lives and livelihoods of our people above all else, and will use all of the measures that are within our power to protect them from the economic consequences of this pandemic”, has announced a variety of initiatives to assist SMMEs (Small, Medium and Micro-Enterprises) that will need assistance in surviving the three week lockdown and economic disruptions flowing from the COVID-19 coronavirus.



Please note these are new initiatives, so expect delays, changes to schemes, new proposals and differing interpretations. Everyone’s patience will be tested!

Some of the announced measures discussed below still need to be enacted and may be different when they are finalized. Expect ongoing changes and **keep Googling for ongoing lists of proposed and implemented avenues of business relief.**

1st: UIF Money

The UIF has an estimated surplus of R180 billion and this is the logical first port of call when looking at incentives, especially as money given by the UIF is not a loan, and thus doesn't have to be repaid. There are two routes to access this money – using the traditional UIF method (National Disaster Benefit) or making use of the new Temporary Employer/Employee Relief Scheme (TERS) which is discussed below.

For either method, the employer must be registered with the UIF and be making monthly contributions. If you are behind on contributions, you can pay in any backlog you have.

National Disaster Benefit

1. *Temporary shut down*

If the employer temporarily shuts down the business, then the UIF will pay out R3 500 per employee per month for up to three months.

- **Requirements:**
 - A letter from the employer confirming the operation is temporarily closing down due to the coronavirus
 - A copy of the employee's ID
- **Forms to be Completed:**
 - UI19 and UI12.7 (employer to complete)
 - UI2.1 - application form
 - UI2.8 – Confirmation of bank account

2. *Reduced work time*

The payout is the difference between what the employer pays and UIF benefits.

- **Forms to be Completed:**
 - UI19 and UI2.7 (completed by Employer)
 - UI 2.1 (application)
 - UI 2.8 (bank form completed by the bank)
 - A letter from the Employer confirming Reduced Work Time is due to the coronavirus
 - Copy of ID document

3. *Quarantine and illness*

In cases where employees are put in isolation for 14 days or more.

- **Requirements:**
 - Letters from the employer and employee that the person is in quarantine. No medical certificate is needed
 - If the quarantine is longer than 14 days, a certificate is required from the employee's doctor, along with the form UI3
- **Forms to be Completed:**
 - UI19 and UI2.7 (completed by Employer)
 - UI2.2 (a portion of which is completed by the Doctor)
 - UI 2.8 (bank form completed by the bank)
 - Copy of ID document

4. *Death benefits*

If the employee dies, the UIF will pay the funds to beneficiaries.

- **Forms to be Completed:**
 - UI19 and UI 53 (completed by the Employer)
 - UI 2.5 or UI2.6 (deceased application)
 - Death Certificate
 - ID of deceased and applicant
 - UI 2.8 (bank form completed by the bank)
 - Copy of ID document

You can also download the UIF's "Easy-Aid Guide for Employers" [here](#).

Temporary Employee/Employer Relief Scheme (TERS)

This applies to businesses who temporarily shut down – a three-month period is envisioned but this could be extended. The UIF then pays salaries to all staff, based on the current UIF pay outs – a maximum of R6 731 p.m. for staff earning R17 162 or more down to the minimum wage of R3 500.

There is quite a bit of documentation here – send an email to Covid19ters@labour.gov.za and you will get the forms to be completed and other requirements needed.

A Memorandum of Agreement is signed and the employer submits (in the required format) a spreadsheet of employee details and salary, proof of payment of the last 3 months' salaries, bank confirmation of the applicable bank account.

You will need to open a separate bank account for this and prove each month that all staff have been paid.

There is quite a bit of work here and getting the forms accurate will prevent delays in payment.

