

Dear Clients,

The recent COVID-19 outbreak will have significant and potentially lasting impacts on the economy, with businesses facing the risk of cash flow problems.

Tax compliant small to medium sized businesses play an important role in stimulating economic activity, job creation, poverty alleviation as well as the general improvement of living standards, and are expected to be amongst the hardest hit. In order to assist tax compliant small to medium sized businesses, Government proposes measures aimed at assisting to alleviate cash flow problems experienced during this difficult period. The purpose of such measures is to assist businesses with liquidity in a time where business activity is likely to see an unprecedented decline in turnovers. The benefit of the measure is immediate cash flow relief that could enable businesses to survive.

These are summarised very briefly below:

➤ **ETI Relief (1 April – 31 July 2020)**

REQUIREMENT:
Qualifying employee: <ul style="list-style-type: none"> • Employee between the ages of 18 and 29 • Monthly remuneration < R 6,500 • Registered at SARS as at 1 March 2020
GENERAL RULE:
<ul style="list-style-type: none"> • Maximum monthly ETI claimable per qualifying employee: <ul style="list-style-type: none"> ✓ Limited to R 1,000 in the 1st 12 months of employment ✓ Limited to R 500 in the 2nd 12 months of employment • Monthly ETI can only be claimed for the first 24 months of the qualifying employee’s employment by an employer/associated institution.
TAX RELIEF:
<ul style="list-style-type: none"> • Maximum monthly ETI claimable per qualifying employee: <ul style="list-style-type: none"> ✓ Increase to R 1,500 in the 1st 12 months of employment, for the 4-months period ✓ Increase to R 500 in the 2nd 12 months of employment, for the 4-months period • Additional ETI claimable: <ul style="list-style-type: none"> ✓ R 500 for employees between the ages 18 to 29, were they are no longer eligible for ETI, as the employer has claimed ETI in respect of those employees for 24 months, for the 4-month period ✓ R 500 for employees between the ages of 30 to 65, who are not eligible for ETI due to their age, for the 4-month period • Accelerating the payment of ETI reimbursements from twice a year to monthly to improve cash flow
READ MORE:
http://www.treasury.gov.za/comm_media/press/2020/20200329%20Explanatory%20Notes%20on%20COVID%2019%20Tax%20measures%20-%2029%20March%202020.pdf?fbclid=IwAR3pGV541yZcFWLP8wvqhQbmf0-h-sulH4jahBygfEmkXr9Wum5yzhNgtxo

» Deferral of portion of **PAYE liability** for compliant SMME's (1 April – 31 July 2020)

<p>REQUIREMENT:</p> <p>A business with an 'annual turnover' not exceeding R 50 million (Small to Medium sized). The reliefs do not apply where a taxpayer has outstanding returns or outstanding tax debt Tax relief is not automatic – if the company can afford the tax liability the company is required to pay the full amount. Proof needs to be provided (cashflow forecast) that the company is unable due to the effect of COVID 19 to pay the liability. The tax relief is aimed at distressed companies</p>
<p>GENERAL RULE:</p> <ul style="list-style-type: none"> • An Employer/ representative must submit a return and the payment of PAYE withheld should be paid to the South African Revenue Service (SARS) within seven days after the end of the month for which the PAYE was deducted. • Administrative penalties may be imposed in terms of paragraph 6 of the Fourth Schedule to the Income Tax Act for late payment of PAYE.
<p>TAX RELIEF:</p> <ul style="list-style-type: none"> • Deferral of payment of 20% of PAYE liability, without interest/penalties for late payment • The deferred PAYE liability must be paid to SARS in equal instalments over the 6-month period commencing on 1 August 2020; i.e. the first payment must be made on 7 September 2020. • This will apply from the April payroll, payment due by 7 May • Interest and penalties will apply if the employer has understated the PAYE liability for any of the four months
<p>READ MORE:</p> <p>http://www.treasury.gov.za/comm_media/press/2020/20200329%20Explanatory%20Notes%20on%20COVID%2019%20Tax%20measures%20-%2029%20March%202020.pdf?fbclid=IwAR3pGV541yZcFWLP8wvqhqBmf0-h-sulH4jahBygfEmkXr9Wum5yzhNgtxo</p>

» Deferral of portion of **provisional tax liability** for compliant SMME's (1 April 2020 – 31 March 2021)