Which of the two schemes to choose from depends on your business – there is some crossover, for example, quarantined employees can claim under the National Disaster Benefit (see Quarantine and Illness). On the face of it, TERS looks more lucrative but it is very admin intensive in setting up, and as a new scheme it may be subject to teething problems. **Ask your accountant for advice in doubt.**

2nd: The Department of Small Business Development (DSBD)

R500 million has been set aside to help SMMEs due to the impact of the coronavirus. The money will be in the form of loans at prime less 5%. Assistance falls into two categories:

- **Business Growth/ Resilience Facility:** This applies to businesses whose products are aligned to helping to combat the pandemic. Examples are making hand sanitisers, medical protective clothing, medical supplies etc. SMME logistics companies may also apply for funding.

Funding will cover bridging finance, asset finance, stock and working capital needs.

- **Debt Relief Fund:** Companies will need to show how the coronavirus has impacted on their business. The relief focuses on purchase of stock and other operating needs. Funds will be released based on the company's cash flow requirements.

The starting point is to register on the DSBD's portal (www.smmesa.gov.za) – the registration entails staff breakdown between males and females, the number of youth employees and racial classification of staff. There is also a section on who owns the business and annual turnover. The business needs to be 100% South African owned and the work force is to be 70% local.

The DSBD is setting up an SMME database which will be used in future interventions.

Once registered follow the application process which opens on 2 April. How much each business gets is still unclear.

Call the DSBD's hotline 0860 663 7867 or email info@dsbd.gov.za to check what kind of government support you qualify for.

3rd: Department of Trade and Industry

R3 billion assistance has been set aside with a main focus on providing funding to "vulnerable" businesses and to provide financing help to companies involved in the battle to roll back the coronavirus. It's not that dissimilar to the DSBD's approach but it serves all business, not just SMMEs. Of the R3 billion, R500 million will be for importing needed medical products and R700 million will be for financing equipment and working capital requirements. Guidelines as to how to apply are forthcoming.

4th: The Solidarity Fund

This has been set up with R150 million from the government (www.solidarityfund.co.za) and it is designed to help stop and detect the virus, look after the people with it, plus help those people who are vulnerable as a result of the coronavirus. Mary Oppenheimer has pledged R1 billion to this fund and Naspers has committed R500 million.

You may wish to donate to the fund or apply for help for struggling staff members.

5th: Private and Corporate Funds

The Rupert and Oppenheimer families and the Motsepe Foundation, have each pledged R1 billion. Motsepe's money will go towards helping poor communities fight the coronavirus by supplying them with hand sanitisers etc. The Ruperts' and Oppenheimers' funds will be to help struggling small businesses and employees, as a result of the coronavirus. In addition, Naspers has pledged R1.5 billion (in addition to the R500 million to the Solidarity Fund) to source medical supplies and protective equipment, from China, for health care workers. .

The Rupert funds will be disbursed by Business Partners and application forms will soon be released – although details are not yet available, the money will be a loan.

The Oppenheimer money will be paid out from the "South Africa Future Trust" through the major four banks in the form of a five-year interest free loan – for details see SAFT's [website](#). SMMEs will apply to their bank which will then pay salaries directly into employees' bank accounts. No liability will be incurred by employees – the business will be liable for repayment. Speak to your bank manager for how to apply – the system begins operating on 3 April.

Details on the Motsepe and Naspers disbursements are still outstanding.

6th: SARS Relief Measures

- The Employment Tax Incentive (ETI) has been extended to include all staff earning less than R6 500 per month from ages 18 to 65 – they will qualify for an additional R500 per month which can be claimed via the monthly PAYE return. All staff members currently receiving ETI benefits will get an additional R500 per month. These measures will apply for four months from April to July this year. The ETI has been paying out twice a year but this will now be monthly.
- Tax compliant companies with turnover of less than R50 million will be able to hold back 20% of their PAYE payments and a portion of their provisional tax payments, as follows:
 - The business must be tax compliant and using eFiling.
 - PAYE returns due May 7, June 7, July 7 and August 7, you only pay 80% of your PAYE liability
 - From September 7 and for the next five PAYE returns, the 20% reduction is to be paid back in equal amounts e.g. if you received a R30 000 reduction in PAYE for the months April to July, then you will repay an additional R5 000 each month on your PAYE return.
 - Provisional Tax payments due from April 1 to September 30:
 - The first payment at 15% of the estimated tax liability
 - The second payment at 65% of estimated tax liability (i.e. 50% is due on the second payment)
 - In your top up payment you will be required to pay your full tax liability

Note: the above applies to companies – measures for individuals will be announced later.