<p>REQUIREMENT:</p> <p>A Company conducting a trade with an 'annual turnover' not exceeding R 50 million (Small to Medium sized)</p> <p>An Individual with a turnover less than R 5 million and no more than 10% of their turnover is derived from interest, dividends, foreign dividends, rental from letting and any remuneration received from an employer – <i>To be confirmed</i></p> <p>The reliefs do not apply where a taxpayer has outstanding returns or outstanding tax debt</p> <p>Tax relief is not automatic – if the company can afford the tax liability the company is required to pay the full amount. Proof needs to be provided (cashflow forecast) that the company is unable due to the effect of COVID 19 to pay the liability. The tax relief is aimed at distressed companies</p>

GENERAL RULE:
<ul style="list-style-type: none"> • A provisional taxpayer should submit a return and make a provisional tax payment to SARS. • The first payment, which is 50% of the total estimated liability, must be made within six months after the commencement of the year of assessment and the • The second payment, which is the total estimated liability reduced by the first payment, must be made by no later than the last day of that year of assessment • 10% penalty for late payment of liability for both 1st and 2nd provisional • Penalty on underpayment of provisional tax liability for the 2nd provisional
TAX RELIEF:
<ul style="list-style-type: none"> • Deferral of a portion of the 1st and 2nd provisional tax payment, without penalties & interest for late payment thereof; • 1st provisional payment due from 01/04/20 - 30/09/20 = 15% x estimated total tax liability • 2nd provisional payment due from 01/04/20 - 31/03/21 = 65% x estimated total tax liability (if 50% was already paid on the 1st provisional for companies with different FYE, then only 15% needs to be paid on the 2nd provisional for the total payment to equal 65% of the estimated total) • Balance to be paid by 3rd provisional tax payment date in order to avoid interest charges • Interest and penalties will apply if discovered that a taxpayer does not qualify for the relief under the proposed amendments
READ MORE:
http://www.treasury.gov.za/comm_media/press/2020/20200329%20Explanatory%20Notes%20on%20COVID%2019%20Tax%20measures%20-%2029%20March%202020.pdf?fbclid=IwAR3pGV541yZcFWLP8wvqhqBmf0-h-sulH4jahBygfEmkXr9Wum5yZhNgtxo

» Value-Added Tax (VAT)

<p>SARS announced that, due to the measures put in place under the Disaster Management Act 57 of 2002, “essential goods” as defined in Regulation R.398 in Government Gazette No 43148 of 25 March 2020 will be subject to a VAT exemption and a full rebate of customs duties during the COVID-19 pandemic.</p>
ESSENTIAL GOODS
<ul style="list-style-type: none"> • Food, including animal food, chemicals and ancillary products used in the production of any food product; • Cleaning and hygiene products such as toilet paper, hand sanitiser, disinfectants and soap; • Medical and hospital suppliers, protective equipment and chemicals, packaging and ancillary products used in the above; • Fuel, including coal and gas; and • Basic goods, including telecommunications and electricity

» Cargo and Travellers/ Customs operations

<p>On 25 March 2020, the Department of Transport issued a statement by the Minister of Transport, Fikile Mbalula. The following points relate to cross-border movement of cargo and travellers:</p> <ul style="list-style-type: none"> • Air <ul style="list-style-type: none"> ✓ Only essentials will be allowed ✓ Cargo from high-risk countries must be sanitised ✓ All international and domestic flights are prohibited • Sea <ul style="list-style-type: none"> ✓ Essential cargo will be allowed at our 8 sea ports ✓ Cargo from high-risk countries must be sanitised ✓ The ban on cruise ships will be strictly enforced • Land <ul style="list-style-type: none"> ✓ All cross-border passenger movements will be prohibited during the lockdown period ✓ Cross-border freight movement for essential goods will continue to and from our neighbouring countries
<p>CUSTOM DECLARATIONS</p> <ul style="list-style-type: none"> • Submission and processing of custom declarations will proceed as normal • Traders are encouraged during the lockdown period, to only submit declarations for goods as provided for in the regulations • SARS may conduct physical inspections • SARS has the necessary capacity at ports of entry to process the movement of cargo in line with regulations
<p>SARS CUSTOMS SERVICES DURING LOCKDOWN</p> <ul style="list-style-type: none"> • Use SARS digital channels • Visiting Customs offices will strictly require prior arrangement • SARS procedures: https://www.sars.gov.za/AllDocs/Documents/customsandexcise/Arrangements%20for%20Customs%20services%20during%20lockdown.pdf • Customs Branch Managers – contact details: https://www.sars.gov.za/AllDocs/Documents/customsandexcise/Customs%20branch%20managers%2026%20March%202020.pdf

» Export of goods by Vendors and Qualifying Purchasers

<p>INDIRECT EXPORTS</p> <ul style="list-style-type: none"> • Time period to export moveable goods is extended by an additional three months (Part One & Part Two under Export Regulations) • Time period to apply for a refund is extended to six months from the date of export • Apply for VAT ruling/ VAT class in writing by sending an e-mail to VATRuilingns@sars.gov.za
<p>DIRECT EXPORTS</p> <ul style="list-style-type: none"> • Time period to export moveable goods is extended by an additional three months • Apply for VAT ruling/ VAT class in writing by sending an e-mail to VATRuilingns@sars.gov.za
<p>RUILING PERIOD</p> <ul style="list-style-type: none"> • 26 March 2020 until withdrawn/amended

- Read more: <https://www.sars.gov.za/AllDocs/LegalDoclib/Rulings/LAPD-IntR-R-BGR-2020-10%20-%20BGR52%20Timeframe%20for%20the%20export%20of%20goods%20by%20vendors%20and%20qualifying%20purchasers%20affected%20by%20COVID%2019.pdf>

» Labour impact/ UIF

POSSIBLE AVENUES FOR EMPLOYERS
<ul style="list-style-type: none"> • Reduced working time - result in reduced pay • No work no pay – unpaid leave (needs to comply with BCEA requirements) • Temporary lay-offs – claim UIF (has to be agreed upon both parties) • Employers may refuse employees access to premises during lockdown in accordance with OHS Act • All other alternatives must be explored first before employees are permanently dismissed, either due to being a carrier or being unable to report for duty • Application for reduced work time/ temporary lay-offs: <ul style="list-style-type: none"> ✓ UI2.1 (application form) ✓ UI19 and UI2.7 (completed by employer) ✓ UI2.8 (banking details form completed by the bank) ✓ A letter from the Employer confirming company shutdown or employee's 'temporary lay-off' due to the Corona Virus ✓ Copy of Employee's ID document ✓ Forms: <ul style="list-style-type: none"> http://www.labour.gov.za/DocumentCenter/Pages/Forms.aspx?RootFolder=%2FDocumentCenter%2FForms%2FUnemployment%20Insurance%20Fund&FolderCTID=0x012000D5E CDCDA58282140A4A77318EE711621&View=%7b5AF82B29-C4FA-4276-8F0A-14DFA96C61EF%7d
LEAVE DURING LOCKDOWN
<ul style="list-style-type: none"> • Employers may request employees to take annual leave during lockdown. The decision must be communicated clearly to all employees. This would apply to the statutory portion of annual leave as set out in the BCEA • Employees are still entitled to sick leave – medical certificate should be produced • Employees may claim family responsibility leave – still subject to the normal leave requirements (Do not apply to having to take care of a child during lockdown) • Unpaid leave – Employers may not enforce it before exploring other options • Maternity leave still applies if an employee was already on maternity leave before the lockdown. If the employee returned to the office before the lockdown, normal leave applies
SELF-QUARANTINED
<ul style="list-style-type: none"> • Confirmation letter of 14 days 'special leave' from both parties to be submitted with an illness application (This replaces the medical certificates UI 2,2) • For self-quarantine > 14 days, a medical certificate has to be submitted with the continuation form (UI 3)
MEDICALLY QUARANTINED
<ul style="list-style-type: none"> • Where an employee has been quarantined for 14 days or longer, the Illness Benefit will apply <ul style="list-style-type: none"> ✓ UI2.2 (medical portion to be ignored) ✓ UI19 and UI2.7 (to be completed by Employer) ✓ UI2.8 (banking details completed by the bank) ✓ Employer/Employee confirmation (standard letters for completion)

- ✓ Forms:
<http://www.labour.gov.za/DocumentCenter/Pages/Forms.aspx?RootFolder=%2FDocumentCenter%2FForms%2FUnemployment%20Insurance%20Fund&FolderCTID=0x012000D5E CDCDA58282140A4A77318EE711621&View=%7b5AF82B29-C4FA-4276-8F0A-14DFA96C61EF%7d>