7th: Competition Act amendments re banks and retail tenants

The Competition Act has been amended to allow banks to work together to come up with solutions to help indebted companies and people. **The major banks have announced cash flow relief measures – these will have to be repaid. Speak to your bank for more details and see a summary of bank-by-bank relief as announced to date [here](#).**

The Competition Act has also been relaxed to allow retail tenants to get together and present a unified negotiating position to landlords in the areas of evictions, rental discounts and rental “holidays”. This is already happening with “active” negotiation and demands between retail landlords and tenants.

gth: Tourism sector relief

A R200 million fund has been set up to help SMMEs in the tourism sector (Read “COVID-19 interventions for the tourism sector” [here](#)).

It applies to SMMEs with R2.5 Million or less. 70% of pay outs will be to Black owned Businesses with a bias towards rural areas.

gth: Other

The CIPC have extended the deadline for submission of the Annual Return, if you are required to submit during the lockdown process to April 30.

Government is considering suspending employers and employees UIF contributions and employer payments to the Skills Development Fund.

To date most businesses are reportedly finding that Business Interruption Insurance claims are not being considered by insurance companies.

Expect more initiatives to emerge as we move deeper into the coronavirus crisis. How much these measures will cushion the shock to the economy is unknown. They are, considering how little fiscal space there is, a creative and welcome attempt to help business and people affected by the lockdown and other restrictions. Nevertheless, the economy is virtually certain to enter a deep recession, particularly following the downgrade by Moody’s on March 27.

Remember we are facing desperate times and the nation, led by President Ramaphosa, has shown courage and determination in facing down the coronavirus.

The bottom line for businesses – help is at hand if you need it!

Businesses: How to Survive the Coronavirus Panic

“Never let a good crisis go to waste” (Winston Churchill)

Globally, the COVID-19 coronavirus has spread panic amongst societies and markets. Businesses are suffering their most challenging times since the 2008 Global Financial Crisis.



This is the time for urgently reviewing how events have affected your business and how you can respond to the seeming chaos.

Cash is king

When faced with great uncertainty, conserve cash and shore up all your credit lines. This will give you greater flexibility when strategizing a response to the coronavirus.

You may, for example, be able to buy a crucial stock item for a discount from one of your suppliers, thus ensuring that you can continue operating. Apart from strengthening your position with your competitors, this could help the supplier to remain in business – relationships are important, and this supplier will be grateful to you.

Trim costs wherever you can – some of this is being done for you as many companies are cancelling travel, resulting in many meetings and conferences being called off. Capital expenditure is being pruned globally and there may be opportunities to delay some of your current capex.

Keep your staff healthy

Apple has already told staff to work from home to reduce the risk of catching or spreading the coronavirus. Desks are being spaced to reduce the possibility of catching the virus and meetings are being cancelled or are taking place electronically.

Make sure the risk of staff catching the virus is minimised and have a succession plan if some key members are incapacitated by the coronavirus. Take particular care of staff members who have health issues, as they could become seriously ill or die if they catch the virus. As health authorities are advising people to frequently wash their hands, ensure that you have enough hand washing dispensers.

As many of your staff will be working from home using smart phones and their own desktops, have your IT department mitigate the risks of hacking or computer viruses getting into your IT platform.

Perhaps, most importantly, communicate often with your employees and managers. Regularly follow updates from the World Health Organisation and the local Department of Health. This is a time of uncertainty, as there is no definitive knowledge on how the coronavirus will evolve and thus sharing the information you gather on the disease, will improve the health and morale of staff in your business.

The Occupational Health and Safety Act imposes obligations on employers to provide a healthy environment for their staff. Much of the above is in line with ensuring that you comply with that Act's requirements, but you need to ensure your organisation is compliant with the legislation.