NATIONAL DISASTER BENEFIT

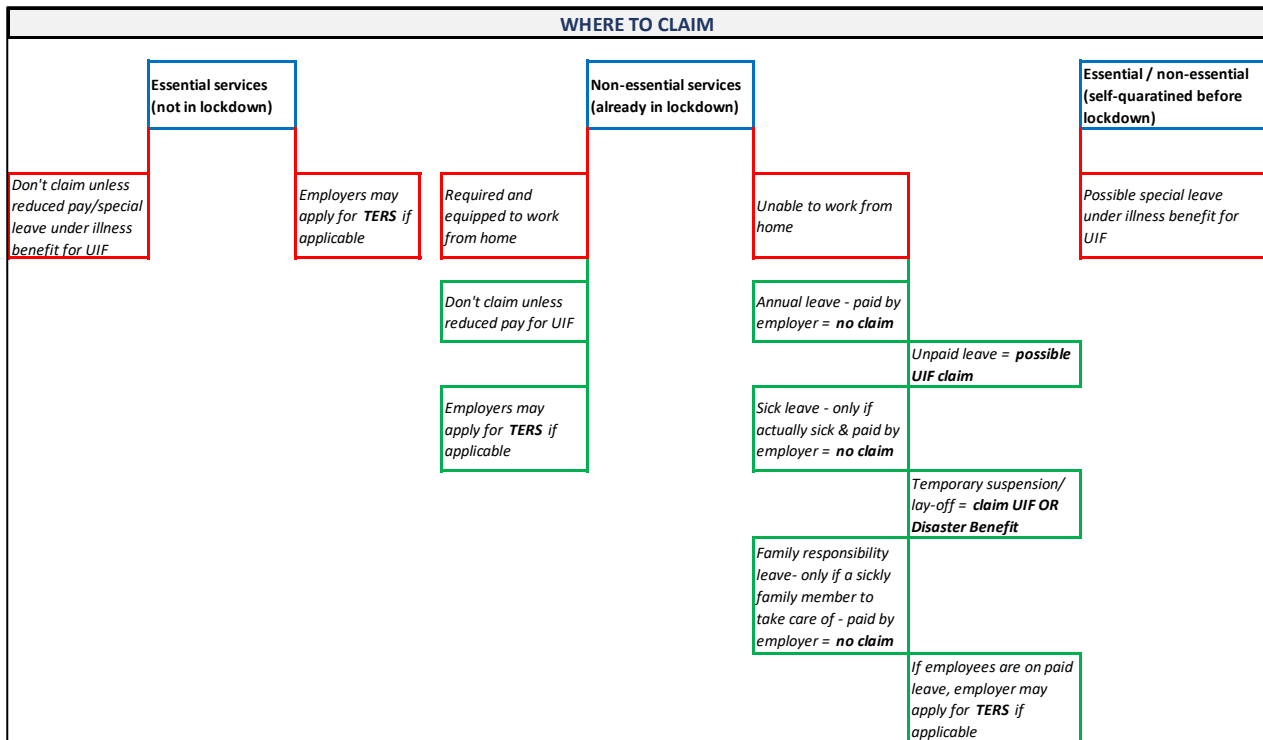
- For every 4 days worked and contributed to UIF, 1-day credit is available during a 4-year cycle of unemployment up to a max of 365 days
- If an **employer is necessitated to suspend operations** and do **temporary lay-offs** and cannot pay employees during that period
- The benefit will equal the **minimum wage of R 3,500** per employee for the duration of the shutdown
- The application process will be similar to the normal UIF process

TEMPORARY EMPLOYEE RELIEF SCHEME

- **Employer either suspend/reduce operations for 3 months or less** and this results in financial distress, but does not lay off employees
- **Applicable for 3 months** or until Minister withdraws these regulations
- Dedicated general communication point: covid19ters@labour.gov.za (Request application form)
- Submission communication point: covid19UIFclaims@labour.gov.za
 - ✓ Letter of Authority on company letterhead
 - ✓ Memorandum of Agreement (between UIF, Bargaining Council and Employer)
 - ✓ Prescribed template with required information
 - ✓ Payroll evidence for last three months
 - ✓ Confirmation of bank account (certified bank statements)
- The **benefits** paid will be **capped at a 38% to 60% of the maximum of R17,712 per month** and the employee will be paid in terms of the income replacement rate sliding scale as provided in the UIA. The minimum that will be paid will be a replacement income equal to minimum wage of the sector concerned.

DEATH BENEFIT

- In the event a UIF **contributor passes on from COVID**, death **benefits** will be paid to the **beneficiaries** of the deceased
- Beneficiaries eligible to apply for deceased benefit are the surviving Spouse, Life Partner, Children or the nominated persons
- Application process are as following:
 - ✓ UI19 and UI53 (completed by Employer)
 - ✓ UI2.5 or UI2.6 (deceased application)
 - ✓ Death certificate
 - ✓ Copy of ID of deceased and applicant
 - ✓ UI2.8 (banking details completed by the bank)
 - ✓ Forms:
<http://www.labour.gov.za/DocumentCenter/Pages/Forms.aspx?RootFolder=%2FDocumentCenter%2FForms%2FUnemployment%20Insurance%20Fund&FolderCTID=0x012000D5E CDCDA58282140A4A77318EE711621&View=%7b5AF82B29-C4FA-4276-8F0A-14DFA96C61EF%7d>



» SMMES – Debt Relief Finance Scheme

QUALIFYING CRITERIA
<ul style="list-style-type: none"> • Business should be registered with CIPC by at least 28 February 2020 • Company must be 100% owned by South African Citizens • Employees must be 70% South Africans • Priority will be given to businesses owned by Women, Youth and People with Disabilities • The business should be registered and compliant with SARS and UIF • SEDA will assist micro-enterprises to comply and request for assistance must be emailed to debtreliance@seda.org.za
REGISTRATION
<ul style="list-style-type: none"> • National SMME Database: https://smmesa.gov.za (to be released on Thursday, 02 April 2020) <ul style="list-style-type: none"> ✓ Proof that the business is negatively affected by COVID-19 pandemic ✓ Complete the simplified online application platform; ✓ Company Statutory Documents ✓ FICA documents (e.g. Municipal accounts, letter from traditional authority) ✓ Certified ID Copies of Directors ✓ 3 months Bank Statements ✓ Latest Annual Financial Statements or Latest Management Accounts not older than three months from date of application – where applicable ✓ Business Profile ✓ 6 months Cash Flow Projections – where applicable ✓ Copy of Lease Agreement or Proof ownership if applying for rental relief ✓ If applying for payroll relief, details of employees - as registered with UIF and including banking details – will be required as payroll payments will be made directly to employees ✓ SMME employers who are not compliant with UIF must register before applying for relief ✓ Facility Statements of Other Funders

- ✓ Detail breakdown on application of funds including salaries, rent etc.

MORE INFORMATION

https://98829ad9-b059-4406-b758-e3a082f0a374.filesusr.com/ugd/bfb591_89ad085e57824705823e053aea6d47c7.pdf

» CIPC

From 1 April 2020 certain limited services will be available on the E-Services and BizPortal, which includes:

- ✓ Annual returns submissions,
- ✓ Compliance checklist
- ✓ Registering a short standard private company without a name
- ✓ Company and Close Corporation year end changes
- ✓ Address changes
- ✓ Auditor changes
- ✓ Accounting office changes
- ✓ Secretary changes
- ✓ More information:
 - https://www.saica.co.za/Portals/0/documents/Media_release%20SAICA_update_on_CI_PC_v2.pdf?fbclid=IwAR3kO1v2E310gJEWARy92460rsLM9IBJPpLdYrXf60OgiGEgboxcYuJh95w
- ✓ More information:
 - http://www.cipc.co.za/files/5515/8504/8297/Notice_Company_Close_Corporation_Co-operative_services_during_lock_down_of_South_Africa.pdf

ANNUAL RETURNS

- Submissions **due** between **25 March – 15 April** are **extended to 30 April 2020**
- Extension of the filing period also has the effect of **deferring penalties**, submission of the compliance checklist and submission of annual financial statements

DEREGISTRATION

- **CIPC will not take any action to place** companies and close corporations into **deregistration for non-compliance** with Annual Return due to non-submissions of Annual Returns (*due to the extended submission due date as above*)

NAME RESERVATIONS

- For the purpose of name reservations that **fall within 25 March – 15 April**, will **automatically be extended to 30 April**

BUSINESS RESCUE

- **A general extension** for business rescue proceedings **which commenced** but did not complete as required by section 129 of the Companies Act **until 30 April 2020**