Your supply chain

This is clearly a key area and working out the risks of suppliers and contractors being unable to supply you is a key task. Some of the important areas will be changing your safety stock holdings, reviewing your contracts with stakeholders and assessing the risks and the consequences of default. This is where it really pays to have cash.

As we said above, keep in mind the long term relationships with suppliers.

You also need to review your insurance policies – will they pay out if certain scenarios unfold? Do you need to take out different policies?

Reacting, planning and preparing strategies will ensure you have the agility to ride out this crisis and may even strengthen your position with competitors.

Is Passwordless Authentication the Next Big Step?

Consider these facts:

- Over 80% of hacking is password related.



- In the first world the average cost of fixing a successful hack is \$3.9 million.
- The average person spends 11 hours a year changing or resetting his or her passwords. For a company with approximately 15,000 employees, the cost of this is \$5.2 million per annum, including a cost of \$1 million for password resets alone.
- This average person has between 25 to 85 passwords for the various applications he or she uses.
- In online retail, 90% of attempts to get into the website are by hackers who have a success rate of about 1%.



The implications for world economic growth and for business

These statistics adversely impact customers who find using the internet a stressful experience and thus often limit the time they spend on the Web. Research indicates that most consumers will pay a premium to have a pleasant online experience – no passwords expired, no one time pins etc.

For businesses the main issue is the time spent in ensuring their internet gateways are safe from hackers to avoid the reputational and other damage they will suffer if they are hacked. Invariably, this leads to more complexity which scares off customers, encourages hackers to find flaws and so the spiral continues.

Nor is this only dragging down businesses, it also has a sizeable effect on the global economy. Just look at the world’s ten largest companies:

The Top 10 Global Companies		
2018 Rank (USD) Billion Market Capitalisation		
1	Apple	\$890
2	Alphabet	\$768
3	Microsoft	\$680
4	Amazon	\$592
5	Facebook	\$545
6	Tencent	\$526
7	Berkshire Hathaway	\$496
8	Alibaba Group	\$488
9	Johnson & Johnson	\$380
10	J.P. Morgan	\$375

Source: Bloomberg, Google

The seven companies shown in blue above are based on a “platform model”, highlighting the importance of this issue to the world’s economy. With seven of the companies in the tech sector and two in financial services (Berkshire Hathaway, J.P. Morgan), it is obvious just how important their internet platforms are to their success.

The solution

A good solution will need to have the following elements:

1. Security, for obvious reasons.
2. Privacy – with the pending full commencement of the Protection of Personal Information Act this will become an even more important element.
3. Sustainability – it needs to be robust, flexible and long lasting.
4. Inclusive – with the rapid breakout of people into distinct groupings (LGBT, #Metoo etc), the solution must cater for all these needs.
5. Scalability – as the world is making greater use of the internet, any new system must be able to rapidly scale up.
6. Pleasant user experience – it needs to be easy to use.

This solution should move away from passwords towards alternatives like biometrics (facial recognition, fingerprint authentication and the like), QR code authentication and even to the system recognising unique habits you have like how you toggle a mouse.

These solutions are becoming more available and in the US companies which have moved away from passwords are finding their sales line growing, costs being reduced, productivity rising and happy customers.

Make sure you don't lag behind your competitors in this important developing field.

On a Lighter Note - Some Entertaining Tax Stories

UK Revenue officials recently released some entertaining excuses from taxpayers:

- One taxpayer claimed their mother-in law was a witch and had cursed them.
- Some said that hamsters and dogs had eaten the post.
- A taxpayer was up a mountain and without internet access.
- Some strange expense claims were received, such as pet food for a Shih Tzu 'guard dog' and a meals claim of 250 days of sausages and chips eaten at a cost of £4.50 per day.



Your Tax Deadlines for April 2020

- 7 April – Monthly PAYE submissions and payments
- 24 April – VAT manual



submissions and payments

- 29 April – Excise Duty payments
- 30 April – VAT electronic submissions and payments
- 30 April – CIT Provisional Tax Payments where applicable

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