CERTIFICATE TO PROVIDE ESSENTIAL SERVICE

- Business that provide essential services are allowed to be open and trade
- Essential services:
 - ✓ Medical, health, laboratory and medical services;
 - ✓ Disaster management, fire prevention, firefighting and emergency services;
 - ✓ Financial services necessary to maintain the functioning of the banking and payments environment, including the JSE and similar exchanges, as well as Insurance services;
 - ✓ Production and sale of the goods listed as essential goods, above;

- ✓ Grocery stores, including spaza shops;
- ✓ Electricity, water, gas and fuel production, supply and maintenance;
- ✓ Critical jobs for essential government services as determined by Head of National or Provincial Departments in accordance with the guidance by the Department of Public Services and Administration, including social grant payments;
- ✓ Birth and death certificates, and replacement identification documents;
- ✓ Essential municipal services;
- ✓ Care services and social relief of distress provided to older persons, the mentally ill, persons with disabilities, the sick, and children;
- ✓ Funeral services, including mortuaries;
- ✓ Wildlife management, anti-poaching, animal care and veterinary services;
- ✓ Newspaper, broadcasting and telecommunication infrastructure and services;
- ✓ Production and sale of any chemicals, hygiene products, pharmaceuticals for the medical or retail sector;
- ✓ Cleaning, sanitation, sewerage, waste and refuse removal services.
- ✓ Services related to the essential functioning of the courts, judicial officers, Master of the High Court, Sheriffs and legal practitioners required for those services;
- ✓ Essential SARS services defined by the Commissioner of SARS;
- ✓ Police, peace officers, traffic officers, military medical personnel and soldiers, correctional services officials and traffic management services;
- ✓ Postal services and courier services related to transport of medical products;
- ✓ Private security services;
- ✓ Air-traffic navigation, Civil Aviation Authority, cargo shipping and dockyard services;
- ✓ Gold, gold refinery, coal and essential mining;
- ✓ Accommodation used for person rendering essential services, quarantine, isolation and the lockdown;
- ✓ Production, manufacturing, supply, logistics, transport, deliveries, critical maintenance and repair in relation to the rendering of essential services including components and equipment;
- ✓ Transport services for persons rendering essential services and goods and transportation of patients;
- ✓ Services rendered by the Executive, members of Parliament, Members of the Provincial Legislature, Members of Local Councils, the Judiciary, traditional leaders and National Office Bearers of Political Parties represented in Parliament;
- ✓ Commissioner of the SAHRC, Gender Commission and the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities and the Public Protector and Deputy Public Protector; and
- ✓ Transport and logistics in respect of essential goods as set out above to neighbouring countries.

- Those businesses need to **apply for a certificate** in order to trade on http://www.bizportal.gov.za/essential_service.aspx
- **Follow the step-by-step guide:** <https://www.fin24.com/Economy/lockdown-step-by-step-guide-to-registering-your-business-as-an-essential-service-20200326>
- The **certificate should be printed** indicating that they are allowed to trade
- The Regulations also include the wording of the permit to allow people to perform essential services and people identified as essential staff should carry this permit with them at all times. Should they be **stopped without identification and the permit they will be required to go home**

» Virtual Reality technology for your business [SAICA media release]

There are a lot of questions on how and what we are going to do in order to continue being functional in this testing time, facing an unimaginable and unplanned onslaught of COVID-19.

WORKING REMOTELY

- If you are able to work remotely, make sure that you and your employer have agreed on deliverables and feasibility for your deliverables
- Connectivity and hardware are just the tools, and these will falter intermittently
- The processes, work responsibilities, reporting lines and timeframes need to be clear and well defined.
- While we work remotely, we must make sure that we check in with everyone in our teams to see how they feel. It's not only about work, projects or to-do lists. It helps us to stay connected, maintain trust and maintain strong relationships.

VIRTUAL REALITY

- Remember to speak to your team/co-workers/manager every day, to stay socially connected, even though you are socially distancing yourselves
- Follow your usual routine as much as possible
- Remember to stay hydrated and eat lunch at the same time you would usually eat
- If technology fails you or you have connectivity issues, don't underestimate the good old phone call

We will send you more information as the updates become available. Should you have any questions or concerns in the meantime, please do not hesitate to contact us.

Kind Regards,

SDK Management Team